LAFAYETTE COUNTY

Darlington, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

LAFAYETTE COUNTY

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SUPPLEMENTARY INFORMATION

BAKER TILLY

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin, as of and for the year ended December 31, 2012, 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 Memorial Healthcare Foundation, Inc. and the Housing Authority of the County of Lafayette, the discretely presented component units of Lafayette County. 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 Memorial Healthcare Foundation, Inc. and the Housing Authority of the County of Lafayette, is 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.

Auditors' Responsibility (cont.)

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 reports 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, Lafayette County adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* effective January 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

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.

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

Other Matters (cont.)

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 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
August 19, 2013

LAFAYETTE COUNTY

STATEMENT OF NET POSITION
As of December 31, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS				
Cash and investments	$ 4,936,677	$ 1,554,311	$ 6,490,988	$ 530,981
Receivables (net of allowance for uncollectibles)				
Taxes	4,606,581	2,116,000	6,722,581	-
Delinquent taxes	668,870	-	668,870	-
Accounts	127,228	2,005,606	2,132,834	-
Other	-	52,194	52,194	-
Loans	39,997	-	39,997	15,445
Internal balances	91,473	(91,473)	-	-
Due from other governmental units	384,203	371,946	756,149	-
Due from Medicare	-	189,929	189,929	-
Inventories	-	926,850	926,850	-
Prepaid items	162,173	301,965	464,138	-
Donated real estate held for sale	-	-	-	-
Other assets	-	-	-	32
Restricted Assets				
Cash and investments	355,512	4,056	359,568	191,767
Capital Assets				
Land	16,000	124,733	140,733	151,452
Construction in progress	-	90,260	90,260	-
Other capital assets, net of accumulated depreciation	11,965,600	7,563,940	19,529,540	1,127,733
Total Assets	23,354,314	15,210,317	38,564,631	2,017,410
LIABILITIES				
Accounts payable	245,160	519,628	764,788	27,209
Accrued liabilities	283,896	261,343	545,239	393
Due to other governmental units	248,452	-	248,452	-
Estimated third party payors settlements	-	465,425	465,425	-
Unearned revenue	4,606,581	2,233,742	6,840,323	37,615
Deposits	37,396	4,056	41,452	28,798
Noncurrent Liabilities				
Due within one year	397,836	737,576	1,135,412	25,282
Due in more than one year	1,285,721	1,540,928	2,826,649	636,903
Total Liabilities	7,105,042	5,762,698	12,867,740	756,200
NET POSITION				
Net investment in capital assets	11,198,797	7,106,958	18,305,755	617,000
Restricted				
Grant purposes	409,785	-	409,785	-
Jail improvement	51,979	-	51,979	-
Land information	80,533	-	80,533	-
Donor-restricted	1,697	-	1,697	-
Revolving loans	358,113	-	358,113	-
Debt service	12,438	-	12,438	-
Housing programs	-	-	-	152,741
Unrestricted	4,135,930	2,340,661	6,476,591	491,469
TOTAL NET POSITION	$ 16,249,272	$ 9,447,619	$ 25,696,891	$ 1,261,210

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
General government	$ 2,296,252	$ 407,370	$ 426,600	$ -
Public safety	2,927,573	195,753	97,211	-
Public works	487,138	-	-	-
Health and human services	5,173,801	938,749	1,852,826	-
Culture, recreation and education	517,807	142,469	32,374	-
Conservation and economic development	765,451	57,727	419,792	-
Interest and fiscal charges	36,531	-	-	-
Total Governmental Activities	12,204,553	1,742,068	2,828,803	-
Business-type Activities				
Lafayette Manor	5,350,975	4,241,343	651,242	-
Memorial Hospital	12,475,921	12,786,832	581,118	-
Highway	5,795,448	3,028,509	730,115	-
Total Business-type Activities	23,622,344	20,056,684	1,962,475	-
Total Primary Government	$ 35,826,897	$ 21,798,752	$ 4,791,278	$ -
Component Units				
Housing Authority of Lafayette County	637,426	347,056	199,614	1,780
Memorial Healthcare Foundation, Inc.	46,544	38,248	-	-
Total Component Units	$ 683,970	$ 385,304	$ 199,614	$ 1,780

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 Units
$ (1,462,282)	$ -	$ (1,462,282)	$ -
(2,634,609)	-	(2,634,609)	-
(487,138)	-	(487,138)	-
(2,382,226)	-	(2,382,226)	-
(342,964)	-	(342,964)	-
(287,932)	-	(287,932)	-
(36,531)	-	(36,531)	-
(7,633,682)	-	(7,633,682)	-
-	(458,390)	(458,390)	-
-	892,029	892,029	-
-	(2,036,824)	(2,036,824)	-
-	(1,603,185)	(1,603,185)	-
(7,633,682)	(1,603,185)	(9,236,867)	-
-	-	-	(88,976)
-	-	-	(8,296)
4,484,598	-	4,484,598	-
334,877	-	334,877	-
-	500,000	500,000	-
-	1,961,000	1,961,000	-
765,785	-	765,785	-
78,469	-	78,469	-
1,680,491	-	1,680,491	-
216,357	400	216,757	1,892
180,839	-	180,839	26,326
205,131	(205,131)	-	-
7,946,547	2,256,269	10,202,816	28,218
312,865	653,084	965,949	(69,054)
15,936,407	8,794,535	24,730,942	1,330,264
$ 16,249,272	$ 9,447,619	$ 25,696,891	$ 1,261,210

See accompanying notes to financial statements.

LAFAYETTE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2012

	General	Human Services	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 4,541,524	$ 228,213	$ 166,940	$ 4,936,677
Receivables				
Taxes	2,578,471	1,747,007	281,103	4,606,581
Delinquent taxes	668,870	-	-	668,870
Accounts	90,319	10,992	25,917	127,228
Loans	-	-	39,997	39,997
Due from other funds	91,473	-	-	91,473
Due from other governments	284,119	81,596	18,488	384,203
Prepaid items	130,909	27,824	3,440	162,173
Restricted assets				
Cash and investments	-	37,396	318,116	355,512
TOTAL ASSETS	$ 8,385,685	$ 2,133,028	$ 854,001	$ 11,372,714
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 140,997	$ 94,552	$ 9,611	$ 245,160
Accrued liabilities	249,231	31,420	3,245	283,896
Due to other governments	105,807	142,645	-	248,452
Deposits	-	37,396	-	37,396
Deferred revenues	2,739,671	1,827,015	295,319	4,862,005
Total Liabilities	3,235,706	2,133,028	308,175	5,676,909
Fund Balances				
Nonspendable	611,562	-	3,440	615,002
Restricted	343,274	-	542,386	885,660
Committed	750,000	-	-	750,000
Assigned	648,545	-	-	648,545
Unassigned (deficit)	2,796,598	-	-	2,796,598
Total Fund Balances	5,149,979	-	545,826	5,695,805
TOTAL LIABILITIES AND FUND BALANCES	$ 8,385,685	$ 2,133,028	$ 854,001	

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.).	11,981,600
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements (see Note IV. C.).	255,424
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.).	(1,683,557)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 16,249,272

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, 2012

	General	Human Services	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 3,620,308	$ 1,747,007	$ 465,521	$ 5,832,836
Intergovernmental	2,643,530	1,340,122	147,256	4,130,908
Licenses and permits	44,824	-	-	44,824
Fines, forfeitures and penalties	101,819	9,819	-	111,638
Public charges for services	1,108,311	653,701	31,802	1,793,814
Investment income	43,092	-	4,158	47,250
Miscellaneous	349,061	435	13,744	363,240
Total Revenues	7,910,945	3,751,084	662,481	12,324,510
EXPENDITURES				
Current				
General government	2,292,497	-	-	2,292,497
Public safety	3,017,912	-	-	3,017,912
Health and human services	1,109,691	3,709,859	289,315	5,108,865
Culture, recreation and education	516,648	-	-	516,648
Conservation and economic development	757,822	-	35,717	793,539
Debt Service				
Principal	-	-	712,803	712,803
Interest and fiscal charges	-	-	40,983	40,983
Total Expenditures	7,694,570	3,709,859	1,078,818	12,483,247
Excess (deficiency) of revenues over expenditures	216,375	41,225	(416,337)	(158,737)
OTHER FINANCING SOURCES (USES)				
Transfers in	263,660	-	413,877	677,537
Transfers out	(426,851)	(45,555)	-	(472,406)
Total Other Financing Sources (Uses)	(163,191)	(45,555)	413,877	205,131
Net Change in Fund Balance	53,184	(4,330)	(2,460)	46,394
FUND BALANCES - Beginning	5,096,795	4,330	548,286	5,649,411
FUND BALANCES - ENDING	$ 5,149,979	$ -	$ 545,826	$ 5,695,805

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, 2012

Net change in fund balances - total governmental funds	$	46,394
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		293,613
Depreciation is reported in the government-wide statements		(695,305)
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.		(12,711)
Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		(7,769)
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.		712,803
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		(24,160)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	312,865

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2012

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals Current Year
ASSETS				
Current Assets				
Cash and investments	$ 4,232	$ 1,076,718	$ 473,361	$ 1,554,311
Taxes receivable	-	-	2,116,000	2,116,000
Patient receivables, net of estimated uncollectibles	-	1,701,207	-	1,701,207
Resident receivables, net of estimated uncollectibles	304,399	-	-	304,399
Other receivables	-	52,194	-	52,194
Due from other governments	-	-	371,946	371,946
Due from Medicare	-	189,929	-	189,929
Inventories	41,954	397,936	486,960	926,850
Prepaid items	67,065	197,684	37,216	301,965
Total Current Assets	417,650	3,615,668	3,485,483	7,518,801
Noncurrent Assets				
Restricted assets				
Resident trust funds	4,056	-	-	4,056
Capital assets				
Land	18,020	19,799	86,914	124,733
Construction in progress	36,162	52,500	1,598	90,260
Depreciable capital assets, net of accumulated depreciation	819,812	4,199,938	2,544,190	7,563,940
Total Noncurrent Assets	878,050	4,272,237	2,632,702	7,782,989
Total Assets	1,295,700	7,887,905	6,118,185	15,301,790

See accompanying notes to financial statements.

	Lafayette Manor	Memorial Hospital	Highway	Totals Current Year
	Business-type Activities - Enterprise Funds			
LIABILITIES				
Current Liabilities				
Accounts payable	$ 104,976	$ 363,085	$ 51,567	$ 519,628
Due to other funds	91,473	-	-	91,473
Estimated third party payors settlements	-	465,425	-	465,425
Accrued payroll and fringe benefits	78,105	126,173	55,804	260,082
Accrued interest	-	1,261	-	1,261
Current portion of compensated absences	156,035	242,665	64,581	463,281
Current portion of capital leases payable	-	104,429	38,767	143,196
Current portion of land contract payable	-	-	11,641	11,641
Current portion of long-term debt	-	119,458	-	119,458
Unearned revenue	-	-	2,233,742	2,233,742
Total Current Liabilities	430,589	1,422,496	2,456,102	4,309,187
Noncurrent Liabilities				
Resident trust funds	4,056	-	-	4,056
Compensated absences	305,891	494,173	343,184	1,143,248
Capital leases payable	-	168,045	15,183	183,228
Land contract payable	-	-	29,616	29,616
Long-term debt	-	184,836	-	184,836
Total Noncurrent Liabilities	309,947	847,054	387,983	1,544,984
Total Liabilities	740,536	2,269,550	2,844,085	5,854,171
NET POSITION				
Net investment in capital assets	873,994	3,695,469	2,537,495	7,106,958
Unrestricted (deficit)	(318,830)	1,922,886	736,605	2,340,661
TOTAL NET POSITION	$ 555,164	$ 5,618,355	$ 3,274,100	$ 9,447,619

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, 2012

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals Current Year
OPERATING REVENUES				
Charges for services	$ 4,120,488	$ 12,731,104	$ 3,028,509	$ 19,880,101
Other operating revenue	120,855	55,728	-	176,583
Total Operating Revenues	4,241,343	12,786,832	3,028,509	20,056,684
OPERATING EXPENSES				
Lafayette Manor expenses	5,274,458	-	-	5,274,458
Memorial Hospital expenses	-	11,911,911	-	11,911,911
Highway expenses	-	-	5,518,094	5,518,094
Depreciation and amortization	76,517	536,319	277,354	890,190
Total Operating Expenses	5,350,975	12,448,230	5,795,448	23,594,653
Operating Income (Loss)	(1,109,632)	338,602	(2,766,939)	(3,537,969)
NONOPERATING REVENUES (EXPENSES)				
General property taxes	500,000	-	1,961,000	2,461,000
Nonoperating income	-	65,967	-	65,967
Investment income	63	337	-	400
Interest expense	-	(27,691)	-	(27,691)
Intergovernmental grants	649,955	496,321	730,115	1,876,391
Donations	1,287	18,830	-	20,117
Total Nonoperating Revenues	1,151,305	553,764	2,691,115	4,396,184
Income (Loss) Before Transfers	41,673	892,366	(75,824)	858,215
TRANSFERS				
Transfers in	12,974	-	-	12,974
Transfers out	-	(218,105)	-	(218,105)
Total Transfers	12,974	(218,105)	-	(205,131)
Change in Net Position	54,647	674,261	(75,824)	653,084
NET POSITION - Beginning	500,517	4,944,094	3,349,924	8,794,535
NET POSITION - ENDING	$ 555,164	$ 5,618,355	$ 3,274,100	$ 9,447,619

See accompanying notes to financial statements

LAFAYETTE COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Year Ended December 31, 2012

	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	$ 4,568,112	$ 13,734,070	$ 3,505,928	$ 21,808,110
Cash paid to suppliers and contractors for goods and services	(2,065,175)	(7,046,711)	(4,298,869)	(13,410,755)
Cash payments to employees for operating payroll	(3,895,575)	(5,452,727)	(1,350,785)	(10,699,087)
Net Cash Flows From (Used For) Operating Activities	(1,392,638)	1,234,632	(2,143,726)	(2,301,732)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	63	337	-	400
Net Cash Flows From Investing Activities	63	337	-	400
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
General property tax revenues	500,000	-	1,961,000	2,461,000
Transfers in	12,974	-	-	12,974
Transfers out	-	(218,105)	-	(218,105)
Intergovernmental grants	931,755	732,529	730,115	2,394,399
Nonoperating income	-	65,967	-	65,967
Net Cash Flows From Non-Capital Financing Activities	1,444,729	580,391	2,691,115	4,716,235
CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on capital leases	-	(95,694)	(37,254)	(132,948)
Donations	1,287	18,830	-	20,117
Payments on long-term debt	-	(369,266)	-	(369,266)
Interest paid	-	(27,720)	-	(27,720)
Acquisition of capital assets	(56,930)	(265,092)	(189,148)	(511,170)
Net Cash Flows Used for Capital and Related Financing Activities	(55,643)	(738,942)	(226,402)	(1,020,987)
Net Increase in Cash and Cash Equivalents	(3,489)	1,076,418	320,987	1,393,916
CASH AND CASH EQUIVALENTS - Beginning of Year	7,721	300	152,374	160,395
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,232	$ 1,076,718	$ 473,361	$ 1,554,311

See accompanying notes to financial statements.

	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)	$ (1,109,632)	$ 338,602	$(2,766,939)	$ (3,537,969)
Adjustments to Reconcile Operating Loss to Net Cash Flows From (Used For) Operating Activities				
Depreciation and amortization	76,517	536,319	277,354	890,190
Change in Assets and Liabilities				
Resident receivables, net	326,769	-	-	326,769
Patient receivables, net	-	196,898	-	196,898
Other receivable	-	(7,481)	210,821	203,340
Estimated third party payor settlements	-	757,821	-	757,821
Inventory	(2,154)	25,021	62,902	85,769
Prepaid items	1,612	(13,281)	(37,216)	(48,885)
Accounts payable	(30,171)	(40,646)	(135,939)	(206,756)
Due to other funds	(666,278)	(605,024)	-	(1,271,302)
Accrued payroll and fringe benefits	17,559	38,944	14,756	71,259
Compensated absences	(6,860)	7,459	(36,063)	(35,464)
Unearned revenue	-	-	266,598	266,598
NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES	$ (1,392,638)	$ 1,234,632	$(2,143,726)	$ (2,301,732)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments - statement of net position - proprietary funds	$ 4,232	$ 1,076,718	$ 473,361	$ 1,554,311
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,232	$ 1,076,718	$ 473,361	$ 1,554,311
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired through a land contract	$ -	$ -	$ 41,257	$ 41,257

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2012

		Agency Funds
ASSETS		
Cash and investments	$	265,411
Taxes receivable		174,462
TOTAL ASSETS	$	439,873
LIABILITIES		
Due to other taxing units	$	174,462
Funds held for others		265,411
TOTAL LIABILITIES	$	439,873

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF NET POSITION
COMPONENT UNITS
As of December 31, 2012

	Housing Authority of Lafayette County	Memorial Healthcare Foundation, Inc.	Totals
ASSETS			
Current Assets			
Cash and investments	$ 316,884	$ 214,097	$ 530,981
Restricted cash and investments	191,767	-	191,767
Loans receivable	3,432	-	3,432
Donated real estate held for sale	-	-	-
Fraud recovery	32	-	32
Total Current Assets	512,115	214,097	726,212
Noncurrent Assets			
Notes receivable	12,013	-	12,013
Capital Assets			
Land	151,452	-	151,452
Depreciable capital assets	3,718,266	-	3,718,266
Less: Accumulated depreciation	(2,590,533)	-	(2,590,533)
Total Noncurrent Assets	1,291,198	-	1,291,198
Total Assets	1,803,313	214,097	2,017,410
LIABILITIES			
Current Liabilities			
Accounts payable	27,209	-	27,209
Other accrued liabilities	393	-	393
Deposits	28,798	-	28,798
Unearned revenue	37,615	-	37,615
Current maturities of long-term debt	25,282	-	25,282
Noncurrent Liabilities			
Long-term debt	636,903	-	636,903
Total Liabilities	756,200	-	756,200
NET POSITION			
Net investment in capital assets	617,000	-	617,000
Restricted for housing programs	152,741	-	152,741
Unrestricted	277,372	214,097	491,469
TOTAL NET POSITION	$ 1,047,113	$ 214,097	$ 1,261,210

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
COMPONENT UNITS
For the Year Ended December 31, 2012

	Housing Authority of Lafayette County	Memorial Healthcare Foundation, Inc.	Totals
OPERATING REVENUES			
Dwelling rental	$ 313,631	$ -	$ 313,631
Tenant revenue	7,758	-	7,758
Rental assistance and subsidies	25,667	-	25,667
HUD operating grants	199,614	-	199,614
Contributions	-	24,750	24,750
Donated assets	-	-	-
Special event income	-	12,670	12,670
Interest income	-	828	828
Total Operating Revenues	546,670	38,248	584,918
OPERATING EXPENSES			
Current			
Administration	128,719	-	128,719
Utilities	65,415	-	65,415
Ordinary maintenance and operations	128,843	-	128,843
General expense	36,793	-	36,793
Depreciation expense	120,666	-	120,666
Housing assistance payments	116,988	-	116,988
Professional expenses	-	3,900	3,900
Special event expenses	-	11,740	11,740
Insurance	-	844	844
Office supplies	-	51	51
Scholarships	-	6,000	6,000
Licenses	-	10	10
Advertising	-	1,501	1,501
Donation to Memorial Hospital	-	18,300	18,300
Miscellaneous	-	1,415	1,415
House expenses	-	2,783	2,783
Total Operating Expenses	597,424	46,544	643,968
Operating Income (Loss)	(50,754)	(8,296)	(59,050)
NONOPERATING REVENUES (EXPENSES)			
Investment income	1,892	-	1,892
Fraud recovery	1,524	-	1,524
Other revenues	6,478	-	6,478
Interest subsidy	18,324	-	18,324
Interest expense	(40,002)	-	(40,002)
Total Nonoperating Revenues (Expenses)	(11,784)	-	(11,784)
Income (Loss) Before Contributions	(62,538)	(8,296)	(70,834)
CONTRIBUTIONS			
HUD capital grants	1,780	-	1,780
Change in Net Position	(60,758)	(8,296)	(69,054)
TOTAL NET POSITION - Beginning	1,107,871	222,393	1,330,264
TOTAL NET POSITION - ENDING	$ 1,047,113	$ 214,097	$ 1,261,210

See accompanying notes to financial statements.

LAFAYETTE COUNTY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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 (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity 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 is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Discretely Presented Component Units

Housing Authority of the County of Lafayette

The government-wide financial statements include the Housing Authority of the County of Lafayette (the "Housing Authority") as a component unit. The Housing Authority is a legally separate organization. Two members of the board of the Housing Authority are appointed by the Executive Committee of the County and the remaining board members are volunteers from the County at large. Wisconsin Statutes provide for circumstances whereby the County can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the County. See Note IV.L. As a component unit, the Housing Authority'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, 2012. Separately issued financial statements of the Housing Authority may be obtained from the Housing Authority's office.

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

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, 2012. Separately issued financial statements of the Foundation may be obtained from the Foundation's office.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In June 2011, the Government Accounting Standards Board issued Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. The County made the decision to implement this standard effective January 1, 2012.

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.

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

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

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, liabilities, net position/fund equity, revenues, and expenditure/expenses.

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, liabilities, 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 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.

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, 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.

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 deferred 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 deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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.

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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.

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

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

Fund Financial Statements (cont.)

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 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, 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.

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

D. *ASSETS, LIABILITIES, AND NET POSITION OR EQUITY* (cont.)

1. *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. 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.

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, 2012, 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 – 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale – 2012 delinquent real estate taxes	October 2015

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

D. ASSETS, LIABILITIES, 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 deferred revenue until it is received in cash.

The portion of County property taxes receivable at December 31, 2012, 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 $480,653.

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, 2012, the County has accrued two months of subsequent year's collections as receivable.

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

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 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 $2,300,000 from the Title XIX residents in 2012. 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 $945,000 from the Medicare Program in 2012. 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.

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

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.

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.

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

7. Capital Assets (cont.)

Government–Wide Statements (cont.)

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:

	Years
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.

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 liability was approximately $2,507,741, 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, 2012 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.

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

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 deferred and 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 both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net position.

The County does not engage in conduit debt transactions.

10. Claims and Judgments

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. There were no significant claims or judgments at year end.

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.

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies governmental fund balance 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) eternal 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 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.

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

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

Under resolution 31-11, the County board formally established a stabilization fund beginning with the fiscal year 2011 budget. 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.

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
Buildings and improvements	2,010,443
Machinery and equipment	1,593,175
Infrastructure	20,497,779
Less: Accumulated depreciation	(12,135,797)
Combined Adjustment for Capital Assets	$ 11,981,600

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

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

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	$ 782,345
Compensated absences	901,212
Combined Adjustment for Long-Term Liabilities	$ 1,683,557

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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.

A budget has been adopted for all governmental funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. 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 $648,545 in the general fund. Budgets are adopted at the detail level of expenditure.

B. LIMITATIONS ON THE COUNTY'S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT

As part of Wisconsin's State Budget Bill (1993 Act 16), new legislation was passed that limits the County's future tax levy rates. Generally, the County is limited to its 1992 tax levy rate for a five year period, based upon current legislation. However, this limitation does not affect debt authorized prior to August 12, 1993 or refunding bonds.

The County may also exceed the limitation by holding a referendum (according to state statutes) authorizing the County board to approve a higher rate. The County may also exceed the rate if it increases the services it provides due to a transfer of these services from another governmental unit.

The State Budget Bill also imposes restrictions on the County's ability to issue new debt. Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- 75% approval by the County board
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

As part of Wisconsin's Act 32 (2011), legislation was passed that temporarily suspends this limit for the County's levy imposed in December 2011 and December 2012.

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. LIMITATIONS ON THE COUNTY'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that 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 for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

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.

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

	Carrying Value	Statement Balance	Associated Risks
Deposits	$ 6,929,899	$ 7,664,524	Custodial credit
LGIP	42,189	42,189	Credit
Petty cash	1,850	-	N/A
Cash on hand	142,029	-	N/A
Total Cash and Investments	$ 7,115,967	$ 7,706,713	

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 6,490,988
Restricted cash and investments	359,568
Per statement of assets and liabilities – Agency Funds	265,411
Total Cash and Investments	$ 7,115,967

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), $250,000 for interest bearing accounts and unlimited for noninterest bearing accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit amounts (interest-bearing and noninterest bearing) are insured for a total of $250,000 beginning January 1, 2013. 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 deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of $400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental organizations. This coverage has not been considered in computing the custodial credit risk.

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

A. *DEPOSITS AND INVESTMENTS* (cont.)

The County maintains collateral agreements with its banks. At December 31, 2012, the banks had pledged various government securities in the amount of $5,000,000 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, 2012, $1,743,990 of the County's total bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The County does not have any investments exposed to custodial credit risk.

Credit Risk

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

At December 31, 2012, 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 Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amount of such charges foregone, based on established rates, was $166,878 for the year ended December 31, 2012.

C. *RECEIVABLES*

Receivables not expected to be collected within one year include $668,870 of delinquent taxes in the general fund and $28,117 of loans in the revolving loan fund.

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

C. RECEIVABLES (cont.)

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

Lafayette Manor Nursing Home – resident accounts receivable	$	34,921
Memorial Hospital of Lafayette County – patient receivables		273,000
Revolving loan fund – loans receivable		63,281
Total Uncollectibles – December 31, 2012	$	371,202

Governmental funds report *deferred revenue* 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 *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	$ -	$ 4,606,581	$ 4,606,581
Delinquent property taxes receivable	153,292	-	153,292
Other unavailable receivables	102,132	-	102,132
Total Deferred/Unearned Revenue for Governmental Funds	$ 255,424	$ 4,606,581	$ 4,862,005

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 deferred revenue and are excluded from the fund balance until collected. At December 31, 2012, delinquent property taxes by year levied consists of the following:

Tax Certificates	
2011	$ 357,754
2010	217,723
2009	65,648
2008	13,527
2007	7,103
2006	2,974
2005	3,457
2004	684
Total Delinquent Property Tax Receivable	668,870
Less: January and February 2013 collections	(34,925)
Subtotal	633,945
County levied portion	(153,292)
County Purchased Portion	$ 480,653

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

C. RECEIVABLES (cont.)

Enterprise funds defer revenue recognition in connection with resources that have been received, but not yet earned. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the enterprise funds were as follows:

	Unearned
Property taxes receivable for subsequent year	$ 2,116,000
Revenue collected in advance	117,742
Total Unearned Revenue For Enterprise Funds	$ 2,233,742

For economic development loans, the County is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the County may retain $750,000.

At December 31, 2012, the County has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

D. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Hospital subject to audits thereof by the Medicare intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the period ended December 31, 2010. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

Medicaid – Inpatient and outpatient services rendered to Medicaid recipients are reimbursed on a cost reimbursement methodology. The Hospital is reimbursed at tentative rates with final settlement determined after an audit of its annual cost reports by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through the period ended December 31, 2008. Due to the uncertainty of collectability from the State of Wisconsin, the Hospital has elected to follow *FASB 5, Accounting for Contingencies,* which allows revenue to be recognized when payment is received.

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

D. NET PATIENT SERVICE REVENUE (cont.)

Net revenue from Medicare and Medicaid programs accounted for approximately 53% of the Hospital's net patient revenue for the year ended December 31, 2012. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue for the year ended December 31, 2012 increased approximately $480,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews and investigations.

The Hospital also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts form established charges, and prospectively determined daily rates.

A summary of patient revenue and contractual adjustments is as follows:

	2012
Gross patient revenue	$ 19,647,945
Contractual adjustments and provision for bad debt	
Medicare	(4,391,605)
Medicaid	(865,218)
Provision for bad debt	(191,943)
Other insurance	(1,468,075)
Total Contractual Adjustments	(6,916,841)
Net Patient Revenue	$ 12,731,104

E. INCENTIVE PAYMENTS

Since 2011, the Hospital took part in an incentive program established by the American Recovery and Reinvestment Act of 2009 (ARRA). This program provides incentive payments from Medicare and Medicaid to certain professionals and hospitals that meet meaningful use criteria. This is to encourage the use of electronic health record (EHR) technology.

ARRA set aside funding so that they could make these incentive payments to hospitals and physicians that implement and meaningfully use EHR technology by 2014. The incentive payments are being paid over a four year schedule. In order for the hospital to qualify for these incentive payments, the hospital must demonstrate that they have met the meaningful use criteria over certain time periods.

The first threshold of this incentive program is for the Hospital to demonstrate that they have met meaningful use for 90 consecutive days. This 90 day period was satisfied in 2011. On November 22, 2011, the Hospital attested to the meaningful use criteria, and recognized intergovernmental grant revenues in the amount of $426,137, which was paid to the Hospital by Medicare in February 2012.

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

E. INCENTIVE PAYMENTS (cont.)

The second threshold of this incentive program is for the Hospital to demonstrate that they have met meaningful use for a 12 month period. This twelve month period was satisfied in 2012. On November 13, 2012, the Hospital attested to the meaningful use criteria, and recognized intergovernmental grant revenues and due from Medicare in the amount of $189,929, which was paid to the Hospital by Medicare in June 2013.

There are two separate components to the incentive payment. The first component is equivalent to accelerated depreciation on meaningful use assets. Medicare is allowing critical access hospitals to recognize the full value of all un-depreciated amounts of any capital purchases in the year meaningful use is met. This provision applies to all Medicare qualified capital purchases which occurred prior to the 12 month reporting period which began on October 1, 2012.

Because the Hospital has earned and is recognizing the full amount of these un-depreciated amounts in the first (2011) and second (2012) years of attesting to meaningful use, the Hospital will be prohibited from claiming that remaining depreciation in future years on its Medicare cost report.

Of the total incentive payment recognized during 2012, approximately $89,000 relates to the depreciation reimbursement.

The remaining portion of the incentive payment of $101,000 represents an incentive to promote the meaningful use of EHR technology for the fiscal year 2012.

During September 2012, the Hospital received an incentive payment of $195,469 from Medicaid, which is recognized as intergovernmental grant revenues in the financial statements. The incentive payments are being paid over a three year schedule. The Hospital’s expected incentive payment for the next year is approximately $49,000.

F. RESTRICTED ASSETS

Human Services has restricted assets in the amount of $37,396. 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 $4,056. 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 $318,116. These restricted assets represent funds held for future loans.

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

G. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	$ 16,000	$ -	$ -	$ 16,000
Total Capital Assets Not Being Depreciated	16,000	-	-	16,000
Capital assets being depreciated				
Buildings and improvements	2,000,443	10,000	-	2,010,443
Machinery and equipment	1,407,377	283,613	97,815	1,593,175
Infrastructure	20,497,779	-	-	20,497,779
Total Capital Assets Being Depreciated	23,905,599	293,613	97,815	24,101,397
Less: Accumulated depreciation for				
Buildings and improvements	(1,163,954)	(76,907)	-	(1,240,861)
Machinery and equipment	(1,131,019)	(131,260)	85,104	(1,177,175)
Infrastructure	(9,230,623)	(487,138)	-	(9,717,761)
Total Accumulated Depreciation	(11,525,596)	(695,305)	85,104	(12,135,797)
Net Capital Assets Being Depreciated	12,380,003	(401,692)	12,711	11,965,600
Total Governmental Activities Capital Assets, Net of Depreciation	$ 12,396,003	$ (401,692)	$ 12,711	$ 11,981,600

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

G. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	$ 35,396
Public safety	130,254
Public works	487,138
Health and human services	31,358
Culture, recreation and education	11,159
Total Governmental Activities Depreciation Expense	$ 695,305

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	$ 74,241	$ 50,492	$ -	$ 124,733
Construction in progress	107,720	133,691	151,151	90,260
Total Capital Assets Not Being Depreciated	181,961	184,183	151,151	214,993
Capital assets being depreciated				
Land improvements	207,021	129,000	-	336,021
Buildings and improvements	9,506,150	176,490	-	9,682,640
Machinery and equipment	10,701,799	268,383	243,257	10,726,925
Total Capital Assets Being Depreciated	20,414,970	573,870	243,257	20,745,586
Less: Accumulated depreciation for				
Land improvements	(113,863)	(16,042)	-	(129,905)
Buildings and improvements	(5,171,792)	(388,375)	-	(5,560,167)
Machinery and equipment	(7,230,742)	(475,932)	215,100	(7,491,574)
Total Accumulated Depreciation	(12,516,397)	(880,349)	215,100	(13,181,646)
Business-type Capital Assets, Net of Depreciation	$ 8,080,534	$ (122,296)	$ 179,308	$ 7,778,933

Depreciation expense was charged to functions as follows:

Business-type Activities	
Memorial Hospital	$ 536,319
Lafayette Manor	76,517
Highway	277,354
Total Business-type Activities Depreciation Expense	$ 890,190

Depreciation expense is different from additions due to depreciation expense for state-contributed assets.

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

H. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Nursing Home	$ 91,473	$ -
Total Internal Balances – Government-Wide Statement of Net Position		$ 91,473	$ -

Receivable Fund	Payable Fund	Amount
Governmental activities	Business-type activities	$ 91,473
Total Government-wide Financial Statements		$ 91,473

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

H. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Human Services	$ 45,555	Return of surplus
General Fund	Memorial Hospital	218,105	Support of County Health Department
Debt Service	General Fund	413,877	Payment on debt
Nursing Home	General Fund	12,974	Cover prior year operating deficit
Sub-Total – Fund Financial Statements		690,511	
Less: Fund eliminations		(459,432)	
Less: Government-wide eliminations		(25,948)	
Total Transfers – Government-Wide Statement of Activities		$ 205,131	

Fund Transferred To	Fund Transferred From	Amount
Governmental Activities	Business-type Activities	$ 218,105
Business-type Activities	Governmental Activities	(12,974)
Total		$ 205,131

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.

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

I. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	$ 1,495,148	$ -	$ 712,803	$ 782,345	$ 109,118
Other Liabilities					
Vested compensated absences	877,052	350,766	326,606	901,212	288,718
Total Other Liabilities	877,052	350,766	326,606	901,212	288,718
Total Governmental Activities Long-Term Liabilities	$ 2,372,200	$ 350,766	$ 1,039,409	$ 1,683,557	$ 397,836
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	$ 668,044	$ -	$ 363,750	$ 304,294	$ 119,458
Alliant Energy note	5,516	-	5,516	-	-
Total Bonds and Notes Payable	673,560	-	369,266	304,294	119,458
Other Liabilities					
Vested compensated absences	1,643,359	477,392	514,222	1,606,529	463,281
Land contract	-	41,257	-	41,257	11,641
Capital leases	459,372	-	132,948	326,424	143,196
Total Other Liabilities	2,102,731	518,649	647,170	1,974,210	618,118
Total Business-type Activities Long-Term Liabilities	$ 2,776,291	$ 518,649	$ 1,016,436	$ 2,278,504	$ 737,576

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, 2012, was $51,303,450. Total general obligation debt outstanding at year end was $1,086,639.

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

I. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebted-ness	Balance 12/31/12
Governmental Activities					
General Obligation Debt					
Promissory notes	5/28/2010	5/28/2020	2.99%	$ 500,000	$ 417,469
Promissory notes	4/8/2009	3/10/2019	2.80%	500,000	364,876
Total Governmental Activities – General Obligation Debt					$ 782,345
Business-type Activities					
General Obligation Debt					
Promissory notes*	4/1/2003	3/1/2015	3.05%	$ 2,000,000	$ 304,294
Total Business-type Activities – General Obligation Debt					$ 304,294

* Original indebtedness includes the Hospital and Governmental Activities portion of debt. The balance is only the Hospital's portion remaining at December 31, 2012.

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
Years	Principal	Interest	Principal	Interest
2013	$ 109,118	$ 21,937	$ 119,458	$ 6,217
2014	107,678	18,124	122,468	3,208
2015	110,835	14,968	62,368	452
2016	114,048	11,755	-	-
2017	117,427	8,375	-	-
2018 – 2020	223,239	6,986	-	-
Totals	$ 782,345	$ 82,145	$ 304,294	$ 9,877

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

I. LONG-TERM OBLIGATIONS (cont.)

Land Contract

The land contract is payable from Highway revenues.

The land contract at December 31, 2012 consisted of the following:

Business-type Activities

Land Contract	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 12/31/12
Land contract	12/5/12	6/5/16	1.00%	$ 41,257	$ 41,257
Total Business-type Activities Land Contract					$ 41,257

Debt service requirements to maturity are as follows:

	Business-type Activities Land Contract	
Years	Principal	Interest
2013	$ 11,641	$ 359
2014	11,758	242
2015	11,876	124
2016	5,982	18
Totals	$ 41,257	$ 743

Capital Leases

Refer to Note IV.J.

Other Debt Information

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

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The County believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

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

J. LEASE DISCLOSURES

Lessee – Capital Leases

In 2007 through 2012, Memorial Hospital and the Highway acquired capital assets through lease/purchase agreements. The gross amount of these assets under capital lease is $796,438 and accumulated depreciation is $283,535, which are included in property and equipment in the Memorial Hospital and Highway funds. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2012, are as follows:

	Business-type Activities	
Years	Principal	Interest
2013	$ 143,196	$ 14,291
2014	112,746	6,757
2015	34,776	3,045
2016	31,967	1,002
2017	3,739	9
Totals	$ 326,424	$ 25,104

Lessee – Operating Leases

The Hospital leases equipment under non-cancelable operating leases. Amounts paid for the leases for the year ended December 31, 2012 was $399,570. Future minimum payments are as follows:

Years	
2013	$ 167,813
2014	167,813
2015	166,363
2016	150,413
2017	113,872
Totals	$ 766,274

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.

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

K. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

Governmental activities net position reported on the government wide statement of net position at December 31, 2012 includes the following:

Governmental Activities

Net investment in capital assets	
Land	$ 16,000
Other capital assets, net of accumulated depreciation	11,965,600
Less: Related long-term debt outstanding	(782,803)
Total Net Investment in Capital Assets	$ 11,198,797

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

Fund Balances	General Fund	Nonmajor Fund
Nonspendable:		
Delinquent taxes receivable	$ 480,653	$ -
Prepaid items	130,909	3,440
Restricted:		
Grant purposes	209,065	171,835
Jail improvement	51,979	-
Land information	80,533	-
Donor-restricted	1,697	-
Revolving loans	-	358,113
Debt service	-	12,438
Committed:		
Stabilization fund	750,000	-
Assigned to:		
Carryforward appropriations	62,115	-
Applied to subsequent budget	586,430	-
Unassigned	2,796,598	-
Total Fund Balances	$ 5,149,979	$ 545,826

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

K. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net investment in capital assets	
Land	$ 124,733
Construction in progress	90,260
Other capital assets, net of accumulated depreciation	7,563,940
Less: Related long-term debt outstanding	(671,975)
Total Net Investment in Capital Assets	7,106,958
Unrestricted	2,340,661
Total Business-type Activities Net Position	$ 9,447,619

L. COMPONENT UNITS

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE

This report contains the Housing Authority of the County of Lafayette (the “Housing Authority”), which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Significant Accounting Policies

Introduction
The Housing Authority of the County of Lafayette, referred to as the Authority, was established for the purpose of engaging in the development, acquisition, and administrative activities of low-income housing programs and other programs with similar objectives.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing programs.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

a. Significant Accounting Policies (cont.)

Reporting Entity
This report contains the financial information of the Housing Authority of the County of Lafayette (the “Authority”), which is a component unit of the County of Lafayette. The Authority is a legally separate organization. Wisconsin Statutes provide for circumstances whereby the County of Lafayette can impose their will on the Authority, and also create a potential financial benefit to or burden on the County of Lafayette. The reporting entity for the Authority consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefit to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

Financial Statements
Statements No. 34 and 37, among many other changes, add two new “government-wide” financial statements as basic financial statements required for all governmental units. The statement of net position and the statement of activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the Authority used the full accrual basis of accounting. Statement No. 38 requires additional note disclosures.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

a. Significant Accounting Policies (cont.)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. The Authority reports on the accrual basis of accounting. Net position (i.e., total assets net of total liabilities) are segregated into “net investment in capital assets”; “restricted”; and “unrestricted” components.

The Authority distinguishes *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 Authority are charges to customers for dwelling rental and administrative fees. Operating expenses for the Authority include administrative expenses, tenant expenses, maintenance and operation, housing assistance payments and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Budgets and Budgetary Accounting
The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with GAAP. All annual appropriations lapse at fiscal year-end.

The Public Housing Programs prepares its budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution and submits it to HUD at least ninety days prior to the beginning of the fiscal year.

Deposits and Investments
The Authority considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.

2. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

a. Significant Accounting Policies (cont.)

Deposits and Investments (cont.)
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 municipal 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.

Restricted Assets
Mandatory segregations of assets are presented as restricted assets. Such segregations are required by loan agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Due From Other Funds/Due to Other Funds
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 business-type activities are eliminated in the Statement of Net Position.

Capital Assets
Capital assets are defined by the Authority as assets with an initial cost of more than $1,000 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 fixed assets are recorded at their estimated fair value at the date of donation. Additions to and replacements of capital assets 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. $-0- of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight -line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10-40 years
Equipment and furniture	5 years

Current depreciation is $120,666.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

a. Significant Accounting Policies (cont.)

Claims and Judgments
Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Equity Classifications
Equity is classified as net position 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 of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted – Consists of net position with constraints placed on the 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 – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

b. Cash and Investments

The Authority's deposits and investments as of December 31, 2012:

	Bank Balance	Carrying Value
Deposits covered by federal insurance	$ 513,063	$ 508,651

The Authority had no significant type of investment during the year not included in the above schedule.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

b. Cash and Investments (cont.)

The FDIC's coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits (which includes NOW accounts, money markets deposit accounts, and other interest-bearing checking accounts) owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. Additionally, all demand deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000. The FDIC coverage of accounts owned by a public unit and held by the same official custodian in a depository institution is located outside the State in which the public unit is located is different; all deposits are added together and insured up to $250,000.

Bank accounts are also provided limited protection by the Wisconsin State Public Deposit Guarantee Fund up to $400,000 in excess of FDIC coverage until the fund is depleted. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual entities.

Fluctuating cash flows during the year due to receipt of federal grants and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of the year end there were no long-term investments.

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk
The Authority has an investment policy regarding concentration of credit risk.

Custodial Credit Risk
Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have an investment policy that would limit the exposure to custodial credit risk for deposits.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

b. Cash and Investments (cont.)

Custodial Credit Risk (cont.)

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority does not have an investment policy that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

c. Restricted Investments

Reserve for Replacement
In accordance with the provisions of the Regulatory Agreement, restricted cash is held to be used for replacement of property and various other uses with the approval of RD as follows:

Balance, January 1, 2012	$ 18,757
Monthly deposits	6,000
Interest	31
Withdrawals	(1,675)
Balance, December 31, 2012, confirmed by depository	$ 23,113

Tenant Security Deposits
Tenant security deposits which may be used for repairs and/or repayment upon termination of lease.

Housing Assistance Payments
Monies held by the Authority for the Housing Choice Voucher Program. These monies are restricted for payments of rents through the Housing Choice Voucher Program.

The reserve for replacement account for rural housing is held in cash at Citizens Bank.

Total restricted investments	$ 191,767

d. Tenant Receivables

Receivables for rentals and service charges are reported net of an allowance for doubtful accounts. The Housing Authority Board takes monthly action as required to write off specific uncollectible accounts receivable balances.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

e. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 151,452	$ -	$ -	$ 151,452
Other Capital Assets				
Buildings	3,504,658	194,733	-	3,699,391
Furniture, equipment and machinery	15,500	3,375	-	18,875
Leasehold improvements	194,733	-	(194,733)	-
Total Capital Assets at Historical Cost	3,866,343	198,108	(194,733)	3,869,718
Less: Accumulated depreciation	(2,469,867)	(120,666)	-	(2,590,533)
Net Capital Assets	$ 1,396,476	$ 77,442	$ (194,733)	$ 1,279,185

Depreciation expense was charged to functions as follows:

Low Income Public Housing	$ 30,683
Rural Rental Housing	22,663
N/C S/R Section 8	57,356
Capital Fund Program	9,964
Total Depreciation Expense	$ 120,666

f. Risk Management

The Housing Authority is exposed to various risks of loss to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year. In addition, there have been no settlements in excess of coverage in any of the prior three fiscal years.

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

g. Long-Term Debt

Mortgages payable at December 31, 2012, consists of mortgages payable to Rural Development and Citizens Bank secured by all real property and equipment of the Housing Authority and is detailed as follows:

Rural Rental Housing	
9.00% first mortgage note payable in monthly installments of $1,196, including interest. Final payment due October 2045.	$ 224,480
Less: Current maturities	(5,500)
Mortgage payable, less current maturities	218,980
N/C S/R Section 8 Program Loan to Rural Rental Housing Program 0% first mortgage note payable in monthly installments of $286. Final payment due May 26, 2017.	15,445
Less: Current maturities	(3,432)
Mortgage payable, less current maturities	12,013
4.50% mortgage payable to Citizens Bank, secured by Real Estate Mortgage payable in monthly installments of $2,918, including interest. Balloon payment due October 25, 2014.	422,260
Less: Current maturities	(16,350)
Mortgage payable, less current maturities	405,910
Total Long-Term Debt	$ 636,903

	12/31/2011	Additions	Deletions	12/31/2012	Due Within One Year
Rural Rental Housing	$ 236,318	$ -	$ 11,838	$ 224,480	$ 5,500
N/C S/R Section 8	18,877	-	3,432	15,445	3,432
Citizens Bank	437,893	-	15,633	422,260	16,350
Net Book Value	$ 693,088	$ -	$ 30,903	$ 662,185	$ 25,282

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

L. COMPONENT UNITS (cont.)

HOUSING AUTHORITY OF THE COUNTY OF LAFAYETTE (cont.)

g. Long-Term Debt (cont.)

The aggregate amount of maturities for the three notes listed above for the following five years:

	Rural Rental Housing 9.00% Note	N/C S/R Section 8 Program 0% Note	Citizens Bank Housing 4.50% Note	Total
2013	$ 5,500	$ 3,432	$ 16,350	$ 25,282
2014	5,500	3,432	405,910	414,842
2015	5,500	3,432	-	8,932
2016	5,500	3,432	-	8,932
2017	5,500	1,717	-	7,217
Thereafter	196,980	-	-	196,980
Total	$ 224,480	$ 15,445	$ 422,260	$ 662,185

h. Commitments and Contingencies

From time to time, the Authority 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 that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Authority's financial position or results of operations.

The Authority 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.

i. Economic Dependency

The PHA Owned Housing Programs are economically dependent on annual contributions and grants from HUD and Rural Development. The programs operate at a loss prior to receiving the contributions and grants.

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

L. COMPONENT UNITS (cont.)

MEMORIAL HEALTHCARE FOUNDATION, INC.

Memorial Healthcare Foundation, Inc. (the "Foundation") is a not-for-profit organization that promotes and supports the Memorial Hospital of Lafayette County, located in Darlington, Wisconsin. The Society is primarily supported by contributions and donated assets from the general public. 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 stiputed 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.

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.

Income Tax Status

The Foundation is a nonprofit corporation that is exempt from income taxes under 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 risk 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 2009.

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

L. COMPONENT UNITS (cont.)

MEMORIAL HEALTHCARE FOUNDATION, INC. (cont.)

a. Summary of Significant Accounting Policies (cont.)

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.

Cash and Cash Equivalents
For the purposes of the statement of cash flows, the Foundation consider all highly liquid investment 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.

Donated Assets/Donated Real Estate Held for Sale
During the year ended December 31, 2011, the Foundation was donated real estate. The real estate was immediately held for sale by the Foundation. Management valued the real estate at $78,500 based on the projected sales net receivable value. In April 2012, the donated real estate was sold. After closing costs, the net proceeds from the sale were $77,085. A $1,145 loss on sale of donated real estate is recorded in the component unit statement of revenues, expenses, and changes in net position.

Contributed Services
During the year ended December 31, 2012, 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.

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

L. COMPONENT UNITS (cont.)

MEMORIAL HEALTHCARE FOUNDATION, INC. (cont.)

b. Concentration of Credit Risk

The Foundation maintains its cash accounts with various local banks. The total cash balances are insured by the FDIC up to $250,000 for interest bearing accounts and unlimited insurance for noninterest bearing accounts. As of December 31, 2012, the Foundation's cash balances were fully insured.

During the year ended December 31, 2012, the Foundation received approximately 52% of total revenue from one donor.

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 2012, $18,300 was contributed to the Hospital.

d. Functional Allocation of Expenses

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

Program services	$	24,300
Management and general		9,003
Fundraising		13,241
Total	$	46,544

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year, and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 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.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates for 2012 are:

	Employee	Employer
General	5.9%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for County employees covered by WRS for the year ended December 31, 2012 was $11,382,151; the employer's total payroll was $11,682,703. The total required contribution for the year ended December 31, 2012 was $1,467,009 or 12.9% percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were $1,376,799 and $1,292,052, respectively, equal to the required contributions for each year.

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. 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 employee's three highest years' earnings. Employees terminating covered employment and submitting an application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2012, there was no pension-related debt for the County.

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 a claims-made basis subject to a limit of $1,000,000 per claim and an annual aggregate limit of $3,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

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, 2012 can be obtained directly from WCMIC's offices.

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

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.

During 2005, the County guaranteed debt issued by the Housing Authority. The outstanding balance on the debt at December 31, 2012 was $422,261.

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.

Funding for the operating budget of the County comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the County. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the County.

Nursing Home

The State of Wisconsin Department of Health Services conducts annual surveys to monitor compliance with state and federal regulations in regards to patient care and physical environment, compliance with billing regulations, and other matters. From time to time, the State of Wisconsin may issue citations or points of review. Due to the severity of citations issued during 2012, the Nursing Home will be on the State's watch list for two (2) years. Although the Nursing Home remains on the State's watch list, management has indicated the matters resulting from the citations have been resolved and that there are no other matters being investigated by federal or state regulators as of December 31, 2012.

The State of Wisconsin Department of Commerce has followed up with the Nursing Home regarding an environmental issue, which was identified in 1982. The Nursing Home is working with the State of Wisconsin to resolve this outstanding item as of December 31, 2012. This is a potential liability to the County; however, it is not possible to estimate the financial impact at this time.

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 $650,000 in 2012 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.

NOTE V – 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. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patients. Management believes that the Hospital is in substantial compliance with current laws and regulations.

The State of Wisconsin Department of Health Services conducts annual surveys to monitor compliance with state and federal regulations in regards to patient care and physical environment, compliance with billing regulations, and other matters. From time to time, the State of Wisconsin may issue citations or points of review. Management has indicated there are no matters being investigated by federal or state regulators as of December 31, 2012.

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, 2012 is available directly from the commission’s office.

E. ECONOMIC DEPENDENCY

In 2012, approximately 79% 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 passed a resolution authorizing a County referendum to exceed the State of Wisconsin imposed tax levy limits in years 2009, 2010 and 2011. The referendum passed which authorized the County to exceed its levy limit by $500,000 for each of these three years ($1.5M total) to provide financial support to the Nursing Home. The final general property tax levy of $500,000 was levied by the County in 2011 and collected by the Manor in 2012. This general property tax revenue of $500,000 will not be available to the Manor in 2013 as the referendum has now expired. In addition, the County has not budgeted to provide any additional financial assistance to the Nursing Home in its 2013 budget. As of December 31, 2012, the nursing home had a deficit cash position of $91,473 which is reflected on the balance sheet as due to other funds.

NOTE V – OTHER INFORMATION (cont.)

F. CONCENTRATION OF CREDIT RISKS

The Hospital is located in Darlington, Wisconsin and surrounding communities. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The significant concentrations of gross accounts receivable for services to patients include the following at December 31:

	2012
Medicare	38%
Medicaid	11%
Other third party payors	34%
Self-pay	17%
Total	100%

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

H. SUBSEQUENT EVENT

Subsequent to year-end, the Nursing Home delicensed 11 beds, from 80 to 69 beds.

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
REVENUES				
TAXES				
General property taxes	$ 2,549,053	$ 2,549,053	$ 2,606,947	$ 57,894
Interest on taxes	125,000	125,000	169,106	44,106
Real estate transfer	-	-	64,997	64,997
Forest cropland	1,000	1,000	524	(476)
Payment in lieu of taxes	11,481	11,481	10,155	(1,326)
County sales tax	690,120	690,120	765,895	75,775
Land use penalty	2,000	2,000	2,684	684
Total Taxes	3,378,654	3,378,654	3,620,308	241,654
INTERGOVERNMENTAL				
Shared taxes from state	1,671,138	1,671,138	1,676,091	4,953
Exempt computer aid	4,401	4,401	4,401	-
Circuit court	66,275	66,275	66,500	225
DWD state grant	54,000	54,000	90,916	36,916
Land info board grant	187,544	187,544	198,218	10,674
State fair grants	5,200	5,200	5,312	112
Private sewer grant	20,000	20,000	36,475	16,475
DNR trails	75,500	75,500	33,050	(42,450)
Other DNR	-	-	2,320	2,320
Veterans service	10,750	10,750	8,500	(2,250)
DATCP - LWRM	125,695	125,695	177,317	51,622
DOJ training reimbursement	-	-	5,940	5,940
DOJ crime victim witness	9,000	9,000	7,659	(1,341)
DOT - BOT Grant	15,000	15,000	19,333	4,333
Other DOJ grants	2,000	2,000	19,926	17,926
Department of military affairs	-	-	15,929	15,929
Interpreter reimbursement	1,832	1,832	1,980	148
DOT grant	-	-	2,265	2,265
Sheriff	20,000	20,000	-	(20,000)
Health grants	60,600	60,600	63,387	2,787
Economic development	-	-	206,000	206,000
Other miscellaneous grants	34,105	34,105	2,011	(32,094)
Total Intergovernmental	2,363,040	2,363,040	2,643,530	280,490

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
LICENSES AND PERMITS				
Marriage licenses and divorce mediation	$ 1,000	$ 1,000	$ 4,550	$ 3,550
License plates	-	-	7,744	7,744
Sanitary permits	-	-	17,141	17,141
Conditional use/rezoning permits	12,800	12,800	6,679	(6,121)
Mine reclamation	5,120	5,120	5,270	150
Other licenses and permits	15,630	15,630	3,440	(12,190)
Total Licenses and Permits	34,550	34,550	44,824	10,274
FINES, FORFEITURES AND PENALTIES				
County ordinances, forfeitures and defaults	72,278	72,278	70,496	(1,782)
County share of state fines	-	-	31,323	31,323
Total Fines, Forfeitures and Penalties	72,278	72,278	101,819	29,541
PUBLIC CHARGES FOR SERVICES				
General government	4,050	4,050	5,576	1,526
Child support	750	750	1,034	284
Circuit court	21,500	21,500	31,143	9,643
Clerk of courts	40,128	40,128	44,933	4,805
Coroner	-	-	6	6
County clerk	13,670	13,670	13,091	(579)
Sheriff and jail fees	201,200	201,200	189,028	(12,172)
District attorney	-	-	1,000	1,000
Fair	123,000	123,000	133,012	10,012
Land conservation	5,500	5,500	15,505	10,005
Land information fees	31,000	31,000	38,165	7,165
Parks and trails	2,200	2,200	2,200	-
Planning and zoning	11,380	11,380	1,585	(9,795)
Public health	477,750	477,750	503,743	25,993
Register of deeds	130,000	130,000	122,010	(7,990)
Treasurer	1,375	1,375	1,605	230
UW extension	5,885	5,885	4,182	(1,703)
Veterans	400	400	493	93
Total Public Charges for Services	1,069,788	1,069,788	1,108,311	38,523

LAFAYETTE COUNTY

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont.)
BUDGET AND ACTUAL
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
INVESTMENT INCOME				
Investment income	$ 45,968	$ 45,968	$ 43,092	$ (2,876)
MISCELLANEOUS				
Rent on buildings	59,639	59,639	63,459	3,820
Rent on other property	8,500	8,500	7,478	(1,022)
Insurance recoveries	4,000	4,000		(4,000)
Other donations	26,311	26,311	11,784	(14,527)
WCMIC dividend	-	-	52,687	52,687
Sale of property/assets	16,000	16,000	32,250	16,250
Workmans compensation refund	-	-	224	224
Interdepartmental charge	178,464	178,464	180,615	2,151
Miscellaneous	-	-	564	564
Total Miscellaneous	292,914	292,914	349,061	56,147
TOTAL REVENUES	7,257,192	7,257,192	7,910,945	653,753

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
EXPENDITURES				
GENERAL GOVERNMENT				
County board	$ 83,100	$ 83,100	$ 71,860	$ 11,240
District attorney	51,610	51,610	49,965	1,645
Family court commissioner	13,141	13,141	12,718	423
Circuit court	202,994	202,994	184,345	18,649
Clerk of court	197,482	197,482	194,854	2,628
Other court	88,400	88,400	54,208	34,192
Data processing	32,000	32,000	42,963	(10,963)
Corporate counsel	15,950	15,950	17,216	(1,266)
Copy machines	50	50	(300)	350
County buildings-operations and maintenance	287,215	287,215	270,850	16,365
Child support	93,600	93,600	96,100	(2,500)
County clerk	152,071	152,071	150,142	1,929
County treasurer	185,497	185,497	167,882	17,615
Coroner	38,910	38,910	32,676	6,234
County website	780	780	780	-
Elections	49,563	49,563	50,396	(833)
Finance	210,100	210,100	202,605	7,495
Indirect cost plan	3,990	3,990	3,990	-
Labor relations	37,600	37,600	29,809	7,791
Land information	246,106	246,106	230,926	15,180
Land use value penalty	1,200	1,200	1,342	(142)
County fleet	17,550	17,550	(4,476)	22,026
Network administration	44,707	44,707	52,125	(7,418)
Personnel	47,650	47,650	47,911	(261)
Postage	1,000	1,000	2,400	(1,400)
Property and liability insurance	21,200	21,200	42,357	(21,157)
Property tax charges	3,076	3,076	3,299	(223)
Register of deeds	169,707	169,707	171,850	(2,143)
Rent county facility	59,639	59,639	58,704	935
Special accounting and auditing	51,800	51,800	39,929	11,871
Telephone	1,000	1,000	(158)	1,158
Health insurance	1,000	1,000	10,503	(9,503)
Retiree insurance incentive	75,000	75,000	-	75,000
Other benefits	9,000	9,000	2,726	6,274
Total General Government	2,493,688	2,493,688	2,292,497	201,191

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
PUBLIC SAFETY				
Crime victim/witness	$ 20,580	$ 20,580	$ 22,476	$ (1,896)
Sheriff administration	1,653,596	1,653,596	1,782,781	(129,185)
Jail	1,006,704	1,006,704	1,038,760	(32,056)
EMS	16,094	16,094	16,094	-
Emergency government	70,039	70,039	66,918	3,121
SARA	23,860	23,860	47,195	(23,335)
Jail improvement	20,000	20,000	31,967	(11,967)
DOT-BOT grant	15,000	15,000	11,721	3,279
Total Public Safety	2,825,873	2,825,873	3,017,912	(192,039)
HEALTH AND HUMAN SERVICES				
County nurse	464,149	464,149	462,269	1,880
Home nursing	539,520	539,520	557,080	(17,560)
Hepatitis	200	200	1,894	(1,694)
Veterans' service	80,311	80,311	75,417	4,894
Veterans' relief and care of veterans' graves	3,500	3,500	3,146	354
Veterans' service grant	10,750	10,750	9,885	865
Total Health and Social Services	1,098,430	1,098,430	1,109,691	(11,261)
CULTURE, RECREATION AND EDUCATION				
County extension programs	64,756	64,756	63,374	1,382
Workshops	1,710	1,710	2,531	(821)
Agriculture agent	17,299	17,299	17,218	81
Library	137,455	137,455	137,455	-
Family living agent	18,368	18,368	18,672	(304)
Resource agent	28,244	28,244	28,002	242
Fairs and exhibits	187,360	187,360	195,255	(7,895)
State Fair dairy	-	-	464	(464)
4-H agent	29,001	29,001	29,218	(217)
Snowmobile trails	20,000	20,000	13,737	6,263
ATV	10,700	10,700	10,650	50
Sunshine fund	300	300	72	228
Total Culture, Recreation and Education	515,193	515,193	516,648	(1,455)

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, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget -
CONSERVATION AND ECONOMIC DEVELOPMENT				
Land conservation	$ 210,374	$ 210,374	$ 209,657	$ 717
Land conservation-cost share	15,000	15,000	17,195	(2,195)
Land conservation-LWRM cost share	60,000	60,000	89,210	(29,210)
Fish and game habitat	4,122	4,122	4,122	-
Wildlife damage program	-	-	7,958	(7,958)
Economic development	25,748	25,748	222,947	(197,199)
Regional planning	13,914	13,914	13,931	(17)
Planning and zoning	76,965	76,965	90,544	(13,579)
Sewer replacement	20,000	20,000	35,655	(15,655)
Water testing	-	-	2,417	(2,417)
Tri-county trails	48,800	48,800	-	48,800
FPP-technical assist	65,695	65,695	64,186	1,509
Total Conservation and Economic Development	540,618	540,618	757,822	(217,204)
Total Expenditures	7,473,802	7,473,802	7,694,570	(220,768)
Excess (deficiency) of revenues over expenditures	(216,610)	(216,610)	216,375	432,985
OTHER FINANCING SOURCES (USES)				
Transfers in	811,186	811,186	263,660	(547,526)
Transfers out	-	-	(426,851)	(426,851)
Total Other Financing Sources (Uses)	811,186	811,186	(163,191)	(974,377)
Net change in fund balance	594,576	594,576	53,184	(541,392)
FUND BALANCE - Beginning of Year	5,096,795	5,096,795	5,096,795	-
FUND BALANCE - END OF YEAR	$ 5,691,371	$ 5,691,371	$ 5,149,979	$ (541,392)

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
REVENUES				
Taxes	$ 1,747,007	$ 1,747,007	$ 1,747,007	$ -
Intergovernmental	1,510,241	1,510,241	1,340,122	(170,119)
Fines, forfeitures and penalties	-	-	9,819	9,819
Public charges for services	562,521	562,521	653,701	91,180
Miscellaneous	-	-	435	435
Total Revenues	3,819,769	3,819,769	3,751,084	(68,685)
EXPENDITURES				
Health and human services	3,819,769	3,819,769	3,709,859	109,910
Excess of revenues over expenditures	-	-	41,225	41,225
OTHER FINANCING USES				
Transfer out	-	-	(45,555)	(45,555)
Total Other Financing Uses	-	-	(45,555)	(45,555)
Net change in fund balance	-	-	(4,330)	(4,330)
FUND BALANCE - Beginning of Year	4,330	4,330	4,330	-
FUND BALANCE - END OF YEAR	$ 4,330	$ 4,330	$ -	$ (4,330)

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

LAFAYETTE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2012

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

Excess expenditures over appropriations are as follows:

	Final Budget	Expenditures	Excess
General Fund			
Data processing	$ 32,000	$ 42,963	$ 10,963
Corporate counsel	15,950	17,216	1,266
Child support	93,600	96,100	2,500
Elections	49,563	50,396	833
Land use value penalty	1,200	1,342	142
Network administration	44,707	52,125	7,418
Personnel	47,650	47,911	261
Postage	1,000	2,400	1,400
Property and liability insurance	21,200	42,357	21,157
Property tax charges	3,076	3,299	223
Register of deeds	169,707	171,850	2,143
Health Insurance	1,000	10,503	9,503
Crime victim/witness	20,580	22,476	1,896
Sheriff administration	1,653,596	1,782,781	129,185
Jail	1,006,704	1,038,760	32,056
SARA	23,860	47,195	23,335
Jail improvement	20,000	31,967	11,967
Home nursing	539,520	557,080	17,560
Hepatitis	200	1,894	1,694
Workshops	1,710	2,531	821
Family living agent	18,368	18,672	304
Fairs and exhibits	187,360	195,255	7,895
State Fair dairy	-	464	464
4-H agent	29,001	29,218	217
Land conservation-cost share	15,000	17,195	2,195
Land conservation-LWRM cost share	60,000	89,210	29,210
Wildlife damage program	-	7,958	7,958
Economic development	25,748	222,947	197,199
Regional planning	13,914	13,931	17
Planning and zoning	76,965	90,544	13,579
Sewer replacement	20,000	35,655	15,655
Water testing	-	2,417	2,417

See independent auditors' report.

SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2012

	Special Revenue Funds			
	Aging Fund	Revolving Loan	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	$ 154,502	$ -	$ 12,438	$ 166,940
Taxes receivable	155,301	-	125,802	281,103
Accounts receivable	25,917	-	-	25,917
Loans receivable	-	39,997	-	39,997
Due from other governments	18,488	-	-	18,488
Prepaid items	3,440	-	-	3,440
Restricted Assets				
Cash and investments	-	318,116	-	318,116
TOTAL ASSETS	$ 357,648	$ 358,113	$ 138,240	$ 854,001
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 9,611	$ -	$ -	$ 9,611
Accrued liabilities	3,245	-	-	3,245
Deferred revenues	169,517	-	125,802	295,319
Total Liabilities	182,373	-	125,802	308,175
Fund Balances				
Nonspendable	3,440	-	-	3,440
Restricted	171,835	358,113	12,438	542,386
Total Fund Balances	175,275	358,113	12,438	545,826
TOTAL LIABILITIES AND FUND BALANCES	$ 357,648	$ 358,113	$ 138,240	$ 854,001

LAFAYETTE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds			
	Aging Fund	Revolving Loan	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	$ 130,644	$ -	$ 334,877	$ 465,521
Intergovernmental	147,256	-	-	147,256
Public charges for services	31,802	-	-	31,802
Investment income	-	4,158	-	4,158
Miscellaneous	13,744	-	-	13,744
Total Revenues	323,446	4,158	334,877	662,481
EXPENDITURES				
Current				
Health and human services	289,315	-	-	289,315
Conservation and economic development	-	35,717	-	35,717
Debt Service				
Principal	-	-	712,803	712,803
Interest and fiscal charges	-	-	40,983	40,983
Total Expenditures	289,315	35,717	753,786	1,078,818
Excess (deficiency) of revenues over expenditures	34,131	(31,559)	(418,909)	(416,337)
OTHER FINANCING SOURCES				
Transfers in	-	-	413,877	413,877
Total Other Financing Sources	-	-	413,877	413,877
Net change in fund balance	34,131	(31,559)	(5,032)	(2,460)
FUND BALANCES - Beginning of Year	141,144	389,672	17,470	548,286
FUND BALANCES - END OF YEAR	$ 175,275	$ 358,113	$ 12,438	$ 545,826

LAFAYETTE COUNTY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2012

	Sheriff Commissary	Clerk of Court	Nurse Scholarship	Tri-County Trails Commission	Tax Collection	Totals
ASSETS						
Cash and investments	$ 20,505	$ 77,488	$ 8,234	$ 159,184	$ -	$ 265,411
Taxes receivable	-	-	-	-	174,462	174,462
TOTAL ASSETS	$ 20,505	$ 77,488	$ 8,234	$ 159,184	$ 174,462	$ 439,873
LIABILITIES						
Due to other taxing units	$ -	$ -	$ -	$ -	$ 174,462	$ 174,462
Funds held for others	20,505	77,488	8,234	159,184	-	265,411
TOTAL LIABILITIES	$ 20,505	$ 77,488	$ 8,234	$ 159,184	$ 174,462	$ 439,873

LAFAYETTE COUNTY
Darlington, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2012

LAFAYETTE COUNTY

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For the Year Ended December 31, 2012

BAKER TILLY

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the County Board of Supervisors
Lafayette County
Darlington, Wisconsin

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Lafayette County's basic financial statements and have issued our report thereon dated August 19, 2013. Our report includes a reference to other auditors who audited the financial statements of Memorial Healthcare Foundation, Inc. and the Housing Authority of the County of Lafayette, as described in our report on Lafayette County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lafayette County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lafayette County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lafayette County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

To the County Board of Supervisors
Lafayette County

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lafayette County's Response to Findings

Lafayette County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
August 19, 2013

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

Independent Auditors' Report

To the County Board of Supervisors
Lafayette County
Darlington, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited Lafayette County, Wisconsin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Lafayette County's major federal and major state programs for the year ended December 31, 2012. Lafayette County's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lafayette County's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about Lafayette County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. Our audit does not provide a legal determination of Lafayette County's compliance.

Basis for Qualified Opinion on CFDA 14.228 Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii

As described in the accompanying schedule of findings and questioned costs, Lafayette County did not comply with requirements regarding CFDA 14.228 Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii as described in finding number 2012-8 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for Lafayette County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.228 Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lafayette County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.228 Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal and Major State Programs

In our opinion, Lafayette County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal and major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2012-3, 2012-5, 2012-7, 2012-9 and 2012-10. Our opinion on each major federal and major state program is not modified with respect to these matters.

Lafayette County's Response to Findings

Lafayette County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the County Board of Supervisors
Lafayette County

Report on Internal Control Over Compliance

Management of Lafayette County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lafayette County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lafayette County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-3, 2012-4, 2012-6, 2012-7, 2012-8, 2012-9 and 2012-10 to be material weaknesses.

Lafayette County's Response to Findings

Lafayette County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

To the County Board of Supervisors
Lafayette County

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Guidelines

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lafayette County, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Lafayette County's basic financial statements. We issued our report thereon dated August 19, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of Memorial Healthcare Foundation, Inc. and the Housing Authority of the County of Lafayette, as described in our report on Lafayette County's financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* 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 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
September 24, 2013

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2012

Grantor Agency / Program Title	Federal CFDA Number	Pass-Through Agency	Revenues: (Accrued) Deferred Beginning Balance	Revenues: Cash Received (Refunded)	Revenues: Accrued (Deferred) Ending Balance	Revenues: Total Revenues	Expenditures
FEDERAL PROGRAMS							
U. S. Department of Agriculture							
State Administration Matching Grants for Food Stamp Program	10.561	WI DHS	$ -	$ 21,481	$ -	$ 21,481	$ 21,481
State Administration Matching Grants for Food Stamp Prograr	10.561	WI DCF	-	168	-	168	168
Total Food Stamp Prograr			-	21,649	-	21,649	21,649
Total U.S. Department of Agriculture			-	21,649	-	21,649	21,649
U.S. Department of Housing and Urban Development							
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	WI DOA	-	173,544	-	173,544	173,544
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	WEDC	-	206,000	-	206,000	206,000
Total Community Development Block Grant/State's Program an Non-entitlement Grants in Hawai			-	379,544	-	379,544	379,544
Total U.S. Department of Housing and Urban Developmer			-	379,544	-	379,544	379,544
U.S. Department of Transportation							
State and Community Highway Safety	20.600	WI DOT	-	22,108	-	22,108	22,108
Total U.S. Department of Transportatior			-	22,108	-	22,108	22,108
U.S. Department of Education							
Safe and Drug-Free Schools and Communities-National Prograi	84.181	WI DHS	-	12,937	-	12,937	12,937
Total U.S. Department of Educatior			-	12,937	-	12,937	12,937
U. S. Department of Health and Human Services							
Special Programs for the Aging							
Title III, Part D - Preventive Health	93.043	GWAAR	(1,443)	2,458	904	1,919	1,919
Title III, Part B - Grants for Supportive Services	93.044	GWAAR	(10,997)	29,529	6,229	24,761	24,761
Title III, Part E - National Family Caregiver Support	93.052	GWAAR	(8,670)	15,478	1,932	8,740	8,740
Public Health Emergency Preparedness	93.069	WI DHS	-	35,988	-	35,988	35,988
Immunization Grants	93.268	WI DHS	-	6,429	-	6,429	6,429
Affordable Care Act-Medicare Improvements for Patients and Providers	93.518	GWAAR	(940)	940	-	-	-
Promoting Safe and Stable Families	93.556	WI DCF	-	7,904	-	7,904	7,904

See accompanying notes to schedule of expenditures of federal and state awards.

Grantor Agency / Program Title	Federal CFDA Number	Pass-Through Agency	Revenues: (Accrued) Deferred Beginning Balance	Revenues: Cash Received (Refunded)	Revenues: Accrued (Deferred) Ending Balance	Revenues: Total Revenues	Expenditures
FEDERAL PROGRAMS (cont.)							
U. S. Department of Health and Human Services (cont.)							
Block Grants for Temporary Assistance for Needy Familie	93.558	WI DHS	$ -	$ 31,846	$ -	$ 31,846	$ 31,846
Block Grants for Temporary Assistance for Needy Familie	93.558	WI DCF	-	45,012	-	45,012	45,012
Total Block Grants for Temporary Assistance for Needy Familie			-	76,858	-	76,858	76,858
Child Support Enforcement	93.563	WI DCF	-	79,988	-	79,988	79,988
Low Income Home Energy Assistance Block Gran	93.568	WI DOA	-	22,045	-	22,045	22,045
Child Care Mandatory and Matching Funds of the Child Care and Development Fu	93.596	WI DCF	-	31,690	-	31,690	31,690
Child Welfare Service Grants - State Grants	93.645	WI DCF	-	70,731	-	70,731	70,731
Foster Care - Title IV-E	93.658	WI DCF	-	57,238	-	57,238	57,238
Social Services Block Gran	93.667	WI DHS	-	62,407	-	62,407	62,407
Social Services Block Gran	93.667	WI DCF	-	31,270	-	31,270	31,270
Total Social Services Block Gran			-	93,677	-	93,677	93,677
Chafee Foster Care Independence Prograr	93.674	WI DCF	-	8,194	-	8,194	8,194
ARRA - Prevention Wellness-State, Territories and Pacific Island	93.723	WI DHS	-	8,000	-	8,000	8,000
Children's Health Insurance Progran	93.767	WI DHS	-	3,950	-	3,950	3,950
Medical Assistance Progran	93.778	WI DHS	-	31,960	-	31,960	31,960
Medical Assistance Program - I&A EBS Replacement - Federal Matc	93.778	GWAAR	-	-	7,527	7,527	7,527
Medical Assistance Program - WIMCR	93.778	WI DHS	-	60,982	-	60,982	60,982
Medical Assistance Program - CLTS	93.778	WI DHS	-	32,328	-	32,328	32,328
Total Medical Assistance Progran			-	125,270	7,527	132,797	132,797
Centers for Medicare and Medicaid Services Researc	93.779	GWAAR	(1,513)	1,513	-	-	-
State Health Insurance Progran	93.779	GWAAR	-	5,200	2,320	7,520	7,520
Total Centers for Medicare and Medicaid Services Researc			(1,513)	6,713	2,320	7,520	7,520
Block Grants for Community Mental Health Service	93.958	WI DHS	-	7,785	-	7,785	7,785
Block Grants for Prevention and Treatment of Substance Abus	93.959	WI DHS	-	25,396	-	25,396	25,396
Maternal and Child Health Services Block Grar	93.994	WI DHS	-	6,558	-	6,558	6,558
Total U.S. Department of Health and Human Service			(23,563)	722,819	18,912	718,168	718,168
U. S. Department of Homeland Security							
Emergency Management Performance Gran	97.042	WI DMA	-	29,804	-	29,804	29,804
Total U. S. Department of Homeland Securit			-	29,804	-	29,804	29,804
TOTAL FEDERAL PROGRAMS			$ (23,563)	$ 1,188,861	$ 18,912	$ 1,184,210	$ 1,184,210

See accompanying notes to schedule of expenditures of federal and state awards.

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2012

Grantor Agency / Program Title	State ID Number	Revenues: (Accrued) Deferred Beginning Balance	Revenues: Cash Received (Refunded)	Revenues: Accrued (Deferred) Ending Balance	Revenues: Total Revenues	Expenditures
STATE PROGRAMS						
Wisconsin Department of Agriculture, Trade and Consumer Protection						
County Staff and Support	115.150	$ -	$ 86,931	$ -	$ 86,931	$ 86,931
Land and Water Resource Management	115.400	-	23,209	67,458	90,667	90,667
Total Wisconsin Department of Agriculture, Trade, and Consumer Protection		-	110,140	67,458	177,598	177,598
Wisconsin Department of Natural Resources						
Wildlife Damage	370.549	-	6,680	-	6,680	6,680
All Terrain Vehicle Enforcement	370.551	-	9,934	-	9,934	9,934
Wildelife Damage Claims	370.553	-	1,998	-	1,998	1,998
Snowmobile Trail Aids	370.575	-	13,106	-	13,106	13,106
All Terrain Vehicle Trail	370.577	-	10,010	-	10,010	10,010
Total Wisconsin Department of Natural Resources		-	41,728	-	41,728	41,728
Wisconsin Department of Transportation						
Elderly and Handicapped County Aids	395.101	-	68,117	-	68,117	68,117
Total Wisconsin Department of Transportation		-	68,117	-	68,117	68,117
Wisconsin Department of Corrections						
Community Intervention Program	410.302	-	1,730	-	1,730	1,730
Youth Aids	410.313	-	35,499	-	35,499	35,499
Total Wisconsin Department of Corrections		-	37,229	-	37,229	37,229

See accompanying notes to schedule of expenditures of federal and state awards.

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2012

Grantor Agency / Program Title	State ID Number	Revenues: (Accrued) Deferred Beginning Balance	Revenues: Cash Received (Refunded)	Revenues: Accrued (Deferred) Ending Balance	Revenues: Total Revenues	Expenditures
STATE PROGRAMS (cont.)						
Wisconsin Department of Health Services						
WWWP-GPR SS.255.06(2)	435.157000	$ -	$ 11,248	$ -	$ 11,248	$ 11,248
Cons Contracts MCH	435.159320	-	476	-	476	476
IMAA State Share	435.283	-	56,592	-	56,592	56,592
IMAA Federal Share	435.284	-	1,924	-	1,924	1,924
Adult Protective Services	435.312	-	17,522	-	17,522	17,522
Community Options Program	435.367	-	2,413	-	2,413	2,413
Alzheimer's Family Support	435.381	-	5,662	-	5,662	5,662
Certified Mental Health Program	435.517	-	14,089	-	14,089	14,089
Birth to Three Initiative	435.550	-	12,666	-	12,666	12,666
Basic County Allocation	435.561	-	464,451	-	464,451	464,451
Family Support	435.577	-	25,563	-	25,563	25,563
Base County Allocation - State Match	435.681	-	60,838	-	60,838	60,838
TPA CLTS DD AUTISM GPR	435.802	-	3,227	-	3,227	3,227
TPA CLTS DD OTHER GPR	435.805	-	12,243	-	12,243	12,243
TPA CLTS MH OTHER GPR	435.811	-	709	-	709	709
TPA CLTS PD OTHER GPR	435.817	-	5,609	-	5,609	5,609
CLTS DD AUT CWA ADMIN GPR	435.832	-	268	-	268	268
CLTS DD OTH CWA ADMIN GPR	435.835	-	1,003	-	1,003	1,003
CLTS MH OTH CWA ADMIN GPR	435.841	-	54	-	54	54
CLTS MH OTH CWA ADMIN GPR	435.847	-	471	-	471	471
Benefit Specialist County	435.560320	(15,829)	15,829	-	-	-
I&A EBS Replacement	435.560320	-	-	7,527	7,527	7,527
I&A EBS Replacement - Federal Match	435.560320	-	-	20,688	20,688	20,688
EBS OCI Replacement	435.560327	-	3,275	-	3,275	3,275
Senior Community Svs Prog	435.560330	(4,638)	8,228	1,810	5,400	5,400
Elder Abuse Service	435.560490	(1,280)	1,280	-	-	-
Total Wisconsin Department of Health Services		(21,747)	725,640	30,025	733,918	733,918

See accompanying notes to schedule of expenditures of federal and state awards.

LAFAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2012

Grantor Agency / Program Title	State ID Number	Revenues: (Accrued) Deferred Beginning Balance	Revenues: Cash Received (Refunded)	Revenues: Accrued (Deferred) Ending Balance	Revenues: Total Revenues	Expenditures
STATE PROGRAMS (cont.)						
Wisconsin Department of Children and Families						
W-2 (passed through Grant County)	437.215	$ (8,381)	$ 23,362	$ 410	$ 15,391	$ 15,391
Food Stamp Agency Collections Take Back	437.267	-	(60)	-	(60)	(60)
Food Stamp Agency Collections Incentive	437.267	-	228	-	228	228
AW DOJ Fingerprint Backgr	437.332	-	188	-	188	188
CW Foster Parent Competency Based T-Reporting Line	437.3396	-	29	-	29	29
Basic County Allocation	437.3561	-	112,921	-	112,921	112,921
WISACWIS Related Services	437.360	-	2,151	-	2,151	2,151
F State/ County match	437.3681	-	33,747	-	33,747	33,747
CS Prepayment of 2011 CS Support	437.7502	-	28,982	-	28,982	28,982
Total Wisconsin Department of Children and Families		(8,381)	201,548	410	193,577	193,577
Wisconsin Department of Justice						
Regional Training Facilities	455.503	-	7,660	-	7,660	7,660
Total Wisconsin Department of Justice		-	7,660	-	7,660	7,660
Wisconsin Department of Military Affairs						
Emergency Planning Grant	465.337	-	3,582	-	3,582	3,582
Total Wisconsin Department of Military Affairs		-	3,582	-	3,582	3,582
Wisconsin Department of Veteran's Affairs						
County Veteran Service	485.001	-	8,500	-	8,500	8,500
Total Wisconsin Department of Veteran's Affairs		-	8,500	-	8,500	8,500
Wisconsin Department of Administration						
Land Information Board Grants	505.116	-	24,674	-	24,674	24,674
Public Benefits Grants	505.371	-	20,577	-	20,577	20,577
Total Wisconsin Department of Administration		-	45,251	-	45,251	45,251
TOTAL STATE PROGRAMS		$ (30,128)	$ 1,249,395	$ 97,893	$ 1,317,160	$ 1,317,160

See accompanying notes to schedule of expenditures of federal and state awards.

LAFAYETTE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state grant activity of Lafayette County under programs of the federal and state government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Lafayette County, it is not intended to and does not present the financial position, changes in net position or cash flows of Lafayette County.

The reporting entity for Lafayette County is based upon criteria established by the Governmental Accounting Standards Board. Lafayette County is the primary government according to GASB criteria, while the Memorial Healthcare Foundation, Inc. (Foundation) and the Housing Authority of the County of Lafayette (Housing Authority) are component units. Federal and state awards received directly by the Foundation and Housing Authority are not included in this report since the Foundation and Housing Authority have been audited by other auditors for their grants and those amounts are reported in a separate report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., 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. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – CARS/CORE REPORT DATES

The Schedule of Expenditures of Federal and State Awards includes adjustments through the Community Aids Reporting System (CARS) reports dated June 27, 2013 and CORe reports for December 2012.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

> Material weakness(es) identified? __X__ yes ______ no

> Significant deficiency(ies) identified? ______ yes __X__ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

FEDERAL OR STATE AWARDS

Internal control over major programs:

> Material weakness(es) identified? __X__ yes ______ no

> Significant deficiency(ies) identified? ______ yes __X__ none reported

Type of auditor's report issued on compliance for major programs: Unmodified for all major programs except for the CDBG/State's Program and Non-entitlement Grants in Hawaii, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? __X__ yes ______ no

	Federal Programs	State Programs
Auditee qualified as low-risk auditee?	______ yes __X__ no	______ yes __X__ no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
14.228	CDBG/State's Program and Non-entitlement Grants in Hawaii
93.563	Child Support Enforcement
93.667	Social Services Block Grant
93.778	Medical Assistance Program

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	$ 100,000

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

Identification of major state programs:

State Number	Name of State Program
115.150	County Staff and Support
115.400	Land and Water Resource Management
395.101	Elderly and Handicapped County Aids
435.283	IMAA State Share
435.561/437.3561	Basic County Allocation
437.215	W-2

The following Federal programs were tested as major programs according to the requirements of the *State Single Audit Guidelines:*

CFDA No.	Name of Federal Program
93.778	Medical Assistance Program - WIMCR

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2012-1: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: Statement on Auditing Standards (SAS) No. 115 requires us to report a material weakness for Lafayette County if material journal entries are detected as part of the financial audit, the auditor prepares the annual financial statements and footnotes, or the auditor prepares the schedule of expenditures of federal and state awards.

Condition: Material journal entries were discovered during the course of the audit and we, as your auditors, prepared the annual financial statements. In addition, the auditors prepared the schedule of expenditures of federal and state awards.

***Cause*:** The county does not have the resources required to identify and correct all misstatements in the financial records or to prepare the annual financial statements or the schedule of expenditures of federal and state awards in conformity with generally accepted accounting principles.

***Effect*:** The financial statements may not contain all of the required disclosures. In addition, the schedule of expenditures of federal and state awards is not available to the county until it is completed by the auditors.

***Recommendation*:** We recommend that the county put in place procedures in order to reduce the risk of material journal entries as well as determining if resources would be available to prepare a complete set of financial statements without material changes.

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2012-1: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Management Response: Lafayette County is continuing to work with the auditor to identify areas where procedures can be implemented which will result in the eventual elimination of material journal entries. Significant improvement was noted by the auditor during the 2012 audit.

FINDING 2012-2: INTERNAL ACCOUNTING CONTROLS

Criteria: Statement on Auditing Standards (SAS) 115 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the county's internal control over financial reporting.

Condition: During the financial audit, audit procedures and inquiries were performed to evaluate the effectiveness of controls over various transaction cycles. As a result of these procedures, the following areas were identified where your controls over transactions could be improved:

ENTITY-WIDE CONTROLS

1. Fraud Risk Evaluation - There is not a formal fraud risk evaluation process in place at the county. This is a control process that should exist.

2. Actual and Budget Reporting - Many departments are reviewing monthly reports comparing actual and budgeted revenues and expenditures/expenses. We recommend that these reports be signed off to provide the evidence that this review has been performed. In addition, unexpected variances between budget and actual results should be investigated and explained/documented by the various departments. Budget amendments should be made as considered necessary.

CONTROLS OVER HUMAN SERVICES RELATED ACTIVITY

1. Segregation of Duties - The human services department is able to post into the general ledger the cash receipts related to human services. The money is then taken to the treasurer's office for deposit. The human services department is also responsible for reconciling accounts such as accounts receivable, due from other governments, rep payee accounts, and approving write offs of uncollectible accounts. In a proper control environment, these responsibilities would be segregated and additional oversight with respect to the work being performed would be in place.

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2012-2: INTERNAL ACCOUNTING CONTROLS (cont.)

CONTROLS OVER MANOR NURSING HOME

1. Nursing Home Resident Trust Funds - During our 2012 audit procedures, we noted that one individual had the responsibility of depositing cash, preparing and signing checks and authorizing patient trust fund accounts to be closed. There were no internal controls in place over this process. During fiscal year 2013, the county has represented that the Manor Nursing Home segregated these responsibilities and additional review and oversight procedures were put in place. In addition, the Manor Nursing Home implemented a new financial software package, which includes a resident trust package.

2. Segregation of Duties - During the audit process, we noted that the same person was responsible for preparing bills, receipting cash, reconciling cash, and preparing journal entries for the majority of fiscal year 2012. Due to the accounting function being transferred to the Hospital, this will likely be resolved in 2013.

CONTROLS OVER PAYROLL

1. Payroll Process - During our walk through of the payroll process, we noted that individuals outside of county finance have the responsibility and authority to enter information into the payroll system (change in pay rates, change in hours, etc.). These individuals are required to submit a form to the finance department documenting the change. However, the county does not have a process in place to ensure that the appropriate documentation is received for all modifications.

CONTROLS OVER FINANCIAL REPORTING

1. Journal Entry Review - Our review of journal entries revealed that entries prepared by various county staff and management (County Finance Director, Hospital CFO, Manor Accountant, Human Services Accountant, and Highway Accountant) are not being consistently approved by someone other than the preparer. We recommend that adjusting journal entries and supporting documentation be reviewed and approved by an appropriate person, preferably someone with a higher level of authority, who is not the original preparer. During fiscal year 2013, the County has represented that journal entries prepared by the Hospital CFO, Manor Accountant, and Human Services Accountant are being approved by someone other than the preparer.
2. Reconciliation Review - We also noted that reconciliations for many accounts are not being reviewed by someone other than the preparer. This was a consistent observation across all significant county departments (Finance Department, Hospital, Manor, Human Services, and Highway). We recommend that reconciliations be reviewed by someone at a level of authority higher than the preparer and independent of the reconciliation process.
3. Controls do not exist for the identification and review of necessary financial reporting disclosures, such as commitments and contingencies, related party transactions, and subsequent events.

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2012-2: INTERNAL ACCOUNTING CONTROLS (cont.)

***Cause*:** Due to staffing limitations, certain controls were not implemented by the county.

***Effect*:** Errors or irregularities could occur as part of these financial processes that may not be discovered by your staff.

***Recommendation*:** We recommend that the county periodically assess the division of duties to ensure proper segregation of duties, to evaluate if additional controls are necessary and to evaluate that the controls in place are effective.

Management Response: Some of the segregation of duties are unavoidable due to the limited economic resources available to Lafayette County, however, the items identified by the auditors will be reviewed and as a result additional and/or more effective controls will be considered and implemented.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2012-3: DHS & DCF STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS 437.215 W-2 (PASSED THROUGH GRANT COUNTY)

***Criteria*:** According to the DHS and DCF *State Single Audit Guidelines* General Requirements, the county is required to perform control activities to ensure accurate reporting, such as timely and accurate reconciliations between what it records in its records and what it reports to granting agencies. Additionally, the reports should be reviewed and approved by someone other than the original preparer.

***Condition/Context*:** In 2012, the county did not perform reconciliations between what was being reported through CARS or CORe reports and its accounting records. Also, the county did not designate an individual other than the original preparer to review the reports before they were submitted.

During our testing of the W-2 program, both of the monthly expenditure reports tested incorrectly reported administrative costs as direct costs.

***Cause*:** Due to limited staff, the county did not perform reconciliations between the CARS and CORe reports. Also, the county did not identify an individual that would be qualified to review reports before they are submitted other than the individual preparing them.

For the W-2 program, expenditures were reported on the incorrect line of the expenditure report.

***Effect*:** The grantor could receive inaccurate financial information. This could affect the cash flows available for operations of the county as a whole.

Questioned Costs: None noted.

***Recommendation*:** The county should consider adding reconciliation, review, and approval controls to the monthly reporting process. Also, the county should ensure that indirect costs are properly reported.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2012-3: DHS & DCF STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS 437.215 W-2 (PASSED THROUGH GRANT COUNTY) (cont.)

Management Response: Reconciliation **-** Human Services reconciles monthly between the accounting records and what is reported to CARS/CORe through a series of spreadsheets. The accounting system was set up to tie various reporting lines (CARS or CORe) into the account numbers. A "data dump" of revenues and expenditures for the entire fund is put into Excel format; the data dump is sorted by the four-digit departmental code, which is tied to allocation reporting lines. In the first spreadsheet, the revenues and expenditures are netted against each other per departmental code; the totals are checked to ensure they match the totals from the accounting system. In the second spreadsheet, the net figures are entered in a corresponding monthly column, the monthly total and year-to-date totals are compared to ensure they match the accounting system. Formulas are included in this two-part spreadsheet to reallocate support and overhead costs between various units within Human Services. Totals are compared to ensure the totals of the monthly and year-to-date allocations match the total monthly and year-to-date from the first spreadsheet. These figures are then inputted into the monthly CARS or CORe reports. Again, the monthly and year-to-date figures are compared to the second spreadsheet to ensure totals are the same. This system has been in place for a number of years. The Director reviews the spreadsheets and reports each month as below. LCHS will develop and implement a more formal reconciliation form between the GL and CARE/CORe reports which can be signed off each month.

Lafayette County Human Services has recently implemented review and approval controls. The agency Director reviews the reports during regularly scheduled monthly meetings and thoroughly reviews the reports. Review of reports will be evidenced by Director's signature and/or initials. All reports FY2013 have been reviewed.

FINDING 2012-4: 93.778 MEDICAL ASSISTANCE PROGRAM - WIMCR (PASSED THROUGH WI DHS)

***Criteria*:** To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the preparation and submission of annual reports, which should be reviewed and approved by a responsible party other than the original preparer.

***Condition/Context*:** The annual reports were tested for review and approval by someone other than the original preparer. None of the annual reports were reviewed and approved by a responsible party other than the original preparer.

***Cause*:** Due to limited staff, the county did not identify an individual that would be qualified to review reports before they are submitted other than the individual preparing them.

***Effect*:** Annual reports could be filed which are not appropriate or accurate. We noted a variety of changes that were made to the submitted reports after the state's WIMCR coordinator reviewed the submitted report.

Questioned Costs: None noted.

***Recommendation*:** The county should consider adding review and approval controls to the annual reporting process.

Management Response: The Director will review the reports prior to submission.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2012-5: DCF STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

Criteria**:** DCF general requirements as identified in the *State Single Audit Guidelines* require that the county document and maintain support for responses to Random Moment Sampling.

Condition/Context**:** As part of the 2012 audit, the county was unable to provide support for 1 of the 25 Random Moment Sample responses tested.

Cause**:** County staff was unaware that a case number should be provided for each Random Moment Sample response as evidence of what they were working on. As a result, the auditors were not able to verify that their responses were accurate.

Effect**:** There is no way to verify that the county's responses were accurate.

Questioned Costs: None noted.

Recommendation**:** The county should enter a case number or maintain other support for each Random Moment response.

Management Response: Staff has been informed that they must provide support, such as client initials or preferably a case number when sampled for a Random Moment response.

FINDING 2012-6: 14.228 COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII (PASSED THROUGH WEDC)
435.561 BASIC COUNTY ALLOCATION
395.101 ELDERLY AND HANDICAPPED COUNTY AIDS
435.283 IMAA STATE SHARE

Criteria**:** The A-102 Common Rule and Code of Federal Regulations require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the appropriate review and approval of disbursements to ensure they are allowable under the program.

Condition/Context**:** During our testing of the Basic County Allocation program, there were 3 out of 40 invoices tested that did not contain evidence of proper review and approval of expenditures charged to the program.

During our testing of the Elderly and Handicapped County Aids program, there were 10 out of 40 invoices tested that did not contain evidence of proper review and approval of expenditures charged to the program.

During our testing of the IMAA State Share program, there was 1 out of 40 invoices tested that did not contain evidence of proper review and approval of expenditures charged to the program.

During our testing of the CDBG program, there was 1 out of 2 expenditures tested that did not contain evidence of proper review and approval of expenditures charged to the program.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2012-6: 14.228 COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII (PASSED THROUGH WEDC)
435.561 BASIC COUNTY ALLOCATION
395.101 ELDERLY AND HANDICAPPED COUNTY AIDS
435.283 IMAA STATE SHARE (cont.)

***Cause*:** The county did not have a formal process to review and approve expenditures.

***Effect*:** Lack of effective internal controls in the disbursements function could result in unallowable costs charged to the program.

Questioned Costs: None noted.

***Recommendation*:** The county should review its control procedures to ensure that all invoices are being reviewed and approved prior to payment.

Management Response: Human Services continues to have the applicable worker and/or supervisor sign off on invoices prior to payment. The voucher schedules are provided to the Human Services Board and Director prior to the board meetings, and actual invoices brought to board meetings if needed for further clarification.

FINDING 2012-7: 395.101 ELDERLY AND HANDICAPPED COUNTY AIDS

***Criteria*:** The contract between the Wisconsin Department of Transportation and Lafayette County requires the county to submit an annual financial report for each of the transportation projects receiving assistance under the contract, using forms supplied by the Department, on or before March 31, 2013.

***Condition/Context*:** Lafayette County had not submitted the annual financial report as of the date of our testing.

***Cause*:** The county did not receive the forms to complete the annual financial report from the Wisconsin Department of Transportation and, therefore, did not complete them.

***Effect*:** The grantor did not receive financial information relating to the program for 2012.

Questioned Costs: None noted.

***Recommendation*:** The county should implement control procedures to ensure that all required reports are completed and submitted to granting agencies.

Management Response: We will request a timeline from the Wisconsin Department of Transportation regarding the report due dates, similar to the timeline issued by Department of Health Services and Department of Children and Families. With the timeline, Lafayette County Human Services will plan to complete and submit required reports.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2012-8: 14.228 COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII (PASSED THROUGH WEDC)

Criteria: OMB Circular A-133, Section 400 (d) identifies the responsibilities of pass-through entities. These responsibilities include monitoring the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

***Condition/Context*:** During our testing of the CDBG program, it was noted that Lafayette County had not performed any subrecipient monitoring activities for its subrecipient of the CDBG program.

***Cause*:** The county did not have controls in place to monitor its subrecipient.

***Effect*:** There is potential that noncompliance by the subrecipient could occur and not be adequately addressed or resolved by the county.

Questioned Costs: None noted.

***Recommendation*:** The county should implement control procedures to monitor its subrecipients.

Management Response: Lafayette County will review its responsibilities as a pass-through entity for the CDBG program to determine what control procedures need to be implemented and will develop a plan for implementation of those procedures.

FINDING 2012-9: DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

***Criteria*:** According to the DHS *State Single Audit Guidelines* General Requirements, the county must follow acceptable procurement standards when purchasing care and services using funds from the Department of Health Services. These standards include maintaining contracts on file, where applicable, or a waiver from the Department of Health Services.

***Condition/Context*:** During our testing of DHS general requirements, it was noted that the county had not obtained a contract from one of the five providers that were selected for testing.

***Cause*:** The county did not have controls in place to ensure that contracts were received from all providers.

***Effect*:** There is potential that noncompliance by the subrecipient could occur and not be adequately addressed or resolved by the county.

Questioned Costs: Payments in the amount of $76,245 were made to a provider before a signed contract was obtained.

***Recommendation*:** The county should implement control procedures to ensure that contracts are received from all providers, when applicable.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2012-9: DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS (cont.)

***Management Response*:** Lafayette County Human Services will bi-annually review all contracts to assure proper documentation is received.

FINDING 2012-10: DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

Criteria: According to the DHS *State Single Audit Guidelines* General Requirements, services that are paid using funding from DHS must meet standards for quality. One of the ways that a funding agency ensures that the services they purchase from providers meet the standards for quality is to confirm that the providers hold the appropriate license or certification for the type of service being purchased.

***Condition/Context*:** During our testing of DHS general requirements, it was noted that the county had not obtained licenses from two of the five providers that were selected for testing.

***Cause*:** The county did not have controls in place to ensure that providers were properly licensed, if applicable.

***Effect*:** There is potential that the county could contract with a provider that is not adequately licensed.

Questioned Costs: None noted.

***Recommendation*:** The county should implement control procedures to ensure that its service providers are properly licensed.

Management Response: Lafayette County Human Services will bi-annually review all provider contracts to assure proper documentation, specifically licensure, is received.

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION IV – OTHER ISSUES

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? ____ yes __X__ no

2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Agriculture, Trade and Consumer Protection		yes	X	no
Department of Natural Resources		yes	X	no
Department of Transportation	X	yes		no
Department of Corrections		yes	X	no
Department of Health Services	X	yes		no
Department of Children and Families	X	yes		no
Department of Justice		yes	X	no
Department of Military Affairs		yes	X	no
Department of Veteran's Affairs		yes	X	no
Department of Administration		yes	X	no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? __X__ yes ____ no

4. Name and signature of partner

   Heather S. Acker

   Heather S. Acker

5. Date of report September 24, 2013

LAFAYETTE COUNTY

CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2012

FINDING 2012-1: INTERNAL CONTROL OVER FINANCIAL REPORTING

See "management response" for Finding 2012-1 in Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*.

FINDING 2012-2: INTERNAL ACCOUNTING CONTROLS

See "management response" for Finding 2012-2 in Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*.

FINDING 2012-3: DHS & DCF STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS 437.215 W-2 (PASSED THROUGH GRANT COUNTY)

See "management response" for Finding 2012-3 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2012-4: 93.778 MEDICAL ASSISTANCE PROGRAM – WIMCR

See "management response" for Finding 2012-4 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2012-5: DCF STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

See "management response" for Finding 2012-5 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2012-6: 14.228 COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII
435.561 BASIC COUNTY ALLOCATION
395.101 ELDERLY AND HANDICAPPED COUNTY AIDS
435.283 IMAA STATE SHARE

See "management response" for Finding 2012-6 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2012-7: 395.101 ELDERLY AND HANDICAPPED COUNTY AIDS

See "management response" for Finding 2012-7 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2012-8: 14.228 COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

See "management response" for Finding 2012-8 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2012-9: DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

See "management response" for Finding 2012-9 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

FINDING 2012-10: DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

See “management response” for Finding 2012-10 in Section III – Federal Awards and State Awards Findings and Questioned Costs.

LAFAYETTE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2012

FINDING 2011-1: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: Statement on Auditing Standards (SAS) No. 115 requires us to report a material weakness for Lafayette County if material journal entries are detected as part of the financial audit, the auditor prepares the annual financial statements and footnotes, or the auditor prepares the schedule of expenditures of federal and state awards.

Condition: Material journal entries were discovered during the course of the audit and we, as your auditors, prepared the annual financial statements. In addition, the auditors prepared the schedule of expenditures of federal and state awards.

***Cause*:** The county does not have the resources required to identify and correct all misstatements in the financial records or to prepare the annual financial statements or the schedule of expenditures of federal and state awards in conformity with generally accepted accounting principles.

***Effect*:** The financial statements may not contain all of the required disclosures. In addition, the schedule of expenditures of federal and state awards is not available to the county until it is completed by the auditors.

***Recommendation*:** We recommend that the county put in place procedures in order to reduce the risk of material journal entries as well as determining if resources would be available to prepare a complete set of financial statements without material changes.

Management Status: Lafayette County is continuing to work with the auditor to identify areas where procedures can be implemented which will result in the eventual elimination of material journal entries. Significant improvement was noted by the auditor during the 2012 audit.

FINDING 2011-2: INTERNAL ACCOUNTING CONTROLS

Criteria: Statement on Auditing Standards (SAS) 115 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the county's internal control over financial reporting.

Condition: During the financial audit, audit procedures and inquiries were performed to evaluate the effectiveness of controls over various transaction cycles. As a result of these procedures, the following areas were identified where your controls over transactions could be improved:

ENTITY-WIDE CONTROLS

1. Fraud Risk Evaluation - There is not a formal fraud risk evaluation process in place at the county. This is a control process that should exist.

2. Voucher Approval Process - The various county committees serve as part of the county's internal control system. As part of the voucher approval process, the committees are expected to review and sign off on various vouchers. We have noted the evidence of approval; however, there is some question as to how closely the vouchers are being reviewed at the committee level. We recommend that the committees follow the county policies and appropriately review and provide evidence of approval.

FINDING 2011-2: INTERNAL ACCOUNTING CONTROLS (cont.)

ENTITY-WIDE CONTROLS (cont.)

3. Actual and Budget Reporting - Many departments are reviewing monthly reports comparing actual and budgeted revenues and expenditures/expenses. We recommend that these reports be signed off to provide the evidence that this review has been performed. In addition, unexpected variances between budget and actual results should be investigated and explained/documented by the various departments. Budget amendments should be made as considered necessary.

CONTROLS OVER HUMAN SERVICES RELATED ACTIVITY

1. Representative Payee Accounts - There should be a review of the reconciliations of representative payee accounts by an appropriate person who is not the original preparer. During 2011, it was noted that internal controls over this process were lacking. We noted that Human Services was utilizing representation payee monies to pay for non-rep payee activity which is prohibited by the Social Security Administration, various disbursements did not have the proper supporting documentation to substantiate the disbursements, and there was no consistent method for authorizing and approving rep payee transactions.

2. Segregation of Duties - The human services department is able to post into the general ledger the cash receipts related to human services. The money is then taken to the treasurer's office for deposit. The human services department is also responsible for reconciling accounts. In a proper control environment, these responsibilities would be segregated and additional oversight with respect to the work being performed would be in place.

CONTROLS OVER MANOR NURSING HOME

1. Nursing Home Resident Trust Funds - During our audit procedures, we noted that one individual has the responsibility of depositing cash, preparing and signing checks and authorizing patient trust fund accounts to be closed. There are currently no internal controls in place over this process. We recommend that these responsibilities be segregated and / or additional review and oversight procedures be put in place so that one person is not performing all aspects of this function.

2. Segregation of Duties - During the audit process, we noted that the same person is responsible for preparing bills, receipting cash, reconciling cash, and preparing journal entries.

CONTROLS OVER PAYROLL

1. Payroll Process - During our walk through of the payroll process, we noted that individuals outside of county finance have the responsibility and authority to enter information into the payroll system (change in pay rates, change in hours, etc.). These individuals are required to submit a form to the finance department documenting the change. However, the county does not have a process in place to ensure that the appropriate documentation is received for all modifications.

FINDING 2011-2: INTERNAL ACCOUNTING CONTROLS (cont.)

CONTROLS OVER FINANCIAL REPORTING

1. Journal Entry Review - Our review of journal entries revealed that entries prepared by various county staff and management (County Finance Director, Hospital CFO, Manor Accountant, Human Services Accountant) are not being consistently approved by someone other than the preparer. We recommend that adjusting journal entries and supporting documentation be reviewed and approved by an appropriate person, preferably someone with a higher level of authority, who is not the original preparer.

2. Reconciliation Review - We also noted that reconciliations for many accounts are not being reviewed by someone other than the preparer. This was a consistent observation across all significant county departments (Finance Department, Hospital, Manor, Human Services, and Highway). We recommend that reconciliations be reviewed by someone at a level of authority higher than the preparer and independent of the reconciliation process.

3. Manor Restatement - As part of the audit we recorded a prior period audit adjustment that resulted in a reduction of $244,400 to the Manor's net assets as of December 31, 2010. Net assets had been restated to correct an error in recording revenue for the supplemental payment program. Revenue for the Nursing Home had previously been reported when only a portion of the revenue should have been recognized in the prior year. The county did not have sufficient receipt review controls in place to ensure that the revenue cut-off was proper between years. Under generally accepted auditing standards, this is considered to be a material weakness in your internal controls.

4. Human Service Fund Restatement - As part of the audit we identified and recorded a prior period adjustment that resulted in a reduction of $178,013 to the Human Service fund balance as of December 31, 2010. Fund balance has been restated to correct an error in recording expenditures related to the Family Care program. A portion of the expenditures should have been recognized in the prior year. The county did not have sufficient disbursement review controls in place to ensure that the expenditure cut-off was proper between years. Under generally accepted auditing standards, this is considered to be a material weakness in your internal controls.

5. Controls do not exist for the identification and review of necessary financial reporting disclosures, such as commitments and contingencies, related party transactions, and subsequent events.

***Cause*:** Due to staffing limitations, certain controls were not implemented by the county.

***Effect*:** Errors or irregularities could occur as part of these financial processes that may not be discovered by your staff.

***Recommendation*:** We recommend that the county periodically assess the division of duties to ensure proper segregation of duties, to evaluate if additional controls are necessary and to evaluate that the controls in place are effective.

Management Status: Journal entries prepared by the Hospital/Manor CFO and Human Services accountant are now approved by the related Department Head and the County Finance Director.

Finding 2011-3: DHS & DCF State Single Audit Guidelines General Requirements

***Criteria*:** According to the DHS and DCF *State Single Audit Guidelines* General Requirements, the county is required to perform control activities to ensure accurate reporting, such as timely and accurate reconciliations between what it records in its records and what it reports to granting agencies. Additionally, the reports should be reviewed and approved by someone other than the original preparer.

***Condition/Context*:** In 2011 the county did not perform reconciliations between what was being reported through CARS or CORE reports and its accounting records. Also, the county did not designate an individual other than the original preparer to review the reports before they were submitted.

***Cause*:** Due to limited staff, the county did not perform reconciliations between the CARS and CORE reports. Also, the county did not identify an individual that would be qualified to review reports before they are submitted other than the individual preparing them.

***Effect*:** The grantor could receive inaccurate financial information. This could affect the cash flows available for operations of the county as a whole.

Questioned Costs: none

***Recommendation*:** The county should consider adding reconciliation, review, and approval controls to the monthly reporting process.

Management Status: Human Services continues its reconciliation/review of monthly CARS and CORE reports on a monthly basis. The Director is reviewing monthly submissions of reports submitted for reimbursement.

Finding 2011-4: 93.778 Medical Assistance Program - WIMCR

***Criteria*:** To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the preparation and submission of annual reports, which should be reviewed and approved by a responsible party other than the original preparer.

***Condition/Context*:** The annual reports were tested for review and approval by someone other than the original preparer. None of the annual reports were reviewed and approved by a responsible party other than the original preparer.

***Cause*:** Due to limited staff, the county did not identify an individual that would be qualified to review reports before they are submitted other than the individual preparing them.

***Effect*:** Annual reports could be filed which are not appropriate or accurate. We noted a variety of changes that were made to the submitted reports after the state's WIMCR coordinator reviewed the submitted report.

Questioned Costs: none

***Recommendation*:** The county should consider adding review and approval controls to the annual reporting process.

Management Status: The Director will review the reports prior to submission.

FINDING 2011-5: DCF STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

***Criteria*:** DCF general requirements as identified in the *State Single Audit Guidelines* require that the county document and maintain support for responses to Random Moment Sampling.

***Condition/Context*:** As part of the 2011 audit the county was unable to provide support for 14 of the 25 Random Moment Sample responses tested.

***Cause*:** County staff was unaware that a case number should be provided for each Random Moment Sample response as evidence of what they were working on. As a result, the auditors were not able to verify that their responses were accurate.

***Effect*:** There is no way to verify that the county's responses were accurate.

Questioned Costs: none

***Recommendation*:** The county should enter a case number or maintain other support for each Random Moment response.

Management Status: Human Services had an in-service training on July 18, 2012 to reiterate the importance of documentation. Human Services will periodically review and will plan to move toward a uniform method of documentation where the case information will easily lead to supporting documentation, case number, etc.

*FINDING 2011-6: 435.561 BASIC COUNTY ALLOCATION
395.101 ELDERLY AND HANDICAPPED COUNTY AIDS*

***Criteria*:** The A-102 Common Rule and Code of Federal Regulations require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. To minimize the risk of errors, internal controls should be in place for all program compliance requirements, including the appropriate review and approval of disbursements to ensure they are allowable under the program.

***Condition/Context*:** During our testing of the Basic County Allocation program, there were 21 out of 40 invoices tested that did not contain evidence of proper review and approval of expenditures charged to the program.

During our testing of the Elderly and Handicapped County Aids program, there were 30 out of 40 invoices tested that did not contain evidence of proper review and approval of expenditures charged to the program.

***Cause*:** The county did not have a formal process to review and approve expenditures.

***Effect*:** Lack of effective internal controls in the disbursements function could result in unallowable costs charged to the program.

FINDING 2011-6: 435.561 BASIC COUNTY ALLOCATION
395.101 ELDERLY AND HANDICAPPED COUNTY AIDS (cont.)

Questioned Costs: none

***Recommendation*:** The county should review its control procedures to ensure that all invoices are being reviewed and approved prior to payment.

Management Status: Human Services continues to have the applicable worker and/or supervisor sign off on invoices prior to payment. The voucher schedules are provided to the Human Services Board and Director prior to the board meetings, and actual invoices brought to board meetings if needed for further clarification.

FINDING 2011-7: 435.460 CLTS

***Criteria*:** Compliance requirements as identified in the *State Single Audit Guidelines* require that the county preauthorize all CLTS provider services, and submit an accurate authorization to both the provider and the third party administrator, to validate the provider's payment for a given service.

***Condition/Context*:** During the 2011 audit, four CLTS client files were tested. Of the four tested, three of them contained incorrect billing of SPC codes between the ISP and HSRS.

***Cause*:** The county did not have a formal process to review the SPC codes.

***Effect*:** Amounts reported on HSRS may not be authorized by the client or guardian.

Questioned Costs: none

***Recommendation*:** The county should implement additional review procedures, to ensure that SPC codes match between the ISP and the HSRS.

Management Status: Case reviews are occurring at monthly intervals and the data warehouse output is being reviewed. Case managers have been working with state CLTS staff and data warehouse staff to review and correct coding when possible. Case managers attended data warehouse training in the fall of 2012.

FINDING 2011-8: DHS STATE SINGLE AUDIT GUIDELINES GENERAL REQUIREMENTS

***Criteria*:** DHS general requirements as identified in the *State Single Audit Guidelines* identify a variety of accounting responsibilities related to client funds for which the county has a fiduciary responsibility.

***Condition/Context*:** The following issues were related to activity in the representative payee ("rep payee") accounts.

1. The county did not have documentation establishing each rep payee account. Communications between the Social Security Administration and the county that evidenced the county was assigned the rep payee were provided after our request for documentation. However, no documentation was received for five clients reported in the representative payee system.

2. The county commingled rep payee funds with county funds. It was noted that human service petty cash and donation funds were included within the rep payee bank account.

3. The county was unable to provide evidence that the rep payee account was being reconciled to monthly bank statements. Additionally, there was no reconciliation being performed between the county's subsidiary ledgers for individual rep payee accounts and the rep payee account in total. As a result, the county was unable to provide accurate reports of individual rep payee balances.

***Cause*:** The county had not established the appropriate controls over client funds.

***Effect*:** Absence of controls in these areas could result in risk of misuse of funds.

Questioned Costs: none

***Recommendation*:** The county should implement additional procedures and controls to follow the requirements of the WI DHS and Social Security Administration.

Management Status: Reconciliations are performed on a monthly basis between the bank statement, client individual accounts, and the Human Services general ledger by a staff member generally not involved in writing checks or preparing deposits.