

LINCOLN COUNTY, WISCONSIN
Merrill, Wisconsin

BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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Independent auditors' report

To the County Board
Lincoln County, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County, Wisconsin (the "County") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pine Crest Nursing Home, which represents 100 percent of the assets, net position, and revenues of the Pine Crest Nursing Home major fund, and 47 percent, 26 percent, and 72 percent, respectively of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pine Crest Nursing Home, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pine Crest Nursing Home Enterprise fund were not audited in accordance with *Government Auditing Standards*.

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 auditors consider internal control relevant to the 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 the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 9 to the financial statements, in 2018 the County adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedules relating to pensions and other postemployment benefits on pages 53 through 54 be presented to supplement the basic financial statements. Such information, although not 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The financial information listed in the table of contents as supplementary information presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 supplementary information is 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 have also issued our report dated September 12, 2019, on our consideration of the 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 solely 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 the effectiveness of the County's 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 the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
September 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



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Management's Discussion and Analysis

As management of Lincoln County, we offer the readers of Lincoln County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2018.

Financial Highlights

- The assets and deferred outflows of resources of Lincoln County exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$69,536,776 (net position). Of this amount, \$11,805,845 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net position decreased by \$490,330 and the business-type activities decreased by \$1,577,025.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$11,174,474, a decrease of \$611,065 in comparison with the prior year. Seventy-seven percent of this total amount, \$8,645,640, is available for spending at the government's discretion (committed, assigned, or unassigned).
- At the end of the current fiscal year, expenditures exceeded revenues in the general fund by \$1,104,135.
- In 2018 Lincoln County's capital assets increased by \$212,844.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to Lincoln County's basic financial statements. The County's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The *statement of net position* reports what a government owns (assets and deferred outflows of resources) and owes (liabilities and deferred inflows of resources), as well as the net difference between the two (net position). This statement reports the financial position of Lincoln County at December 31, 2018. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the *statement of net position* and the *statement of activities*, the County has two kinds of activities:

- **Governmental Activities** - Most of the County's programs and services are reported here, including general government, public safety, public works, health and human services, culture recreation and education, and conservation and development.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or most of the services provided. The County's Nursing Home, Solid Waste Landfill, Lincoln Industries (developmental disabilities workshop) and Forestry are reported here.

Infrastructure assets (which include roads, bridges, curbs and gutters, street and sidewalks, drainage systems, and lighting systems) are reported at historical cost, or estimated historical cost, in the governmental activities column in the government-wide financial statements. They are part of the County Roads and Bridges governmental fund and were not required to have been reported before the implementation of GASB Statement No. 34.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. The County's major governmental funds are the General Fund, County Roads and Bridges Fund, and Social Services Fund.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the county roads and bridges special revenue fund, and social services special revenue fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these six nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for all of its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund and for each individual, major special revenue funds to demonstrate compliance with the budget.

Proprietary Funds - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Activities*. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The County uses enterprise funds to account for its PineCrest Nursing Home, Solid Waste Landfill, Lincoln Industries Workshop and Forestry Department. The County uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities. The County uses internal service funds to account for its Health Insurance Trust Fund and the Highway Department.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. The County's fiduciary funds include its employees' benefit cafeteria plan and clerk of courts collection fund. All of the County's fiduciary activities are reported in a separate *Statement of Fiduciary Net Position*. We exclude these net assets from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining fund statements are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of 2018, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,536,775.

By far the largest portion of the County's net position, \$52,962,689 (76.17%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The County's net investment in capital assets, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lincoln County's Net Position						
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
	2018	2017	2018	2017	2018	2017
Current and other assets	\$34,596,646	\$32,492,793	\$ 13,935,304	\$ 12,461,220	\$48,531,950	\$44,954,013
Capital assets	53,060,866	52,311,276	19,045,422	19,582,168	72,106,288	71,893,444
Total assets	<u>87,657,512</u>	<u>84,804,069</u>	<u>32,980,726</u>	<u>32,043,388</u>	<u>120,638,238</u>	<u>116,847,457</u>
Deferred outflow s of resources	<u>4,803,573</u>	<u>5,278,367</u>	<u>2,664,421</u>	<u>2,951,812</u>	<u>7,467,994</u>	<u>8,230,179</u>
Long-term liabilities						
outstanding	10,870,231	11,270,251	17,819,940	17,014,820	28,690,171	28,285,071
Other liabilities	<u>5,758,864</u>	<u>5,445,440</u>	<u>2,415,457</u>	<u>2,437,023</u>	<u>8,174,321</u>	<u>7,882,463</u>
Total liabilities	<u>16,629,095</u>	<u>16,715,691</u>	<u>20,235,397</u>	<u>19,451,843</u>	<u>36,864,492</u>	<u>36,167,534</u>
Deferred inflow s of resources	<u>18,484,576</u>	<u>15,529,001</u>	<u>3,220,388</u>	<u>1,776,970</u>	<u>21,704,964</u>	<u>17,305,971</u>
Net position:						
Net investment in capital assets	43,826,293	42,508,160	9,136,396	10,394,614	52,962,689	52,902,774
Restricted	3,214,536	799,162	1,553,706	148,737	4,768,242	947,899
Unrestricted	<u>10,306,585</u>	<u>14,530,422</u>	<u>1,499,260</u>	<u>3,223,036</u>	<u>11,805,845</u>	<u>17,753,458</u>
Total net position	<u>\$57,347,414</u>	<u>\$57,837,744</u>	<u>\$ 12,189,362</u>	<u>\$ 13,766,387</u>	<u>\$69,536,776</u>	<u>\$71,604,131</u>

An additional portion of the County's net position, \$4,768,242 (6.86%), represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, Lincoln County is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities except for Solid Waste, Social Services, and Emergency Medical Funds.

Governmental Activities. Governmental activities decreased the County's net position by \$490,330. Key elements of this decrease are as follows:

Lincoln County's Change in Net Position						
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 7,646,931	\$ 6,831,562	\$ 18,564,161	\$ 16,848,000	\$26,211,092	\$ 23,679,562
Operating grants and contributions	4,366,206	4,020,354	323,337	317,865	4,689,543	4,338,219
General revenues:						
Property taxes	13,633,080	13,376,133	556,942	632,756	14,190,022	14,008,889
Other taxes	3,307,688	2,625,558	-	-	3,307,688	2,625,558
Grants and contributions not restricted to specific programs	1,049,390	1,043,283	-	-	1,049,390	1,043,283
Other	278,563	137,809	145,679	48,885	424,242	186,694
Total revenues	30,281,858	28,034,699	19,590,119	17,847,506	49,871,977	45,882,205
Expenses:						
General government	6,560,754	6,274,904	-	-	6,560,754	6,274,904
Public safety	10,039,587	10,460,850	-	-	10,039,587	10,460,850
Public works	6,522,281	7,197,870	-	-	6,522,281	7,197,870
Health and human services	5,347,969	5,391,584	-	-	5,347,969	5,391,584
Culture and recreation	808,777	854,181	-	-	808,777	854,181
Conservation and development	631,707	683,595	-	-	631,707	683,595
Interest on long-term debt	283,769	268,441	-	-	283,769	268,441
Nursing home	-	-	15,334,628	14,132,910	15,334,628	14,132,910
Forestry	-	-	1,053,356	1,012,719	1,053,356	1,012,719
Lincoln Industries	-	-	1,489,486	2,029,974	1,489,486	2,029,974
Landfill	-	-	2,442,549	1,209,461	2,442,549	1,209,461
Total expenses	30,194,844	31,131,425	20,320,019	18,385,064	50,514,863	49,516,489
Increase (decrease) in net position before transfers	87,014	(3,096,726)	(729,900)	(537,558)	(642,886)	(3,634,284)
Transfers	299,297	1,100,167	(299,297)	(1,100,167)	-	-
Increase (Decrease) in net position	386,311	(1,996,559)	(1,029,197)	(1,637,725)	(642,886)	(3,634,284)
Cumulative effect of Change in Accounting Principle						
Accounting Principle	(876,641)	-	(547,828)	-	(1,424,469)	-
Net position - January 1	57,837,744	59,834,303	13,766,387	15,404,112	71,604,131	75,238,415
Net position - December 31	\$57,347,414	\$ 57,837,744	\$ 12,189,362	\$ 13,766,387	\$69,536,776	\$ 71,604,131

A cumulative effect of change in accounting principle of a decrease of \$876,641 was incurred by governmental activities due to the implementation of GASB 75, accounting for postemployment benefits other than pensions. The County's General Fund decreased \$1,048,368 due to a spend down of \$1,619,849 in Capital Improvement Project (CIP) funds. The County's Social Service fund increased \$28,716 due to a contingency fund release from the General Fund of \$184,722 for unanticipated out of home placements for youth. The County's Health Insurance fund showed a decrease of \$249,227 due to higher than anticipated claims after a \$700,000 transfer from the General Fund to offset those claims. An additional pension expense of \$181,618 was absorbed by the governmental activities due to requirements of GASB 68.

Business-type Activities Business-type activities decreased Lincoln County's net position by \$1,577,026. A cumulative effect of change in accounting principle of a decrease of \$547,828 was incurred by business-type activities due to the implementation of GASB 75, accounting for postemployment benefits other than pensions. Solid Waste had a decrease of \$921,515 due to an increase in future closure payable of \$833,867 due to the opening of a new cell. Forestry showed a gain of \$951,614 due to higher than expected timber stumpage. Lincoln Industries posted a loss of \$209,629 due to lower than anticipated revenues and a transfer of \$100,000 to the General Fund. Pine Crest posted a loss of \$849,667 due to GABS 68 expenses of \$136,339 and lower than anticipated census.

Financial Analysis of the Government's Funds

As noted earlier, Lincoln County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Lincoln County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Lincoln County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$11,174,474, a decrease of \$611,065 in comparison with the prior year. Approximately 77 percent of this total amount, \$8,645,640 constitutes the amount which is available for spending at the government's discretion. Of the \$11,174,474, \$1,544,045 is committed by County Board action for CIP projects, another \$896,585 is assigned for CIP projects in future years, and \$4,467,030 is recognized by County Board action for cash flow. Additionally, \$60,777 is assigned by the Finance and Insurance Committee for specific programs. The remaining \$1,040,372 in the General Fund is unassigned.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,507,402, while the total fund balance was \$10,364,776. A total of \$8,298,658 or eighty percent of the general fund balance remains under the County's discretion.

The fund balance of Lincoln County's general fund decreased by \$1,048,368 during the current fiscal year. Key factors in this decrease are as follows:

- The County transferred an amount of \$755,767 into General Fund. \$27,826 was transferred per Ordinance 3.07 and \$373,331 per Ordinance 3.26 which limit fund balance and net position balances in other funds and an additional \$200,000 was transferred from the Solid Waste Fund and \$100,000 from Lincoln Industries to offset tax levy. An additional \$54,610 was transferred from Forestry to CIP during 2018. The County transferred \$700,000 out of the General Fund to the Health Insurance Fund to offset increased claims.
- Total revenues were better than budgeted expectations by \$617,209. Forest land revenue exceeded budgeted amounts by \$183,911. Interest revenue came in \$184,258 higher than budgeted. Child Support exceeded budget expectations by \$161,217. These excesses were offset by land services intergovernmental revenues and interest on taxes shortfalls of \$104,621 and 188,639 respectively.
- Expenditures came in under budget by \$1,297,670. An additional \$849,606 was carried over into 2019 than was originally budgeted, UW Extension underspent by \$90,491, and the general government budget was underspent by \$578,899.

The County Roads and Bridges Fund has a fund balance of \$565,893 at December 31, 2018 an increase of \$332,876 when compared to the previous year. Reserves were carried over for 2019 projects.

The Social Services fund has a total fund balance of \$29,197. The fund balance of the Social Services fund increased \$28,716 during the current year. Contingency funds were used to cover unanticipated out of home placements.

Proprietary funds. The County's proprietary funds provide the same type of information found in the business-type activities of the County's government-wide financial statements, but in more detail.

Unrestricted net position of Pine Crest Nursing Home operations at the end of the year amounted to a negative \$320,813, those of Solid Waste Landfill amounted to a negative \$1,192,981, those of Lincoln Industries amounted to \$554,216 and those of Forestry amounted to \$2,458,837. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights.

In the course of the year, the Finance and Insurance Committee and the County Board of Supervisors revised the budget. The budget amendments fell into three main categories. The first category included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts that we estimated during the budget process in October 2017). The second category included several increases in appropriations to prevent budget overruns. The third included grants or purchases that were not anticipated and budgeted for originally. Other budget amendments were not made for variances in revenue lines unless it was for a grant.

During the year, the budget for expenditures was *increased* by \$1,385,328. Those amendments are briefly summarized below:

- \$1,044,843 - The actual amount of grant and designated funds spent down in 2017 was less than the amount estimated as designated for non-lapsing appropriations when the budget was prepared.
- \$14,018 - Increase in expenditures due to increased grant revenues.
- \$10,000 - Increase in Capital Improvement Projects (CIP) during the year.

Actual expenditures were \$1,297,670 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$288,629 - Unused electronic access and retained fee revenue.
- \$39,623 - Lower than expected Guardian Ad Litem and attorney costs in the Clerk of Courts Office.
- \$364,612 - Due to in progress CIP projects in Maintenance and Information Technology.

On the revenue side, the original budget was *increased* by \$372,355 with budget amendments largely due to increases of \$378,570 in donation revenues.

Actual revenues were \$617,209 *higher* than budgeted. Significant variances not already provided elsewhere are as follows:

- Managed Forest Crop revenue ended \$91,998 higher than budgeted.
- Clerk of Courts fines were \$52,104 higher than anticipated.
- Tax Deed revenue was \$26,248 higher than budgeted.

Capital Asset and Debt Administration

Capital assets. Lincoln County's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounted to \$72,106,288 (net of accumulated depreciation) compared to \$71,893,444 in 2017. This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, equipment and vehicles, intangible assets, and work in progress. The net increase in the County's investment in capital assets for the current fiscal year was \$212,844 or .3 percent.

Major capital asset events during the current fiscal year included the following:

- A net of \$670,418 of road construction was added to infrastructure.
- An additional \$432,724 was added to buildings due to the Pine Crest remodeling project.
- Work in progress increased by \$1,252,515.
- Depreciation expense totaled \$4,459,495 in 2018.

Lincoln County's Capital Assets (net of accumulated depreciation)						
	Governmental Activities	Governmental Activities	Business- Type Activities	Business-Type Activities	Total	Total
	2018	2017	2018	2017	2018	2017
Land	\$ 41,395	\$ 41,395	\$ 2,641,462	\$ 2,641,462	\$ 2,682,857	\$ 2,682,857
Land improvements	545,190	517,754	3,775,215	4,165,214	4,320,405	4,682,968
Infrastructure	32,516,983	32,558,167	-	-	32,516,983	32,558,167
Buildings and improvement	13,156,728	13,837,326	9,512,020	9,544,093	22,668,748	23,381,419
Equipment and vehicles	5,484,280	5,297,946	2,862,792	2,972	8,347,072	8,270,325
Work in progress	<u>1,316,290</u>	<u>58,688</u>	<u>253,933</u>	<u>259,020</u>	<u>1,570,223</u>	<u>317,708</u>
Total	<u>\$ 53,060,866</u>	<u>\$52,311,276</u>	<u>\$ 19,045,422</u>	<u>\$ 19,582,168</u>	<u>\$ 72,106,288</u>	<u>\$ 71,893,444</u>

Additional information on Lincoln County's capital assets can be found in Note 6.

Long-term debt. At the end of the current fiscal year, Lincoln County had a total general obligation debt outstanding of \$16,505,000 which is a decrease of \$640,000. In 2017 the total general obligation debt outstanding was \$17,145,000. All Lincoln County general obligation debt is backed by the full faith and credit of the County. Lincoln County maintains a Standard and Poor's Rating of AA for general obligation debt.

Lincoln County's Outstanding Long-Term Obligations						
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2018	2017	2018	2017	2018	2017
Bonds	\$9,565,000	\$10,195,000	\$6,940,000	\$6,950,000	\$16,505,000	\$17,145,000
Notes	-	-	2,600,000	2,600,000	2,600,000	2,600,000
Capital lease	63,190	67,292	-	-	63,190	67,292
Compensated absences	<u>1,785,855</u>	<u>1,822,660</u>	<u>686,567</u>	<u>600,142</u>	<u>2,472,422</u>	<u>2,422,802</u>
Total general long-term obligations	<u>\$11,414,045</u>	<u>\$12,084,952</u>	<u>\$10,226,567</u>	<u>\$10,150,142</u>	<u>\$21,640,612</u>	<u>\$22,235,094</u>

Wisconsin statutes limit the amount of general obligation debt a government entity may issue to 5 percent of its total equalized valuation. Lincoln County's debt capacity is \$106,854,664, which is significantly in excess of Lincoln County's outstanding general obligation debt.

Additional information on Lincoln County's long-term debt can be found in Note 7.

Factors and Next Year's Budget Rates

- The unemployment rate for Lincoln County in April 2019 was 3.3 percent as compared to 3.0 percent for the State of Wisconsin. The April 2019 rate for Lincoln County was .1 percent lower than the April 2018 rate (3.4%).
- The general economic condition and outlook for the County is for growth creating increased employment opportunities. Equalized valuation in Lincoln County increased 4 percent in 2018 and still remains below the 2010 valuation by .28 percent.
- Inflationary trends in our region compare to national indices.

These factors were considered in preparing the County's budget for the 2019 fiscal year.

Request for information

This financial report is designed to provide a general overview of Lincoln County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Lincoln County, 801 North Sales Street Suite 211, Merrill, WI 54452.

BASIC FINANCIAL STATEMENTS

**LINCOLN COUNTY, WISCONSIN
STATEMENT OF NET POSITION
December 31, 2018**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,137,207	\$ 5,059,687	\$ 17,196,894
Internal balances	272,052	(272,052)	-
Receivables, net:			
Property taxes	14,068,429	440,815	14,509,244
Tax certificates and deeds	1,636,306	-	1,636,306
Assessments	161,004	-	161,004
Accounts	1,582,895	1,541,696	3,124,591
Due from other governments	1,121,830	520,004	1,641,834
Inventories, at cost	1,201,837	132,463	1,334,300
Prepaid items	178,181	91,413	269,594
Total current assets	<u>32,359,741</u>	<u>7,514,026</u>	<u>39,873,767</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	12,177	4,985,207	4,997,384
Net pension asset	2,224,728	1,400,271	3,624,999
Total noncurrent assets	<u>2,236,905</u>	<u>6,385,478</u>	<u>8,622,383</u>
Capital assets:			
Land and construction in progress	1,357,685	2,895,395	4,253,080
Other capital assets, net of depreciation	51,703,181	16,150,027	67,853,208
Total capital assets	<u>53,060,866</u>	<u>19,045,422</u>	<u>72,106,288</u>
Total noncurrent assets	<u>55,297,771</u>	<u>25,430,900</u>	<u>80,728,671</u>
Total assets	<u>87,657,512</u>	<u>32,944,926</u>	<u>120,602,438</u>
DEFERRED OUTFLOWS OF RESOURCES			
Early retirement of debt	553,123	-	553,123
Related to other post employment benefits	176,621	115,136	291,757
Related to pensions	4,073,829	2,553,253	6,627,082
Total deferred outflow of resources	<u>4,803,573</u>	<u>2,668,389</u>	<u>7,471,962</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,322,296	406,519	1,728,815
Accrued expenses	830,367	448,752	1,279,119
Compensated absences payable	889,646	512,748	1,402,394
Accrued claims	997,505	-	997,505
Deposits and advances	284,291	268,781	553,072
Due to other governments	264,783	297,331	562,114
Current portion of long-term obligations	973,190	350,000	1,323,190
Unearned revenue	196,786	99,494	296,280
Total current liabilities	<u>5,758,864</u>	<u>2,383,625</u>	<u>8,142,489</u>
Noncurrent liabilities:			
Future closure payable	-	7,190,620	7,190,620
Net other post employment benefits liability	1,159,516	729,815	1,889,331
Compensated absences payable	896,209	173,819	1,070,028
Due other governments	-	166,660	166,660
Noncurrent portion of long-term obligations	8,814,506	9,559,026	18,373,532
Total noncurrent liabilities	<u>10,870,231</u>	<u>17,819,940</u>	<u>28,690,171</u>
Total liabilities	<u>16,629,095</u>	<u>20,203,565</u>	<u>36,832,660</u>
DEFERRED INFLOWS OF RESOURCES			
Related to other post employment benefits	16,338	10,282	26,620
Related to pensions	4,399,809	2,769,291	7,169,100
Property taxes levied for subsequent year	14,068,429	440,815	14,509,244
Total deferred inflows of resources	<u>18,484,576</u>	<u>3,220,388</u>	<u>21,704,964</u>
NET POSITION			
Net investment in capital assets	43,826,293	9,136,396	52,962,689
Restricted	3,214,536	1,553,706	4,768,242
Unrestricted	10,306,585	1,499,260	11,805,845
TOTAL NET POSITION	<u>\$ 57,347,414</u>	<u>\$ 12,189,362</u>	<u>\$ 69,536,776</u>

These financial statements should be read only in connection with
the accompanying notes to basic financial statements.

**LINCOLN COUNTY, WISCONSIN
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018**

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Sales and	Operating	Primary Government		
		Charges for	Grants and	Governmental	Business-Type	Total
	Services	Contributions	Activities	Activities		
GOVERNMENTAL ACTIVITIES:						
General government	\$ 6,560,754	\$ 669,442	\$ 284,691	\$ (5,606,621)	\$ -	\$ (5,606,621)
Public safety	10,039,587	2,876,047	179,964	(6,983,576)	-	(6,983,576)
Public works	6,522,281	2,860,701	1,326,895	(2,334,685)	-	(2,334,685)
Health and human services	5,347,969	498,791	2,332,190	(2,516,988)	-	(2,516,988)
Culture, recreation, and education	808,777	63,908	3,197	(741,672)	-	(741,672)
Conservation and development	631,707	678,042	228,678	275,013	-	275,013
Interest on long-term debt	283,769	-	10,591	(273,178)	-	(273,178)
Total governmental activities	<u>30,194,844</u>	<u>7,646,931</u>	<u>4,366,206</u>	<u>(18,181,707)</u>	<u>-</u>	<u>(18,181,707)</u>
BUSINESS-TYPE ACTIVITIES:						
Nursing home	15,334,628	13,572,750	-	-	(1,761,878)	(1,761,878)
Forestry	1,053,356	2,059,991	323,337	-	1,329,972	1,329,972
Lincoln Industries	1,489,486	1,352,868	-	-	(136,618)	(136,618)
Solid waste landfill	2,442,549	1,578,552	-	-	(863,997)	(863,997)
Total business-type activities	<u>20,320,019</u>	<u>18,564,161</u>	<u>323,337</u>	<u>-</u>	<u>(1,432,521)</u>	<u>(1,432,521)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 50,514,863</u>	<u>\$ 26,211,092</u>	<u>\$ 4,689,543</u>	<u>(18,181,707)</u>	<u>(1,432,521)</u>	<u>(19,614,228)</u>
GENERAL REVENUES:						
Taxes:						
Property taxes, levied for general purposes				13,633,080	556,942	14,190,022
Private forest cropland/managed forest land taxes				125,334	-	125,334
Wheel Tax				561,784	-	561,784
County sales tax				2,133,224	-	2,133,224
Real estate transfer taxes				73,552	-	73,552
Payment in lieu of taxes				85,318	-	85,318
Interest and penalties on taxes				328,476	-	328,476
Grants and contributions not restricted to specific programs				1,049,390	-	1,049,390
Gain on sale of assets				-	23,500	23,500
Unrestricted investment earnings				278,563	122,179	400,742
Transfers				299,297	(299,297)	-
Total general revenues and transfers				<u>18,568,018</u>	<u>403,324</u>	<u>18,971,342</u>
CHANGE IN NET POSITION				<u>386,311</u>	<u>(1,029,197)</u>	<u>(642,886)</u>
NET POSITION - BEGINNING, AS ORIGINALLY STATED				57,837,744	13,766,387	71,604,131
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				<u>(876,641)</u>	<u>(547,828)</u>	<u>(1,424,469)</u>
NET POSITION - BEGINNING, AS RESTATED				<u>56,961,103</u>	<u>13,218,559</u>	<u>70,179,662</u>
NET POSITION - ENDING				<u>\$ 57,347,414</u>	<u>\$ 12,189,362</u>	<u>\$ 69,536,776</u>

These financial statements should be read only in connection with the accompanying notes to basic financial statements.

**LINCOLN COUNTY, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018**

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,405,691	\$ 534,243	\$ 100	\$ 715,632	\$ 9,655,666
Receivables, net:					
Property taxes	8,472,345	2,112,076	843,794	2,640,214	14,068,429
Tax certificates and deeds	1,636,306	-	-	-	1,636,306
Assessments	161,004	-	-	-	161,004
Accounts	1,119,069	-	-	300,493	1,419,562
Due from other governments	426,894	31,650	255,392	22,862	736,798
Due from other funds	953,735	-	-	-	953,735
Prepaid items	176,221	-	1,000	260	177,481
Inventory	9,241	-	-	-	9,241
Restricted assets:					
Cash and cash equivalents	6,921	-	5,256	-	12,177
TOTAL ASSETS	<u>\$ 21,367,427</u>	<u>\$ 2,677,969</u>	<u>\$ 1,105,542</u>	<u>\$ 3,679,461</u>	<u>\$ 28,830,399</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 350,478	\$ -	\$ 47,371	\$ 215,674	\$ 613,523
Accrued liabilities	585,302	-	46,906	31,774	663,982
Deposits and advances	279,010	-	5,281	-	284,291
Due to other funds	-	-	132,959	548,724	681,683
Due to other governments	264,130	-	34	619	264,783
Unearned revenue	168,938	-	-	27,848	196,786
Total liabilities	<u>1,647,858</u>	<u>-</u>	<u>232,551</u>	<u>824,639</u>	<u>2,705,048</u>
Deferred inflows of resources					
Property taxes levied for subsequent year	8,472,345	2,112,076	843,794	2,640,214	14,068,429
Interest on delinquent taxes	556,999	-	-	-	556,999
Citation receivables	325,449	-	-	-	325,449
Total deferred inflows of resources	<u>9,354,793</u>	<u>2,112,076</u>	<u>843,794</u>	<u>2,640,214</u>	<u>14,950,877</u>
Fund balances					
Reserved for:					
Nonspendable	1,538,766	-	-	260	1,539,026
Restricted	527,352	-	48,861	413,595	989,808
Committed	1,833,894	-	-	-	1,833,894
Assigned	957,362	565,893	-	253,326	1,776,581
Unassigned	5,507,402	-	(19,664)	(452,573)	5,035,165
Total fund balances	<u>10,364,776</u>	<u>565,893</u>	<u>29,197</u>	<u>214,608</u>	<u>11,174,474</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 21,367,427</u>	<u>\$ 2,677,969</u>	<u>\$ 1,105,542</u>	<u>\$ 3,679,461</u>	<u>\$ 28,830,399</u>

These financial statements should be read only in connection with
the accompanying notes to basic financial statements.

**LINCOLN COUNTY WISCONSIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2018**

Total fund balances for governmental funds	\$	11,174,474
Total net position used in governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$	3,520
Construction in progress		1,303,898
Land improvements, net of \$120,539 accumulated depreciation		360,405
Buildings, net of \$13,277,719 accumulated depreciation		12,590,723
Machinery and equipment, net of \$3,271,314 accumulated depreciation		1,309,334
Intangible assets, net of \$114,029 accumulated depreciation		373,726
Infrastructure, net of \$25,854,846 accumulated depreciation		<u>32,516,983</u>
Total capital assets		48,458,589
Internal service funds are used by the County to charge the cost of health insurance and County road work to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Internal service fund's net position are:		
Health insurance fund	\$	537,208
Highway fund		<u>5,930,171</u>
Total internal service funds		6,467,379
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 (current and long-term) are reported in the statement of net position. Balances on 12/31/18 are:		
Accrued interest on notes	\$	(53,113)
Bonds payable		(9,565,000)
Premium on debt issued		(159,506)
Vacation payable		(630,460)
Vested sick leave		(348,529)
Accrued sick		(282,634)
Comp time		<u>(17,554)</u>
Total long-term liabilities		(11,056,796)
Accounts receivable are recorded when they become measurable and available in governmental funds. On 12/31/18 receivables were not available and consequently not recorded. Under full accrual accounting, revenues are recorded when earned. Consequently the accounts receivable is recorded and revenue recognized.		
		129,478
On 12/31/18 deferred inflows of resources were recorded in the governmental funds for citation revenue and interest on delinquent taxes that was not considered a current financial resource, but is an economic resource. Consequently, this revenue is recognized.		
Citation revenue	\$	325,449
Interest on delinquent taxes		<u>556,999</u>
Total deferred revenue		882,448
Lincoln County recorded a deferred outflow of resources due to an advanced refunding in 2016		
Deferred outflow of resources on early extinguishment of debt on 12/31/18 is:		553,123
In 2018 Lincoln County reported its cost-sharing employer proportionate share of the collective balance of the pension plan's fiduciary net position as well as deferred outflows and inflows of resources related to pensions per GASB 68. Balances on 12/31/18 are:		
Net pension asset	\$	1,795,568
Deferred outflow of resources-related to pensions		3,300,692
Deferred inflow of resources-related to pensions		<u>(3,551,065)</u>
		<u>1,545,195</u>
In 2018 Lincoln County reported its cost-sharing employer proportionate share of the collective balance of the OPEB plan's fiduciary net position as well as deferred outflows and inflows of resources related to OPEBs per GASB 75. Balances on 12/31/18 are:		
Net other post employment benefits liability	\$	(935,840)
Deferred outflow of resources-related to other post employment benefits		142,550
Deferred inflow of resources-related to other post employment benefits		<u>(13,186)</u>
		<u>(806,476)</u>
Total net position of governmental activities	\$	<u>57,347,414</u>

These financial statements should be read only in connection with the accompanying notes to basic financial statements.

LINCOLN COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 11,063,983	\$ 2,669,360	\$ 785,172	\$ 2,375,138	\$ 16,893,653
Intergovernmental revenues	2,101,649	1,326,895	1,820,204	166,848	5,415,596
Licenses and permits	141,338	-	-	38,090	179,428
Fines, forfeits, and penalties	152,601	-	-	29,810	182,411
Public charges for service	2,226,523	-	-	1,199,182	3,425,705
Intergovernmental charges for service	167,470	-	3,161	197,562	368,193
Miscellaneous revenues	910,422	-	1,118	49,066	960,606
	<u>16,763,986</u>	<u>3,996,255</u>	<u>2,609,655</u>	<u>4,055,696</u>	<u>27,425,592</u>
Total revenues					
EXPENDITURES					
Current:					
General government	5,276,836	-	-	-	5,276,836
Public safety	7,339,032	-	-	2,001,090	9,340,122
Public works	-	3,663,379	-	-	3,663,379
Health and human services	1,500,438	-	2,559,384	1,097,119	5,156,941
Culture, recreation, and education	812,380	-	-	-	812,380
Conservation and development	626,839	-	-	-	626,839
Capital outlay	2,312,596	-	21,555	-	2,334,151
Debt service:					
Principal	-	-	-	630,000	630,000
Interest and other charges	-	-	-	223,950	223,950
	<u>17,868,121</u>	<u>3,663,379</u>	<u>2,580,939</u>	<u>3,952,159</u>	<u>28,064,598</u>
Total expenditures					
Excess (deficiency) of revenues under expenditures	<u>(1,104,135)</u>	<u>332,876</u>	<u>28,716</u>	<u>103,537</u>	<u>(639,006)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	755,767	-	-	-	755,767
Transfers out	(700,000)	-	-	(27,826)	(727,826)
	<u>55,767</u>	<u>-</u>	<u>-</u>	<u>(27,826)</u>	<u>27,941</u>
Total other financing sources and uses					
Net change in fund balances	(1,048,368)	332,876	28,716	75,711	(611,065)
FUND BALANCES - BEGINNING	<u>11,413,144</u>	<u>233,017</u>	<u>481</u>	<u>138,897</u>	<u>11,785,539</u>
FUND BALANCES - ENDING	<u>\$ 10,364,776</u>	<u>\$ 565,893</u>	<u>\$ 29,197</u>	<u>\$ 214,608</u>	<u>\$ 11,174,474</u>

These financial statements should be read only in connection with
the accompanying notes to basic financial statements.

LINCOLN COUNTY, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Net change in fund balances - total governmental funds		\$ (611,065)
The change in net position reported for governmental activities in the statement of activities is different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. Additionally, the sale of a capital asset is recorded as a revenue in the governmental funds. However on the accrual basis, a gain or loss must be recognized. The net changes are as follows:		
Capital outlay	\$ 3,463,771	
Sale and disposal of capital assets	(11,180)	
Depreciation expense	<u>(2,665,143)</u>	
Deficiency of capital outlay over depreciation expense		787,448
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, this amount consisted of:		
		630,000
Internal service funds are used by the County to charge the cost of health insurance and County road work to individual funds. The net revenue of the internal service funds is reported with governmental activities as follows:		
Health insurance fund	\$ (249,227)	
Highway fund	<u>162,517</u>	
Total internal service funds		(86,710)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following balances:		
Pension expense	\$ (181,618)	
Life Insurance Expense	(98,943)	
Debt premium	26,570	
Early retirement of debt loss amortized	(92,139)	
Accrued interest on notes	5,750	
Vacation	36,324	
Vested sick leave	(3,833)	
Accrued sick	(8,051)	
Comp time	<u>1,768</u>	
Combined adjustment		(314,172)
Revenue had accrued on 12/31/18 but was not available. Consequently this revenue was either deferred or not accrued in governmental funds, but is recorded as a receivable on the statement of net position and recognized as revenue on the statement of activities. The net revenue consists of:		
Contract reimbursement	\$ (18,883)	
Interest on delinquent taxes	47,115	
Corrections	1,110	
Citations	<u>(48,532)</u>	
Combined adjustment		<u>(19,190)</u>
Change in net position of governmental activities		<u>\$ 386,311</u>

These financial statements should be read only in connection with the accompanying notes to basic financial statements.

LINCOLN COUNTY, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

	Enterprise Funds					Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 172,669	\$ 1,018,273	\$ 3,282,666	\$ 586,079	\$ 5,059,687	\$ 2,481,541
Receivables, net:						
Property taxes	440,815	-	-	-	440,815	-
Accounts	1,049,412	249,331	81,012	161,941	1,541,696	33,855
Due from other governments	455,150	18	64,749	87	520,004	385,032
Inventories, at cost	41,713	90,750	-	-	132,463	1,192,596
Prepaid items	37,455	30,811	-	23,147	91,413	700
Total current assets	<u>2,197,214</u>	<u>1,389,183</u>	<u>3,428,427</u>	<u>771,254</u>	<u>7,786,078</u>	<u>4,093,724</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	-	4,985,207	-	-	4,985,207	-
Net pension asset	1,170,356	43,113	81,405	105,397	1,400,271	429,160
Capital assets:						
Land	13,833	84,605	2,518,419	24,605	2,641,462	37,875
Construction work in progress	253,933	-	-	-	253,933	12,392
Improvements other than buildings	454,531	13,202,971	9,603	10,752	13,677,857	316,330
Buildings	15,771,385	300,049	312,677	1,264,652	17,648,763	2,242,080
Machinery and equipment	3,980,263	1,134,282	635,229	305,685	6,055,459	10,857,908
Less accumulated depreciation and depletion	<u>(8,249,263)</u>	<u>(10,743,697)</u>	<u>(735,119)</u>	<u>(1,503,973)</u>	<u>(21,232,052)</u>	<u>(8,864,308)</u>
Total capital assets	<u>12,224,682</u>	<u>3,978,210</u>	<u>2,740,809</u>	<u>101,721</u>	<u>19,045,422</u>	<u>4,602,277</u>
Total noncurrent assets	<u>13,395,038</u>	<u>9,006,530</u>	<u>2,822,214</u>	<u>207,118</u>	<u>25,430,900</u>	<u>5,031,437</u>
Total assets	<u>15,592,252</u>	<u>10,395,713</u>	<u>6,250,641</u>	<u>978,372</u>	<u>33,216,978</u>	<u>9,125,161</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to other post employment benefits	96,883	3,423	6,463	8,367	115,136	34,071
Related to pensions	2,131,626	77,684	148,836	195,107	2,553,253	773,137
Total deferred outflows of resources	<u>2,228,509</u>	<u>81,107</u>	<u>155,299</u>	<u>203,474</u>	<u>2,668,389</u>	<u>807,208</u>
LIABILITIES						
Current liabilities:						
Accounts payable	295,650	81,083	1,786	28,000	406,519	708,773
Accrued expenses	382,262	10,028	24,690	31,772	448,752	113,272
Compensated absences payable	397,940	22,192	49,762	42,854	512,748	241,632
Accrued claims	-	-	-	-	-	997,505
Due to other funds	272,052	-	-	-	272,052	-
Due to other governments	3,278	16,666	276,956	431	297,331	-
Unearned revenue	-	-	99,494	-	99,494	-
Current maturities of long-term debt	350,000	-	-	-	350,000	63,190
Deposits and advances	-	-	268,781	-	268,781	-
Total current liabilities	<u>1,701,182</u>	<u>129,969</u>	<u>721,469</u>	<u>103,057</u>	<u>2,655,677</u>	<u>2,124,372</u>
Noncurrent liabilities:						
Noncurrent due to other governments	-	166,660	-	-	166,660	-
Compensated absences payable	-	53,179	67,332	53,308	173,819	265,046
Noncurrent portion of long-term obligations	9,559,026	-	-	-	9,559,026	-
Net other post employment benefit liabilities	609,984	22,470	42,429	54,932	729,815	223,676
Future closure payable	-	7,190,620	-	-	7,190,620	-
Total noncurrent liabilities	<u>10,169,010</u>	<u>7,432,929</u>	<u>109,761</u>	<u>108,240</u>	<u>17,819,940</u>	<u>488,722</u>
Total liabilities	<u>11,870,192</u>	<u>7,562,898</u>	<u>831,230</u>	<u>211,297</u>	<u>20,475,617</u>	<u>2,613,094</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	2,314,593	85,263	160,994	208,441	2,769,291	848,744
Related to other post employment benefits	8,593	317	598	774	10,282	3,152
Property taxes levied for subsequent year	440,815	-	-	-	440,815	-
Total deferred inflows of resources	<u>2,764,001</u>	<u>85,580</u>	<u>161,592</u>	<u>209,215</u>	<u>3,220,388</u>	<u>851,896</u>
NET POSITION						
Net investment in capital assets	2,315,656	3,978,210	2,740,809	101,721	9,136,396	4,539,087
Restricted	1,191,724	43,113	213,472	105,397	1,553,706	429,160
Unrestricted	<u>(320,812)</u>	<u>(1,192,981)</u>	<u>2,458,837</u>	<u>554,216</u>	<u>1,499,260</u>	<u>1,499,132</u>
TOTAL NET POSITION	<u>\$ 3,186,568</u>	<u>\$ 2,828,342</u>	<u>\$ 5,413,118</u>	<u>\$ 761,334</u>	<u>\$ 12,189,362</u>	<u>\$ 6,467,379</u>

These financial statements should be read only in connection with
the accompanying notes to basic financial statements.

LINCOLN COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2018

	<u>Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>	<u>Lincoln Industries</u>	<u>Total</u>	
OPERATING REVENUES						
Public charges for service	\$ 13,544,528	\$ 1,454,271	\$ 2,059,991	\$ 1,323,313	\$ 18,382,103	\$ -
Interdepartmental charges for service	-	-	-	29,555	29,555	9,299,580
Intergovernmental charges for service	-	110,771	-	-	110,771	2,751,073
Other	15,248	13,510	-	-	28,758	100,357
Total operating revenues	<u>13,559,776</u>	<u>1,578,552</u>	<u>2,059,991</u>	<u>1,352,868</u>	<u>18,551,187</u>	<u>12,151,010</u>
OPERATING EXPENSES						
607 Claims paid	-	-	-	-	-	5,717,022
Nursing services	6,129,535	-	-	-	6,129,535	-
Other professional services	1,211,820	-	-	-	1,211,820	-
General services	2,387,305	1,103,610	983,408	1,411,184	5,885,507	5,447,824
Administrative and fiscal services	3,922,816	-	-	-	3,922,816	1,271,244
Provider assessment tax	367,200	-	-	-	367,200	-
Future closing costs	-	833,867	-	-	833,867	-
Depreciation and amortization	690,913	484,460	43,865	51,313	1,270,551	523,801
Total operating expenses	<u>14,709,589</u>	<u>2,421,937</u>	<u>1,027,273</u>	<u>1,462,497</u>	<u>19,621,296</u>	<u>12,959,891</u>
Operating income (loss)	<u>(1,149,813)</u>	<u>(843,385)</u>	<u>1,032,718</u>	<u>(109,629)</u>	<u>(1,070,109)</u>	<u>(808,881)</u>
NONOPERATING REVENUES (EXPENSES)						
Property taxes	556,942	-	-	-	556,942	-
Interest income	309	121,870	-	-	122,179	14,755
Rental income	-	-	-	-	-	50
Grant revenue	-	-	323,337	-	323,337	-
Salvage revenue	-	-	-	-	-	9,221
Donations	12,974	-	-	-	12,974	-
Interest expense	(253,023)	-	-	-	(253,023)	-
Donation expense	(13,339)	-	-	-	(13,339)	-
Gain (loss) on disposal of capital assets	(3,717)	-	23,500	-	19,783	(1,855)
Total nonoperating revenues (expenses)	<u>300,146</u>	<u>121,870</u>	<u>346,837</u>	<u>-</u>	<u>768,853</u>	<u>22,171</u>
Income before transfers	(849,667)	(721,515)	1,379,555	(109,629)	(301,256)	(786,710)
Transfer in	-	-	-	-	-	700,000
Transfer out	-	(200,000)	(427,941)	(100,000)	(727,941)	-
Change in net position	<u>(849,667)</u>	<u>(921,515)</u>	<u>951,614</u>	<u>(209,629)</u>	<u>(1,029,197)</u>	<u>(86,710)</u>
TOTAL NET POSITION - BEGINNING AS ORIGINALLY STATED	4,493,466	3,766,845	4,493,582	1,012,494	13,766,387	6,723,197
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(457,231)	(16,988)	(32,078)	(41,531)	(547,828)	(169,108)
TOTAL NET POSITION - BEGINNING AS RESTATED	<u>4,036,235</u>	<u>3,749,857</u>	<u>4,461,504</u>	<u>970,963</u>	<u>13,218,559</u>	<u>6,554,089</u>
TOTAL NET POSITION - ENDING	<u>\$ 3,186,568</u>	<u>\$ 2,828,342</u>	<u>\$ 5,413,118</u>	<u>\$ 761,334</u>	<u>\$ 12,189,362</u>	<u>\$ 6,467,379</u>

These financial statements should be read only in connection with
the accompanying notes to basic financial statements.

**LINCOLN COUNTY, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2018**

	Enterprise Funds					Governmental Activities - Internal
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Total	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
From patients and third party payers	\$ 13,174,747	\$ 1,355,470	\$ 1,757,693	\$ 1,626,061	\$ 17,913,971	\$ -
From other County departments	-	-	-	-	-	9,299,580
From government and other parties for sales	-	110,775	-	-	110,775	2,837,485
To employees for compensation and fringe benefits	(9,398,209)	(347,886)	(652,950)	(961,769)	(11,360,814)	(3,936,707)
To vendors for goods and services	(4,007,632)	(804,848)	(203,557)	(751,327)	(5,767,364)	(8,210,640)
Other cash received	14,883	13,510	-	-	28,393	-
Net cash provided by (used in) operating activities	<u>(216,211)</u>	<u>327,021</u>	<u>901,186</u>	<u>(87,035)</u>	<u>924,961</u>	<u>(10,282)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant revenue	-	-	349,227	-	349,227	-
Rent	-	-	-	-	-	50
Repayment of due from other funds	-	-	-	-	-	(15,969)
Transfer out	-	(200,000)	(427,941)	(100,000)	(727,941)	-
Transfer in	-	-	-	-	-	700,000
Tax levy appropriations	556,942	-	-	-	556,942	-
Net cash provided by (used in) noncapital financing activities	<u>556,942</u>	<u>(200,000)</u>	<u>(78,714)</u>	<u>(100,000)</u>	<u>178,228</u>	<u>684,081</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(614,636)	(23,250)	(130,260)	-	(768,146)	(498,238)
Proceeds from sale of assets	-	-	23,500	-	23,500	10,440
Proceeds from salvage	-	-	-	-	-	9,221
Capital lease payment	-	-	-	-	-	(4,102)
Principal payments on long-term debt	(10,000)	-	-	-	(10,000)	-
Interest paid on long-term debt	(283,551)	-	-	-	(283,551)	-
Net cash provided by (used in) capital and related financing activities	<u>(908,187)</u>	<u>(23,250)</u>	<u>(106,760)</u>	<u>-</u>	<u>(1,038,197)</u>	<u>(482,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	309	115,658	-	-	115,967	20,079
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(567,147)	219,429	715,712	(187,035)	180,959	211,199
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	739,816	5,784,051	2,566,954	773,114	9,863,935	2,270,342
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 172,669</u>	<u>\$ 6,003,480</u>	<u>\$ 3,282,666</u>	<u>\$ 586,079</u>	<u>\$ 10,044,894</u>	<u>\$ 2,481,541</u>
CASH AND CASH EQUIVALENTS CONSIST OF:						
Unrestricted	\$ 172,669	\$ 1,018,273	\$ 3,282,666	\$ 586,079	\$ 5,059,687	\$ 2,481,541
Restricted	-	4,985,207	-	-	4,985,207	-
	<u>\$ 172,669</u>	<u>\$ 6,003,480</u>	<u>\$ 3,282,666</u>	<u>\$ 586,079</u>	<u>\$ 10,044,894</u>	<u>\$ 2,481,541</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (1,149,813)	\$ (843,385)	\$ 1,032,718	(109,629)	\$ (1,070,109)	\$ (808,881)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	690,913	484,460	43,865	51,313	1,270,551	523,801
Provision for bad debts	62,283	-	-	-	62,283	-
Other nonoperating, net	(365)	-	-	-	(365)	-
Future closing costs	-	833,867	-	-	833,867	-
Change in other post employee benefits liability (asset) and deferred outflows/inflows	64,463	2,376	4,486	5,807	77,132	23,649
Change in net pension liability (asset) and related deferred outflows/inflows	138,432	6,098	8,308	8,100	160,938	56,020
Change in assets and liabilities:						
Accounts receivable	(101,080)	(98,801)	(81,012)	273,111	(7,782)	(29,015)
Due from other governments	(155,150)	4	-	82	(155,064)	115,427
Inventories	14,330	-	-	-	14,330	(13,898)
Prepaid items	897	(29,647)	-	(22,213)	(50,963)	2,681
Accounts payable	(3,742)	(9,745)	(1,796)	(297,301)	(312,584)	(48,133)
Due to other governments	(113,551)	(16,666)	84,728	98	(45,391)	-
Accrued expenses	37,952	772	6,747	2,849	48,320	22,579
Due to other funds	272,052	-	-	-	272,052	-
Unearned revenue	-	-	-	-	-	(57,633)
Compensated absences payable	63,561	(2,312)	24,428	748	86,425	(10,597)
Deposits and advances	(37,393)	-	(221,286)	-	(258,679)	-
Claims paid	-	-	-	-	-	213,718
Total adjustments	<u>933,602</u>	<u>1,170,406</u>	<u>(131,532)</u>	<u>22,594</u>	<u>1,995,070</u>	<u>798,599</u>
NET CASH PROVIDED BY (USED IN) ACTIVITIES	<u>\$ (216,211)</u>	<u>\$ 327,021</u>	<u>\$ 901,186</u>	<u>\$ (87,035)</u>	<u>\$ 924,961</u>	<u>\$ (10,282)</u>

These financial statements should be read only in connection with the accompanying notes to the basic financial statements.

**LINCOLN COUNTY, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2018**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 63,528
Accounts receivable	660,760
Total assets	\$ 724,288
 LIABILITIES	
Accounts payable	\$ 5,516
Deposits and advances	58,012
Due other governments	660,760
Total liabilities	\$ 724,288

These financial statements should be read only in connection with
the accompanying notes to basic financial statements.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lincoln County, Wisconsin, have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the County are described below:

REPORTING ENTITY

Lincoln County was incorporated under the laws of the State of Wisconsin and is governed by an elected 22-member board. The County provides a full range of services, including public safety, public works, health and human services, conservation, culture, recreation, education, and general administrative services. As required by generally accepted accounting principles, these financial statements present the County government and all associated departments. The County has evaluated the following criteria in defining the reporting entity:

- Selection of government authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters
- Scope of public service
- Financial relationships

Based on these criteria, no additional component units were determined to be reportable.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the reporting government as a whole except for fiduciary funds. Fiduciary funds are reported only in the statement of fiduciary net position. The statements of net position and activities distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are primarily financed by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. 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 or services provided by a specific function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

Financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category type, and
- The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- In addition, any other governmental or proprietary fund that the County believes is particularly important to the financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

County Roads and Bridges Fund - Accounts for State transportation aid received by the County and all maintenance and construction for highways and bridges provided by the Highway Department to the County.

Social Services Fund - Evaluates eligibility for and administers a variety of social service and financial support programs (Federal, State, and local) to persons within the County and makes appropriate referrals to other service providers. These services are provided to meet the basic economic needs of dependent persons, alleviate dependency, enhance family functioning, assess/provide services to children and adults in need of protection, and to coordinate supportive care of elderly and disabled persons.

The County reports the following major enterprise funds:

Pine Crest Nursing Home Fund - Provides a full range of nursing care in a residential facility.

Solid Waste Landfill Fund - Provides Lincoln County residents, businesses, and institutions with a solid waste disposal facility, a recycling drop-off facility, construction and demolition site, clean wood/brush disposal area, and fuel contaminated soil treatment capabilities.

Forestry Fund - Manages the natural resources of the County Forest on a sustainable basis, accounts for timber sales, administers trail maintenance aid programs, and provides and maintains recreational opportunities, including parks, within the County.

Lincoln Industries - Provides sheltered workshop and employment opportunities to the developmentally disabled community.

In addition, the County reports the following fund types:

Internal Service Funds - Internal Service Funds account for financing of goods and services provided by one department to other departments of the County or to other governmental units on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been satisfied.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are presented using the flow of current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. With this measurement focus, revenues are recognized when they become susceptible to accrual or when measurable and available. Those revenues susceptible to modified accrual are as follows:

- Property tax collections made during the year;
- Sales tax collected and held by the State of Wisconsin at year-end on behalf of the County;
- Other revenues receivable at year-end if actually collected during the first thirty days after year-end.

State general and categorical aids and other entitlements are recognized as revenue at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenue.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Employee services and payroll-related costs (employee health, life, disability insurance, FICA, Wisconsin Retirement System contributions, annuities) other than compensated absences, termination, and other post-employment benefits are recognized in the fiscal period when incurred. The cost of capital items is recorded as an expenditure when acquired. Interest cost on temporary borrowing is recognized as an expenditure of the fiscal period incurred.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when a liability is incurred regardless of the timing of related cash flows.

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 for the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

PROPERTY TAXES

Property taxes are levied prior to December 31 and are due and collectible in the following year. The 2018 tax levy is recorded as receivable with offsetting deferred inflows of resources at December 31, 2018; it will be recognized as revenue in 2019 when used to finance the County's services.

The County is responsible to collect the second installment of current property taxes and all delinquent property taxes levied by local taxing districts within its boundaries, except delinquent personal property taxes which may either be turned over to the County for collection or retained by the local municipal district. Delinquent taxes returned to the County for collection are accounted for in the general fund. As provided in Wisconsin Statutes, the County has purchased the equity in delinquent property taxes from all taxing districts. These purchased taxes are recorded as tax certificates and deeds and reserved fund balance of the County's general fund.

The property tax calendar for the 2018 tax roll follows:

Lien date and date levy	December 2018
Tax bills mailed	December 2018
Real estate taxes first installment due	January 31, 2019
Personal property taxes due in full	January 31, 2019
Real estate taxes second installment due	July 31, 2019
Tax sale - 2018 delinquent real estate taxes	October 2022

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Cash equivalents are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with a maturity of three months or less (including restricted assets) are considered to be cash equivalents.

INTERFUND RECEIVABLES AND PAYABLES

The current portion of lending/borrowing arrangements between funds is identified as "due to/from other funds". The non-current portion of outstanding balances between funds is reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

INVENTORIES

Inventories are recorded at cost, which approximates market, using the moving average cost basis. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure or as an expense at the time individual inventory items are consumed rather than when purchased.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PREPAID ITEMS

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items of governmental fund types are offset by fund balance reserve accounts to indicate that they do not represent available spendable financial resources.

CAPITAL ASSETS

Capital assets are recorded at cost, when available, or estimated historical cost, when historical records could not be obtained. Donated capital assets are valued at their estimated acquisition value on the date donated. The County capitalizes all land and work in progress as well as assets with an initial cost of more than the following:

<u>Type of Asset</u>	<u>Amount</u>
Land improvements	\$ 25,000
Infrastructure (per subsystem)	250,000
Buildings	50,000
Equipment and vehicles	2,000-5,000
Intangible assets	5,000

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities. Accumulated depreciation is reported on the statement of net assets. Depreciation has been charged over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Type of Asset</u>	<u>Life in Years</u>
Land improvements	25
Infrastructure (per subsystem)	10-50
Buildings	10-25
Equipment and vehicles	3-15
Intangible assets	3

Capital assets used in the governmental funds type 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 as in the government-wide statements.

COMPENSATED ABSENCES

The County records compensated absences pursuant to GASB Statement No. 16, *Accounting for Compensated Absences*. All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements.

In governmental funds, compensated absences (unpaid vacation and sick leave) for governmental fund employees are recorded as expenditures in the year paid, as it is the County's policy to liquidate any unpaid vacation or sick leave at year end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds is not recorded in the fund.

Unpaid compensated absences for the proprietary funds are recorded as an expense and a liability in those funds as the vacation and sick leave benefits accrue to the employees.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category in the government-wide statement of net position. The first item is related to the County's proportionate share of the Wisconsin Retirement System pension and life insurance plans and are deferred and amortized over the expected remaining service lives of the plan participants. The second item is related to a deferred loss of early retirement of debt. This will be amortized over the remaining life of the refunding issue.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in the government wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second item is related to the County's proportionate share of the Wisconsin Retirement System pension and life insurance plans and are deferred and amortized over the expected remaining service lives of the plan participants. The County has an additional type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources, interest on delinquent taxes and citation receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

PENSION

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period in which they are incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

INTERFUND TRANSACTIONS

Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are similarly treated when involving other funds of the County. Reimbursements from one fund to another are treated as expenditures or expenses of the reimbursing fund and a reduction of expenditures or expenses of the reimbursed fund. All interfund transfers are reported as operating transfers.

GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Fund balance for governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Lincoln County Board of Supervisors. These constraints can only be removed or changed by the Lincoln County Board of Supervisors using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by the action of the Lincoln County Finance and Insurance Committee. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Unassigned amounts are only reported in the General Fund.

The County has adopted a fund balance spend down policy in Lincoln County Ordinance 3.29 stating that restricted funds will be spent prior to fund balance that is not restricted.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation and capital related deferred outflows of resources, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed 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.
- Unrestricted net position - Net position that are neither classified as restricted nor net investment in capital assets.

DEFICIT FUND BALANCE

As of December 31, 2018, the Emergency Medical fund had a deficit of \$452,313. The deficit is anticipated to be funded with future revenues of the fund.

BUDGETARY ACCOUNTING

The County follows these procedures in establishing the annual budget:

- County management submits to the County Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by the County Board action.
- Budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental funds, except for the application of the prior year fund balance. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- During the year, formal budgetary integration is employed as a management control device for the governmental funds. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each functional area of the County. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the County Board.
- Encumbrance accounting is not used to record commitments related to unperformed contracts for goods or services.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the basic financial statements as "cash and cash equivalents".

Investment of County funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association.
- Bonds or securities of any county, city, drainage district, VTAE district, village, town, or school district of the state.
- Bonds or securities issued or guaranteed by the Federal government.
- The Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

The carrying amount of the County's cash and cash equivalents totaled \$22,257,806 on December 31, 2018, as summarized below:

Petty cash funds	\$ 2,270
Deposits with financial institutions	13,068,832
Investments	
Wisconsin local government investment pool	2,927,272
Landfill long-term care trust	4,985,207
Health insurance trust fund	1,267,302
Insurance deposits	6,921
	\$ 22,257,804

Presented in the basic financial statements as follows:

Government-wide Statement of Net Position	
Unrestricted cash and cash equivalents	\$ 17,196,894
Restricted cash and investments	4,997,384
Fiduciary Fund Statement of Net Position	
Cash and cash equivalents	63,528
	\$ 22,257,806

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The County has the following fair value measurements as of December 31, 2018:

<u>Type of Investment</u>	<u>12/31/2018</u>	<u>Quoted prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant other Observable Inputs (Level 2)</u>
Negotiable certificates of deposit	\$ 2,486,276	\$ -	\$ 2,486,276
U.S. Treasury Notes	123,076	-	123,076
U.S. Government securities	3,147,646	-	3,147,646
Money market mutual funds	169,422	169,422	-
Fixed income mutual funds	326,089	326,089	-
Total	\$ 6,252,509	\$ 495,511	\$ 5,756,998

The valuation methods for recurring fair value measurements are as follows:

<u>Type of Investment</u>	<u>Valuation Method</u>
Negotiable certificates of deposit	Institutional quotes - evaluations based on various market and industry inputs
U.S. Treasury Notes	Institutional bond quotes - evaluations based on various market and industry inputs
U.S. Government securities	Institutional quotes - evaluations based on various market and industry inputs

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Deposits and investments of the County are subject to various risks. Presented below is a discussion of the County's deposits and investments and the related risks.

Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County has a formal policy addressing this type of deposit risk. The County's policy requires depositories to pledge collateral to secure amounts over and above guaranteed amounts. All securities serving as collateral shall be specifically pledged to the County (not as part of a pooled fund) and placed in the custodial account at the Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2018, none of the County's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Investments

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does has a formal policy addressing this type of investment risk.

The Local Government Investment Pool is part of the Wisconsin State Investment Fund. The Investment Fund is administered by the State of Wisconsin Investment Board and includes investments made from the excess cash of the State's operating funds, the State' public retirement funds and the voluntary deposits made by participants of the Local Government Investment Pool.

Credit Risk

Credit risk is the risk that, an issuer of other counterparty to an investment will not fulfill its obligations to the County. The County has a formal policy addressing this type of investment risk. The County's policy requires the preserve capital in the overall portfolio and to protect investment principal by investing in specific securities in accordance with the Wisconsin Statutes, with the County Treasurer responsible to report changes in any individual security's credit risk to the County's Finance & Insurance Committee.

<u>Type of Investment</u>	<u>Fair Value at Year End</u>	<u>Investment Rating</u>
Local Government Investment Pool	\$ 2,927,272	Not Rated
U.S. Treasury Notes	123,076	Exempt
U.S. Government securities	3,147,646	AAA
Negotiable certificates of deposit	2,486,276	Not Rated
Money market mutual funds	169,422	AAA
Fixed income mutual funds	326,089	Not Rated
Insurance deposits	6,921	Not Rated

Interest Rate Risk

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. The County does has a formal policy addressing this type of investment risk. As of December 31, 2018 the County had the following investments and maturities:

<u>Type of Investment</u>	<u>Fair Value at Year End</u>	<u>Average Maturities</u>
Local Government Investment Pool	\$ 2,927,272	Less than 1 year
U.S. Treasury Notes	123,076	1 to 5 years
U.S. Government securities	3,147,646	1 to 3 years
Negotiable certificates of deposit	2,486,276	1 to 5 years
Fixed income mutual funds	326,089	Less than 1 year

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Governmental entities including counties, municipalities and school districts may deposit money in the Local Government Investment Pool (LGIP), which holds investments in U.S. Government securities, certificates of deposit, commercial papers, and repurchase agreements. Participants in the fund may withdraw or add to their account balances at part at any time. The fair value of this fund may be different from the accounting basis that is reflected in the monthly statements sent to participants. To translate participant's holdings to a fair value amount, a conversion factor must be applied to the County's account balance. The State Investment Fund publishes this conversion factor monthly and as of December 31, 2018, the factor was 100%. As of December 31, 2018 the carrying amount of these investments was \$2,927,272. The annualized interest rate on the LGIP was 2.37% for the month of December 2018.

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) did not represent 5% or more of total County investments.

NOTE 3 - RESTRICTED ASSETS

Restricted assets on December 31, 2018, totaled \$4,997,384 consisting of cash and investments as follows:

General fund	
Insurance deposits	\$ 6,921
Social Services fund	
Elderly transportation trust	5,256
Enterprise Fund	
Solid waste landfill	
Long-term care and closure deposits	4,985,207
Total Restricted Assets	<u>\$ 4,997,384</u>

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

Receivables at year-end for the County's individual major, nonmajor, and internal service funds in aggregate, including the applicable allowances for uncollectible accounts as follows:

	General	County Roads and Bridges	Social Services	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Nonmajor and Internal Service Funds	Total
Receivables									
Property taxes	\$ 8,472,345	\$ 2,112,076	\$ 843,794	\$ 440,815	\$ -	\$ -	\$ -	\$ 2,640,214	\$ 14,509,244
Tax certificates and deeds	1,636,306	-	-	-	-	-	-	-	1,636,306
Assessments	161,004	-	-	-	-	-	-	-	161,004
Accounts	1,119,069	-	-	1,124,412	249,331	81,012	161,941	369,300	3,105,065
Due from other governments	426,894	31,650	255,392	455,150	18	64,749	87	407,894	1,641,834
Gross receivables	11,815,618	2,143,726	1,099,186	2,020,377	249,349	145,761	162,028	3,417,408	21,053,453
Less allowance for for uncollectibles	-	-	-	(75,000)	-	-	-	(34,952)	(109,952)
Net total fund receivables	<u>\$ 11,815,618</u>	<u>\$ 2,143,726</u>	<u>\$ 1,099,186</u>	<u>\$ 1,945,377</u>	<u>\$ 249,349</u>	<u>\$ 145,761</u>	<u>\$ 162,028</u>	<u>\$ 3,382,456</u>	20,943,501
Citation									129,478
Net statement of net position receivables									<u>\$ 21,072,979</u>

Delinquent property taxes of the general fund represent unpaid property taxes on real estate, including state and local government equities therein. Under state statutes, the County annually reimburses the state and local governments for their equities in property taxes not collected from the property owner. Unless redeemed by the property owner, the County will eventually obtain tax deed ownership of the properties comprising delinquent taxes. In the past, the County has generally been able to recover its investment in delinquent taxes by sale of the tax-deeded properties.

On December 31, 2018, the County's general fund showed an investment of \$1,636,306 in delinquent taxes as follows:

Tax certificates	\$ 1,619,941
Tax deeds	<u>16,365</u>
Total	<u>\$ 1,636,306</u>

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE (Continued)

An aging of the delinquent tax certificate taxes of \$1,619,941 on December 31, 2018, follows:

<u>Year Acquired</u>	
Prior to 2014	\$ 208,299
2014	77,856
2015	106,161
2016	163,659
2017	360,776
2018	703,190
	\$ 1,619,941

Of the total of \$1,619,941 for delinquent tax certificate taxes, \$283,002 was collected by the County within 90 days after December 31, 2018. The remaining unpaid balance of \$1,336,939 and tax deeds of \$16,365 are recorded as nonspendable fund balance of \$1,353,304 for the general fund.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At December 31, 2018, interfund receivables and payables were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 953,735	\$ -
Pine Crest Fund	-	272,052
Social Services Fund	-	132,959
Emergency Medical Fund	-	548,724
Totals	\$ 953,735	\$ 953,735

All interfund payables due to the General Fund are for cash flow purposes.

Transfers were made in the primary government as follows:

	<u>General Fund</u>	<u>Health Insurance Fund</u>	<u>Totals</u>
Transfers from:			
General fund	\$ -	\$ 700,000	\$ 700,000
Solid Waste Landfill	200,000	-	200,000
Lincoln Industries	100,000	-	100,000
County Health	27,826	-	27,826
Forestry	427,941	-	427,941
Totals	\$ 755,767	\$ 700,000	1,455,767
Less: Elimination of fund transfers			(727,826)
Less: Health insurance transfer			(428,644)
Total transfers - Statement of Activities			\$ 299,297

Interfund transfers from various funds to the General Fund are primarily performed to comply with Chapters 3.07 and 3.26 Lincoln County Code limiting fund balances and to provide cash for operations for the Health Insurance Fund. A portion of the health insurance transfer reduced the additional expenses recorded in the County's enterprise funds due to the loss reported in the County's health insurance internal service fund.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 6 - CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 41,395	\$ -	\$ -	\$ 41,395
Construction in progress	58,688	1,282,530	24,928	1,316,290
Total capital assets not depreciated	<u>100,083</u>	<u>1,282,530</u>	<u>24,928</u>	<u>1,357,685</u>
Capital assets, being depreciated:				
Land improvements	770,737	70,217	43,679	797,275
Infrastructure	57,701,411	1,220,591	550,173	58,371,829
Buildings and improvements	27,841,072	269,450	-	28,110,522
Equipment and vehicles	14,975,334	764,089	300,868	15,438,555
Intangible assets	107,695	380,060	-	487,755
Subtotals	<u>101,396,249</u>	<u>2,704,407</u>	<u>894,720</u>	<u>103,205,936</u>
Less accumulated depreciation for:				
Land improvements	252,983	32,454	33,352	252,085
Infrastructure	25,143,244	1,261,775	550,173	25,854,846
Buildings and improvements	14,003,746	952,226	2,178	14,953,794
Equipment and vehicles	9,677,388	936,155	285,542	10,328,001
Intangible assets	107,695	6,334	-	114,029
Subtotals	<u>49,185,056</u>	<u>3,188,944</u>	<u>871,245</u>	<u>51,502,755</u>
Total capital assets, being depreciated, net	<u>52,211,193</u>	<u>(484,537)</u>	<u>23,475</u>	<u>51,703,181</u>
Governmental activities capital assets, net	<u>\$ 52,311,276</u>	<u>\$ 797,993</u>	<u>\$ 48,403</u>	53,060,866
Less: Capital related debt				9,628,190
Less: Debt premium				159,506
Add: Deferred charge on refunding				<u>(553,123)</u>
Net investment in capital assets				<u>\$ 43,826,293</u>

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets were as follows:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,641,462	\$ -	\$ -	\$ 2,641,462
Construction in progress	259,020	-	5,087	253,933
Total capital projects not depreciated	<u>2,900,482</u>	<u>-</u>	<u>5,087</u>	<u>2,895,395</u>
Capital assets, being depreciated:				
Land improvements	13,677,857	-	-	13,677,857
Buildings	17,228,348	432,724	12,309	17,648,763
Machinery and equipment	5,898,354	309,885	152,780	6,055,459
Subtotals	<u>36,804,559</u>	<u>742,609</u>	<u>165,089</u>	<u>37,382,079</u>
Less accumulated depreciation for:				
Land improvements	9,512,643	389,999	-	9,902,642
Buildings	7,684,255	461,456	8,968	8,136,743
Machinery and equipment	2,925,975	419,096	152,404	3,192,667
Subtotals	<u>20,122,873</u>	<u>1,270,551</u>	<u>161,372</u>	<u>21,232,052</u>
Total capital assets, being depreciated, net	<u>16,681,686</u>	<u>(527,942)</u>	<u>3,717</u>	<u>16,150,027</u>
Business-type activities capital assets, net	<u>\$ 19,582,168</u>	<u>\$ (527,942)</u>	<u>\$ 8,804</u>	19,045,422
Less: Capital related debt				9,540,000
Less: Debt premium				<u>369,026</u>
Net investment in capital assets				<u>\$ 9,136,396</u>

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 963,863
Public safety	439,505
Public works	1,785,576
Total depreciation expense - governmental activities	<u>\$ 3,188,944</u>

Business-type activities

Nursing home	\$ 690,913
Forestry	43,865
Solid waste landfill	484,460
Lincoln Industries	51,313
Total depreciation expense - business-type activities	<u>\$ 1,270,551</u>

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 6 - CAPITAL ASSETS (Continued)

The County has active maintenance and Information Technology construction projects as of December 31, 2018 as follows:

	Spent-to-Date	Remaining Commitment
Maintenance Projects	\$ 1,102,966	\$ 5,470
Bridge Project	13,467	186,533

NOTE 7 - LONG-TERM OBLIGATIONS

All general obligations bonds are backed by the full faith and credit of the County. The County's, general long-term obligations are as follows:

	Outstanding 1/1/18	Issued	Retired	Outstanding 12/31/18	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 10,195,000	\$ -	\$ 630,000	\$ 9,565,000	\$ 910,000
Debt premium	186,076	-	26,570	159,506	-
Capital lease	67,292	-	4,102	63,190	63,190
Compensated absences	1,822,660	887,343	924,148	1,785,855	889,646
Governmental activities Long-term obligations	\$ 12,271,028	\$ 887,343	\$ 1,584,820	\$ 11,573,551	\$ 1,862,836
Business-type activities:					
General Obligation Debt					
Bonds	\$ 6,950,000	\$ -	\$ 10,000	\$ 6,940,000	\$ 350,000
Taxable note anticipation note	2,600,000	-	-	2,600,000	-
Debt premium	399,554	-	30,528	369,026	-
Compensated absences	600,142	598,114	511,689	686,567	512,748
Business-type activities Long-term obligations	\$ 10,549,696	\$ 598,114	\$ 552,217	\$ 10,595,593	\$ 862,748

Interest paid for the year ended December 31, 2018 totaled \$507,501.

Prior Year Advance Refunding

In prior years, the County advance refunded maturities due from 2020 through 2028 on the 2008 Series General Obligation Refunding Bond issue. At December 31, 2018, \$8,165,000 of outstanding general obligation refunding bonds are considered defeased.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Detail of the above outstanding general obligations debt follows:

Bonds:

\$ 9,965,000	issued November 15, 2008; \$625,000 due in 2019; interest 4.2%	\$ 625,000
890,000	issued August 27, 2010; \$170,000 to \$520,000 due 2018 through 2020, interest 4%	370,000
8,820,000	issued December 1, 2016; \$110,000 to \$1,110,000 due annually from 2019 through 2028; interest 2%	8,570,000
6,950,000	issued February 14, 2017; \$10,000 to \$480,000 due annually, from 2019 through 2036; interest 2% to 3.5%	<u>6,940,000</u>
Total Bonds		<u>\$ 16,505,000</u>

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2018, are allocated to activities as detailed below:

Year Ended December 31	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 910,000	\$ 194,775	\$ 350,000	\$ 218,350	\$ 1,260,000	\$ 413,125
2020	985,000	165,250	360,000	207,850	1,345,000	373,100
2021	820,000	145,200	370,000	197,050	1,190,000	342,250
2022	860,000	128,400	315,000	185,950	1,175,000	314,350
2023	895,000	110,850	325,000	176,500	1,220,000	287,350
2024-2028	5,095,000	263,450	1,775,000	730,250	6,870,000	993,700
2029-2033	-	-	2,050,000	445,287	2,050,000	445,287
2034-2036	-	-	1,395,000	98,700	1,395,000	98,700
	<u>\$ 9,565,000</u>	<u>\$ 1,007,925</u>	<u>\$ 6,940,000</u>	<u>\$ 2,259,937</u>	<u>\$16,505,000</u>	<u>\$ 3,267,862</u>

Equalized valuation of the County	\$ 2,465,500,200
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>123,275,010</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 16,505,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>84,654</u>
Net outstanding general obligation debt applicable to debt limitation	<u>16,420,346</u>
Legal Margin for New Debt	<u>\$ 106,854,664</u>

Pursuant to Section 67.03 Wisconsin Statutes, the total indebtedness of the County for general purposes may not exceed 5% of the value of the taxable property located therein for state purposes.

Taxable Note Anticipation Note

Pursuant to a resolution adopted on January 17, 2017, Lincoln County, Wisconsin (the "County") authorized the issuance of \$2,600,000 Taxable Note Anticipation Notes ("Series 2017 NANs"), to provide interim financing for the purposes of paying a portion of the cost of the construction of an addition to the nursing home facility, renovation of a portion of the existing nursing home, and acquisition of related equipment. The notes carry an interest rate of 2.5% and require semiannual interest only payments with the balance due on December 1, 2021.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of two tractors. These lease agreements qualify as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital lease are recorded in the governmental activities accounts with an original cost of \$123,389 with accumulated depreciation at December 31, 2018 of \$24,811.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ended December 31	Governmental Activities
2019	\$ 65,186
Less: Amount representing interest	1,996
Present value of minimum lease payments	\$ 63,190

Other long-term obligations consists of compensated absences. Compensated absence expenses follow employee payroll expenses, which are expensed to the appropriate funds as incurred.

NOTE 8 - EMPLOYEE RETIREMENT PLAN - WISCONSIN RETIREMENT SYSTEM (WRS)

Plan Description - The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting - For employees beginning on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011, are immediately vested participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings are the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earning and makes contributions as required. The formula factor is a standard percentage based on employment category.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLAN - WISCONSIN RETIREMENT SYSTEM (WRS) (Continued)

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments - The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6%	0%
2009	-2.1%	-42%
2010	-1.3%	22%
2011	-1.2%	11%
2012	-7.0%	-7%
2013	-9.6%	9%
2014	4.7%	25%
2015	2.9%	2%
2016	0.5	(5.0)
2017	2.0	4.0

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee-required contribution is one-half of the actuarially determined contribution rate the general category employees, including teachers, executives, and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending December 31, 2018, the WRS recognized \$1,299,906 in contributions from the employer.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLAN - WISCONSIN RETIREMENT SYSTEM (WRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2018 Lincoln County reported an asset of \$3,624,999 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 30, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Lincoln County's proportion of the net pension asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, Lincoln County's proportion was .12209006%, which is an increase of .00229327% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, Lincoln County recognized pension expense of \$1,567,346.

At December 31, 2018, Lincoln County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,605,650	\$ 2,154,371
Net differences between projected and actual earnings on pension plan investments	-	4,982,225
Changes in assumptions	716,229	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,297	32,504
Employer contributions subsequent to the measurement date	1,299,906	-
Total	\$ 6,627,082	\$ 7,169,100

\$1,299,906 reported as deferred outflows related to pension resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Expenses
2019	\$ 387,131
2020	(39,266)
2021	(1,251,647)
2022	(946,786)
2023	8,644
	\$ (1,841,924)

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLAN - WISCONSIN RETIREMENT SYSTEM (WRS) (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the investment:

Actuarial Valuation Date	December 31, 2016
Measurement Date of Net Pension Liability	December 31, 2017
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Value
Long-Term Expected Rate of Return	7.20%
Discount Rate	7.20%
Salary Increases:	
Inflation	3.20%
Seniority/Merit	.02%-5.6%
Mortality	Wisconsin 2012 Mortality Table
Postretirement Adjustments*	2.10%

* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. The assumed annual adjustment is 2.1% based on the investment return assumption and the postretirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 through 2014. The total pension liability for December 31, 2017, is based upon a roll-forward of the liability calculated from the December 31, 2016, actuarial valuation.

Long-term expected rate of return on plan assets: The Long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Current Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Core fund asset class			
Global Equities	50.0%	8.2%	5.3%
Fixed Income	24.5%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	3.8%	1.0%
Real Estate	8.0%	6.5%	3.6%
Private Equity/Debt	8.0%	9.4%	6.5%
Multi-Asset	4.0%	6.5%	3.6%
Total Core Fund	110.0%	7.3%	4.4%
Variable fund asset class			
U.S. Equities	70.0%	7.5%	4.6%
International Equities	30.0%	7.8%	49.0%
Total Variable Fund	100.0%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLAN - WISCONSIN RETIREMENT SYSTEM (WRS) (Continued)

Single Discount Rate: A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability (asset) to Changes in the Discount Rate: The following presents Lincoln County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20% as well as what Lincoln County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Lincoln County's proportionate share of the net pension liability (asset)	\$ 9,379,109	\$ (3,624,999)	\$ (13,508,523)

Pension Plan Fiduciary Position - Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payables to the Pension Plan - At December 31, 2018 Lincoln County reported a payable of \$197,942 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND

The County has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.

The cumulative effect of this change was to decrease the December 31, 2017 net position by \$1,424,469.

Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a cost-sharing multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online at <http://etf.wi.gov/publications/cafr.htm>

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - LOCAL RETIREE LIFE INSURANCE FUND (Continued)

Benefits Provided

The LRLIF plan provides fully paid-up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of the future benefits and the present value of future contributions. A portion of employer contributions made during a members working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions base on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contributions rates as of December 31, 2018 are as follows:

<u>Coverage Type</u>	<u>Employer Contribution</u>
20% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age banks through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017, are as listed below:

Life Insurance Employee Contribution Rates
For the Year Ended December 31, 2017

<u>Attained Age</u>	<u>Basic</u>
Under 30	\$ 0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the year ended December 31, 2018, the LRLIF recognized \$12,297 in contributions from the employer.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - LOCAL RETIREE LIFE INSURANCE FUND (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and deferred Inflows of Resources Related to OPEBs

At December 31, 2018 Lincoln County reported a liability of \$1,889,331 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Lincoln County's proportion of the net OPEB liability was based on Lincoln County's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, Lincoln County's proportion was .62798100%, which was an increase of .039642% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, Lincoln County recognized OPEB expense of \$212,707.

At December 31, 2018, Lincoln County reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,620
Net differences between projected and actual earnings on OPEB plan investments	21,755	-
Changes in assumptions	182,569	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	83,463	-
Employer contributions subsequent to the measurement date	3,970	-
Total	\$ 291,757	\$ 26,620

\$3,970 reported as deferred outflows related to other post employment benefits resulting from the PineCrest Nursing Home's contributions subsequent to the measurement date will be recognized as a reduction of the net other post employment benefits liability in the year ended December 31, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31	Expense
2019	\$ 42,103
2020	42,103
2021	42,103
2022	42,103
2023	36,664
Thereafter	56,091
Total	\$ 261,167

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND (Continued)

Actuarial Assumptions

The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
Measurement date of net OPEB liability (asset)	December 31, 2017
Actuarial cost method	Entry age normal
20 year tax-exempt municipal bond yield	344%
Long-term expected rate of return	5.00%
Discount rate	3.63%
Salary increases	
Inflation	3.20%
Seniority/merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table

Long-Term Expected return on Plan Assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier’s general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investment). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return, and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. government bonds	Barclays Government	1.00%	1.13%
U.S. credit bonds	Barclays Credit	65.00%	2.61%
U.S long credit bonds	Barclays Long Credit	3.00%	3.08%
U.S mortgages	Barclays MBS	31.00%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

Single Discount Rate: A single discount rate of 3.63% was used to measure the OPEB liability. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND (Continued)

Sensitivity of Lincoln County's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents Lincoln County's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63% as well as what Lincoln County's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) or 1 percentage point higher (4.63%) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1 % Increase to Discount Rate (4.63%)
Lincoln County's proportionate share of the net OPEB liability (asset)	\$ 2,670,343	\$ 1,889,331	\$ 1,289,986

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://eft.wi.gov/publications/cafr.htm>.

NOTE 10 - RISK MANAGEMENT

Health Insurance

The County is exposed to various risks of losses related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; natural disasters, and employee health claims.

The County also operates a self-insurance program administered by a third party administrator for employee health care benefits. The program is supplemented by stop loss protection, which limits the County's liability to \$125,000 per individual claim or an aggregate limit of \$6,553,353 during the period of January 1, 2018 to December 31, 2018.

The provision for current year claims includes paid and unpaid claims and expenses associated with settling claims, including legal fees. The claims liability at year-end is based on claims, adjusters' evaluations of individual claims, and management's evaluation with respect to the probable number and nature of claims arising from losses that have been incurred, but have not yet been reported. The liability represents the estimated ultimate cost of settling the claims, including the effects of inflation and other societal economic factors. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined.

An analysis of claim activities is presented below:

	<u>Liability January 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Liability December 31</u>
2018	\$ 1,492,669	\$ 5,717,022	\$ 5,672,368	\$ 1,537,323
2017	1,252,312	5,872,417	5,632,060	1,492,669

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 10 - RISK MANAGEMENT (Continued)

Liability Insurance

Lincoln County participates with other counties in the Wisconsin County Mutual Insurance Corporation. This joint venture began operation January 1, 1988, and provides liability insurance coverage to the counties. The creation of the mutual insurance corporation required the establishment of capital reserves. Each participating county deposited a portion of the required reserves. Lincoln County's share of the capital reserves is \$6,921. These deposits have been reported in the financial statements as restricted deposits.

The governing body of the mutual insurance corporation is made up of twelve directors elected by the participating counties. The governing body has authority to adopt its own budget and control the financial affairs of the corporation. Financial information as of and for the year ended December 31, 2018, is not available for presentation.

NOTE 11 - TRI-COUNTY HUMAN SERVICES BOARD

Lincoln County is a participating member of a Tri-County Human Services Board along with Marathon and Langlade Counties. The Board is funded through State grant-in-aid, federal grants, fees for services rendered, and County appropriations. The net appropriation for 2018 was \$9,313,741 with Lincoln County's share totaling \$712,416 (7.65%). Operations of the Tri-County Human Services Board are not reflected in the financial statements of Lincoln County.

The following audited summary financial information for North Central Health Care Tri-County facilities is as of December 31, 2018, and for the year then ended.

Assets	\$ 51,841,787
Liabilities	7,904,389
Equity	43,214,975
Revenues	69,496,044
Expenses	69,660,151
Non-operating gain	(230,798)
Change in net assets	(394,905)

Lincoln County's share of net position for the year ended December, 31 2018 is \$3,899,158.

Audited financial statements of the North Central Health Care Tri-County facilities are available at its administrative office at 1100 Lake Shore Drive, Wausau, Wisconsin 54401.

NOTE 12 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that Lincoln County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill sites only for forty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. In 2014 the County opened the north expansion of the landfill.

At December 31, 2018, the County has utilized approximately 98.5% of its original landfill's capacity and 11.1% of the expansion landfill capacity. The entire landfill is estimated to be fully utilized in 2036.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 12 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The estimated liability for landfill closure and postclosure care costs and total future estimated costs as of December 31, 2018, is as follows:

Total estimated costs	\$ 8,632,593
Less closure and postclosure costs accrued	<u>7,190,620</u>
Estimated costs of construction, closure, and postclosure care to be recognized in future years	<u>\$ 1,441,973</u>

The estimated total current cost of the landfill construction, closure, and postclosure care of \$8,632,593 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2018. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. With respect to the sanitary landfill, Lincoln County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2018, investments of \$4,985,207 are held for these purposes. These investments are held and managed by the County and are presented on the County's statement of net position as "Restricted Assets". It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 13 - CONTINGENCIES

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management and the Corporation Counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the County.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 14 - FUND EQUITY

Fund Balances

Fund Balances for governmental funds were presented in aggregate. The specific purpose details are as follows:

	General	County Roads and Bridges	Social Services	Other Funds	Total
Nonspendable:					
Property Taxes	\$ 1,353,304	\$ -	\$ -	\$ -	\$ 1,353,304
Prepaid	176,221	-	-	260	176,481
Inventory	9,241	-	-	-	9,241
Subtotal	<u>1,538,766</u>	<u>-</u>	<u>-</u>	<u>260</u>	<u>1,539,026</u>
Restricted:					
Insurance Deposits	6,921	-	-	-	6,921
Veterans	9,044	-	-	-	9,044
Elderly transportation	-	-	48,861	-	48,861
Land Services	288,629	-	-	-	288,629
Clerk of Court	1,209	-	-	-	1,209
UW Extension	3,305	-	-	-	3,305
Sheriff	218,244	-	-	-	218,244
County Health	-	-	-	413,595	413,595
Subtotal	<u>527,352</u>	<u>-</u>	<u>48,861</u>	<u>413,595</u>	<u>989,808</u>
Committed:					
Roads Fund	250,000	-	-	-	250,000
Family Care	289,849	-	-	-	289,849
Sheriff's Office CIP	202,584	-	-	-	202,584
IT CIP	342,710	-	-	-	342,710
Maintenance	490,251	-	-	-	490,251
EMS	258,500	-	-	-	258,500
Subtotal	<u>1,833,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,833,894</u>
Assigned:					
Veterans	7,495	-	-	-	7,495
UW Extension	19,833	-	-	-	19,833
Sheriff	1,151	-	-	-	1,151
Maintenance	17,298	-	-	-	17,298
Clerk of Court	15,000	-	-	-	15,000
CIP not Committed	896,585	-	-	-	896,585
Roads Fund	-	565,893	-	-	565,893
Other Funds	-	-	-	253,326	253,326
Subtotal	<u>957,362</u>	<u>565,893</u>	<u>-</u>	<u>253,326</u>	<u>1,776,581</u>
Unassigned					
General fund	5,507,402	-	-	-	5,507,402
Other Funds	-	-	(19,664)	(452,573)	(472,237)
Subtotal	<u>5,507,402</u>	<u>-</u>	<u>(19,664)</u>	<u>(452,573)</u>	<u>5,035,165</u>
Total Fund Balances	<u>\$ 10,364,776</u>	<u>\$ 565,893</u>	<u>\$ 29,197</u>	<u>\$ 214,608</u>	<u>\$ 11,174,474</u>

The County's general fund unassigned balance is \$5,507,402. Included in this unassigned balance is \$4,467,372 for the County's cash flow needs.

LINCOLN COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2018

NOTE 14 - FUND EQUITY (Continued)

Restricted net position

Restricted net position is reported in the Statement of Net Position as follows:

	Governmental Activities	Business-type Activities
Insurance deposit	\$ 6,921	\$ -
Grant and program fees	934,026	-
Elderly transportation	48,861	-
Nursing home funds	-	21,368
Forestry grants	-	132,067
Net pension asset	2,224,728	1,400,271
	\$ 3,214,536	\$ 1,553,706

NOTE 15 - PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2018 budget year, the increase in the maximum allowable tax levy is limited to the greater of the percentage change in the County's January 1 equalized value as a result of net new construction or zero. The actual limit for the County's 2018 budget was .84%. The limit for the County's 2019 budget was .76%. Debt service for debt authorized after July 2005 is exempt for the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The County is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The County is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

**LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes				
General property	\$ 8,549,916	\$ 8,365,194	\$ 8,365,194	\$ -
Forest crop	8,000	8,000	3,397	(4,603)
Managed forest land	65,000	65,000	121,937	56,937
County sales tax	1,960,000	2,041,226	2,133,224	91,998
Real estate transfer fees	55,000	55,000	73,552	18,552
Interest on taxes	470,000	470,000	281,361	(188,639)
Payment in lieu of taxes	90,000	90,000	85,318	(4,682)
Total taxes	<u>11,197,916</u>	<u>11,094,420</u>	<u>11,063,983</u>	<u>(30,437)</u>
Intergovernmental				
State shared revenues	1,014,841	1,014,841	1,023,793	8,952
Exempt computer aid	32,000	32,000	25,597	(6,403)
Clerk of courts	85,100	85,100	85,085	(15)
Circuit court	72,913	72,913	73,654	741
Land services	347,072	357,134	252,513	(104,621)
Sheriff Office	58,280	61,855	62,456	601
Emergency management	49,500	49,500	50,258	758
Victim witness	37,100	37,100	33,720	(3,380)
Veterans service	10,000	10,000	10,000	-
Family court commissioner	900	900	1,038	138
Child support	251,762	251,762	412,979	161,217
UW extension	4,145	4,526	3,197	(1,329)
State acreage payment	67,000	67,000	67,359	359
Total intergovernmental	<u>2,030,613</u>	<u>2,044,631</u>	<u>2,101,649</u>	<u>57,018</u>
Licenses and permits				
County clerk	8,050	9,150	8,490	(660)
Family court commissioner	3,250	3,250	3,200	(50)
Land Services	115,500	129,648	129,648	-
Total licenses and permits	<u>126,800</u>	<u>142,048</u>	<u>141,338</u>	<u>(710)</u>
Fines, forfeits, and penalties				
Clerk of courts	99,500	99,500	151,604	52,104
Circuit court	572	572	997	425
Total fines, forfeits, and penalties	<u>100,072</u>	<u>100,072</u>	<u>152,601</u>	<u>52,529</u>

**LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public charges for service				
Clerk of courts	70,000	70,000	58,192	(11,808)
Circuit court	11,750	11,750	14,972	3,222
Family court commissioner	2,800	2,800	3,150	350
Register of deeds	155,020	155,020	170,677	15,657
Land services	48,200	54,714	52,885	(1,829)
Administration/personnel	-	-	2	2
County clerk	250	2,510	2,510	-
Treasurer	30	30	546	516
District attorney	1,500	1,500	1,757	257
Sheriff department	1,132,506	1,132,506	1,191,837	59,331
Information technology	66,225	66,225	67,108	883
Coroner	17,000	17,000	19,501	2,501
Maintenance	-	-	38,471	38,471
Emergency management	-	-	298	298
Finance	200	394	394	-
Child support	5,000	5,000	4,896	(104)
UW extension	15,000	16,614	34,458	17,844
Forest land revenue	370,000	370,000	553,911	183,911
Other charges for service	10,000	10,000	10,958	958
Total public charges for services	<u>1,905,481</u>	<u>1,916,063</u>	<u>2,226,523</u>	<u>310,460</u>
Intergovernmental charges for service				
Sheriff department	57,800	113,006	107,206	(5,800)
Information technology	-	-	21,330	21,330
Maintenance	-	-	3,996	3,996
Land services	-	1,194	1,194	-
Clerk of courts	2,450	2,450	2,481	31
County clerk	29,000	29,223	29,223	-
UW extension	965	1,775	2,040	265
Total intergovernmental charges for services	<u>90,215</u>	<u>147,648</u>	<u>167,470</u>	<u>19,822</u>
Miscellaneous				
Interest	96,400	96,400	280,658	184,258
Rent	162,000	162,000	176,816	14,816
Tax deed profit	7,000	7,000	33,248	26,248
Sale of County property	28,000	28,000	-	(28,000)
Insurance recovery	25,000	91,637	91,638	1
Private organization donations	4,925	316,858	328,062	11,204
Total miscellaneous	<u>323,325</u>	<u>701,895</u>	<u>910,422</u>	<u>208,527</u>
Total revenues	<u>15,774,422</u>	<u>16,146,777</u>	<u>16,763,986</u>	<u>617,209</u>

**LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES				
General government				
County board chairman	34,000	34,000	30,196	3,804
County board committees	94,603	94,603	77,490	17,113
Clerk of courts	560,527	560,527	497,104	63,423
Circuit court	290,980	304,212	302,778	1,434
Family court commissioner	29,550	29,550	27,773	1,777
Coroner	60,035	60,035	57,469	2,566
District attorney	189,861	189,861	179,432	10,429
Corporation counsel	189,029	189,029	184,218	4,811
Victim witness	71,347	71,347	69,463	1,884
County clerk	163,195	160,309	160,310	(1)
Administration/personnel	269,067	269,067	250,471	18,596
Information technology	784,296	797,481	781,136	16,345
General administration	27,000	27,000	33,180	(6,180)
Treasurer	155,148	155,148	151,834	3,314
Finance department	452,670	459,804	459,801	3
Maintenance	948,137	969,754	1,011,595	(41,841)
Land services	547,437	869,413	566,010	303,403
Register of deeds	221,532	221,532	217,304	4,228
Insurance	95,000	95,000	155,505	(60,505)
Elections	47,989	63,769	63,767	2
Contingency fund	458,994	234,294	-	234,294
Total general government	<u>5,690,397</u>	<u>5,855,735</u>	<u>5,276,836</u>	<u>578,899</u>
Public safety				
Sheriff department:				
Law enforcement	3,501,415	3,658,534	3,575,822	82,712
Emergency communication (911)	1,065,131	957,577	953,131	4,446
Correction and detention	2,824,856	2,798,899	2,735,404	63,495
Emergency management	80,315	80,315	73,937	6,378
Civil service commission	1,000	1,000	738	262
Total public safety	<u>7,472,717</u>	<u>7,496,325</u>	<u>7,339,032</u>	<u>157,293</u>
Public works				
Land services-sanitation	15,000	14,202	-	14,202
Health and human services				
Community organizations	35,000	35,000	35,000	-
Family care	439,849	439,849	439,315	534
Health care center	584,713	584,713	581,635	3,078
Child support agency	286,481	286,481	278,117	8,364
Veterans services	166,708	181,581	165,058	16,523
Cemetery	1,314	1,314	1,313	1
Total health and human services	<u>1,514,065</u>	<u>1,528,938</u>	<u>1,500,438</u>	<u>28,500</u>

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES
Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes				
General property	\$ 2,107,576	\$ 2,107,576	\$ 2,107,576	\$ -
Vehicle registration fee	<u>536,302</u>	<u>536,302</u>	<u>561,784</u>	<u>25,482</u>
Total taxes	2,643,878	2,643,878	2,669,360	25,482
Intergovernmental	<u>1,077,662</u>	<u>1,326,895</u>	<u>1,326,895</u>	<u>-</u>
Total revenues	<u>3,721,540</u>	<u>3,970,773</u>	<u>3,996,255</u>	<u>25,482</u>
EXPENDITURES				
Public works	<u>3,721,540</u>	<u>4,203,781</u>	<u>3,663,379</u>	<u>540,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(233,008)</u>	<u>332,876</u>	<u>565,884</u>
OTHER FINANCING SOURCES				
Fund balance applied	<u>-</u>	<u>233,008</u>	<u>233,008</u>	<u>-</u>
Net change in fund balance	-	-	565,884	565,884
FUND BALANCES - BEGINNING	<u>233,017</u>	<u>233,017</u>	<u>233,017</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 233,017</u>	<u>\$ 233,017</u>	<u>\$ 798,901</u>	<u>\$ 565,884</u>
RECONCILIATION FROM BUDGET TO GAAP:				
Net change in fund balance - budget	\$ 565,884			
Fund balance applied is reported as an other financing source for budget purposes, but fund balance applied is not reported as an other financing source for GAAP purposes.	<u>(233,008)</u>			
Net change in fund balance - GAAP	<u>\$ 332,876</u>			

See notes to required supplementary information.

**LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND
Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
General property	\$ 600,450	\$ 785,172	\$ 785,172	\$ -
Intergovernmental	1,784,009	1,783,431	1,820,204	36,773
Intergovernmental charges for service	3,700	3,161	3,161	-
Miscellaneous revenues	-	1,117	1,118	1
	<u>2,388,159</u>	<u>2,572,881</u>	<u>2,609,655</u>	<u>36,774</u>
EXPENDITURES				
Health and human services	2,388,159	2,551,325	2,559,384	(8,059)
Outlay	-	21,556	21,555	1
	<u>2,388,159</u>	<u>2,572,881</u>	<u>2,580,939</u>	<u>(8,058)</u>
Net change in fund balance	-	-	28,716	28,716
FUND BALANCE - JANUARY 1	<u>481</u>	<u>481</u>	<u>481</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 481</u>	<u>\$ 481</u>	<u>\$ 29,197</u>	<u>\$ 28,716</u>

See notes to required supplementary information.

**LINCOLN COUNTY, WISCONSIN
SCHEDULES OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.11840415%	\$ (2,908,330)	\$ 15,567,327	18.68%	102.74%
12/31/15	0.11886455%	1,931,526	16,340,961	11.82%	98.20%
12/31/16	0.11979679%	978,412	16,734,793	5.90%	99.12%
12/31/17	0.12209006%	(3,624,999)	17,269,087	20.99%	102.93%

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 1,166,661	\$ 1,166,661	\$ -	\$ 16,340,961	7.14%
12/31/16	1,159,525	1,159,525	-	16,734,793	6.93%
12/31/17	1,251,041	1,251,041	-	17,269,087	7.24%
12/31/18	1,299,906	1,299,906	-	18,071,877	7.19%

See notes to required supplementary information.

**LINCOLN COUNTY, WISCONSIN
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/17	0.62798100%	\$ 1,889,331	\$ 17,269,087	10.94%	44.81%

**SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
12/31/18	\$ 12,297	\$ 12,297	-	\$ 18,071,877	0.07%

See notes to required supplementary information.

LINCOLN COUNTY, WISCONSIN
Notes to Required Supplementary Information
December 31, 2018

NOTE 1 - EXCESS OF ACTUAL EXPENDITURES OVER FINAL BUDGET

For the year ending December 31, 2018, the legally adopted budget line items with actual expenditures over the final budget were as follows:

General Fund	<u>Final Budget</u>	<u>Actual</u>
General Government		
County clerk	\$ 160,309	\$ 160,310
General Administration	27,000	33,180
Maintenance	969,754	1,011,595
Insurance	95,000	155,505
Social Services Fund		
Health and human services	2,551,325	2,559,384

NOTE 2 - WISCONSIN RETIREMENT SYSTEM

There were no changes for benefit terms for any participating employer in the WRS.

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The County is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

NOTE 3 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 75

The county implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2018. Information for prior years is not available.

SUPPLEMENTARY INFORMATION

**LINCOLN COUNTY, WISCONSIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018**

	<u>Special Revenue</u>						<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>County Health</u>	<u>Dog License</u>	<u>Community Development</u>	<u>Emergency Medical</u>	<u>Jail Assessment</u>	<u>Total</u>		
ASSETS								
Cash and cash equivalents	\$ 518,672	\$ 38,710	\$ 2	\$ 30	\$ 73,564	\$ 630,978	\$ 84,654	\$ 715,632
Receivables (net of allowances):								
Property taxes	550,016	-	-	1,000,323	-	1,550,339	1,089,875	2,640,214
Accounts	314	-	-	300,179	-	300,493	-	300,493
Due from other governments	22,319	-	-	-	543	22,862	-	22,862
Prepaid items	-	-	-	260	-	260	-	260
TOTAL ASSETS	<u>\$ 1,091,321</u>	<u>\$ 38,710</u>	<u>\$ 2</u>	<u>\$ 1,300,792</u>	<u>\$ 74,107</u>	<u>\$ 2,504,932</u>	<u>\$ 1,174,529</u>	<u>\$ 3,679,461</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 5,869	\$ 37,091	\$ -	\$ 172,714	\$ -	\$ 215,674	\$ -	\$ 215,674
Accrued liabilities	28,278	-	-	3,496	-	31,774	-	31,774
Due to other funds	-	-	-	548,724	-	548,724	-	548,724
Due to other governments	-	619	-	-	-	619	-	619
Deferred revenue	-	-	-	27,848	-	27,848	-	27,848
Total liabilities	<u>34,147</u>	<u>37,710</u>	<u>-</u>	<u>752,782</u>	<u>-</u>	<u>824,639</u>	<u>-</u>	<u>824,639</u>
Deferred inflows of resources								
Property taxes levied for subsequent year	<u>550,016</u>	<u>-</u>	<u>-</u>	<u>1,000,323</u>	<u>-</u>	<u>1,550,339</u>	<u>1,089,875</u>	<u>2,640,214</u>
Fund balance								
Fund balances:								
Nonspendable	-	-	-	260	-	260	-	260
Restricted	413,595	-	-	-	-	413,595	-	413,595
Assigned	93,563	1,000	2	-	74,107	168,672	84,654	253,326
Unassigned	-	-	-	(452,573)	-	(452,573)	-	(452,573)
Total fund balance	<u>507,158</u>	<u>1,000</u>	<u>2</u>	<u>(452,313)</u>	<u>74,107</u>	<u>129,954</u>	<u>84,654</u>	<u>214,608</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,091,321</u>	<u>\$ 38,710</u>	<u>\$ 2</u>	<u>\$ 1,300,792</u>	<u>\$ 74,107</u>	<u>\$ 2,504,932</u>	<u>\$ 1,174,529</u>	<u>\$ 3,679,461</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	<u>Special Revenue</u>						<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>County Health</u>	<u>Dog License</u>	<u>Community Development</u>	<u>Emergency Medical</u>	<u>Jail Assessment</u>	<u>Total</u>		
REVENUES								
Taxes	\$ 551,973	\$ -	\$ -	\$ 984,115	\$ -	\$ 1,536,088	\$ 839,050	\$ 2,375,138
Intergovernmental revenues	89,006	-	-	67,250	-	156,256	10,592	166,848
Licenses and permits	-	38,090	-	-	-	38,090	-	38,090
Fines, forfeits, and penalties	-	-	-	-	29,810	29,810	-	29,810
Public charges for service	203,752	-	-	995,430	-	1,199,182	-	1,199,182
Intergovernmental charges for service	197,562	-	-	-	-	197,562	-	197,562
Miscellaneous revenues	49,066	-	-	-	-	49,066	-	49,066
Total revenues	<u>1,091,359</u>	<u>38,090</u>	<u>-</u>	<u>2,046,795</u>	<u>29,810</u>	<u>3,206,054</u>	<u>849,642</u>	<u>4,055,696</u>
EXPENDITURES								
Current:								
Public safety	-	-	-	1,979,590	21,500	2,001,090	-	2,001,090
Health and human services	1,059,029	38,090	-	-	-	1,097,119	-	1,097,119
Debt service:								
Principal	-	-	-	-	-	-	630,000	630,000
Interest	-	-	-	-	-	-	223,950	223,950
Total expenditures	<u>1,059,029</u>	<u>38,090</u>	<u>-</u>	<u>1,979,590</u>	<u>21,500</u>	<u>3,098,209</u>	<u>853,950</u>	<u>3,952,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,330</u>	<u>-</u>	<u>-</u>	<u>67,205</u>	<u>8,310</u>	<u>107,845</u>	<u>(4,308)</u>	<u>103,537</u>
OTHER FINANCING USES								
Transfers out	<u>(27,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,826)</u>	<u>-</u>	<u>(27,826)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>4,504</u>	<u>-</u>	<u>-</u>	<u>67,205</u>	<u>8,310</u>	<u>80,019</u>	<u>(4,308)</u>	<u>75,711</u>
FUND BALANCES - BEGINNING	<u>502,654</u>	<u>1,000</u>	<u>2</u>	<u>(519,518)</u>	<u>65,797</u>	<u>49,935</u>	<u>88,962</u>	<u>138,897</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 507,158</u>	<u>\$ 1,000</u>	<u>\$ 2</u>	<u>\$ (452,313)</u>	<u>\$ 74,107</u>	<u>\$ 129,954</u>	<u>\$ 84,654</u>	<u>\$ 214,608</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2018

	Internal Service Funds		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 410,648	\$ 2,070,893	\$ 2,481,541
Accounts receivable	30,217	3,638	33,855
Due from other governments	385,032	-	385,032
Inventories, at cost	1,192,596	-	1,192,596
Prepaid items	700	-	700
Total current assets	<u>2,019,193</u>	<u>2,074,531</u>	<u>4,093,724</u>
Noncurrent assets:			
Net pension asset	429,160	-	429,160
Capital assets:			
Land	37,875	-	37,875
Improvements other than buildings	316,330	-	316,330
Buildings	2,242,080	-	2,242,080
Machinery and equipment	10,857,908	-	10,857,908
Work in progress	12,392	-	12,392
Less accumulated depreciation	<u>(8,864,308)</u>	<u>-</u>	<u>(8,864,308)</u>
Total capital assets	<u>4,602,277</u>	<u>-</u>	<u>4,602,277</u>
Total assets	<u>7,050,630</u>	<u>2,074,531</u>	<u>9,125,161</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to other post employment benefits	34,071	-	34,071
Related to pensions	<u>773,137</u>	<u>-</u>	<u>773,137</u>
Total deferred outflows of resources	<u>807,208</u>	<u>-</u>	<u>807,208</u>
LIABILITIES			
Current liabilities:			
Accounts payable	169,809	538,964	708,773
Accrued expenses	112,418	854	113,272
Compensated absences payable	241,632	-	241,632
Accrued claims	-	997,505	997,505
Current maturities of long-term debt	<u>63,190</u>	<u>-</u>	<u>63,190</u>
Total current liabilities	<u>587,049</u>	<u>1,537,323</u>	<u>2,124,372</u>
Noncurrent liabilities:			
Compensated absences payable	265,046	-	265,046
Net other post employment benefit liabilities	<u>223,676</u>	<u>-</u>	<u>223,676</u>
Total noncurrent liabilities	<u>488,722</u>	<u>-</u>	<u>488,722</u>
Total liabilities	<u>1,075,771</u>	<u>1,537,323</u>	<u>2,613,094</u>
DEFERRED INFLOWS OF RESOURCES			
Related to other post employment benefits	3,152	-	3,152
Related to pensions	<u>848,744</u>	<u>-</u>	<u>848,744</u>
Total deferred inflows of resources	<u>851,896</u>	<u>-</u>	<u>851,896</u>
NET POSITION			
Net investment in capital assets	4,539,087	-	4,539,087
Restricted for pension benefits	429,160	-	429,160
Unrestricted	<u>961,924</u>	<u>537,208</u>	<u>1,499,132</u>
TOTAL NET POSITION	<u>\$ 5,930,171</u>	<u>\$ 537,208</u>	<u>\$ 6,467,379</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended December 31, 2018

	Internal Service Funds		
	Highway	Health Insurance	Total
OPERATING REVENUES			
Interdepartmental charges for service	\$ 3,732,335	\$ 5,567,245	\$ 9,299,580
Intergovernmental charges for service	2,751,073	-	2,751,073
Other	100,357	-	100,357
	<u>6,583,765</u>	<u>5,567,245</u>	<u>12,151,010</u>
Total operating revenues			
	<u>6,583,765</u>	<u>5,567,245</u>	<u>12,151,010</u>
OPERATING EXPENSES			
Insurance claims	-	5,717,022	5,717,022
General services	5,447,824	-	5,447,824
Administrative and fiscal services	457,039	814,205	1,271,244
Depreciation and amortization	523,801	-	523,801
	<u>6,428,664</u>	<u>6,531,227</u>	<u>12,959,891</u>
Total operating expenses			
	<u>6,428,664</u>	<u>6,531,227</u>	<u>12,959,891</u>
Operating income (loss)	<u>155,101</u>	<u>(963,982)</u>	<u>(808,881)</u>
NONOPERATING REVENUES (EXPENSES)			
Rent revenue	50	-	50
Loss on disposal of capital assets	(1,855)	-	(1,855)
Salvage revenue	9,221	-	9,221
Interest income	-	14,755	14,755
	<u>7,416</u>	<u>14,755</u>	<u>22,171</u>
Total nonoperating revenues (expenses)			
	<u>7,416</u>	<u>14,755</u>	<u>22,171</u>
Income (loss) before transfers	162,517	(949,227)	(786,710)
Transfer in	-	700,000	700,000
	<u>162,517</u>	<u>(249,227)</u>	<u>(86,710)</u>
Change in net position			
	<u>162,517</u>	<u>(249,227)</u>	<u>(86,710)</u>
TOTAL NET POSITION - BEGINNING, AS ORIGINALLY STATED	5,936,762	786,435	6,723,197
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(169,108)	-	(169,108)
TOTAL NET POSITION - BEGINNING, AS RESTATED	5,767,654	786,435	6,554,089
TOTAL NET POSITION - ENDING	<u>\$ 5,930,171</u>	<u>\$ 537,208</u>	<u>\$ 6,467,379</u>

**LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended December 31, 2018**

	Internal Service Funds		
	Highway	Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
From other County departments	\$ 3,732,335	\$ 5,567,245	\$ 9,299,580
From government and other parties for sales	2,837,485	-	2,837,485
To employees for compensation and fringe benefits	(3,907,893)	(28,814)	(3,936,707)
To vendors for goods and services	(1,752,881)	(6,457,759)	(8,210,640)
Net cash provided (used) by operating activities	<u>909,046</u>	<u>(919,328)</u>	<u>(10,282)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Rent	50	-	50
Repayment of due from other funds	(15,969)	-	(15,969)
Transfer in	-	700,000	700,000
Net cash provided (used) by noncapital financing activities	<u>(15,919)</u>	<u>700,000</u>	<u>684,081</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(498,238)	-	(498,238)
Proceeds from disposal of capital assets	10,440	-	10,440
Proceeds from salvage	9,221	-	9,221
Lease payment	(4,102)	-	(4,102)
Net cash used for capital and related financing activities	<u>(482,679)</u>	<u>-</u>	<u>(482,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	20,079	20,079
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	410,448	(199,249)	211,199
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>200</u>	<u>2,270,142</u>	<u>2,270,342</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 410,648</u>	<u>\$ 2,070,893</u>	<u>\$ 2,481,541</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 155,101	\$ (963,982)	\$ (808,881)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	523,801	-	523,801
Change in net other post employment benefits liability and related deferred outflows/inflows	23,649	-	23,649
Change in net pension liability (asset) and related deferred outflows/inflows	56,020	-	56,020
Changes in operating assets and liabilities:			
Accounts receivable	(29,015)	-	(29,015)
Due from other governments	115,427	-	115,427
Inventories, at cost	(13,898)	-	(13,898)
Prepaid items	2,681	-	2,681
Accounts payable	121,013	(169,146)	(48,133)
Accrued expenses	22,497	82	22,579
Compensated absences	(10,597)	-	(10,597)
Unearned revenue	(57,633)	-	(57,633)
Accrued claims	-	213,718	213,718
Total adjustments	<u>753,945</u>	<u>44,654</u>	<u>798,599</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 909,046</u>	<u>\$ (919,328)</u>	<u>\$ (10,282)</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2018

	Agency Funds			Total
	Employee Benefit Cafeteria Plan	Clerk of Court Collection Fund	Pinecrest Resident Funds	
ASSETS				
Cash and cash equivalents	\$ 27,728	\$ -	\$ 35,800	\$ 63,528
Accounts receivable	<u>-</u>	<u>660,760</u>	<u>-</u>	<u>660,760</u>
Total assets	<u>\$ 27,728</u>	<u>\$ 660,760</u>	<u>\$ 35,800</u>	<u>\$ 724,288</u>
LIABILITIES				
Accounts payable	\$ 5,516	\$ -	\$ -	\$ 5,516
Deposits and advances	22,212	-	35,800	58,012
Due other governments	<u>-</u>	<u>660,760</u>	<u>-</u>	<u>660,760</u>
Total liabilities	<u>\$ 27,728</u>	<u>\$ 660,760</u>	<u>\$ 35,800</u>	<u>\$ 724,288</u>