Lincoln County

Final Pricing Summary
November 9, 2021

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Lincoln County

Issue Summary	
Description:	General Obligation Refunding Bonds
Amount:	$2,595,000
Dated & Settlement Date:	December 1, 2021
Maturities:	December 1, 2022 - 2038
First Interest Payment:	June 1, 2022
First Call Date:	December 1, 2029
S&P Global Rating:	AA
True Interest Cost:	1.91%

Lincoln County

FINANCING PLAN ILLUSTRATION

LEVY YEAR	YEAR DUE	EXISTING DEBT SERVICE *(A)*		Award Date: November 9, 2021 / Refunds 2017 NANs / FINAL / **$2,595,000** G.O. REFUNDING BONDS / *Dated December 1, 2021* / *(First interest 6/1/2022)* PRINCIPAL (12/1)	INTEREST (6/1 & 12/1) TIC= 1.91%	TOTAL	COMBINED DEBT SERVICE	YEAR DUE
2015	2016						$0	2016
2016	2017	$0	*(B)(C)*				$0	2017
2017	2018	$228,550	*(C)*				$228,550	2018
2018	2019	$633,350					$633,350	2019
2019	2020	$632,850					$632,850	2020
2020	2021	$632,050					$632,050	2021
2021	2022	$500,950		$80,000	$51,030	$131,030	$631,980	2022
2022	2023	$501,500		$80,000	$50,510	$130,510	$632,010	2023
2023	2024	$501,750		$80,000	$49,990	$129,990	$631,740	2024
2024	2025	$501,700		$80,000	$49,470	$129,470	$631,170	2025
2025	2026	$501,350		$80,000	$48,950	$128,950	$630,300	2026
2026	2027	$500,700		$85,000	$46,550	$131,550	$632,250	2027
2027	2028	$499,750		$90,000	$44,000	$134,000	$633,750	2028
2028	2029	$498,500		$90,000	$41,300	$131,300	$629,800	2029
2029	2030	$496,950		$95,000	$38,600	$133,600	$630,550	2030
2030	2031	$500,100		$95,000	$36,700	$131,700	$631,800	2031
2031	2032	$501,775		$95,000	$34,800	$129,800	$631,575	2032
2032	2033	$497,963		$100,000	$32,900	$132,900	$630,863	2033
2033	2034	$498,825		$100,000	$30,900	$130,900	$629,725	2034
2034	2035	$498,075		$105,000	$28,900	$133,900	$631,975	2035
2035	2036	$496,800		$110,000	$26,800	$136,800	$633,600	2036
2036	2037			$610,000	$24,600	$634,600	$634,600	2037
2037	2038			$620,000	$12,400	$632,400	$632,400	2038
2038	2039							2039
2039	2040							2040
2040	2041							2041
		$9,623,488		$2,595,000	$648,400	$3,243,400	$12,866,888	

(A) Excludes 12/1/16 G.O. Refunding Bonds.
(B) Capitalized Interest used to make 2017 interest payments on the 2/14/17 G.O. Refunding Bonds.
(C) 2017 NANs Proceeds used to pay 5 Year NAN interest for all 2017-2018.

S&P Global
Ratings

RatingsDirect®

Summary:

Lincoln County, Wisconsin; General Obligation

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Summary:

Lincoln County, Wisconsin; General Obligation

Credit Profile		
US$2.6 mil GO rfdg bnds dtd 12/01/2021 due 12/01/2038		
Long Term Rating	AA/Stable	New
Lincoln Cnty GO		
Long Term Rating	AA/Stable	Affirmed

Rating Action

S&P Global Ratings assigned its 'AA' rating and stable outlook to Lincoln County, Wis.' roughly $2.6 million general obligation (GO) refunding bonds, dated Dec. 1, 2021, and affirmed its 'AA' rating, with a stable outlook, on the county's existing GO debt.

Unlimited ad valorem property taxes secure the GO refunding bonds.

The county is issuing the refunding bonds to current refund series 2017 note anticipation notes, which provided interim financing for capital projects.

Credit overview

Lincoln County's somewhat limited local economy, in north-central Wisconsin, has grown solidly recently. A strong tourism and recreational presence, with woods and lakes attracting visitors, support the local economy. We consider liquidity and strong debt credit strengths. In addition, the county has maintained very strong available reserves recently, which we expect during the next few fiscal years. The county recently made a transfer into the PineCrest Nursing Home fund from the general fund; should the nursing home require future transfers, it could pressure the rating.

The rating reflects our view of the county's:

- Steady property tax base growth with annual average market value growth of more than 5% during the past three years;
- Very strong reserves with available fund balance greater than 50% of expenditures recently, a level it expects to maintain;
- Strong financial management with a good Financial Management Assessment (FMA), indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them;
- Strong Institutional Framework; and
- Very strong debt-and-pension profile.

We believe what we consider the county's weaker economic metrics, limiting upward rating potential, somewhat offset these strengths.

Environmental, social, and governance (ESG) factors

We consider social risks in-line with the sector standard. We also view governance and environmental risks as in-line with our view of the sector.

Stable Outlook

Upside scenario

We could raise the rating or revise the outlook to positive if income and market value per capita were to improve to levels we consider commensurate with higher-rated peers and management were to maintain strong budgetary performance.

Downside scenario

We could lower the rating or revise the outlook to negative if the county were to sustain weaker budgetary performance, leading to materially lower reserves.

Credit Opinion

Adequate economy, supported by a large recreation and tourism component

The county is approximately 37 miles north of Wausau, 130 miles northwest of Green Bay, and 222 miles northwest of Milwaukee. Because of diverse land and water features, the county offers a variety of recreation opportunities. Leading employers include:

- Church Mutual Insurance Co. (802 employees),
- Merrill Area Public Schools (397), and
- Harley-Davidson Motor corporation. (390).

The tax base is primarily residential with residential properties accounting for 78% of the tax base, followed by commercial properties at 8%. Management reports no material economic slowdown due to COVID-19, and the county has seen increased economic activity due to its recreational nature.

Adequate fiscal 2020 performance while maintaining historically very strong reserves and liquidity

The county's fiscal year-end is Dec. 31. Leading revenue streams include taxes, primarily property taxes, generating 69% of general fund revenue; intergovernmental revenue accounts for 15%. For fiscal 2021, the county adopted a deficit budget to complete deferred capital projects; officials indicate that the budget is running ahead of forecasts and that it currently expects a surplus. Materially higher-than-budgeted sales tax revenue and reduced personnel expenditures due to COVID-19 support this result. Officials expect to adopt a breakeven fiscal 2022 budget with no plans to spend down reserves for capital projects.

In fiscal 2020, the county reported a $360,000 deficit due primarily to a large $2.1 million transfer into the PineCrest Nursing Home fund from the general fund to make up for lost expenses due to COVID-19. We note the general fund had an operating surplus prior to this one-time transfer. The county received approximately $650,000 from the CARES Act in 2020. According to management, it received $2.6 million in fiscal 2021 due to American Rescue Plan Act of

2021 stimulus; it expects to receive another $2.6 million in fiscal 2022, which it will use for capital improvements.

In our opinion, budgetary flexibility is very strong with available reserves greater than 30% of expenditures recently, a level we expect the county will likely maintain with an expected surplus in fiscal 2021. The county had $9.3 million in available reserves in fiscal 2020, or 55% of expenditures. In addition, we consider liquidity very strong.

Strong financial management with good policies and practices under our FMA

Policies and practices include management's:

- Realistic, well-grounded assumptions when setting the annual budget;
- Monthly budget-to-actual monitoring with amendments, as needed;
- Lack of formal long-term financial projections;
- Formally maintained capital plan it updates annually and presents to the county board;
- Formal investment-management policy with monthly investment reports to the board;
- Lack of a formal debt-management policy; and
- Formal fund-balance policy that calls for maintaining available general fund balance at 25% of operating expenditures.

Very strong debt-and-contingent-liability profile with no additional debt plans

Officials plan to retire approximately 74% of direct debt within 10 years, which is, in our view, positive. The county does not currently have any additional debt plans.

Participation in an extremely well-funded pension plan with low unfunded liabilities

The county provides pension benefits through a cost-sharing, multi-employer, Wisconsin Retirement System (WRS)-administered plan. Pension costs are modest as a share of total spending and not likely to accelerate significantly during the next few fiscal years, especially due to strong funding.

The county participates in WRS--a defined-benefit pension plan that has recently been among the nation's best-funded multiple-employer pension plans--which was 105.3% funded as of Dec. 31, 2020, with an estimated proportionate share of the plan's net pension asset at $5 million.

WRS' investment rate of return assumption decreased to 7% from 7.2% in late 2018. Although the revised return assumption exceeds our 6% guideline, WRS employing a shared-risk model--where active-employee-contribution changes and benefit-payment adjustments somewhat offset investment-performance fluctuations--somewhat mitigate market-volatility exposure. Because of these features, we expect contributions will likely remain relatively stable. Due to WRS' strong funding and contribution practices, we posit contributions will likely remain affordable.

Strong Institutional Framework

The Institutional Framework score for Wisconsin counties with populations greater than 25,000 is strong.

Lincoln County, Wisconsin Select Key Credit Metrics

	Most recent	Historical information		
		2020	2019	2018
Adequate economy				
Projected per capita effective buying income as a % of U.S.	85.9			
Market value per capita ($)	102,956			
Population		27,529	27,710	27,719
County unemployment rate (%)		5.9		
Market value ($000)	2,834,274	2,664,614	2,541,239	
Top 10 taxpayers as a % of taxable value	4.5			
Adequate budgetary performance				
Operating fund result as a % of expenditures		(2.1)	8.6	(5.9)
Total governmental fund result as a % of expenditures		6.5	6.3	0.3
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		54.6	56.3	40.0
Total available reserves ($000)		9,280	9,163	7,153
Very strong liquidity				
Total government cash as a % of governmental fund expenditures		58.1	63.6	61.3
Total government cash as a % of governmental fund debt service		969.8	1,598.4	2,013.7
Strong management				
Financial Management Assessment	Good			
Very strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		6.0	4.0	3.0
Net direct debt as a % of governmental fund revenue	48.3			
Overall net debt as a % of market value	1.7			
Direct debt 10-year amortization (%)	73.9			
Required pension contribution as a % of governmental fund expenditures		2.6		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		0		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2020 Update Of Institutional Framework For U.S. Local Governments

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of October 27, 2021)		
Lincoln Cnty note anticipation notes dtd 02/14/2017 due 12/01/2021		
Long Term Rating	AA/Stable	Affirmed
Lincoln Cnty GO rfdg bnds		
Long Term Rating	AA/Stable	Affirmed