

**LINCOLN COUNTY, WISCONSIN**  
**Merrill, Wisconsin**

**BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

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## Independent Auditors' Report

Members of the Lincoln County  
Board of Supervisors  
Merrill, Wisconsin

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, as of and for the year ended December 31, 2006, which collectively comprise the Lincoln County, Wisconsin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County, Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of PineCrest Nursing Home, an enterprise fund, which statements reflect total assets of \$8,915,866 as of December 31, 2006, and total revenues of \$9,899,248 for the year then ended. 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 PineCrest 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the 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 Lincoln County, Wisconsin, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2007, on our consideration of Lincoln County, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 and the budgetary comparison information on 50 through 57 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln County, Wisconsin's basic financial statements. The combining fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stevens Point, Wisconsin  
July 20, 2007

## 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, 2006.

### Financial Highlights

- The assets of Lincoln County exceeded liabilities at the close of the most recent fiscal year by \$75,523,673 (net assets). Of this amount, \$23,210,272 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,570,368.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$16,091,917, an increase of \$2,324,828 in comparison with the prior year. Eighty-eight percent of this total amount, \$14,229,777, is available for spending at the government's discretions (unreserved fund balance).
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$4,498,610, or 36% of total general fund expenditures.
- Lincoln County received proceeds from the sale of County property in the amount of \$998,655.

### 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 assets* reports what a government owns (assets) and owes (liabilities), as well as the net difference between the two (net assets). This statement reports the financial position of Lincoln County at December 31, 2006. Over time, increases or decreases in net assets 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 assets changed during the most recent year. All changes in net assets 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 assets* 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, 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 Number 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, Social Services Fund, and Developmental Disabilities 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 twelve 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, social services special revenue fund, and developmental disabilities special revenue fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these seven 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 except the jail assessment special revenue fund and the capital projects fund. 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 fund 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 Assets* 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, 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 Assets*. 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 assets may serve over time as a useful indicator of the County's financial position. At the close of 2006, the County's assets exceeded liabilities by \$75,523,673.

By far the largest portion of the County's net assets (67%) 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. Although, the County's investment in its capital assets is reported net of related debt, 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 Assets						
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 34,263,879	\$ 32,072,982	\$ 11,978,774	\$ 11,519,222	\$ 46,242,653	\$ 43,592,204
Capital assets	<u>44,363,555</u>	<u>44,196,496</u>	<u>10,016,304</u>	<u>9,438,033</u>	<u>54,379,859</u>	<u>53,634,529</u>
Total assets	<u>78,627,434</u>	<u>76,269,478</u>	<u>21,995,078</u>	<u>20,957,255</u>	<u>100,622,512</u>	<u>97,226,733</u>
Long-term liabilities outstanding	2,829,046	2,972,810	5,381,451	5,383,286	8,211,405	8,356,096
Other liabilities	<u>14,799,511</u>	<u>14,825,235</u>	<u>2,088,831</u>	<u>2,092,097</u>	<u>16,887,434</u>	<u>16,917,332</u>
Total liabilities	<u>17,628,557</u>	<u>17,798,045</u>	<u>7,470,282</u>	<u>7,475,383</u>	<u>25,098,839</u>	<u>25,273,428</u>
Net assets:						
Invested in capital assets, net of related debt	44,294,454	44,216,714	6,556,623	5,440,292	50,851,077	49,657,006
Restricted	691,772	708,792	770,552	854,956	1,462,324	1,563,748
Unrestricted	<u>16,012,651</u>	<u>13,545,927</u>	<u>7,197,621</u>	<u>7,186,624</u>	<u>23,210,272</u>	<u>20,732,551</u>
Total net assets	\$ 60,998,877	\$ 58,471,433	\$ 14,524,796	\$ 13,481,872	\$ 75,523,673	\$ 71,953,305

An additional portion of the County's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$23,210,272) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lincoln County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental Activities.** Governmental activities increased the County's net assets by \$2,527,444, thereby accounting for 71% of the total growth in net assets of the County. Key elements of this increase are as follows:

<b>Lincoln County's Change in Net Assets</b>						
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 7,418,029	\$ 5,246,232	\$ 12,378,738	\$ 11,712,269	\$ 19,796,767	\$ 16,958,501
Operating grants and contributions	9,976,976	8,888,974	320,176	292,208	10,297,152	9,181,182
Capital grants and contributions	241,861	48,233	8,050	-	249,911	48,233
<b>General revenues:</b>						
Property taxes	10,480,095	10,336,898	406,592	336,325	10,886,687	10,673,223
Other taxes	1,946,404	1,990,217	-	-	1,946,404	1,990,217
Grants and contributions not restricted to specific programs	1,294,241	1,297,449	-	-	1,294,241	1,297,449
Other	<u>1,828,271</u>	<u>846,404</u>	<u>1,881</u>	<u>67,300</u>	<u>1,830,152</u>	<u>913,704</u>
<b>Total revenues</b>	<u>33,185,877</u>	<u>28,654,407</u>	<u>13,115,437</u>	<u>12,408,102</u>	<u>46,301,314</u>	<u>41,062,509</u>
<b>Expenses:</b>						
General government	4,829,605	4,604,490	-	-	4,829,605	4,604,490
Public safety	6,567,347	6,182,081	-	-	6,567,347	6,182,081
Public works	5,985,312	4,793,220	-	-	5,985,312	4,793,220
Health and human services	11,267,586	10,028,727	-	-	11,267,586	10,028,727
Culture and recreation	839,380	812,593	-	-	839,380	812,593
Conservation and development	966,514	850,047	-	-	966,514	850,047
Interest on long-term debt	47,964	171,791	-	-	47,964	171,791
Nursing home	-	-	9,825,078	9,611,306	9,825,078	9,611,306
Forestry	-	-	1,035,922	936,546	1,035,922	936,546
Landfill	-	-	<u>1,366,238</u>	<u>1,261,653</u>	<u>1,366,238</u>	<u>1,261,653</u>
<b>Total expenses</b>	<u>30,503,708</u>	<u>27,442,949</u>	<u>12,227,238</u>	<u>11,809,505</u>	<u>42,730,946</u>	<u>39,252,454</u>
Increase in net assets before transfers	2,682,169	1,211,458	888,199	598,597	3,570,368	1,810,055
Transfers	<u>(154,725)</u>	<u>(267,850)</u>	<u>154,725</u>	<u>267,850</u>	-	-
Increase in net assets	2,527,444	943,608	1,042,924	866,447	3,570,368	1,810,055
Net assets - January 1	<u>58,471,433</u>	<u>57,527,825</u>	<u>13,481,872</u>	<u>12,615,425</u>	<u>71,953,305</u>	<u>70,143,250</u>
Net assets - December 31	<u>\$ 60,998,877</u>	<u>\$ 58,471,433</u>	<u>\$ 14,524,796</u>	<u>\$ 13,481,872</u>	<u>\$ 75,523,673</u>	<u>\$ 71,953,305</u>

Charges for service for governmental activities were \$7,418,029 for the year, which was a 41.4% increase over the previous year. This is largely due to contracts entered into by the Developmental Disabilities fund (\$909,351 or a 166% increase) and increased ambulance runs in the Emergency Medical fund (\$247,403 or a 44% increase). The County also saw an increase of \$981,867 or 116% increase in other revenue due to a gain on the sale of County land for \$734,105 and increased investment revenue due to higher interest rates of \$348,570.

In addition, the increase in net assets for governmental activities resulted from the County's efforts in expenditure restraint in the general fund and several of the special revenue funds which showed operating expenditures less than budgeted and resulted in transfers of funds to the general fund.

**Business-type Activities** Business-type activities increased Lincoln County's net assets by \$1,042,924, accounting for 29 percent of the total growth in the government's net assets. Key elements of this increase area as follows:

- Net assets for PineCrest Nursing Home increased by \$426,370. Intergovernmental transfer payment revenue exceeded the amount budgeted by \$312,199 or 42%.
- Net assets for Forestry increased by \$558,947. This was a result of timber sales exceeding budget expectations by 60 %.

### **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 \$16,091,917, an increase of \$2,324,828 in comparison with the prior year. Approximately 88 percent of this total amount, \$14,229,777 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) \$202,262 for prepaid items that benefit periods beyond the end of the current year, 2) \$60,956 for insurance deposits, 3) \$968,106 for non-liquid delinquent taxes, 4) \$536,117 for grant and program fees, and 5) \$94,699 for jail assessment.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$12,269,495, while the total fund balance was \$13,633,837. Of the \$12,269,495 unreserved fund balance, \$2,723,695 has been designated by the County for the 2007 budget or for future capital improvement projects and \$5,047,190 has been designated for future cash flow leaving \$4,498,610 as undesignated unreserved. As a measure of the general fund's liquidity, it may be useful to compare the total unreserved fund balance, undesignated unreserved fund balance, and total fund balance to total fund expenditures. Total general fund unreserved fund balances represent 97% of total general fund expenditures, undesignated unreserved fund balance represents 36% of total general fund expenditures.

The fund balance of Lincoln County's general fund increased by \$1,979,742 during the current fiscal year. Key factors in this increase are as follows:

- Transfers were made from special revenue funds to the general fund in accordance with Chapter 3.07 of the Lincoln County Ordinance, which limited maximum unreserved fund balances in special revenue funds to 15 percent of expenditures. Transfers were as follows: Social Services \$104,306, Emergency Medical \$78,814 and County Health Department \$31,262 for a total of \$214,382.
- County investments outperformed the budget by \$476,464. This was due to the higher interest rates that were obtained in 2006 compared to previous years.
- Proceeds from the sale of County property added \$998,655 to the General Fund.

The County Roads and Bridges Fund has fund balance of \$80,160 at December 31, 2006 an increase of \$121,160 when compared to the previous year. Local Road Improvement State aid exceeded budget by \$58,443. The deficit balance was largely covered by the 2006 budget which included funds for a project that was done in 2005.

The Social Services fund has a total fund balance of \$734,580. Of this fund balance, \$664,210 is unreserved and \$70,370 is reserved for other restricted purposes. Unreserved fund balance represents 21 percent of total social services fund expenditures, while total fund balance represents 23 percent of that same amount.

The fund balance of the Social Services fund increased by \$58,320 during the current year. Key factors in this decrease are as follows:

- Transfer to the general fund per Lincoln County Ordinance 3.07 in the amount of \$104,306.
- Expenditures were under budgeted amounts by \$212,948.

Developmental Disabilities fund has a total fund balance of \$568,569 at December 31, 2006. Of this fund balance, \$566,406 is unreserved and \$2,163 is reserved for prepaid items. Unreserved fund balance represents 10 percent of total developmental disabilities fund expenditures.

The fund balance of the Developmental Disabilities fund increased by \$228,232 during the current year. Key factor in this increase was the County received prior year CIP State aid of \$214,156 which was not budgeted.

***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 assets of PineCrest Nursing Home operations at the end of the year amounted to \$3,496,098, those of Solid Waste Landfill amounted to \$2,183,440, and those of Forestry amounted to \$1,518,083. 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 2005). 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 \$495,522. Those amendments are briefly summarized below:

- \$247,962 - The actual amount of grant and designated funds not spent down in 2005 exceeded the amount estimated as designated for non-lapsing appropriations when the budget was prepared.
- \$130,870 – ADA election grant expenditures that were not budgeted for in 2006.

Actual expenditures were \$762,378 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$74,149 - Cost of upgrading and maintaining the computer network was less than anticipated.
- \$72,022 – Cost of maintenance was less than anticipated.
- \$142,056 – Land Records projects that have not been completed.
- \$258,794 – Contingency funds that were not expended.

On the revenue side, the original budget was *increased* by \$301,517 with budget amendments. Significant amendments are summarized as follows:

- \$130,870 – ADA election grant revenues that were not budgeted for in 2006.
- \$28,000 – Dispatch surcharge fees collected in 2006. This amount could not be estimated at budget time.
- \$21,827 – Outside housing charges collected due to increase of inmates housed outside the County.

Actual revenues were \$621,595 *greater* than budgeted. Significant variances are as follows:

- State shared revenue was \$56,768 less than expected.
- Interest revenue exceeded the budget by \$476,791.
- Tax deed profit exceeded the budget by \$90,543.
- Forest land revenue exceeded the budget by \$115,576.
- County sales tax was \$86,757 less 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, 2006, amounted to \$54,379,859 (net of accumulated depreciation) compared to \$53,634,529 in 2005. 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 \$745,330 or 1.4 percent.

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

- Highway construction projects recorded in the County Roads and Bridges Fund completed during the year increased infrastructure by \$3,670,272 compared to \$1,038,783 in 2005.

- Solid waste began work on phase III of the landfill increasing land improvements \$1,102,055.
- Highway construction and maintenance projects recorded as work in progress at year-end in the County Roads and Bridges Fund amounted to \$596,959.

Lincoln County's Capital Assets (net of accumulated depreciation)						
	Governmental		Business-Type		Total	Total
	Activities	Activities	Activities	Activities		
	2006	2005	2006	2005	2006	2005
Land	\$ 206,075	\$ 470,625	\$ 2,530,478	\$ 2,530,477	\$ 2,736,553	\$ 3,001,102
Land improvements	277,004	282,959	2,860,716	1,896,720	3,137,720	2,179,679
Infrastructure	32,578,465	30,133,605	-	-	32,578,465	30,133,605
Buildings and improvements	3,626,398	3,724,201	3,744,773	3,976,200	7,371,171	7,700,401
Equipment and vehicles	5,786,525	5,755,700	880,337	1,034,636	6,666,862	6,790,336
Work in progress	1,889,088	3,829,406	-	-	1,889,088	3,829,406
Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>\$ 44,363,555</b>	<b>\$ 44,196,496</b>	<b>\$10,016,304</b>	<b>\$ 9,438,033</b>	<b>\$ 54,379,859</b>	<b>\$53,634,529</b>

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 \$5,801,574 which is a decrease of \$443,302 or 7.1 percent. In 2005 the total general obligation debt outstanding was \$6,244,876. The decrease is made up of \$28,302 in payments for notes to the Wisconsin State Trust Fund, payments for \$415,000 for Lincoln County General Obligation Refunding Bonds. All of this debt is backed by the full faith and credit of the County. Lincoln County maintains a Moody's Rating of A2 for general obligation debt.

Lincoln County's Outstanding Long-Term Obligations						
	Governmental		Business-Type		Total	Total
	Activities	Activities	Activities	Activities		
	2006	2005	2006	2005	2006	2005
Bonds	\$ 2,245,000	\$ 2,360,000	\$ 3,495,000	\$ 3,795,000	\$ 5,740,000	\$ 6,155,000
Notes	61,574	89,876	-	-	61,574	89,876
<b>Total general obligation debt</b>	<b>2,306,574</b>	<b>2,449,876</b>	<b>3,495,000</b>	<b>3,795,000</b>	<b>5,801,574</b>	<b>6,244,876</b>
Capital lease	18,474	25,618	-	-	18,474	25,618
Forestry loans	-	-	-	174,923	-	174,923
Compensated absences	1,405,161	1,324,304	369,969	342,948	1,775,130	1,667,252
<b>Total general long-term obligations</b>	<b>\$ 3,730,209</b>	<b>\$ 3,799,798</b>	<b>\$ 3,864,969</b>	<b>\$ 4,312,871</b>	<b>\$ 7,595,178</b>	<b>\$ 8,112,669</b>

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 available debt capacity is \$111,778,935, 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.

### **Economic Factors and Next Year's Budget Rates**

- The unemployment rate for Lincoln County in May 2007 was 5.5 percent as compared to 4.09 percent for the State of Wisconsin. The May 2007 rate for Lincoln County was higher than the May 2006 rate (5.2%).
- The general economic condition and outlook for the County is guarded with employers not planning to hire additional employees or expand in the next year.
- Inflationary trends in our region compare to national indices.

These factors were considered in preparing the County's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$12,269,495. Lincoln County intends to apply \$4,000,000, for capital improvement projects beginning in 2007. It is intended that this use of available fund balance will reduce the need to raise taxes or borrow to complete future capital projects.

### **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, 1104 East First Street, Merrill, WI 54452.

## **BASIC FINANCIAL STATEMENTS**

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF NET ASSETS**  
**December 31, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 18,694,465	\$ 6,675,177	\$ 25,369,642
Receivables, net:			
Property taxes	10,720,456	450,000	11,170,456
Tax certificates and deeds	1,277,708	-	1,277,708
Assessments	35,665	-	35,665
Accounts	889,097	1,710,391	2,599,488
Loans	308,486	-	308,486
Due from other governments	1,227,078	16,615	1,243,693
Inventories, at cost	803,998	269,324	1,073,322
Prepaid expenses	205,653	51,771	257,424
Total current assets	34,162,606	9,173,278	43,335,884
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	60,956	2,805,496	2,866,452
Unamortized debt issue costs	40,317	-	40,317
Capital assets:			
Land and construction in progress	2,095,163	2,530,478	4,625,641
Other capital assets, net of depreciation	42,268,392	7,485,826	49,754,218
Total capital assets	44,363,555	10,016,304	54,379,859
Total noncurrent assets	44,464,828	12,821,800	57,286,628
Total assets	78,627,434	21,995,078	100,622,512
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,373,174	389,347	1,762,521
Accrued liabilities	663,205	288,240	951,445
Compensated absences payable	742,799	301,034	1,043,833
Accrued claims	707,500	-	707,500
Deposits and advances	284,105	198,608	482,713
Due to other governments	131,269	146,602	277,871
Current portion of long-term obligations	158,364	315,000	473,364
Unearned revenue	10,739,095	450,000	11,189,095
Total current liabilities	14,799,511	2,088,831	16,888,342
Noncurrent liabilities:			
Future closure payable	-	2,167,835	2,167,835
Compensated absences payable	662,362	68,935	731,297
Noncurrent portion of long-term obligations	2,166,684	3,144,681	5,311,365
Total noncurrent liabilities	2,829,046	5,381,451	8,210,497
Total liabilities	17,628,557	7,470,282	25,098,839
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	44,294,454	6,556,623	50,851,077
Restricted	691,772	770,552	1,462,324
Unrestricted	16,012,651	7,197,621	23,210,272
<b>TOTAL NET ASSETS</b>	\$ 60,998,877	\$ 14,524,796	\$ 75,523,673

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, 2006

Functions / Programs	Net (Expense) Revenue and Changes in Net Assets			
	Program Revenues		Primary Government	
	Expenses	Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Governmental Activities	Business-Type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 4,829,605	\$ 654,390	\$ 327,879	\$ 62,077
Public safety	6,567,347	1,649,089	166,220	-
Public works	5,985,312	2,600,682	1,039,362	179,784
Health and human services	11,267,586	1,911,935	7,946,493	-
Culture, recreation, and education	839,380	14,532	26,978	-
Conservation and development	966,514	587,401	470,044	-
Interest on long-term debt	47,964	-	-	-
Total governmental activities	30,503,708	7,418,029	9,976,976	241,861
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Nursing home	9,825,078	9,899,248	-	74,170
Forestry	1,035,922	1,053,432	320,176	8,050
Solid waste landfill	1,366,238	1,426,058	-	59,820
Total business-type activities	12,227,238	12,378,738	320,176	8,050
<b>TOTAL PRIMARY GOVERNMENT</b>	\$ 42,730,946	\$ 19,796,767	\$ 10,297,152	\$ 249,911
<b>GENERAL REVENUES:</b>				
Taxes:				
Property taxes, levied for general purposes		10,480,095	406,592	10,886,687
Private forest cropland/managed forest land taxes		62,634	-	62,634
County sales tax		1,502,848	-	1,502,848
Real estate transfer taxes		73,525	-	73,525
Payment in lieu of taxes		69,970	-	69,970
Interest and penalties on taxes		237,427	-	237,427
Grants and contributions not restricted to specific programs		1,294,241	-	1,294,241
Unrestricted investment earnings		1,094,166	1,881	1,096,047
Gain on sale of land		734,105	-	734,105
Transfers		(154,725)	154,725	-
Total general revenues and transfers		15,394,286	563,198	15,957,484
<b>CHANGE IN NET ASSETS</b>		2,527,444	1,042,924	3,570,368
<b>NET ASSETS - BEGINNING</b>		58,471,433	13,481,872	71,953,305
<b>NET ASSETS - ENDING</b>		\$ 60,998,877	\$ 14,524,796	\$ 75,523,673

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, 2006**

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,121,768	\$ 80,160	\$ 943,721	\$ 712,834	\$ 832,841	\$ 14,691,324
Receivables (net of allowances):						
Property taxes	6,826,048	2,150,333	587,694	33,138	1,123,243	10,720,456
Tax certificates and deeds	1,277,708	-	-	-	-	1,277,708
Assessments	35,665	-	-	-	-	35,665
Accounts	356,393	-	4,545	118,652	296,172	775,762
Loans	-	-	-	-	308,486	308,486
Due from other governments	437,151	-	58,250	139,837	159,202	794,440
Due from other funds	154,991	-	-	-	-	154,991
Prepaid items	198,101	-	644	2,163	1,354	202,262
Advances	419,628	-	-	-	-	419,628
Restricted assets:						
Cash and cash equivalents	60,956	-	-	-	-	60,956
<b>TOTAL ASSETS</b>	<b><u>\$ 21,888,409</u></b>	<b><u>\$ 2,230,493</u></b>	<b><u>\$ 1,594,854</u></b>	<b><u>\$ 1,006,624</u></b>	<b><u>\$ 2,721,298</u></b>	<b><u>\$ 29,441,678</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 428,656	\$ -	\$ 203,495	\$ 294,404	\$ 101,798	\$ 1,028,353
Accrued liabilities	389,043	-	42,839	49,895	33,845	515,622
Deposits and advances	187,165	-	26,125	60,306	-	273,596
Due to other funds	-	-	-	-	49,209	49,209
Due to other governments	129,890	-	121	312	946	131,269
Deferred revenue	7,119,818	2,150,333	587,694	33,138	1,460,729	11,351,712
<b>Total liabilities</b>	<b><u>8,254,572</u></b>	<b><u>2,150,333</u></b>	<b><u>860,274</u></b>	<b><u>438,055</u></b>	<b><u>1,646,527</u></b>	<b><u>13,349,761</u></b>
<b>Fund balances</b>						
<b>Reserved for:</b>						
Prepaid items	198,101	-	644	2,163	1,354	202,262
Insurance deposits	60,956	-	-	-	-	60,956
Delinquent property taxes	968,106	-	-	-	-	968,106
Grant and program fees	137,179	-	69,726	-	329,212	536,117
Jail assessment	-	-	-	-	94,699	94,699
<b>Unreserved, reported in:</b>						
General fund	12,269,495	-	-	-	-	12,269,495
Special revenue funds	-	80,160	664,210	566,406	483,962	1,794,738
Debt service fund	-	-	-	-	214,753	214,753
Capital project fund	-	-	-	-	-	-
<b>Total fund balances</b>	<b><u>13,633,837</u></b>	<b><u>80,160</u></b>	<b><u>734,580</u></b>	<b><u>568,569</u></b>	<b><u>1,123,980</u></b>	<b><u>16,141,126</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 21,888,409</u></b>	<b><u>\$ 2,230,493</u></b>	<b><u>\$ 1,594,854</u></b>	<b><u>\$ 1,006,624</u></b>	<b><u>\$ 2,770,507</u></b>	<b><u>\$ 29,490,887</u></b>

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 ASSETS  
December 31, 2006**

Total fund balances for governmental funds \$ 16,091,917

Total net assets used in governmental activities in the statement of net assets 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	\$ 170,535	
Construction in progress	1,422,834	
Land improvements, net of \$9,470 accumulated depreciation	72,470	
Buildings, net of \$6,650,397 accumulated depreciation	3,084,685	
Machinery and equipment, net of \$1,814,638 accumulated depreciation	1,494,333	
Infrastructure, net of \$16,899,092 accumulated depreciation	<u>32,578,465</u>	
Total capital assets		38,823,322

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 assets. Internal service fund's net assets are:

Health insurance fund	\$ 3,140,281	
Highway fund	<u>5,685,802</u>	
Total internal service funds		8,826,083

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 assets. Balances on 12/31/06 are:

Accrued interest on notes	\$ (11,568)	
Notes payable	(2,306,574)	
Capital lease payable	(18,474)	
Vacation payable	(550,591)	
Banked sick	(9,384)	
Vested sick leave	(224,415)	
Accrued sick	(297,826)	
Comp time	<u>(21,100)</u>	
Total long-term liabilities		(3,439,932)

Debt issue costs are recorded as expenditures in the current period in governmental funds. Debt issue costs are recored as unamortized debt issue costs on the statement of net assets and are amortized over the life of the bond. Unamortized debt issue costs on 12/31/06 are:

40,317

Accounts receivable are recorded when they become measurable and available in governmental funds. On 12/31/06 correction 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.

23,825

On 12/31/06 deferred revenue was recorded in the governmental funds for citation revenue and loan receivable that was not considered a current financial resource, but is an economic resource. Consequently, this revenue is recognized.

Citation revenue	\$ 273,047	
Interest on delinquent taxes	51,812	
Loan receivable	<u>308,486</u>	
Total deferred revenue		<u>633,345</u>

Total net assets of governmental activities \$ 60,998,877

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, 2006**

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 8,609,978	\$ 2,108,170	\$ 576,171	\$ 33,138	\$ 1,099,041	\$ 12,426,498
Intergovernmental	2,414,779	1,141,155	2,775,594	4,408,339	763,917	11,503,784
Licenses and permits	137,244	-	-	-	31,857	169,101
Fines, forfeits, and penalties	131,069	-	-	-	45,362	176,431
Public charges for service	827,501	-	6,963	1,458,066	1,143,312	3,435,842
Intergovernmental charges for service	101,256	-	-	6,426	290,260	397,942
Miscellaneous	1,357,067	-	3,370	-	27,818	1,388,255
<b>Total revenues</b>	<u>13,578,894</u>	<u>3,249,325</u>	<u>3,362,098</u>	<u>5,905,969</u>	<u>3,401,567</u>	<u>29,497,853</u>
<b>EXPENDITURES</b>						
Current:						
General government	4,573,192	-	-	-	-	4,573,192
Public safety	4,949,815	-	-	-	1,349,683	6,299,498
Public works	68,697	3,128,165	-	-	-	3,196,862
Health and human services	887,748	-	3,199,472	5,606,367	1,510,817	11,204,404
Culture, recreation, and education	834,615	-	-	-	-	834,615
Conservation and development	765,225	-	-	-	204,000	969,225
Capital outlay	535,890	-	-	37,900	102,450	676,240
Debt service:						
Principal	-	-	-	-	143,302	143,302
Interest and other charges	-	-	-	-	113,228	113,228
<b>Total expenditures</b>	<u>12,615,182</u>	<u>3,128,165</u>	<u>3,199,472</u>	<u>5,644,267</u>	<u>3,423,480</u>	<u>28,010,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>963,712</u>	<u>121,160</u>	<u>162,626</u>	<u>261,702</u>	<u>(21,913)</u>	<u>1,487,287</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of county property	998,655	-	-	-	-	998,655
Transfers in	235,991	-	-	-	90,972	326,963
Transfers out	(218,616)	-	(104,306)	(33,470)	(131,685)	(488,077)
<b>Total other financing sources (uses)</b>	<u>1,016,030</u>	<u>-</u>	<u>(104,306)</u>	<u>(33,470)</u>	<u>(40,713)</u>	<u>837,541</u>
Net change in fund balances	1,979,742	121,160	58,320	228,232	(62,626)	2,324,828
<b>FUND BALANCES - BEGINNING</b>	<u>11,654,095</u>	<u>(41,000)</u>	<u>676,260</u>	<u>340,337</u>	<u>1,137,397</u>	<u>13,767,089</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 13,633,837</u>	<u>\$ 80,160</u>	<u>\$ 734,580</u>	<u>\$ 568,569</u>	<u>\$ 1,074,771</u>	<u>\$ 16,091,917</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, 2006**

Net change in fund balances - total governmental funds \$ 2,324,828

The change in net assets 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	\$ 1,618,700	
Depreciation expense	<u>(1,826,229)</u>	
Excess of capital outlay over depreciation expense		(207,529)

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 assets. In the current year, this amount consisted of: 150,446

Bond issue costs are reported as expenditures in governmental funds, but are amortized over the life of the bond issue in the statement of net assets. In the current year this consisted of: (2,914)

Internal service funds are used by the County to charge the costs 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	168,931	
Highway fund	<u>(224,718)</u>	
Total internal service funds		(55,787)

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:

Accrued interest on notes	65,264	
Vacation	(27,697)	
Banked sick leave	(6,490)	
Vested sick leave	16,718	
Accrued sick	(20,959)	
Comp time	<u>(6,271)</u>	
Combined adjustment		20,565

Revenue had accrued on 12/31/06 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 assets and recognized as revenue on the statement of activities.

The net revenue consists of:

Notes	135,585	
Interest on delinquent taxes	51,812	
Corrections	23,825	
Citations	<u>86,613</u>	
Combined adjustment		<u>297,835</u>

Change in net assets of governmental activities \$ 2,527,444

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

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
December 31, 2006

	<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>Total</u>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,639,776	\$ 1,986,488	\$ 2,048,913	\$ 6,675,177	\$ 4,003,141
Receivables, net:					
Property taxes	450,000	-	-	450,000	-
Accounts	1,498,579	180,090	31,722	1,710,391	83,798
Due from other governments	-	15,755	860	16,615	432,638
Inventories, at cost	33,211	236,113	-	269,324	803,998
Prepaid items	50,414	1,357	-	51,771	3,391
<b>Total current assets</b>	<u>4,671,980</u>	<u>2,419,803</u>	<u>2,081,495</u>	<u>9,173,278</u>	<u>5,326,966</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	15,448	2,790,048	-	2,805,496	-
Capital assets:					
Land	13,833	84,605	2,432,040	2,530,478	35,540
Improvements other than buildings	377,655	6,186,014	9,603	6,573,272	274,940
Buildings	7,313,936	300,049	235,651	7,849,636	1,291,723
Machinery and equipment	1,244,450	826,866	476,312	2,547,628	10,192,105
Work in progress	-	-	-	-	466,254
Less accumulated depreciation and depletion	(4,721,436)	(4,266,340)	(496,934)	(9,484,710)	(6,720,329)
<b>Total capital assets</b>	<u>4,228,438</u>	<u>3,131,194</u>	<u>2,656,672</u>	<u>10,016,304</u>	<u>5,540,233</u>
<b>Total noncurrent assets</b>	<u>4,243,886</u>	<u>5,921,242</u>	<u>2,656,672</u>	<u>12,821,800</u>	<u>5,540,233</u>
<b>Total assets</b>	<u>8,915,866</u>	<u>8,341,045</u>	<u>4,738,167</u>	<u>21,995,078</u>	<u>10,867,199</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	188,078	192,134	9,135	389,347	344,821
Accrued expenses	261,395	8,018	18,827	288,240	136,015
Compensated absences payable	247,101	16,275	37,658	301,034	164,892
Accrued claims	-	-	-	-	707,500
Due to other funds	-	-	-	-	100,070
Due to other governments	-	-	146,602	146,602	-
Unearned revenue	450,000	-	-	450,000	20,728
Current maturities of long-term debt	315,000	-	-	315,000	-
Deposits and advances	29,308	-	169,300	198,608	10,509
<b>Total current liabilities</b>	<u>1,490,882</u>	<u>216,427</u>	<u>381,522</u>	<u>2,088,831</u>	<u>1,484,535</u>
Noncurrent liabilities:					
General obligation bonds payable	3,144,681	-	-	3,144,681	-
Advance due other funds	-	-	-	-	419,628
Compensated absences payable	-	18,578	50,357	68,935	136,953
Future closure payable	-	2,167,835	-	2,167,835	-
<b>Total noncurrent liabilities</b>	<u>3,144,681</u>	<u>2,186,413</u>	<u>50,357</u>	<u>5,381,451</u>	<u>556,581</u>
<b>Total liabilities</b>	<u>4,635,563</u>	<u>2,402,840</u>	<u>431,879</u>	<u>7,470,282</u>	<u>2,041,116</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	768,757	3,131,194	2,656,672	6,556,623	5,041,257
Restricted	15,448	623,571	131,533	770,552	-
Unrestricted	3,496,098	2,183,440	1,518,083	7,197,621	3,784,826
<b>TOTAL NET ASSETS</b>	<u>\$ 4,280,303</u>	<u>\$ 5,938,205</u>	<u>\$ 4,306,288</u>	<u>\$ 14,524,796</u>	<u>\$ 8,826,083</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 ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2006**

	<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>Total</u>	
<b>OPERATING REVENUES</b>					
Public charges for service	\$ 9,871,361	\$ 1,110,775	\$ 1,051,932	\$ 12,034,068	\$ -
Interdepartmental charges for service	-	705	1,500	2,205	7,264,280
Intergovernmental charges for service	-	157,699	-	157,699	2,542,316
Other	<u>27,887</u>	<u>4,879</u>	<u>-</u>	<u>32,766</u>	<u>36,752</u>
Total operating revenues	<u>9,899,248</u>	<u>1,274,058</u>	<u>1,053,432</u>	<u>12,226,738</u>	<u>9,843,348</u>
<b>OPERATING EXPENSES</b>					
Claims paid	-	-	-	-	3,696,145
Nursing services	4,316,179	-	-	4,316,179	-
Other professional services	495,670	-	-	495,670	-
General services	1,726,927	733,081	976,989	3,436,997	5,008,555
Administrative and fiscal services	2,526,460	-	-	2,526,460	778,667
Provider assessment tax	162,000	-	-	162,000	-
Provision for bad debts	71,377	-	-	71,377	-
Future closing costs	-	274,815	-	274,815	-
Depreciation and amortization	<u>314,638</u>	<u>335,820</u>	<u>64,317</u>	<u>714,775</u>	<u>616,233</u>
Total operating expenses	<u>9,613,251</u>	<u>1,343,716</u>	<u>1,041,306</u>	<u>11,998,273</u>	<u>10,099,600</u>
Operating income (loss)	<u>285,997</u>	<u>(69,658)</u>	<u>12,126</u>	<u>228,465</u>	<u>(256,252)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property taxes	406,592	-	-	406,592	-
Insurance recoveries	-	-	-	-	3,534
Interest income	1,881	127,265	-	129,146	172,707
Rental income	-	-	-	-	50
Grant revenue	-	-	328,226	328,226	9,294
Salvage revenue	-	-	-	-	5,530
Donations	-	-	-	-	200
Interest expense	(206,213)	-	-	(206,213)	-
Gain on sale of supplies	-	-	-	-	7,650
Gain (loss) on disposal of capital assets	<u>(4,406)</u>	<u>-</u>	<u>-</u>	<u>(4,406)</u>	<u>1,500</u>
Total nonoperating revenues (expenses)	<u>197,854</u>	<u>127,265</u>	<u>328,226</u>	<u>653,345</u>	<u>200,465</u>
<b>Income before transfers</b>	483,851	57,607	340,352	881,810	(55,787)
Transfer in	-	-	218,595	218,595	-
Transfer out	<u>(57,481)</u>	<u>-</u>	<u>-</u>	<u>(57,481)</u>	<u>-</u>
<b>Change in net assets</b>	426,370	57,607	558,947	1,042,924	(55,787)
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>3,853,933</u>	<u>5,880,598</u>	<u>3,747,341</u>	<u>13,481,872</u>	<u>8,881,870</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 4,280,303</u>	<u>\$ 5,938,205</u>	<u>\$ 4,306,288</u>	<u>\$ 14,524,796</u>	<u>\$ 8,826,083</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, 2006**

	<u>Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestrv</u>	<u>Total</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
From patients and third party payers	\$ 9,616,920	\$ -	\$ -	\$ 9,616,920	\$ -
From other County departments	-	705	1,500	2,205	7,264,280
From government and other parties for sales	-	1,176,986	1,052,509	2,229,495	2,578,905
To employees for compensation and fringe benefits	(6,662,877)	(246,190)	(619,650)	(7,528,717)	(2,800,709)
To vendors for goods and services	(2,587,168)	(537,723)	(299,355)	(3,424,246)	(6,791,341)
Other cash received	27,887	4,879	-	32,766	-
Net cash provided by operating activities	<u>394,762</u>	<u>423,392</u>	<u>135,004</u>	<u>928,423</u>	<u>251,135</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant revenue	-	-	328,226	328,226	-
Transfer in	-	-	218,595	218,595	-
Transfer out	(57,481)	-	-	(57,481)	-
Tax levy appropriations	406,592	-	-	406,592	-
Net cash provided by (used in) noncapital financing activities	<u>349,111</u>	<u>-</u>	<u>546,821</u>	<u>895,932</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(19,051)	(879,866)	(29,519)	(928,436)	(902,673)
Proceeds from sale of assets	2,783	-	-	2,783	36,344
Insurance recovery	-	-	-	-	20,664
Advance from general fund	-	-	-	-	466,254
Principal payments on long-term debt	(300,000)	-	(174,923)	(474,923)	-
Interest paid on long-term debt	(198,962)	-	-	(198,962)	-
Net cash used in capital and related financing activities	<u>(515,230)</u>	<u>(879,866)</u>	<u>(204,442)</u>	<u>(1,599,538)</u>	<u>(379,411)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	1,881	140,758	-	142,639	157,800
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	230,524	(315,716)	477,383	367,456	29,524
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,424,700</u>	<u>5,116,987</u>	<u>1,571,530</u>	<u>9,113,217</u>	<u>3,973,617</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,655,224</u>	<u>\$ 4,801,271</u>	<u>\$ 2,048,913</u>	<u>\$ 9,480,673</u>	<u>\$ 4,003,141</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>					
Unrestricted	\$ 2,639,776	\$ 1,986,488	\$ 2,048,913	\$ 6,675,177	\$ 4,003,141
Restricted	15,448	2,790,048	-	2,805,496	-
	<u>\$ 2,655,224</u>	<u>\$ 4,776,536</u>	<u>\$ 2,048,913</u>	<u>\$ 9,480,673</u>	<u>\$ 4,003,141</u>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
None					

LINCOLN COUNTY, WISCONSIN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2006

	<u>Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 285,997	\$ (69,658)	\$ 12,126	\$ 228,465	\$ (256,252)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	314,638	335,820	64,317	714,775	616,233
Future closing costs	-	274,815	-	274,815	-
Change in assets and liabilities:					
Accounts receivable	(246,778)	(89,999)	34,177	(302,600)	(38,827)
Due from other governments	-	(1,489)	(860)	(2,349)	8,596
Inventories	(6,029)	-	-	(6,029)	(172,158)
Prepaid items	(4,805)	(1,182)	-	(5,987)	(3,391)
Accounts payable	(27,528)	(28,328)	(4,802)	(60,658)	9,619
Due to other governments	-	-	40,426	40,426	(53,445)
Accrued expenses	40,928	556	790	42,274	37,193
Deferred revenue	43,408	-	-	43,408	20,503
Compensated absences payable	2,594	2,857	21,570	27,021	36,158
Deposits and advances	(7,663)	-	(32,740)	(40,403)	-
Claims paid	-	-	-	-	46,906
Total adjustments	<u>108,765</u>	<u>493,050</u>	<u>122,878</u>	<u>724,693</u>	<u>507,387</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 394,762</u>	<u>\$ 423,392</u>	<u>\$ 135,004</u>	<u>\$ 953,158</u>	<u>\$ 251,135</u>

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

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2006**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,760
Accounts receivable	554,367
Total assets	\$ 572,127
 <b>LIABILITIES</b>	
Deposits and advances	\$ 12,048
Due other governments	554,367
Due to Lincoln County	5,712
Total liabilities	\$ 572,127

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, 2006**

**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 assets 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 assets. The statements of net assets 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.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**Developmental Disabilities Fund** - Administers and accounts for a variety of Federal, State, and local programs for developmentally disabled individuals to promote health, welfare, and quality of life.

The County reports the following major enterprise funds:

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

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Government-Wide Financial Statements

The government-wide statement of net assets 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.

The business-type activities have elected to follow all pronouncements of the Governmental Accounting Standards Board. The business-type activities follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, the activity from interfund services provided and used between functions is not eliminated in the statement of activities. To do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PROPERTY TAXES**

Property taxes are levied prior to December 31 and are due and collectible in the following year. The 2006 tax levy is recorded as receivable with offsetting deferred revenue at December 31, 2006; it will be recognized as revenue in 2007 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, including the state. 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 2006 tax roll follows:

Lien date and date levy	December 2006
Tax bills mailed	December 2006
Real estate taxes first installment due	January 31, 2007
Personal property taxes due in full	January 31, 2007
Real estate taxes second installment due	July 31, 2007
Tax sale - 2006 delinquent real estate taxes	October 2010

**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 amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. 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.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 fair 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 and improvements	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	10 - 50
Buildings and improvements	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.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**DEFERRED REVENUE**

Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the County receives resources before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**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.

**LONG-TERM OBLIGATIONS**

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The County records governmental fund long-term debt at face value as an other financing source and payments of principal and interest are reported as expenditures. Debt discount and issuance costs are recorded as an expenditure of the fund receiving the proceeds. As required by state statutes, premium and accrued interest received as part of the proceeds are recorded in the Debt Service Fund. The accounting in proprietary funds is the same as it is in the government-wide statements.

**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.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets (net of related debt) consist of capital assets (net of accumulated depreciation) reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**GOVERNMENTAL FUND BALANCE RESERVES**

The County reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources. Fund balance reserves have been established for prepaid items, deposits, delinquent property taxes, and grants.

**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, 2006**

**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 \$28,253,854 on December 31, 2006, as summarized below:

Petty cash funds	\$ 1,920
Deposits with financial institutions	13,474,095
Investments:	
Wisconsin local government investment pool	8,671,484
Landfill long-term care trust	2,790,048
Health Insurance Trust Fund	3,255,351
Insurance deposits	<u>60,956</u>
	<u>\$ 28,253,854</u>

Presented in the Statement of Net Assets as follows:

Unrestricted cash and cash equivalents	\$ 25,369,642
Restricted cash and cash equivalents	2,866,452
Fiduciary Fund cash and cash equivalents	<u>17,760</u>
	<u>\$ 28,253,854</u>

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)**

**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.

Deposits with financial institutions are insured by the Federal Depository Insurance (FDIC) and National Credit Union Association (NCUA) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. 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.

On December 31, 2006, \$12,279,587 of the County's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized (or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the County's name).

**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 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's 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 or 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.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)**

*Interest Rate Risk*

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2006 the County had the following investments and maturities:

Type of Investment	Fair Value	Average Maturities
U.S. Government securities	\$6,045,399	1 to 4.25 years

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, 2006, the factor was 100%. As of December 31, 2006 the carrying amount of these investments was \$8,671,484. The annualized interest rate on the LGIP was 5.25% for the month of December 2006.

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets on December 31, 2006, totaled \$2,866,452 consisting of cash and investments as follows:

General fund	
Insurance deposits	\$ 60,956
Enterprise fund	
Solid waste landfill	
Long-term care deposits	2,790,048
Pine Crest Nursing Home	
Donation and special fund	<u>15,448</u>
	<u>\$2,866,452</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**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	Develop- mental Disabilities	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Nonmajor and Internal Service Funds	Total
Receivables									
Property taxes	\$6,826,048	\$2,150,333	\$587,694	\$ 33,138	\$450,000	\$ -	\$ -	\$1,123,243	\$11,170,456
Tax certificates and deeds	1,277,708	-	-	-	-	-	-	-	1,277,708
Assessments	35,665	-	-	-	-	-	-	-	35,665
Accounts	356,393	-	4,545	118,652	1,598,579	180,090	31,722	429,300	2,719,281
Loans	-	-	-	-	-	-	-	308,486	308,486
Due from other governments	<u>437,151</u>	<u>-</u>	<u>58,250</u>	<u>139,837</u>	<u>-</u>	<u>15,755</u>	<u>860</u>	<u>591,840</u>	<u>1,243,693</u>
Gross receivables	8,932,965	2,150,333	650,489	291,627	2,048,579	195,845	32,582	2,452,869	16,755,289
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(49,330)</u>	<u>(149,330)</u>
Net total fund receivables	<u>\$ 8,932,965</u>	<u>\$ 2,150,333</u>	<u>\$ 650,489</u>	<u>\$ 291,627</u>	<u>\$ 1,948,579</u>	<u>\$ 195,845</u>	<u>\$ 32,582</u>	<u>\$ 2,403,539</u>	16,605,959
Correction									23,825
Fiduciary fund									<u>5,712</u>
Net statement of net assets receivables									<u>\$16,635,496</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, 2006, the County’s general fund showed an investment of \$1,277,708 in delinquent taxes as follows:

Tax certificates	\$1,269,484
Tax deeds	<u>8,224</u>
<b>Total</b>	<b><u>\$1,277,708</u></b>

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUE (CONTINUED)**

An aging of the delinquent tax certificate taxes of \$1,269,484 on December 31, 2006, follows:

**Year Acquired**

Prior to 2002	\$ 20,281
2002	3,500
2003	9,719
2004	46,795
2005	401,165
2006	<u>788,024</u>
	<u>\$1,269,484</u>

Of the total of \$1,269,484 for delinquent tax certificate taxes, \$309,602 was collected by the County within 90 days after December 31, 2006. The remaining unpaid balance of \$959,882 and tax deeds of \$8,224 are recorded as reserved fund balance of \$968,106 for the general fund.

The County reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The County also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the statement of net assets were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Funds			
General fund	\$324,859	\$ 6,794,959	\$ 7,119,818
Special revenue funds:			
County roads and bridges	-	2,150,333	2,150,333
Social services	-	587,694	587,694
Development disabilities	-	33,138	33,138
County health	-	549,021	549,021
Commission on aging	-	106,739	106,739
Community development	308,486	-	308,486
Emergency medical	-	496,483	496,483
Total Governmental Funds	<u>633,345</u>	<u>10,718,367</u>	<u>11,351,712</u>
Internal Service Fund			
Highway	-	20,728	20,728
<b>Total deferred/unearned revenue</b>	<u>\$633,345</u>	<u>\$10,739,095</u>	<u>\$11,372,440</u>

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At December 31, 2006, interfund receivables and payables were as follows:

	<b>Receivable From Other Funds</b>	<b>Payable To Other Funds</b>
General Fund	\$ 154,991	\$ -
Capital Project Fund		49,209
Highway Fund	-	100,070
Fiduciary Fund:		
Employee Benefit Cafeteria Plan	-	5,712
	<b>\$ 154,991</b>	<b>\$ 154,991</b>

The General Fund's receivable from other funds represents \$49,209 from the Capital Projects Fund, \$53,445 from the Highway Fund and \$5,712 from the Employee Benefit Cafeteria Plan Fiduciary Fund for operational cash flow purposes. For the statement of net assets, the \$5,712 due from the Employee Benefit Cafeteria Plan Fiduciary Fund is included with accounts receivable. Additionally, another \$46,625 represents cash owed the General Fund from the Highway Fund for a new roof and HVAC system.

Transfers were made in the primary government as follows:

<b><u>Fund</u></b>	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>	<b><u>Net Transfers</u></b>
General Fund	\$ 235,991	\$ 218,616	\$ 17,375
Social Services	-	104,306	(104,306)
Developmental Disabilities	-	33,470	(33,470)
Emergency Medical	-	78,814	(78,814)
Community Development	21	-	21
Jail Assessment	-	21,609	(21,609)
County Health	-	31,262	(31,262)
Debt Service	90,951	-	90,951
PineCrest Nursing Home	-	57,481	(57,481)
Forestry	218,595	-	218,595
<b>Total</b>	<b>\$ 545,558</b>	<b>\$ 545,558</b>	<b>\$ -</b>

Interfund transfers from various funds to the General Fund are primarily performed to comply with Chapter 3.07 Lincoln County Code limiting fund balances. Transfers in to other funds were performed to pay debt out of the Debt Service Fund from the Developmental Disabilities Fund and Pine Crest Nursing Home, to apply designated capital improvement funds from the General Fund to the Forestry Fund.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 6 - CAPITAL ASSETS**

Changes in capital assets were as follows:

	<u>Balance</u> <u>1-1-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-06</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 470,625	\$ -	\$ 264,550	\$ 206,075
Construction in progress	<u>3,829,406</u>	<u>1,063,213</u>	<u>3,003,531</u>	<u>1,889,088</u>
Total capital assets not depreciated	<u>4,300,031</u>	<u>1,063,213</u>	<u>3,268,081</u>	<u>2,095,163</u>
Capital assets being depreciated:				
Land improvements	351,172	5,708	-	356,880
Infrastructure	46,794,166	3,670,272	986,881	49,477,557
Buildings and improvements	10,784,216	242,589	-	11,026,805
Equipment and vehicles	12,891,814	1,193,032	583,770	13,501,076
Intangible assets	<u>97,275</u>	<u>-</u>	<u>-</u>	<u>97,275</u>
Total capital assets depreciated	<u>70,918,643</u>	<u>5,111,601</u>	<u>1,570,651</u>	<u>74,459,593</u>
Less accumulated depreciation:				
Land improvements	68,213	11,663	-	79,876
Infrastructure	16,660,561	1,219,968	981,437	16,899,092
Buildings and improvements	7,060,015	340,392	-	7,400,407
Equipment and vehicles	7,136,114	871,618	293,181	7,714,551
Intangible assets	<u>97,275</u>	<u>-</u>	<u>-</u>	<u>97,275</u>
Total accumulated depreciation	<u>31,022,178</u>	<u>2,443,641</u>	<u>1,274,618</u>	<u>32,191,201</u>
Total capital assets depreciated, net	<u>39,896,465</u>	<u>2,667,960</u>	<u>296,033</u>	<u>42,268,392</u>
Total governmental activities capital assets, net	<u>\$ 44,196,496</u>	<u>\$ 3,731,173</u>	<u>\$ 3,564,114</u>	<u>\$ 44,363,555</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,530,478	\$ -	\$ -	\$ 2,530,478
Capital assets being depreciated:				
Land improvements	5,342,033	1,231,239	-	6,573,272
Buildings and improvements	7,842,921	6,715	-	7,849,636
Equipment and vehicles	<u>2,565,068</u>	<u>63,127</u>	<u>80,567</u>	<u>2,547,628</u>
Total capital assets depreciated	<u>15,750,022</u>	<u>1,301,081</u>	<u>80,567</u>	<u>16,970,536</u>
Less accumulated depreciation:				
Land improvements	3,445,313	267,243	-	3,712,556
Buildings and improvements	3,866,721	238,142	-	4,104,863
Equipment and vehicles	<u>1,530,432</u>	<u>211,500</u>	<u>74,641</u>	<u>1,667,291</u>
Total accumulated depreciation	<u>8,842,466</u>	<u>716,885</u>	<u>74,641</u>	<u>9,484,710</u>
Total capital assets depreciated, net	<u>6,907,556</u>	<u>584,196</u>	<u>5,926</u>	<u>7,485,826</u>
Total business-type activities capital assets, net	<u>\$ 9,438,034</u>	<u>\$ 584,196</u>	<u>\$ 5,926</u>	<u>\$ 10,016,304</u>

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the functions as follows:

<b>Governmental activities</b>	
General government	\$ 239,528
Public safety	272,213
Public works	1,837,380
Health and human services	85,405
Culture, recreation, and education	5,998
Conservation and development	<u>3,117</u>
 Total depreciation expense - governmental activities	 <u>\$2,443,641</u>
 <b>Business-type activities</b>	
Nursing home	\$ 302,968
Forestry	64,317
Solid waste landfill	<u>335,820</u>
Total depreciation expense - business-type activities	703,105
Transfer of assets from governmental activities	<u>13,780</u>
Total additions - business-type activities	<u>\$ 716,885</u>

The County has active construction projects as of December 31, 2006. The projects include street construction in areas with newly developed housing and the widening and construction of existing streets and bridges. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Residential street construction	\$ 976,362	\$ 894,638
Bridge and approach expansion	397,264	1,112,236
Building Repairs	<u>466,254</u>	<u>13,063</u>
 <b>Total</b>	 <u>\$1,839,880</u>	 <u>\$2,019,937</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**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 <u>1/1/06</u>	Issued	Retired	Outstanding <u>12/31/06</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 2,360,000	\$ -	\$ 115,000	\$ 2,245,000	\$ 120,000
Notes	89,876	-	28,302	61,574	29,929
Total General Obligation Debt	<u>2,449,876</u>	<u>-</u>	<u>143,302</u>	<u>2,306,574</u>	<u>149,929</u>
Capital lease	25,618	-	7,144	18,474	8,435
Compensated absences	<u>1,324,304</u>	<u>1,056,955</u>	<u>976,098</u>	<u>1,405,161</u>	<u>742,799</u>
Governmental activities Long-term obligations	<u>\$ 3,799,798</u>	<u>\$ 1,056,955</u>	<u>\$ 1,126,544</u>	<u>\$ 3,730,209</u>	<u>\$ 901,163</u>
<b>Business-type activities:</b>					
General Obligation Debt					
Bonds	\$ 3,795,000	\$ -	\$ 300,000	\$ 3,495,000	\$ 315,000
Unamortized refunding loss	(55,503)	-	(20,184)	(35,319)	-
Forestry loans	174,923	-	174,923	-	-
Compensated absences	<u>342,948</u>	<u>95,000</u>	<u>67,979</u>	<u>369,969</u>	<u>301,034</u>
Business-type activities Long-term obligations	<u>\$ 4,257,368</u>	<u>\$ 95,000</u>	<u>\$ 522,718</u>	<u>\$ 3,829,650</u>	<u>\$ 616,034</u>

Interest paid for the year ended December 31, 2006 totaled \$312,188.

Detail of the above outstanding general obligations debt follows:

**Bonds:**

\$5,310,000	issued April 1, 2000; \$499,000 to \$504,000 due annually through 2015; interest 4.2% to 4.5%.	\$ 1,360,000
2,400,000	issued March 15, 2004; \$115,000 to \$215,000 due annually through 2020; interest 2.2% to 5.23%	2,245,000
2,145,000	issued July 15, 2005; \$385,000 to \$445,000 due annually from 2011 through 2015; interest 3.45% to 3.7%	<u>2,135,000</u>
		5,740,000

**Notes:**

225,000	issued October 14, 1998; \$29,929 to \$31,645 due annually through 2008; interest at 5.75%.	<u>61,574</u>
		<u>\$5,801,574</u>

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)**

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2006, are allocated to activities as detailed below:

<b>Due</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2007	\$ 149,929	\$ 108,725	\$ 315,000	\$ 183,811	\$ 464,929	\$ 292,536
2008	156,645	103,385	330,000	167,746	486,645	271,131
2009	130,000	97,160	350,000	150,751	480,000	247,911
2010	135,000	92,312	365,000	132,551	500,000	224,863
2011	140,000	86,763	385,000	113,388	525,000	200,151
2012-2016	795,000	330,467	1,750,000	206,799	2,545,000	537,266
2017-2020	800,000	107,992	-	-	800,000	107,992
<b>Total</b>	<b><u>\$2,306,574</u></b>	<b><u>\$ 926,804</u></b>	<b><u>\$3,495,000</u></b>	<b><u>\$ 955,046</u></b>	<b><u>\$5,801,574</u></b>	<b><u>\$1,881,850</u></b>

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.

Equalized value	\$ 2,255,126,300
Legal debt margin percentage	<u>5%</u>
Legal debt limit	112,756,315
Outstanding general obligation debt	\$ 5,801,574
Less amount available in debt service	<u>(214,753)</u>
<b>Legal debt margin</b>	<b><u>\$ 107,169,494</u></b>

The County has entered into a lease agreement as lessee for financing the acquisition of a postage machine and copy machine. 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 a capital lease are recorded in the governmental activities accounts with an original cost of \$38,632 and \$30,135 of accumulated depreciation at December 31, 2006.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2007	\$ 8,435
2008	4,562
2009	4,211
2010	<u>3,157</u>
Total minimum lease payments	20,365
Less amount representing interest	<u>(1,891)</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 18,474</u></b>

Other long-term debt 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**

All eligible Lincoln County employees participate in the Wisconsin Retirement System (System), a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.9 percent of their salary (2.9 percent for Executive and Elected Officials, 5.0 percent for Protective Occupations with Social Security, and 3.3 percent for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Lincoln County employees covered by the System for the year ended December 31, 2006, was \$14,300,679; the employer's total payroll was \$14,888,851. The total required contribution for the year ended December 31, 2006, was \$1,526,790, which consisted of \$701,514 or 4.5 percent of payroll from the employer and \$825,276, or 5.9 percent of payroll from employees. Total contributions for years ended December 31, 2005 and 2004, were \$1,457,236 and \$1,322,309, respectively, equal to the required contributions for each year.

Employees who retire at or after the age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of credible service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 8 - EMPLOYEE RETIREMENT PLAN (CONTINUED)**

retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

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

**NOTE 9 - 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 \$80,000 per individual claim or an aggregate limit of \$ 5,407,359 during the period of January 1, 2006 to December 31, 2006.

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:

	<b>Claims Liability at <u>January 1</u></b>	<b>Provision Current Year <u>Claims</u></b>	<b>Claims <u>Paid</u></b>	<b>Claims Liability at <u>December 31</u></b>
2006	\$ 908,194	\$ 3,660,835	\$ 3,655,223	\$ 913,806
2005	719,535	3,817,671	3,629,012	908,194

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

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 \$60,956. 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, 2006, is not available for presentation.

**NOTE 10 - 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 2006 was \$10,973,851 with Lincoln County's share totaling \$461,390 (4.2%). 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, 2006, and for the year then ended.

Assets	\$ 22,606,172
Liabilities	7,049,015
Equity	15,557,157
Revenues	62,177,818
Expenses	66,407,368
Non-operating gain	356,582
Change in net assets	(3,655,505)

Lincoln County's share of assets, liabilities, equity, and changes in cash flows therein during the year has not been determined.

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 11 - 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. At December 31, 2006, the County has utilized approximately 51.9% of its landfill's capacity, a net increase of 3.2% compared to December 31, 2005. The landfill is estimated to be fully utilized in 2014.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 11 - 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, 2006, is as follows:

Total estimated costs for construction, closure, and postclosure care	\$ 4,173,505
Estimated costs expensed through December 31, 2006	<u>(2,167,835)</u>

<b>Estimated costs of construction, closure, and postclosure care to be recognized in future years</b>	<b><u>\$ 2,005,670</u></b>
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The estimated total current cost of the landfill construction, closure, and postclosure care of \$4,173,505 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, 2006. 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, 2006, investments of \$2,790,048 are held for these purposes. These investments are held and managed by the County and are presented on the County's statement of net assets 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 12 - CONTINGENCIES**

The County participates in a number of federal and state financial assistance programs. These programs are subject to program compliance audits by the grantors or their representatives. A single audit under the requirements of the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and the State of Wisconsin, "State Single Audit Guidelines", has been conducted and includes an audit finding which may disallow some grant expenditures at a future date. Accordingly, the County's compliance with applicable grant requirements will be established at a later date. The amount, if any, of grant expenditures which may be disallowed by the granting agencies cannot be determined at this time.

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 affect on the financial condition of the County.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2006**

**NOTE 13 - FUND EQUITY**

*Unreserved - designated fund balances*

Unreserved fund balances were designated to show the portion segregated from the unreserved spendable (undesignated) resources as follows:

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Non-major Funds</u>
<b>Designated as carryover in 2007 budget:</b>					
Furniture	\$ 1,605	\$ -	\$ -	\$ -	\$ -
Software	27,527	-	-	-	-
Hardware	33,000	-	-	-	-
Equipment Replacement	7,687	-	-	-	-
Office Relocation	16,532	-	-	-	-
Parcel Mapping	21,000	-	-	-	-
Rural Addressing	28,502	-	-	-	-
UW – pest application	538	-	-	-	-
Veterans Fuel Assistance	2,000	-	-	-	-
Land conservation - tree planter	4,220	-	-	-	-
Zoning – Buffer audits	7,709	-	-	-	-
Zoning – Vehicle purchase	7,455	-	-	-	-
Zoning - density allotment	8,021	-	-	-	-
Sheriff – Equipment	51,984	-	-	-	-
Sheriff – 911 outlay	32,750	-	-	-	-
Sheriff – training	2,000	-	-	-	-
Sheriff – Uniforms	1,150	-	-	-	-
Cash flow purposes	5,047,190	-	-	-	-
Designated for subsequent year	-	80,160	664,210	566,406	649,506
<b>Designated for capital improvement in 2007 budget:</b>					
Ambulance	103,354	-	-	-	-
Parcel Mapping	40,000	-	-	-	-
Digital Elevation Data	96,500	-	-	-	-
<b>Designated for capital improvements in future years</b>					
	<u>2,230,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$7,770,885</u>	<u>\$ 80,160</u>	<u>\$ 664,210</u>	<u>\$ 566,406</u>	<u>\$ 649,506</u>

This information is an integral part of the accompanying basic financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
<b>Taxes</b>				
General property	\$ 6,663,575	\$ 6,663,575	\$ 6,663,575	\$ -
Forest crop	10,000	10,000	20,251	10,251
Managed forest land	22,000	22,000	42,382	20,382
County sales tax	1,589,605	1,589,605	1,502,848	(86,757)
Real estate transfer fees	40,000	40,000	73,525	33,525
Interest on taxes	230,000	230,000	237,427	7,427
Payment in lieu of taxes	62,000	62,000	69,970	7,970
	<u>8,617,180</u>	<u>8,617,180</u>	<u>8,609,978</u>	<u>(7,202)</u>
<b>Total taxes</b>				
<b>Intergovernmental</b>				
State shared revenues	1,321,135	1,321,135	1,264,367	(56,768)
Exempt computer aid	29,295	29,295	29,874	579
Finance department	-	-	173	173
County clerk	-	130,870	130,870	-
Maintenance	-	2,015	62,077	60,062
Clerk of courts	95,214	95,214	90,008	(5,206)
Circuit court	78,003	78,003	78,013	10
Land information	-	-	300	300
Sheriff department	76,900	87,915	52,268	(35,647)
Emergency management	27,249	48,959	55,753	6,794
Victim witness	29,459	29,459	27,332	(2,127)
Zoning grants	43,000	43,000	68,697	25,697
Veterans service	10,000	10,000	10,000	-
Family court commissioner	1,530	1,530	1,110	(420)
Corporation counsel	-	-	73	73
Child support	239,194	239,194	250,843	11,649
UW extension	9,565	26,088	26,978	890
State acreage payment	79,000	79,000	71,358	(7,642)
Land conservation	209,056	214,374	194,685	(19,689)
	<u>2,248,600</u>	<u>2,436,051</u>	<u>2,414,779</u>	<u>(21,272)</u>
<b>Total intergovernmental</b>				
<b>Licenses and permits</b>				
County clerk	3,600	3,600	3,879	279
Family court commissioner	4,000	4,000	3,640	(360)
Land information	4,950	4,950	6,494	1,544
Zoning fees	135,100	135,100	123,231	(11,869)
	<u>147,650</u>	<u>147,650</u>	<u>137,244</u>	<u>(10,406)</u>
<b>Total licenses and permits</b>				
<b>Fines, forfeits, and penalties</b>				
Clerk of courts	120,000	120,000	127,832	7,832
Circuit court	1,497	1,497	1,671	174
Sheriff department	2,500	3,038	1,566	(1,472)
	<u>123,997</u>	<u>124,535</u>	<u>131,069</u>	<u>6,534</u>
<b>Total fines, forfeits, and penalties</b>				

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2006**

	<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	\$ 68,000	\$ 68,000	\$ 69,847	\$ 1,847
Circuit court	12,771	12,771	11,532	(1,239)
Family court commissioner	3,200	3,200	3,652	452
Register of deeds	130,060	130,060	124,769	(5,291)
Land information	37,373	37,373	51,047	13,674
County clerk	300	300	37,321	37,021
Treasurer	650	650	794	144
District attorney	1,500	2,382	2,382	-
Sheriff department	184,500	225,881	202,265	(23,616)
Emergency management	-	1,543	1,573	30
Maintenance	2,900	2,900	6,329	3,429
Zoning	2,600	2,600	3,542	942
Land conservation	700	700	651	(49)
Administration/personnel	-	-	171	171
Finance	50	50	106	56
Child support	8,400	8,400	6,729	(1,671)
UW extension	1,005	7,234	11,224	3,990
Forest land revenue	177,629	177,629	293,205	115,576
Other charges for service	650	650	362	(288)
Total public charges for services	<u>632,288</u>	<u>682,323</u>	<u>827,501</u>	<u>145,178</u>
Intergovernmental charges for service				
Sheriff department	73,800	118,523	85,508	(33,015)
Land information	1,200	1,200	1,100	(100)
Clerk of courts	500	500	4,802	4,302
County clerk	4,116	5,354	8,088	2,734
UW extension	3,000	3,000	1,758	(1,242)
Total intergovernmental charges for services	<u>82,616</u>	<u>128,577</u>	<u>101,256</u>	<u>(27,321)</u>
Miscellaneous				
Interest	615,891	619,380	1,096,171	476,791
Rent	124,160	124,160	130,333	6,173
Tax deed profit	-	4,519	95,062	90,543
Sale of county property	30,000	30,000	18,000	(12,000)
Misc	3,000	-	-	-
Insurance recovery	30,000	42,524	15,951	(26,573)
Private organization donations	400	400	1,550	1,150
Total miscellaneous	<u>803,451</u>	<u>820,983</u>	<u>1,357,067</u>	<u>536,084</u>
Total revenues	<u>12,655,782</u>	<u>12,957,299</u>	<u>13,578,894</u>	<u>621,595</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
<b>General government</b>				
County board chairman	\$ 46,000	\$ 50,251	\$ 50,252	\$ (1)
County board committees	110,669	116,237	114,665	1,572
Clerk of courts	498,749	498,749	490,680	8,069
Circuit court	247,764	249,107	235,877	13,230
Family court commissioner	28,900	30,700	30,613	87
Coroner	44,760	44,760	44,710	50
Law library	4,285	4,285	2,298	1,987
District attorney	173,192	174,745	170,340	4,405
Corporation counsel	161,101	161,101	158,238	2,863
Victim witness	52,429	52,429	51,642	787
County clerk	124,348	124,348	119,310	5,038
Administration/personnel	203,147	326,444	324,319	2,125
Computer services	690,114	690,114	615,965	74,149
General administration	12,624	26,623	25,878	745
Treasurer	144,345	144,345	131,922	12,423
Finance department	339,117	339,117	337,476	1,641
Maintenance	681,820	680,243	608,221	72,022
Surveyor	197,183	197,183	182,390	14,793
Tax description	93,876	93,876	90,688	3,188
Register of deeds	239,809	239,809	217,776	22,033
Land records	281,440	318,520	204,164	114,356
Tax assessment	69,500	69,500	64,969	4,531
Insurance	113,678	107,687	126,574	(18,887)
Elections	42,600	174,708	174,225	483
Contingency fund	474,360	258,794	-	258,794
Total general government	<u>5,075,810</u>	<u>5,173,675</u>	<u>4,573,192</u>	<u>600,483</u>
<b>Public safety</b>				
Sheriff department:				
Law enforcement	2,482,863	2,390,537	2,387,267	3,270
Emergency communication (911)	689,209	708,199	675,967	32,232
Correction and detention	1,574,598	1,775,452	1,774,987	465
Emergency management	90,023	113,276	109,699	3,577
Civil service commission	-	-	1,895	(1,895)
Total public safety	<u>4,836,693</u>	<u>4,987,464</u>	<u>4,949,815</u>	<u>37,649</u>
<b>Public works</b>				
Zoning-sanitation	43,000	43,000	68,697	(25,697)
<b>Health and human services</b>				
Community organizations	39,500	39,500	39,500	-
Health care center	461,390	461,390	461,390	-
Child support agency	261,734	268,575	266,456	2,119
Veterans services	128,786	129,530	119,088	10,442
Cemetery	1,314	1,314	1,314	-
Total health and human services	<u>892,724</u>	<u>900,309</u>	<u>887,748</u>	<u>12,561</u>

**LINCOLN COUNTY, WISCONSIN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Culture, recreation, and education				
Public libraries	\$ 531,061	\$ 531,932	\$ 531,933	\$ (1)
UW extension	<u>303,093</u>	<u>317,292</u>	<u>302,682</u>	<u>14,610</u>
Total culture, recreation, and education	<u>834,154</u>	<u>849,224</u>	<u>834,615</u>	<u>14,609</u>
Conservation and development				
Economic development	43,250	43,250	43,250	-
Zoning	446,139	455,908	399,850	56,058
Land conservation	<u>362,961</u>	<u>370,333</u>	<u>322,125</u>	<u>48,208</u>
Total conservation and development	<u>852,350</u>	<u>869,491</u>	<u>765,225</u>	<u>104,266</u>
Capital outlay				
Maintenance	20,000	31,197	14,665	16,532
Land records	76,000	198,005	60,039	137,966
Sheriff department	<u>251,307</u>	<u>325,195</u>	<u>461,186</u>	<u>(135,991)</u>
Total capital outlay	<u>347,307</u>	<u>554,397</u>	<u>535,890</u>	<u>18,507</u>
Total expenditures	<u>12,882,038</u>	<u>13,377,560</u>	<u>12,615,182</u>	<u>762,378</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(226,256)</u>	<u>(420,261)</u>	<u>963,712</u>	<u>1,383,973</u>
Other financing sources (uses)				
Funds applied	390,894	638,856	638,856	-
Proceeds from sale of county property	-	-	998,655	998,655
Transfers in	-	-	235,991	235,991
Transfers out	<u>(164,638)</u>	<u>(218,595)</u>	<u>(218,616)</u>	<u>(21)</u>
Total other financing sources (uses)	<u>226,256</u>	<u>420,261</u>	<u>1,654,886</u>	<u>1,234,625</u>
Net change in fund balance	-	-	2,618,598	2,618,598
<b>FUND BALANCE - BEGINNING</b>	<u>7,606,507</u>	<u>7,295,002</u>	<u>11,654,095</u>	<u>4,359,093</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,606,507</u>	<u>\$ 7,295,002</u>	<u>\$ 14,272,693</u>	<u>\$ 6,977,691</u>

**RECONCILIATION FROM BUDGET TO GAAP:**

Net change in fund balance - budget	\$ 2,618,598
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>(638,856)</u>
Net change in fund balance - GAAP	<u>\$ 1,979,742</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES**  
**Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
General property	\$ 2,108,170	\$ 2,108,170	\$ 2,108,170	\$ -
Intergovernmental	<u>1,082,713</u>	<u>1,082,713</u>	<u>1,141,155</u>	<u>58,442</u>
Total revenues	3,190,883	3,190,883	3,249,325	58,442
<b>EXPENDITURES</b>				
Public works	<u>3,190,883</u>	<u>3,190,883</u>	<u>3,128,165</u>	<u>62,718</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	121,160	121,160
<b>FUND BALANCE - BEGINNING</b>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (41,000)</u>	<u>\$ (41,000)</u>	<u>\$ 80,160</u>	<u>\$ 121,160</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND**  
**Year Ended December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 576,171	\$ 576,171	\$ 576,171	\$ -
Intergovernmental	2,728,055	2,728,055	2,775,594	47,539
Public charges for service	-	-	6,963	6,963
Miscellaneous revenues	-	-	3,370	3,370
	3,304,226	3,304,226	3,362,098	57,872
<b>EXPENDITURES</b>				
Current:				
Capital outlay	6,000	6,000	-	6,000
Health and human services	3,406,420	3,406,420	3,199,472	206,948
	3,412,420	3,412,420	3,199,472	212,948
Excess (deficiency) of revenues over (under) expenditures	(108,194)	(108,194)	162,626	270,820
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	108,194	108,194	108,194	-
Transfers out	-	-	(104,306)	104,306
	108,194	108,194	3,888	104,306
Net change in fund balance	-	-	166,514	375,126
<b>FUND BALANCE - JANUARY 1</b>	676,260	676,260	676,260	-
<b>FUND BALANCE - DECEMBER 31</b>	\$ 676,260	\$ 676,260	\$ 842,774	\$ 375,126

**RECONCILIATION FROM BUDGET TO GAAP:**

Net change in fund balance - budget	\$ 166,514
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.	(108,194)
Net change in fund balance - GAAP	\$ 58,320

**LINCOLN COUNTY, WISCONSIN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - DEVELOPMENTAL DISABILITIES FUND  
Year Ended December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 33,138	\$ 33,138	\$ 33,138	\$ -
Intergovernmental	3,956,381	4,115,559	4,408,339	292,780
Public charges for service	594,056	1,465,164	1,458,066	(7,098)
Intergovernmental charges for service	-	6,425	6,426	1
Miscellaneous	<u>2</u>	<u>2</u>	<u>-</u>	<u>(2)</u>
Total revenues	4,583,577	5,620,288	5,905,969	285,681
<b>EXPENDITURES</b>				
Current:				
Health and human services	4,583,577	5,586,819	5,606,367	(19,548)
Capital outlay	<u>-</u>	<u>-</u>	<u>37,900</u>	<u>(37,900)</u>
Total expenditures	<u>4,583,577</u>	<u>5,586,819</u>	<u>5,644,267</u>	<u>(57,448)</u>
Excess (deficiency) of revenues over (under) expenditures	-	33,469	261,702	228,233
<b>OTHER FINANCING USES</b>				
Transfers out	<u>-</u>	<u>(33,469)</u>	<u>(33,470)</u>	<u>(1)</u>
Net change in fund balance	-	-	228,232	228,232
<b>FUND BALANCE - JANUARY 1</b>	<u>340,337</u>	<u>340,337</u>	<u>340,337</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 340,337</u>	<u>\$ 340,337</u>	<u>\$ 568,569</u>	<u>\$ 228,232</u>

**LINCOLN COUNTY, WISCONSIN  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2006**

**NOTE 1 - EXCESS OF ACTUAL EXPENDITURES OVER FINAL BUDGET**

For the year ending December 31, 2006, the legally adopted budget line items with actual expenditures over the final budget were as follows:

	<u>Final Budget</u>	<u>Actual</u>
General fund:		
General government:		
County board chairman	\$ 52,251	\$ 52,252
Insurance	107,687	126,574
Public safety:		
Civil service commission	-	1,895
Public works:		
Zoning-sanitation	43,000	68,697
Culture, recreation, and education:		
Public libraries	531,932	531,933
Capital outlay:		
Sheriff department	325,195	461,186
Developmental Disabilities Fund:		
Health and human services	5,586,819	5,606,367
Capital outlay	-	37,900

**COMBINING FUND STATEMENTS**

LINCOLN COUNTY, WISCONSIN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2006

	Special Revenue							Total	Debt Service	Capital Project	Total Nonmajor Governmental Funds
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment	Total				
<b>ASSETS</b>											
Cash and cash equivalents	\$ 340,797	\$ 22,012	\$ 29,235	\$ 88,553	\$ 43,645	\$ 93,846	\$ 618,088	\$ 214,753	\$ -	\$ 832,841	
Receivables (net of allowances):											
Property taxes	549,021	106,739	-	-	467,483	-	1,123,243	-	-	1,123,243	
Accounts	1,932	3,878	-	-	290,362	-	296,172	-	-	296,172	
Loans	-	-	-	308,486	-	-	308,486	-	-	308,486	
Due from other governments	23,777	134,410	-	-	-	1,015	159,202	-	-	159,202	
Prepaid items	805	230	-	-	319	-	1,354	-	-	1,354	
<b>TOTAL ASSETS</b>	<b>\$ 916,332</b>	<b>\$ 267,269</b>	<b>\$ 29,235</b>	<b>\$ 397,039</b>	<b>\$ 801,809</b>	<b>\$ 94,861</b>	<b>\$ 2,506,545</b>	<b>\$ 214,753</b>	<b>\$ -</b>	<b>\$ 2,721,298</b>	
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable	\$ 6,098	\$ 19,071	\$ 27,289	\$ 31,000	\$ 18,178	\$ 162	\$ 101,798	\$ -	\$ -	\$ 101,798	
Accrued liabilities	24,085	8,586	-	-	1,174	-	33,845	-	-	33,845	
Due to other funds	-	-	-	-	-	-	-	-	49,209	49,209	
Due to other governments	-	-	946	-	-	-	946	-	-	946	
Deferred revenue	549,021	106,739	-	308,486	496,483	-	1,460,729	-	-	1,460,729	
Total liabilities	579,204	134,396	28,235	339,486	515,835	162	1,597,318	-	49,209	1,646,527	
<b>Fund balance</b>											
Reserved for:											
Prepaid items	805	230	-	-	319	-	1,354	-	-	1,354	
Grants and program fees	196,569	132,643	-	-	-	-	329,212	-	-	329,212	
Jail assessment	-	-	-	-	-	94,699	94,699	-	-	94,699	
Unreserved, designated:											
Subsequent years' expenditures	139,754	-	1,000	57,553	285,655	-	483,962	214,753	-	698,715	
Undesignated	-	-	-	-	-	-	-	-	(49,209)	(49,209)	
Total fund balances	337,128	132,873	1,000	57,553	285,974	94,699	909,227	214,753	(49,209)	1,074,771	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 916,332</b>	<b>\$ 267,269</b>	<b>\$ 29,235</b>	<b>\$ 397,039</b>	<b>\$ 801,809</b>	<b>\$ 94,861</b>	<b>\$ 2,506,545</b>	<b>\$ 214,753</b>	<b>\$ -</b>	<b>\$ 2,721,298</b>	

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended December 31, 2006

	Special Revenue										Total	Debt Service	Capital Project	Total Nonmajor Governmental Funds	
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment	Total	Debt Service	Capital Project	Total Nonmajor Governmental Funds					
<b>REVENUES</b>															
Taxes	\$ 538,256	\$ 102,401	\$ -	\$ -	\$ 458,384	\$ -	\$ 1,099,041								\$ 1,099,041
Intergovernmental	146,447	355,270	-	204,000	58,200	-	763,917								763,917
Licenses and permits	2,820	-	29,037	-	-	-	31,857								31,857
Fines, forfeits, and penalties	-	-	-	-	-	45,362	45,362								45,362
Public charges for service	102,364	122,212	-	26,415	892,321	-	1,143,312								1,143,312
Intergovernmental charges for service	148,755	3,360	-	-	14,696	-	166,811								166,811
Miscellaneous	6,500	15,333	-	5,985	-	-	27,818								27,818
<b>Total revenues</b>	<b>945,142</b>	<b>598,576</b>	<b>29,037</b>	<b>236,400</b>	<b>1,423,601</b>	<b>45,362</b>	<b>3,278,118</b>								<b>3,401,567</b>
<b>EXPENDITURES</b>															
Current:															
Public safety	-	-	-	-	1,339,045	10,638	1,349,683								1,349,683
Health and human services	859,712	622,068	29,037	-	-	-	1,510,817								1,510,817
Conservation and development	-	-	-	204,000	-	-	204,000								204,000
Capital outlay	-	5,197	-	-	-	48,044	53,241						49,209		102,450
Debt service:															
Principal	-	-	-	-	-	-	-								-
Interest and other charges	-	-	-	-	-	-	-								143,302
	-	-	-	-	-	-	-								113,228
<b>Total expenditures</b>	<b>859,712</b>	<b>627,265</b>	<b>29,037</b>	<b>204,000</b>	<b>1,339,045</b>	<b>58,682</b>	<b>3,117,741</b>						<b>49,209</b>		<b>3,423,480</b>
Excess (deficiency) of revenues over (under) expenditures	85,430	(28,689)	-	32,400	84,556	(13,320)	160,377						(49,209)		(21,913)
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers in	-	-	-	21	-	-	21								90,972
Transfers out	(31,262)	-	-	-	(78,814)	(21,609)	(131,685)								(131,685)
Total other financing sources (uses)	(31,262)	-	-	21	(78,814)	(21,609)	(131,664)								(40,713)
Net change in fund balances	54,168	(28,689)	-	32,421	5,742	(34,929)	28,713						(49,209)		(62,626)
<b>FUND BALANCES - BEGINNING</b>	<b>282,960</b>	<b>161,562</b>	<b>1,000</b>	<b>25,132</b>	<b>280,232</b>	<b>129,628</b>	<b>880,514</b>								<b>1,137,397</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 337,128</b>	<b>\$ 132,873</b>	<b>\$ 1,000</b>	<b>\$ 57,553</b>	<b>\$ 285,974</b>	<b>\$ 94,699</b>	<b>\$ 909,227</b>						<b>\$ (49,209)</b>		<b>\$ 1,074,771</b>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2006**

ASSETS	Internal Service Funds		
	Highway	Health Insurance	Total
Current assets:			
Cash and cash equivalents	\$ 200	\$ 4,002,941	\$ 4,003,141
Accounts receivable	28,895	54,903	83,798
Due from other governments	432,638	-	432,638
Inventories, at cost	803,998	-	803,998
Prepaid items	3,391	-	3,391
Total current assets	1,269,122	4,057,844	5,326,966
Noncurrent assets:			
Capital assets:			
Land	35,540	-	35,540
Improvements other than buildings	274,940	-	274,940
Buildings	1,291,723	-	1,291,723
Machinery and equipment	10,192,105	-	10,192,105
Work in progress	466,254	-	466,254
Less accumulated depreciation	(6,720,329)	-	(6,720,329)
Total capital assets	5,540,233	-	5,540,233
Total assets	6,809,355	4,057,844	10,867,199
LIABILITIES			
Current liabilities:			
Accounts payable	135,635	209,186	344,821
Accrued expenses	135,138	877	136,015
Deposits	10,509	-	10,509
Compensated absences payable	164,892	-	164,892
Due other funds	100,070	-	100,070
Accrued claims	-	707,500	707,500
Unearned revenue	20,728	-	20,728
Total current liabilities	566,972	917,563	1,484,535
Noncurrent liabilities:			
Advance due other funds	419,628	-	419,628
Compensated absences payable	136,953	-	136,953
Total noncurrent liabilities	556,581	-	556,581
Total liabilities	1,123,553	917,563	2,041,116
NET ASSETS			
Invested in capital assets, net of related debt	5,041,257	-	5,041,257
Unrestricted	644,545	3,140,281	3,784,826
TOTAL NET ASSETS	\$ 5,685,802	\$ 3,140,281	\$ 8,826,083

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2006**

	<b>Internal Service Funds</b>		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Interdepartmental charges for service	\$ 3,131,488	\$ 4,132,792	\$ 7,264,280
Intergovernmental charges for service	2,542,316	-	2,542,316
Other	<u>36,752</u>	<u>-</u>	<u>36,752</u>
Total operating revenues	<u>5,710,556</u>	<u>4,132,792</u>	<u>9,843,348</u>
<b>OPERATING EXPENSES</b>			
Claims paid	-	3,696,145	3,696,145
General services	5,008,555	-	5,008,555
Administrative and fiscal services	338,244	440,423	778,667
Depreciation and amortization	<u>616,233</u>	<u>-</u>	<u>616,233</u>
Total operating expenses	<u>5,963,032</u>	<u>4,136,568</u>	<u>10,099,600</u>
Operating income	<u>(252,476)</u>	<u>(3,776)</u>	<u>(256,252)</u>
<b>NONOPERATING REVENUES</b>			
Rental income	50	-	50
Donations	200	-	200
Grant revenue	9,294	-	9,294
Gain on disposal of capital assets	1,500	-	1,500
Salvage revenue	5,530	-	5,530
Gain on sale of supplies	7,650	-	7,650
Insurance recoveries	3,534	-	3,534
Interest income	<u>-</u>	<u>172,707</u>	<u>172,707</u>
Total nonoperating revenues	<u>27,758</u>	<u>172,707</u>	<u>200,465</u>
<b>Change in net assets</b>	<b>(224,718)</b>	<b>168,931</b>	<b>(55,787)</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>5,910,520</u>	<u>2,971,350</u>	<u>8,881,870</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 5,685,802</u>	<u>\$ 3,140,281</u>	<u>\$ 8,826,083</u>

**LINCOLN COUNTY, WISCONSIN  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
Year Ended December 31, 2006**

	<b>Internal Service Funds</b>		
	<b>Highway</b>	<b>Health Insurance</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
From other County departments	\$ 3,131,488	\$ 4,132,792	\$ 7,264,280
From government and other parties for sales	2,578,905	-	2,578,905
To employees for compensation and fringe benefits	(2,778,815)	(21,894)	(2,800,709)
To vendors for goods and services	(2,672,761)	(4,118,580)	(6,791,341)
Net cash provided (used) by operating activities	<u>258,817</u>	<u>(7,682)</u>	<u>251,135</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(902,673)	-	(902,673)
Insurance recovery for damaged equipment	20,664	-	20,664
Advance from general fund	466,254	-	466,254
Proceeds from sale of capital assets	36,344	-	36,344
Net cash used for capital and related financing activities	<u>(379,411)</u>	<u>-</u>	<u>(379,411)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>-</u>	<u>157,800</u>	<u>157,800</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(120,594)</b>	<b>150,118</b>	<b>29,524</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>120,794</u>	<u>3,852,823</u>	<u>3,973,617</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 200</u>	<u>\$ 4,002,941</u>	<u>\$ 4,003,141</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (252,476)	\$ (3,776)	\$ (256,252)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	616,233	-	616,233
Changes in operating assets and liabilities:			
Accounts receivable	(28,512)	(10,315)	(38,827)
Due from other governments	7,846	750	8,596
Prepaid items	(3,391)	-	(3,391)
Inventories	(172,158)	-	(172,158)
Accounts payable	50,913	(41,294)	9,619
Due other funds	(53,445)	-	(53,445)
Accrued expenses	37,146	47	37,193
Compensated absences	36,158	-	36,158
Deferred revenue	20,503	-	20,503
Accrued claims	-	46,906	46,906
Total adjustments	<u>511,293</u>	<u>(3,906)</u>	<u>507,387</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 258,817</u>	<u>\$ (7,682)</u>	<u>\$ 251,135</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2006**

	<b>Agency Funds</b>		
	<b>Employee Benefit Cafeteria Plan</b>	<b>Clerk of Court Collection Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,760	\$ -	\$ 17,760
Accounts receivable	-	554,367	554,367
	<u>17,760</u>	<u>554,367</u>	<u>572,127</u>
Total assets	<u>\$ 17,760</u>	<u>\$ 554,367</u>	<u>\$ 572,127</u>
<b>LIABILITIES</b>			
Deposits and advances	12,048	-	12,048
Due other governments	-	554,367	554,367
Due to Lincoln County	5,712	-	5,712
	<u>17,760</u>	<u>554,367</u>	<u>572,127</u>
Total liabilities	<u>\$ 17,760</u>	<u>\$ 554,367</u>	<u>\$ 572,127</u>