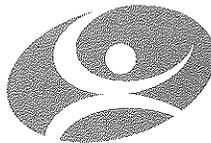


**LINCOLN COUNTY, WISCONSIN**  
**Merrill, Wisconsin**

**BASIC FINANCIAL STATEMENTS**  
**December 31, 2008**



**Scheneck**

Government & Not-For-Profit Solutions

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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, 2008, 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 Pine Crest Nursing Home, an enterprise fund, which statements reflect total assets of \$8,659,355 as of December 31, 2008, and total revenues of \$10,715,218 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 Pine Crest Nursing Home, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2008, 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 27, 2009, 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 51 through 58 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.

*Schenck SC*

Green Bay, Wisconsin  
July 27, 2009

## 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, 2008.

### Financial Highlights

- The assets of Lincoln County exceeded liabilities at the close of the most recent fiscal year by \$76,186,444 (net assets). Of this amount, \$22,675,142 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$180,353.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$13,176,888, a decrease of \$12,143,019 in comparison with the prior year. Seventy-three percent of this total amount, \$9,662,867, 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 \$332,127, or 2% of total general fund expenditures.
- In 2008 Lincoln County expended \$11,315,136 on capital projects as the County moved forward in its long planned for building project.

### 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, 2008. 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, Capital Project 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, and additionally the capital project fund all of which are considered to be major funds. Data from the other seven 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 project 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 2008, the County's assets exceeded liabilities by \$76,186,444.

By far the largest portion of the County's net assets (68%) 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		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 36,860,491	\$ 46,152,511	\$ 13,022,292	\$ 12,141,539	\$ 49,882,783	\$ 58,294,050
Capital assets	55,495,453	44,968,004	9,263,482	9,601,535	64,758,935	54,569,539
<b>Total Assets</b>	<b>92,355,944</b>	<b>91,120,515</b>	<b>22,285,774</b>	<b>21,743,074</b>	<b>114,641,718</b>	<b>112,863,589</b>
Long-term liabilities						
outstanding	12,636,880	12,622,398	5,246,316	5,325,340	17,883,196	17,947,738
Other liabilities	18,528,108	16,635,772	2,043,970	2,018,782	20,572,078	18,654,554
<b>Total Liabilities</b>	<b>31,164,988</b>	<b>29,258,170</b>	<b>7,290,286</b>	<b>7,344,122</b>	<b>38,455,274</b>	<b>36,602,292</b>
Net assets:						
Invested in capital assets,						
net of related debt	45,413,490	43,805,386	6,408,431	6,436,669	51,821,921	50,242,055
Restricted	1,134,434	599,492	554,947	623,068	1,689,381	1,222,560
Unrestricted	14,643,032	17,457,467	8,032,110	7,339,215	22,675,142	24,796,682
<b>Total Net Assets</b>	<b>\$ 61,190,956</b>	<b>\$ 61,862,345</b>	<b>\$ 14,995,488</b>	<b>\$ 14,398,952</b>	<b>\$ 76,186,444</b>	<b>\$ 76,261,297</b>

An additional portion of the County's net assets (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$22,675,142) 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 decreased the County's net assets by \$776,889. Key elements of this decrease are as follows:

Lincoln County's Change in Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 7,659,247	\$ 6,958,697	\$ 13,405,484	\$ 12,298,153	\$ 21,064,731	\$ 19,256,850
Operating grants and contributions	10,865,599	9,861,812	311,423	268,385	11,177,022	10,130,197
<b>General revenues:</b>						
Property taxes	11,406,352	10,652,603	510,000	450,000	11,916,352	11,102,603
Other taxes	1,990,919	2,017,687	-	-	1,990,919	2,017,687
Grants and contributions not restricted to specific programs	1,276,527	1,295,686	-	-	1,276,527	1,295,686
Other	758,683	1,235,122	1,916	2,022	760,599	1,237,144
<b>Total Revenues</b>	<b>33,957,327</b>	<b>32,021,607</b>	<b>14,228,823</b>	<b>13,018,560</b>	<b>48,186,150</b>	<b>45,040,167</b>
<b>Expenses:</b>						
General government	5,968,795	4,562,490	-	-	5,968,795	4,562,490
Public safety	8,146,524	7,405,150	-	-	8,146,524	7,405,150
Public works	6,912,933	7,007,418	-	-	6,912,933	7,007,418
Health and human services	11,615,557	10,845,351	-	-	11,615,557	10,845,351
Culture and recreation	818,143	804,839	-	-	818,143	804,839
Conservation and development	886,918	945,169	-	-	886,918	945,169
Interest on long-term debt	520,820	202,978	-	-	520,820	202,978
Nursing home	-	-	10,901,014	10,179,001	10,901,014	10,179,001
Forestry	-	-	990,643	982,486	990,643	982,486
Landfill	-	-	1,605,156	1,367,661	1,605,156	1,367,661
<b>Total Expenses</b>	<b>34,869,690</b>	<b>31,773,395</b>	<b>13,496,813</b>	<b>12,529,148</b>	<b>48,366,503</b>	<b>44,302,543</b>
Increase (decrease) in net assets before transfers	(912,363)	248,212	732,010	489,412	(180,353)	737,624
Transfers	135,474	615,256	(135,474)	(615,256)	-	-
Increase (decrease) in net assets	(776,889)	863,468	596,536	(125,844)	(180,353)	737,624
Net Assets - January 1	61,967,845	60,998,877	14,398,952	14,524,796	76,366,797	75,523,673
Net Assets - December 31	\$ 61,190,956	\$ 61,862,345	\$ 14,995,488	\$ 14,398,952	\$ 76,186,444	\$ 76,261,297

Interest revenue showed a negative variance of \$331,428 when compared to the 2008 budget. The Sheriff Department fell short \$395,044 in projected outside housing revenue. Additionally the County applied \$1,075,163 of fund balance to 2008 expenditures. A major portion of this (\$614,364) was used to upgrade the County's phone systems and data cabling.

In addition, 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 or revenues greater than budgeted and resulted in transfers of funds to the general fund offset some of the fore mentioned shortfalls.

**Business-type Activities** Business-type activities increased Lincoln County's net assets by \$596,536. Key elements of this decrease are as follows:

- Net assets for Pine Crest nursing home increased by \$232,498 due in large part to resident days exceeding budgeted days by 772 days and Supplemental Program revenues exceeding budget by \$287,913.
- Net assets for Forestry increased by \$381,165. This was largely due to forest land revenue exceeding budget expectations by \$320,771.
- Net assets for Solid Waste Landfill decreased by \$17,127. This is largely due to an increase of anticipated future construction costs of 21 percent.

#### **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 \$13,176,888, a decrease of \$12,143,019 in comparison with the prior year. Approximately 73 percent of this total amount, \$9,662,867 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) \$164,734 for prepaid items that benefit periods beyond the end of the current year, 2) \$74,558 for insurance deposits, 3) \$1,086,905 for non-liquid delinquent taxes, 4) \$401,626 for long-term advance to highway, 5) \$401,239 for grant and program fees, 6) \$28,466 for jail assessment, and 7) \$1,356,493 for the County building project.

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 \$8,114,197, while the total fund balance was \$9,840,085. Of the \$8,515,823 unreserved fund balance, \$2,006,126 has been designated by the County for the 2009 budget or for future capital improvement projects and \$5,735,944 has been designated for future cash flow leaving \$332,127 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 59% of total general fund expenditures, undesignated unreserved fund balance represents 2% of total general fund expenditures.

The fund balance of Lincoln County's general fund decreased by \$1,047,136 during the current fiscal year. Key factors in this decrease are as follows:

- Funds applied totaled \$1,075,163. The majority of these funds were spent on one time expenditures such as a new phone system (\$614,364) and a digital elevation project (\$259,844). The remainder of these funds were program revenues or grant revenues that were received in 2007 and spent in 2008.
- County investments underperformed the budget by \$331,428. This was due to a sharp decline in the interest rates due to the recession.

The County Roads and Bridges Fund has a fund deficit of \$(78,088) at December 31, 2008 a reduction of the fund deficit by \$32,167 when compared to the previous year. The deficit balance will be covered by the 2009 budget which includes funds for a project that was completed in 2008.

The Social Services fund has a total fund balance of \$988,856. The fund balance of the Social Services fund increased by \$207,722 during the current year. The key factor in this increase is that the anticipated placement expenditures in the Community Youth and Family Aids Program were \$203,387 less than anticipated due to a lack of placement needs in 2008.

Developmental Disabilities fund has a total fund balance of \$50,000 at December 31, 2008. Of this fund balance, \$49,584 is unreserved and \$416 is reserved for prepaid items.

The fund balance of the Developmental Disabilities fund decreased by \$186,467 during the current year. Key factor in this decrease was the 2006 audit finding which sharply reduced the billing rate the County was able to bill for services. A payment of \$334,796 was made to the State in 2008 to partially satisfy a liability of \$502,194 incurred from the 2006 audit finding.

The Capital Project fund has a total fund balance of \$1,356,493 on December 31, 2008. This is a decrease of \$11,040,384 during 2008. The County is continuing a building project budgeted at \$16,190,795. The project will be completed by the end of 2010.

**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 \$3,055,174, those of Solid Waste Landfill amounted to \$3,195,664, and those of Forestry amounted to \$1,781,272. 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 2006). 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 \$383,776. Those amendments are briefly summarized below:

- \$(3,136) - The actual amount of grant and designated funds not spent down in 2007 was less than the amount estimated as designated for non-lapsing appropriations when the budget was prepared.
- \$(810,034) - The County's contingency fund was drawn down by the Sheriff Department for increased outside housing of inmates (\$194,068), by Developmental Disabilities due to the lack of budgeted local funds due to the 2006 audit finding (\$229,040), and by the County Roads fund due to higher than expected snow removal (\$326,305).
- \$614,364 - CIP funds for a new County phone system and data cabling upgrade not originally budgeted.
- \$171,508 - Increases in grant and program revenues during 2008 not originally budgeted.

Actual expenditures were \$598,759 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$122,200 - Cost of digital elevation project was less than anticipated.
- \$78,763 - Phone Upgrade and cabling project have not been completed
- \$43,596 - Reduced contracted services and vehicle expenses in Zoning.
- \$65,118 - Land Conservation projects that have not been completed.
- \$54,185 - Unspent retained fees in Land Records.

On the revenue side, the original budget was *decreased* by \$258,301 with budget amendments. Significant amendments are summarized as follows:

- \$555,345 – Decrease in tax levy in the General Fund and increase in County Road Fund (\$326,305) and Developmental Disabilities Fund (\$229,040) to cover previously mentioned expenditure overruns.
- \$171,508 – Increase in grant and program revenues used to cover 2008 expenditures.
- \$68,717 – Increase in forest land revenue.

Actual revenues were \$713,014 *lower* than budgeted. Significant variances are as follows:

- Outside housing revenue in Sheriff Department was less than anticipated by \$395,044.
- Interest revenue fell short of budget expectations by \$331,428.
- Zoning fees fell short of budgeted projections by \$24,011.
- Clerk of Courts fines and fees exceeded budget by \$95,493.

#### **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, 2008, amounted to \$64,758,935 (net of accumulated depreciation) compared to \$54,569,539 in 2007. 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 \$10,189,396 or nineteen percent.

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

- Work in progress increased \$6,879,251 due to the County building project.
- Pine Crest Nursing Home added a therapy room addition for \$555,356.
- Buildings increased 5,780,225 due to the completion of the Lincoln County Service Center.

Lincoln County's Capital Assets						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 206,075	\$ 206,075	\$ 2,600,485	\$ 2,600,485	\$ 2,806,560	\$ 2,806,560
Land improvements	353,196	242,274	2,016,548	2,508,926	2,369,744	2,751,200
Infrastructure	29,892,449	31,228,546	-	-	29,892,449	31,228,546
Buildings and improvements	9,139,523	3,788,032	3,882,097	3,576,031	13,021,620	7,364,063
Equipment and vehicles	5,241,503	5,806,124	764,352	836,247	6,005,855	6,642,371
Work in progress	10,656,050	3,696,953	-	79,846	10,656,050	3,776,799
Intangible assets	6,657	-	-	-	6,657	-
Total	\$ 55,495,453	\$ 44,968,004	\$ 9,263,482	\$ 9,601,535	\$ 64,758,935	\$ 54,569,539

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 \$14,815,000 which is a decrease of \$486,645. In 2007 the total general obligation debt outstanding was \$15,301,645. All Lincoln County general obligation 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 Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General Obligation Debt						
Bonds	\$ 11,965,000	\$ 2,125,000	\$ 2,850,000	\$ 3,180,000	\$ 14,815,000	\$ 5,305,000
Notes	-	9,996,645	-	-	-	9,996,645
Total General Obligation Debt	11,965,000	12,121,645	2,850,000	3,180,000	14,815,000	15,301,645
Capital lease	116,963	10,947	-	-	116,963	10,947
Compensated absences	1,525,895	1,419,157	388,346	390,190	1,914,241	1,809,347
Total general long-term obligations	\$ 13,607,858	\$ 13,551,749	\$ 3,238,346	\$ 3,570,190	\$ 16,846,204	\$ 17,121,939

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 \$105,751,040, 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 2009 was 11.7 percent as compared to 8.7 percent for the State of Wisconsin. The May 2009 rate for Lincoln County was significantly higher than the May 2008 rate (5%).
- The general economic condition and outlook for the County is poor with few employers 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 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased \$991,055. Lincoln County had been planning to apply a portion of unreserved fund balance for capital improvement projects that began in 2006. It is intended that this use of available fund balance will reduce the need to raise taxes or borrow to complete the 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, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 18,012,425	\$ 7,488,811	\$ 25,501,236
Receivables, net:			
Property taxes	11,714,361	423,140	12,137,501
Tax certificates and deeds	1,460,557	-	1,460,557
Assessments	57,181	-	57,181
Accounts	1,024,094	1,585,579	2,609,673
Loans	445,226	-	445,226
Due from other governments	2,671,250	50,480	2,721,730
Inventories, at cost	1,002,559	265,547	1,268,106
Prepaid expenses	165,604	52,610	218,214
Total current assets	<u>36,553,257</u>	<u>9,866,167</u>	<u>46,419,424</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	74,558	3,156,125	3,230,683
Unamortized debt issue costs	232,676	-	232,676
Capital assets:			
Land and construction in progress	10,862,125	2,600,485	13,462,610
Other capital assets, net of depreciation	44,633,328	6,662,997	51,296,325
Total capital assets	<u>55,495,453</u>	<u>9,263,482</u>	<u>64,758,935</u>
Total noncurrent assets	<u>55,802,687</u>	<u>12,419,607</u>	<u>68,222,294</u>
Total assets	<u>92,355,944</u>	<u>22,285,774</u>	<u>114,641,718</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,375,779	284,645	2,660,424
Accrued expenses	718,013	366,775	1,084,788
Compensated absences payable	783,481	317,008	1,100,489
Accrued claims	857,779	-	857,779
Deposits and advances	340,458	133,173	473,631
Due to other governments	483,549	169,229	652,778
Current portion of long-term obligations	187,497	350,000	537,497
Deferred revenue	12,781,552	423,140	13,204,692
Total current liabilities	<u>18,528,108</u>	<u>2,043,970</u>	<u>20,572,078</u>
Noncurrent liabilities:			
Future closure payable	-	2,669,927	2,669,927
Compensated absences payable	742,414	71,338	813,752
Noncurrent portion of long-term obligations	11,894,466	2,505,051	14,399,517
Total noncurrent liabilities	<u>12,636,880</u>	<u>5,246,316</u>	<u>17,883,196</u>
Total liabilities	<u>31,164,988</u>	<u>7,290,286</u>	<u>38,455,274</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,413,490	6,408,431	51,821,921
Restricted	1,134,434	554,947	1,689,381
Unrestricted	14,643,032	8,032,110	22,675,142
<b>TOTAL NET ASSETS</b>	<u>\$ 61,190,956</u>	<u>\$ 14,995,488</u>	<u>\$ 76,186,444</u>

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

LINCOLN COUNTY, WISCONSIN  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2008

Functions / Programs GOVERNMENTAL ACTIVITIES:	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Sales and Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
General government	\$ 5,968,795	\$ 742,335	\$ 485,270	\$ -	\$ -	\$ (4,741,190)	\$ -	\$ -	\$ (4,741,190)
Public safety	8,146,524	2,098,828	286,897	-	-	(5,760,799)	-	-	(5,760,799)
Public works	6,912,933	2,808,112	1,710,008	-	-	(2,394,813)	-	-	(2,394,813)
Health and human services	11,615,557	1,495,677	8,114,713	-	-	(2,005,167)	-	-	(2,005,167)
Culture, recreation, and education	818,143	11,268	14,255	-	-	(792,620)	-	-	(792,620)
Conservation and development	886,918	503,027	254,456	-	-	(129,435)	-	-	(129,435)
Interest on long-term debt	520,820	-	-	-	-	(520,820)	-	-	(520,820)
Total governmental activities	34,869,690	7,659,247	10,865,599	-	-	(16,344,844)	-	-	(16,344,844)
<b>BUSINESS-TYPE ACTIVITIES:</b>									
Nursing home	10,901,014	10,617,743	-	-	-	-	(283,271)	-	(283,271)
Forestry	990,643	1,209,230	301,423	-	-	-	520,010	-	520,010
Solid waste landfill	1,605,156	1,578,511	10,000	-	-	-	(16,645)	-	(16,645)
Total business-type activities	13,496,813	13,405,484	311,423	-	-	-	220,094	-	220,094
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 48,366,503</b>	<b>\$ 21,064,731</b>	<b>\$ 11,177,022</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(16,344,844)</b>	<b>220,094</b>	<b>220,094</b>	<b>(16,124,750)</b>
<b>GENERAL REVENUES:</b>									
Taxes:									
Property taxes, levied for general purposes						11,406,352	510,000		11,916,352
Private forest cropland/managed forest land taxes						58,669	-		58,669
County sales tax						1,564,202	-		1,564,202
Real estate transfer taxes						42,961	-		42,961
Payment in lieu of taxes						79,333	-		79,333
Interest and penalties on taxes						245,754	-		245,754
Grants and contributions not restricted to specific programs						1,276,527	-		1,276,527
Unrestricted investment earnings						758,683	1,916		760,599
Transfers						135,474	(135,474)		-
Total general revenues and transfers						15,567,955	376,442		15,944,397
<b>CHANGE IN NET ASSETS</b>						(776,889)	596,536		(180,353)
<b>NET ASSETS - BEGINNING</b>						61,967,845	14,398,952		76,366,797
<b>NET ASSETS - ENDING</b>						\$ 61,190,956	\$ 14,995,488		\$ 76,186,444

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, 2008

	General	County Roads and Bridges	Social Services	Developmental Disabilities	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 7,995,523	\$ -	\$ 826,275	\$ 679,549	\$ 2,165,214	\$ 1,025,541	\$ 12,692,102
Receivables, net:							
Property taxes	7,394,695	2,237,207	446,138	33,139	-	1,603,182	11,714,361
Tax certificates and deeds	1,460,557	-	-	-	-	-	1,460,557
Assessments	57,181	-	-	-	-	-	57,181
Accounts	535,259	-	2,956	48,200	-	336,967	923,382
Loans	-	-	-	-	-	445,226	445,226
Due from other governments	533,716	79,731	401,168	982,018	-	80,258	2,076,891
Due from other funds	220,419	-	-	-	-	-	220,419
Prepaid items	162,799	-	1,026	416	-	493	164,734
Advances	401,626	-	-	-	-	-	401,626
Restricted assets:							
Cash and cash equivalents	74,558	-	-	-	-	-	74,558
<b>TOTAL ASSETS</b>	<b>\$ 18,836,333</b>	<b>\$ 2,316,938</b>	<b>\$ 1,677,563</b>	<b>\$ 1,743,322</b>	<b>\$ 2,165,214</b>	<b>\$ 3,491,667</b>	<b>\$ 30,231,037</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 340,493	\$ -	\$ 169,164	\$ 254,198	\$ 807,945	\$ 343,692	\$ 1,915,492
Accrued liabilities	363,412	-	52,218	63,222	776	42,699	522,327
Deposits and advances	241,700	-	21,187	77,571	-	-	340,458
Due to other funds	-	157,819	-	-	-	-	157,819
Due to other governments	178,131	-	-	304,492	-	926	483,549
Deferred revenue	7,872,512	2,237,207	446,138	993,839	-	2,084,808	13,634,504
<b>Total liabilities</b>	<b>8,996,248</b>	<b>2,395,026</b>	<b>688,707</b>	<b>1,693,322</b>	<b>808,721</b>	<b>2,472,125</b>	<b>17,054,149</b>
<b>Fund balances</b>							
Reserved for:							
Prepaid items	162,799	-	1,026	416	-	493	164,734
Insurance deposits	74,558	-	-	-	-	-	74,558
Delinquent property taxes	1,086,905	-	-	-	-	-	1,086,905
Long-term portion of advance	401,626	-	-	-	-	-	401,626
Grant and program fees	-	-	64,024	-	-	337,215	401,239
Jail assessment	-	-	-	-	-	28,466	28,466
Unreserved, reported in:							
General fund	8,114,197	-	-	-	-	-	8,114,197
Special revenue funds	-	(78,088)	923,806	49,584	-	587,603	1,482,905
Debt service fund	-	-	-	-	-	65,765	65,765
Capital project fund	-	-	-	-	1,356,493	-	1,356,493
<b>Total fund balances</b>	<b>9,840,085</b>	<b>(78,088)</b>	<b>988,856</b>	<b>50,000</b>	<b>1,356,493</b>	<b>1,019,542</b>	<b>13,176,888</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,836,333</b>	<b>\$ 2,316,938</b>	<b>\$ 1,677,563</b>	<b>\$ 1,743,322</b>	<b>\$ 2,165,214</b>	<b>\$ 3,491,667</b>	<b>\$ 30,231,037</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, 2008**

Total fund balances for governmental funds \$ 13,176,888

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	10,656,050	
Land improvements, net of \$18,174 accumulated depreciation	193,262	
Buildings, net of \$7,243,801 accumulated depreciation	8,203,298	
Machinery and equipment, net of \$1,734,701 accumulated depreciation	1,264,001	
Infrastructure, net of \$19,585,108 accumulated depreciation	<u>29,892,449</u>	
Total capital assets		50,379,595

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	\$ 3,858,896	
Highway fund	<u>5,762,540</u>	
Total internal service funds		9,621,436

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 12/31/08 are:

Accrued interest on notes	\$ (53,281)	
Notes payable	(11,965,000)	
Capital lease payable	(2,961)	
Vacation payable	(582,916)	
Vested sick leave	(187,437)	
Accrued sick	(337,734)	
Comp time	<u>(20,772)</u>	
Total long-term liabilities		(13,150,101)

Debt issue costs are recorded as expenditures in the current period in governmental funds. Debt issue costs are recorded 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 12/31/08 are:

232,676

Accounts receivable are recorded when they become measurable and available in governmental funds. On 12/31/08 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.

27,474

On 12/31/08 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	\$ 396,822	
Interest on delinquent taxes	60,940	
Loans receivable	<u>445,226</u>	
Total deferred revenue		<u>902,988</u>

Total net assets of governmental activities \$ 61,190,956

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, 2008**

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes	\$ 8,425,858	\$ 2,519,645	\$ 587,694	\$ 262,179	\$ -	\$ 1,581,303	\$ 13,376,679
Intergovernmental revenues	2,525,723	1,655,105	3,145,145	4,216,471	-	590,112	12,132,556
Licenses and permits	115,081	-	-	-	-	31,981	147,062
Fines, forfeits, and penalties	262,623	-	-	-	-	57,366	319,989
Public charges for service	873,976	-	275	977,565	-	1,524,601	3,376,417
Intergovernmental charges for service	59,340	-	-	41,767	-	331,882	432,989
Miscellaneous revenues	930,609	-	1,905	43	180,145	25,710	1,138,412
<b>Total revenues</b>	<u>13,193,210</u>	<u>4,174,750</u>	<u>3,735,019</u>	<u>5,498,025</u>	<u>180,145</u>	<u>4,142,955</u>	<u>30,924,104</u>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government	4,690,403	-	-	-	-	-	4,690,403
Public safety	6,087,252	-	-	-	-	1,766,583	7,853,835
Public works	45,333	4,142,583	-	-	-	-	4,187,916
Health and human services	888,026	-	3,331,905	5,651,046	-	1,580,925	11,451,902
Culture, recreation, and education	814,057	-	-	-	-	-	814,057
Conservation and development	795,590	-	-	-	-	70,500	866,090
Capital outlay	1,019,199	-	-	33,446	11,315,136	108,696	12,476,477
<b>Debt service:</b>							
Principal	-	-	-	-	-	156,645	156,645
Interest and other charges	-	-	-	-	-	772,401	772,401
<b>Total expenditures</b>	<u>14,339,860</u>	<u>4,142,583</u>	<u>3,331,905</u>	<u>5,684,492</u>	<u>11,315,136</u>	<u>4,455,750</u>	<u>43,269,726</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,146,650)</u>	<u>32,167</u>	<u>403,114</u>	<u>(186,467)</u>	<u>(11,134,991)</u>	<u>(312,795)</u>	<u>(12,345,622)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt	-	-	-	-	-	9,965,000	9,965,000
Payment to current noteholder	-	-	-	-	-	(9,965,000)	(9,965,000)
Transfers in	429,121	-	-	-	94,607	298,145	821,873
Transfers out	(329,607)	-	(195,392)	-	-	(94,271)	(619,270)
<b>Total other financing sources and uses</b>	<u>99,514</u>	<u>-</u>	<u>(195,392)</u>	<u>-</u>	<u>94,607</u>	<u>203,874</u>	<u>202,603</u>
<b>Net change in fund balances</b>	<u>(1,047,136)</u>	<u>32,167</u>	<u>207,722</u>	<u>(186,467)</u>	<u>(11,040,384)</u>	<u>(108,921)</u>	<u>(12,143,019)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>10,887,221</u>	<u>(110,255)</u>	<u>781,134</u>	<u>236,467</u>	<u>12,396,877</u>	<u>1,128,463</u>	<u>25,319,907</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 9,840,085</u>	<u>\$ (78,088)</u>	<u>\$ 988,856</u>	<u>\$ 50,000</u>	<u>\$ 1,356,493</u>	<u>\$ 1,019,542</u>	<u>\$ 13,176,888</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, 2008**

Net change in fund balances - total governmental funds \$ (12,143,019)

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	\$ 12,936,661	
Depreciation expense	<u>(2,079,979)</u>	
Excess of capital outlay over depreciation expense		10,856,682

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: 10,129,631

Proceeds from long-term debt is reported as a revenue in governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. In the current year, this amount consisted of: (9,965,000)

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: 169,054

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	27,958	
Highway fund	<u>(16,677)</u>	
Total internal service funds		11,281

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	52,540	
Vacation	(15,941)	
Banked sick leave	7,709	
Vested sick leave	(55,594)	
Accrued sick	8,996	
Comp time	<u>(2,710)</u>	
Combined adjustment		(5,000)

Revenue had accrued on 12/31/08 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	12,812	
Interest on delinquent taxes	20,592	
Corrections	2,564	
Citations	<u>133,514</u>	
Combined adjustment		<u>169,482</u>

Change in net assets of governmental activities \$ (776,889)

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, 2008

	Enterprise Funds				Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,389,427	\$ 2,956,005	\$ 2,143,379	\$ 7,488,811	\$ 5,320,323
Receivables, net:					
Property taxes	423,140	-	-	423,140	-
Accounts	1,438,093	77,860	69,626	1,585,579	66,833
Due from other governments	-	39,998	10,482	50,480	594,359
Inventories, at cost	29,434	236,113	-	265,547	1,002,559
Prepaid items	51,485	1,125	-	52,610	870
<b>Total current assets</b>	<b>4,331,579</b>	<b>3,311,101</b>	<b>2,223,487</b>	<b>9,866,167</b>	<b>6,984,944</b>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	16,700	3,139,425	-	3,156,125	-
Capital assets:					
Land	13,833	84,605	2,502,047	2,600,485	35,540
Improvements other than buildings	377,655	6,218,535	9,603	6,605,793	244,869
Buildings	7,878,964	300,049	276,256	8,455,269	1,853,669
Machinery and equipment	1,343,040	874,642	577,303	2,794,985	10,208,010
Less accumulated depreciation and depletion	(5,302,416)	(5,255,015)	(635,619)	(11,193,050)	(7,226,230)
<b>Total capital assets</b>	<b>4,311,076</b>	<b>2,222,816</b>	<b>2,729,590</b>	<b>9,263,482</b>	<b>5,115,858</b>
<b>Total noncurrent assets</b>	<b>4,327,776</b>	<b>5,362,241</b>	<b>2,729,590</b>	<b>12,419,607</b>	<b>5,115,858</b>
<b>Total assets</b>	<b>8,659,355</b>	<b>8,673,342</b>	<b>4,953,077</b>	<b>22,285,774</b>	<b>12,100,802</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	207,399	69,926	7,320	284,645	460,287
Accrued expenses	331,141	11,207	24,427	366,775	142,405
Compensated absences payable	262,923	17,055	37,030	317,008	179,793
Accrued claims	-	-	-	-	857,779
Due to other funds	-	-	-	-	56,195
Due to other governments	-	-	169,229	169,229	-
Deferred revenue	423,140	-	-	423,140	50,036
Current maturities of long-term debt	350,000	-	-	350,000	57,001
Deposits and advances	51,802	-	81,371	133,173	-
<b>Total current liabilities</b>	<b>1,626,405</b>	<b>98,188</b>	<b>319,377</b>	<b>2,043,970</b>	<b>1,803,496</b>
Noncurrent liabilities:					
Noncurrent maturities of long-term debt	2,505,051	-	-	2,505,051	56,999
Advance due other funds	-	-	-	-	401,626
Compensated absences payable	-	17,249	54,089	71,338	217,245
Future closure payable	-	2,669,927	-	2,669,927	-
<b>Total noncurrent liabilities</b>	<b>2,505,051</b>	<b>2,687,176</b>	<b>54,089</b>	<b>5,246,316</b>	<b>675,870</b>
<b>Total liabilities</b>	<b>4,131,456</b>	<b>2,785,364</b>	<b>373,466</b>	<b>7,290,286</b>	<b>2,479,366</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,456,025	2,222,816	2,729,590	6,408,431	5,001,858
Restricted	16,700	469,498	68,749	554,947	-
Unrestricted	3,055,174	3,195,664	1,781,272	8,032,110	4,619,578
<b>TOTAL NET ASSETS</b>	<b>\$ 4,527,899</b>	<b>\$ 5,887,978</b>	<b>\$ 4,579,611</b>	<b>\$ 14,995,488</b>	<b>\$ 9,621,436</b>

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, 2008**

	<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	\$ 10,614,463	\$ 1,201,239	\$ 1,205,093	\$ 13,020,795	\$ -
Interdepartmental charges for service	-	-	1,750	1,750	9,088,077
Intergovernmental charges for service	-	193,361	-	193,361	2,726,651
Other	21,509	10,388	3,000	34,897	38,616
<b>Total operating revenues</b>	<u>10,635,972</u>	<u>1,404,988</u>	<u>1,209,843</u>	<u>13,250,803</u>	<u>11,853,344</u>
<b>OPERATING EXPENSES</b>					
Claims paid	-	-	-	-	4,521,873
Nursing services	4,749,864	-	-	4,749,864	-
Other professional services	500,665	-	-	500,665	-
General services	1,905,750	775,726	901,206	3,582,682	5,990,695
Administrative and fiscal services	2,969,001	-	-	2,969,001	974,887
Provider assessment tax	162,000	-	-	162,000	-
Provision for bad debts	104,721	-	-	104,721	-
Future closing costs	-	257,335	-	257,335	-
Depreciation and amortization	323,217	572,577	89,437	985,231	639,059
<b>Total operating expenses</b>	<u>10,715,218</u>	<u>1,605,638</u>	<u>990,643</u>	<u>13,311,499</u>	<u>12,126,514</u>
<b>Operating income (loss)</b>	<u>(79,246)</u>	<u>(200,650)</u>	<u>219,200</u>	<u>(60,696)</u>	<u>(273,170)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property taxes	510,000	-	-	510,000	-
Insurance recoveries	-	-	-	-	25,947
Interest income	1,916	173,523	-	175,439	233,686
Rental income	-	-	-	-	50
Grant revenue	-	10,000	301,423	311,423	9,570
Salvage revenue	-	-	-	-	7,869
Donations	48,650	-	-	48,650	-
Interest expense	(174,844)	-	-	(174,844)	-
Gain on sale of supplies	-	-	-	-	3,282
Loss on disposal of capital assets	(10,952)	-	-	(10,952)	-
Gain on disposal of capital assets	119	-	-	119	4,047
<b>Total nonoperating revenues (expenses)</b>	<u>374,889</u>	<u>183,523</u>	<u>301,423</u>	<u>859,835</u>	<u>284,451</u>
<b>Income before transfers</b>	295,643	(17,127)	520,623	799,139	11,281
<b>Transfer out</b>	<u>(63,145)</u>	<u>-</u>	<u>(139,458)</u>	<u>(202,603)</u>	<u>-</u>
<b>Change in net assets</b>	232,498	(17,127)	381,165	596,536	11,281
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>4,295,401</u>	<u>5,905,105</u>	<u>4,198,446</u>	<u>14,398,952</u>	<u>9,610,155</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 4,527,899</u>	<u>\$ 5,887,978</u>	<u>\$ 4,579,611</u>	<u>\$ 14,995,488</u>	<u>\$ 9,621,436</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, 2008**

	Enterprise Funds				Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
From patients and third party payers	\$ 10,564,094	\$ 1,236,084	\$ -	\$ 11,800,178	\$ -
From other County departments	-	721	1,750	2,471	9,093,668
From government and other parties for sales	-	179,066	1,206,578	1,385,644	2,861,399
To employees for compensation and fringe benefits	(7,563,900)	(272,359)	(614,544)	(8,450,803)	(3,073,371)
To vendors for goods and services	(2,688,582)	(471,631)	(265,064)	(3,425,277)	(8,386,037)
Other cash received	21,689	-	3,000	24,689	-
Net cash provided by operating activities	<u>333,301</u>	<u>671,881</u>	<u>331,720</u>	<u>1,336,902</u>	<u>495,659</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant revenue	-	-	290,940	290,940	-
Transfer in	-	-	-	-	-
Transfer out	(63,145)	-	(139,458)	(202,603)	-
Tax levy appropriations	510,000	-	-	510,000	-
Net cash provided by (used in) noncapital financing activities	<u>446,855</u>	<u>-</u>	<u>151,482</u>	<u>598,337</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(548,511)	(38,346)	-	(586,857)	(249,227)
Proceeds from sale of assets	(10,833)	-	-	(10,833)	81,628
Capital Grant	-	-	-	-	480
Principal payments on long-term debt	(330,000)	-	-	(330,000)	13,799
Interest paid on long-term debt	(167,745)	-	-	(167,745)	26,435
Net cash used in capital and related financing activities	<u>(1,057,089)</u>	<u>(38,346)</u>	<u>-</u>	<u>(1,095,435)</u>	<u>(126,885)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	1,916	169,686	-	171,602	248,596
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(275,017)</u>	<u>803,221</u>	<u>483,202</u>	<u>1,011,406</u>	<u>617,370</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,681,144</u>	<u>5,292,209</u>	<u>1,660,177</u>	<u>9,633,530</u>	<u>4,702,953</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,406,127</u>	<u>\$ 6,095,430</u>	<u>\$ 2,143,379</u>	<u>\$ 10,644,936</u>	<u>\$ 5,320,323</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>					
Unrestricted	\$ 2,389,427	\$ 2,956,005	\$ 2,143,379	\$ 7,488,811	\$ 5,320,323
Restricted	16,700	3,139,425	-	3,156,125	-
	<u>\$ 2,406,127</u>	<u>\$ 6,095,430</u>	<u>\$ 2,143,379</u>	<u>\$ 10,644,936</u>	<u>\$ 5,320,323</u>

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2008**

	<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>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (79,246)	\$ (200,650)	\$ 219,200	\$ (60,696)	\$ (273,170)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Provision for bad debts	104,721	-	-	104,721	-
Depreciation and amortization	323,217	572,577	89,437	985,231	639,059
Future closing costs	-	257,335	-	257,335	-
Change in assets and liabilities:					
Accounts receivable	36,491	24,457	1,485	62,433	31,878
Due from other governments	-	(17,574)	-	(17,574)	15,617
Inventories	(2,284)	-	-	(2,284)	(71,896)
Prepaid items	3,914	(75)	-	3,839	(295)
Accounts payable	(5,635)	37,913	424	32,682	74,675
Due to other governments	-	-	37,150	37,150	(179,723)
Accrued expenses	30,565	1,947	5,321	37,833	14,790
Deferred revenue	(86,860)	-	-	(86,860)	38,611
Compensated absences payable	-	(4,049)	2,669	(1,380)	49,197
Deposits and advances	8,438	-	(23,966)	(15,528)	-
Claims paid	-	-	-	-	156,916
Total adjustments	412,547	872,531	112,520	1,397,598	768,829
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 333,301</b>	<b>\$ 671,881</b>	<b>\$ 331,720</b>	<b>\$ 1,336,902</b>	<b>\$ 495,659</b>

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, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 23,126
Accounts receivable	<u>805,669</u>
Total assets	<u>\$ 828,795</u>
<b>LIABILITIES</b>	
Deposits and advances	16,721
Due other governments	805,669
Due to Lincoln County	<u>6,405</u>
Total liabilities	<u>\$ 828,795</u>

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, 2008**

**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, 2008**

**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.

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

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

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

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.

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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

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.

Fund Financial Statements (continued)

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.

**PROPERTY TAXES**

Property taxes are levied prior to December 31 and are due and collectible in the following year. The 2008 tax levy is recorded as receivable with offsetting deferred revenue at December 31, 2008; it will be recognized as revenue in 2009 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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

The property tax calendar for the 2008 tax roll follows:

Lien date and date levy	December 2008
Tax bills mailed	December 2008
Real estate taxes first installment due	January 31, 2009
Personal property taxes due in full	January 31, 2009
Real estate taxes second installment due	July 31, 2009
Tax sale - 2008 delinquent real estate taxes	October 2012

**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.

**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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

**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>Assets</u>	Governmental Activities	Business-type Activities
	Years	
Land improvements	25	25
Buildings	10 - 25	10 - 25
Improvements other than buildings	10 - 25	10 - 25
Machinery and equipment	3 - 15	3 - 15
Infrastructure	10 - 50	0

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.

**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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

**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.

**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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

**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.

**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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

- 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 \$28,755,045 on December 31, 2008, as summarized below:

Petty cash funds	\$ 2,245
Deposits with financial institutions	12,488,415
Investments	
Wisconsin LGIP	8,843,045
Landfill long-term care trust	3,139,425
Health insurance trust fund	4,207,357
Insurance deposits	74,558
	<u>\$ 28,755,045</u>
Basic financial statements	
Cash and investments	\$ 25,501,236
Restricted cash and investments	3,230,683
Fiduciary funds	
Cash and investments	23,126
	<u>\$ 28,755,045</u>

**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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian through December 31, 2013. In addition, the County's non-interest bearing transaction accounts are fully insured under the Temporary Liquidity Guarantee Program through December 31, 2009. On January 1, 2014, the coverage limit for all accounts will return to \$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, 2008, \$10,723,797 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 of other counterparty to an investment will not fulfill its obligations to the County. The County has a formal policy addressing this type of investment risk.

*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, 2008 the County had the following investments and maturities:

Investment Type	Fair Value	Average Maturities
U.S. Government Securities	\$ 7,346,782	1 to 4.25 years

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

Governmental entities including counties, municipalities and school districts may deposit money in the Local Government Investment Pool (LGIP), which holds investments in U.S. Government securities, certificates of deposit, commercial papers, and repurchase agreements. Participants in the fund may withdraw or add to their account balances at 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, 2008, the factor was 100%. As of December 31, 2008, the carrying amount of these investments was \$8,843,045. The annualized interest rate on the LGIP was 1.29% for the month of December 2008.

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets on December 31, 2008, totaled \$3,230,683 consisting of cash and investments as follows:

Governmental Activities	
Insurance deposits	\$ 74,558
Business-type Activities	
Solid waste landfill	
Long-term care and closure deposits	3,139,425
Pine Crest Nursing Home	
Donation and special fund	16,700
Total Restricted Assets	<u>\$ 3,230,683</u>

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**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	Pine Crest Nursing Home
Receivables					
Property taxes	\$ 7,394,695	\$ 2,237,207	\$ 446,138	\$ 33,139	\$ 423,140
Tax certificates and deeds	1,460,557	-	-	-	-
Assessments	57,181	-	-	-	-
Accounts	535,259	-	2,956	48,200	1,538,093
Due from other governments	533,716	79,731	401,168	982,018	-
Gross receivables	9,981,408	2,316,938	850,262	1,063,357	1,961,233
Less: Allowance for uncollectibles	-	-	-	-	(100,000)
Net Total Fund Receivables	<u>\$ 9,981,408</u>	<u>\$ 2,316,938</u>	<u>\$ 850,262</u>	<u>\$ 1,063,357</u>	<u>\$ 1,861,233</u>

	Solid Waste Landfill	Forestry	Nonmajor and Internal Service Funds	Total
Receivables (Continued)				
Property taxes	\$ -	\$ -	\$ 1,603,182	\$ 12,137,501
Tax certificates and deeds	-	-	-	1,460,557
Assessments	-	-	-	57,181
Accounts	77,860	69,626	458,017	2,730,011
Loans	-	-	445,226	445,226
Due from other governments	39,998	10,482	674,617	2,721,730
Gross receivables	117,858	80,108	3,181,042	19,552,206
Less: Allowance for uncollectibles	-	-	(54,217)	(154,217)
Net Total Fund Receivables	<u>\$ 117,858</u>	<u>\$ 80,108</u>	<u>\$ 3,126,825</u>	<u>\$ 19,397,989</u>

Correction receivable	27,474
Fiduciary Fund	6,405
Net statement of net assets receivable	<u>\$ 19,431,868</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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

On December 31, 2008, the County's general fund showed an investment of \$1,460,557 in delinquent taxes as follows:

Tax certificates	\$ 1,438,674
Tax deeds	21,883
Total delinquent certificates and deeds	\$ 1,460,557

An aging of the delinquent tax certificates of \$1,438,674 on December 31, 2008, follows:

Year Acquired	Tax Certificates
Prior to 2004	\$ 11,560
2004	1,929
2005	19,823
2006	59,103
2007	391,501
2008	954,758
	\$ 1,438,674

Of the total of \$1,438,674 for delinquent tax certificate taxes, \$373,652 was collected by the County within 90 days after December 31, 2008. The remaining unpaid balance of \$1,065,022 and tax deeds of \$21,883 are recorded as reserved fund balance of \$1,086,905 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:

	Unavailable	Unearned	Total
<b>Governmental Funds</b>			
Subsequent year tax levy receivable			
General fund	\$ -	\$ 7,394,695	\$ 7,394,695
Special revenue funds			
County roads and bridges	-	2,237,207	2,237,207
Social services	-	446,138	446,138
Developmental disabilities	-	33,139	33,139
County health	-	562,943	562,943
Commission on aging	-	103,690	103,690
Emergency medical	-	552,896	552,896
Debt service fund	-	383,653	383,653
Loans Receivable			
Community development	445,226	-	445,226
Other			
General fund	457,762	20,055	477,817
Special revenue funds			
Developmental disabilities	-	960,700	960,700
Emergency medical	-	36,400	36,400
Subtotal	902,988	12,731,516	13,634,504
Internal Service Fund			
Highway department	-	50,036	50,036
<b>Total deferred/unearned revenue</b>	<b>\$ 902,988</b>	<b>\$ 12,781,552</b>	<b>\$ 13,684,540</b>

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

At December 31, 2008, interfund receivables and payables were as follows:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 164,224	\$ -
Special Revenue Fund		
County Roads and Bridges	-	157,819
Fiduciary Fund		
Employee Benefit Cafeteria Plan	-	6,405
Current Portion of Interfund Advance		
General Fund	56,195	-
Internal Service Fund - Highway	-	56,195
Subtotal	220,419	220,419
Long-term Portion of Interfund Advance		
General Fund	401,626	-
Internal Service Fund - Highway	-	401,626
Totals	\$ 622,045	\$ 622,045

The General Fund's receivable from other funds represents \$157,819 from the County Roads and Bridges Fund and \$6,405 from the Employee Benefit Cafeteria Plan Fiduciary Fund for operational cash flow purposes. For the statement of net assets, the \$6,405 due from the Employee Benefit Cafeteria Plan Fiduciary Fund is included with accounts receivable.

Additionally, the County's General Fund advanced the Highway Internal Service Fund \$457,821 as of December 31, 2008 for facility updates. Annual principal and interest maturities on the interfund advance follows:

Year Ending December 31,	Amount
2009	\$ 56,195
2010	56,195
2011	56,195
2012	56,195
2013	56,195
2014	56,195
2015 - 2017	120,651
	\$ 457,821

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

Transfers were made in the primary government as follows:

	Transfer to:			Totals
	General Fund	Capital Project	Debt Service	
Transfers from:				
General Fund	\$ -	\$ 94,607	\$ 235,000	\$ 329,607
Social Services	195,392	-	-	195,392
Emergency Medical	38,139	-	-	38,139
Jail Assessment	21,609	-	-	21,609
County Health	34,523	-	-	34,523
Forestry	139,458	-	-	139,458
Pine Crest Nursing Home	-	-	63,145	63,145
Total	<u>\$ 429,121</u>	<u>\$ 94,607</u>	<u>\$ 298,145</u>	821,873
Elimination of interfund activity from governmental activities				(619,270)
Transfers to offset internal service fund allocations				(74,633)
Interfund activity adjustment for retirement charges				7,504
Transfers per Statement of Activities				<u>\$ 135,474</u>

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 Pine Crest Nursing Home, to apply designated capital improvement funds from the General Fund to the Capital Project Fund.

Certain adjustments were made in preparing the County's government-wide financial statements, as detailed above. These adjustments were prepared to adjust the cost of internal service fund and other charges from an expense to a transfer in the County's business-type activities.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE 6 - CAPITAL ASSETS**

Changes in capital assets were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 206,075	\$ -	\$ -	\$ 206,075
Construction in progress	3,696,953	12,517,204	5,558,107	10,656,050
Total capital assets, not being depreciated	<u>3,903,028</u>	<u>12,517,204</u>	<u>5,558,107</u>	<u>10,862,125</u>
Capital assets, being depreciated:				
Land improvements	334,139	122,166	-	456,305
Buildings	11,571,447	5,780,225	50,904	17,300,768
Machinery and equipment	13,585,203	717,480	1,203,666	13,099,017
Infrastructure	49,477,557	-	-	49,477,557
Intangible assets	97,275	10,420	-	107,695
Subtotals	<u>75,065,621</u>	<u>6,630,291</u>	<u>1,254,570</u>	<u>80,441,342</u>
Less accumulated depreciation for:				
Land improvements	91,865	11,244	-	103,109
Buildings	7,783,415	426,688	48,858	8,161,245
Machinery and equipment	7,779,079	941,246	862,811	7,857,514
Infrastructure	18,249,011	1,336,097	-	19,585,108
Intangible assets	97,275	3,763	-	101,038
Subtotals	<u>34,000,645</u>	<u>2,719,038</u>	<u>911,669</u>	<u>35,808,014</u>
Total capital assets, being depreciated, net	<u>41,064,976</u>	<u>3,911,253</u>	<u>342,901</u>	<u>44,633,328</u>
Governmental activities capital assets, net	<u>\$ 44,968,004</u>	<u>\$ 16,428,457</u>	<u>\$ 5,901,008</u>	<u>55,495,453</u>
Less related long-term debt outstanding				<u>10,081,963</u>
Invested in capital assets, net of related debt				<u>\$ 45,413,490</u>

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

Changes in capital assets were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,600,485	\$ -	\$ -	\$ 2,600,485
Construction in progress	79,846	-	79,846	-
Total capital assets, not being depreciated	2,680,331	-	79,846	2,600,485
Capital assets, being depreciated:				
Land improvements	6,573,272	32,521	-	6,605,793
Buildings	7,919,913	555,356	20,000	8,455,269
Machinery and equipment	2,686,192	138,461	29,668	2,794,985
Subtotals	17,179,377	726,338	49,668	17,856,047
Less accumulated depreciation for:				
Land improvements	4,064,346	524,899	-	4,589,245
Buildings	4,343,882	249,290	20,000	4,573,172
Machinery and equipment	1,849,945	199,371	18,683	2,030,633
Subtotals	10,258,173	973,560	38,683	11,193,050
Total capital assets, being depreciated, net	6,921,204	(247,222)	10,985	6,662,997
Business-type activities capital assets, net	<u>\$ 9,601,535</u>	<u>\$ (247,222)</u>	<u>\$ 90,831</u>	9,263,482
Less related long-term debt outstanding				<u>2,855,051</u>
Invested in capital assets, net of related debt				<u>\$ 6,408,431</u>

Depreciation expense was charged to the functions as follows:

<b>Governmental activities</b>	
General government	\$ 310,736
Public safety	319,307
Public works	1,975,156
Health and human services	94,693
Culture, recreation and education	2,499
Conservation and development	16,647
Total depreciation expense - governmental activities	<u>\$ 2,719,038</u>
<b>Business-type activities</b>	
Nursing Home	\$ 311,546
Forestry	89,437
Solid Waste Landfill	572,577
Total depreciation expense - business-type activities	<u>\$ 973,560</u>

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

The County has active construction projects as of December 31, 2008. 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:

	Spent to Date	Remaining Commitment
Residential street construction	\$ 1,560,839	\$ 81,697
Bridge and approach expansion	1,894,274	473,907
Building projects	12,951,647	3,340,361
	<u>\$ 16,406,760</u>	<u>\$ 3,895,965</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

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

	Outstanding 1/1/08	Issued	Retired	Outstanding 12/31/08	Due Within One Year
<b>Governmental activities:</b>					
<b>General Obligation Debt</b>					
Bonds	\$ 2,125,000	\$ 9,965,000	\$ 125,000	\$ 11,965,000	\$ 130,000
Notes	9,996,645	-	9,996,645	-	-
Total General Obligation Debt	12,121,645	9,965,000	10,121,645	11,965,000	130,000
Capital lease	10,947	117,000	10,984	116,963	57,497
Compensated absences	1,419,157	1,011,930	905,192	1,525,895	783,481
Governmental activities Long-term obligations	<u>\$ 13,551,749</u>	<u>\$ 11,093,930</u>	<u>\$ 11,037,821</u>	<u>\$ 13,607,858</u>	<u>\$ 970,978</u>
<b>Business-type activities:</b>					
<b>General obligation debt</b>					
bonds	\$ 3,180,000	\$ -	\$ 330,000	\$ 2,850,000	\$ 350,000
Unamortized refunding loss	(15,134)	-	(20,185)	5,051	-
Compensated absences	415,352	366,713	393,719	388,346	317,008
Business-type activities Long-term obligations	<u>\$ 3,580,218</u>	<u>\$ 366,713</u>	<u>\$ 703,534</u>	<u>\$ 3,243,397</u>	<u>\$ 667,008</u>

Interest paid for the year ended December 31, 2008 totaled \$520,820.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

Detail of the above outstanding general obligations debt follows:

**Bonds**

\$5,310,000 General Obligation Bonds issued 04/01/00; \$350,000 to \$365,000 due annually through 2010; interest 4.2% to 4.5%	\$ 715,000
\$2,400,000 General Obligation Bonds issued 03/15/04; \$130,000 to \$215,000 due annually through 2020; interest 2.2% to 5.23%	2,000,000
\$2,145,000 General Obligation Bonds issued 07/15/05; \$385,000 to \$445,000 due annually from 2011 through 2015; interest 3.45% to 3.7%	2,135,000
\$9,965,000 General Obligation Bonds issued 11/15/08; \$55,000 to \$1,175,000 due annually from 2010 through 2028; interest 4% to 4.65%	9,965,000
<b>Total General Obligation Debt</b>	<u><u>\$ 14,815,000</u></u>

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2008, are allocated to activities as detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 130,000	\$ 482,111	\$ 350,000	\$ 150,752	\$ 480,000	\$ 632,863
2010	345,000	526,663	365,000	132,552	710,000	659,215
2011	395,000	511,814	385,000	113,388	780,000	625,202
2012	450,000	494,440	410,000	89,326	860,000	583,766
2013	500,000	474,568	435,000	63,701	935,000	538,269
2014-2018	935,000	2,209,230	905,000	53,770	1,840,000	2,263,000
2019-2023	4,060,000	1,625,117	-	-	4,060,000	1,625,117
2024-2028	5,150,000	622,149	-	-	5,150,000	622,149
	<u>\$11,965,000</u>	<u>\$ 6,946,092</u>	<u>\$ 2,850,000</u>	<u>\$ 603,489</u>	<u>\$14,815,000</u>	<u>\$ 7,549,581</u>

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

Equalized valuation of the County		\$ 2,410,005,500
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>120,500,275</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 14,815,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>(65,765)</u>	
Net outstanding general obligation debt applicable to debt limit		<u>14,749,235</u>
Legal Margin for New Debt		<u><u>\$ 105,751,040</u></u>

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

The County has entered into a lease agreement as lessee for financing the acquisition of a postage machine and two graders. 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 \$114,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

Year Ending	Amount
2009	\$ 57,755
2010	57,757
2011	756
2012	756
2013	693
Total Minimum Lease Payments	<u>117,717</u>
Less: Amount representing interest	<u>(754)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 116,963</u>

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 6.0 percent of their salary (3.0 percent for Executive and Elected Officials, 5.1 percent for Protective Occupations with Social Security, and 3.4 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, 2008, was \$15,531,489; the employer's total payroll was \$16,164,434. The total required contribution for the year ended December 31, 2008, was \$1,694,218, which consisted of \$783,987 or 5.0 percent of payroll from the employer and \$910,231, or 5.6 percent of payroll from employees. Total contributions for years ended December 31, 2007 and 2006, were \$1,631,614 and \$1,526,790, 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

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

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

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 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 \$90,000 per individual claim or an aggregate limit of \$5,661,829 during the period of January 1, 2008 to December 31, 2008.

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:

	Liability January 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability December 31
2008	\$ 941,435	\$ 4,516,282	\$ 4,366,174	\$ 1,091,543
2007	913,806	3,793,367	3,765,738	941,435

Claims liability at December 31, 2008 consists of \$233,764 included in accounts payable and \$857,779 included as claims payable.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**NOTE 9 - RISK MANAGEMENT (Continued)**

Liability Insurance

Lincoln County participates with other counties in the Wisconsin County Mutual Insurance Corporation. This joint venture began operation January 1, 1988, and provides liability insurance coverage to the counties. The creation of the mutual insurance corporation required the establishment of capital reserves. Each participating county deposited a portion of the required reserves. Lincoln County's share of the capital reserves is \$74,558. 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, 2008, 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 2008 was \$10,845,506 with Lincoln County's share totaling \$534,736 (4.9%). 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, 2008, and for the year then ended.

Assets	\$ 25,031,435
Liabilities	6,986,353
Equity	18,045,082
Revenues	68,089,470
Expenses	68,190,738
Non-operating gain	277,948
Change in net assets	176,680

Lincoln County's share of net assets for the year ended December 31, 2008 is \$1,101,806.

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.

**LINCOLN COUNTY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**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, 2008, the County has utilized approximately 62.1% of its landfill's capacity, a net increase of 11.1% compared to December 31, 2007. The landfill is estimated to be fully utilized in 2016.

The estimated liability for landfill closure and postclosure care costs and total future estimated costs as of December 31, 2008, is as follows:

Total estimated cost for construction, closure, and postclosure care	\$ 4,299,743
Estimated costs expensed through December 31, 2008	<u>(2,669,927)</u>
Estimated costs of construction, closure, and postclosure care to be recognized in future years	<u>\$ 1,629,816</u>

The estimated total current cost of the landfill construction, closure, and postclosure care of \$4,299,743 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, 2008. 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, 2008, investments of \$3,139,425 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 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, 2008**

**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:

General Fund

**Designated as carryover in 2009 budget:**

Phone system	\$	77,793
Rural addressing		460
Veterans fuel assistance		2,000
Zoning - comprehensive plan update		7,405
Zoning - operational		7,300
UW pest application		1,063
UW LLC program revenue		1,786
UW resource directory		62
Cash flow purposes		5,735,944

**Designated for capital improvement in 2009 budget**

Parcel mapping		25,000
Digital elevation data		109,556
Highway road work		250,000
Election equipment		163,910
Digital voice recorder		50,000
Designated for capital improvements in future years		1,309,791
	\$	<u>7,742,070</u>

Restricted net assets

Restricted net assets are reported in the Statement of Net Assets as follows:

Governmental Activities

Insurance deposits	\$	74,558
Grant and program fees		519,031
Jail assessments		28,466
Community development		512,379
<b>Total Governmental Activities</b>		<u>1,134,434</u>

Business-type Activities

Landfill closure		469,498
Nursing home funds		16,700
Forestry grants		68,749
<b>Total Business-type Activities</b>		<u>554,947</u>

**Total Restricted Net Assets**

\$ 1,689,381

**REQUIRED SUPPLEMENTARY INFORMATION**

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
<b>Taxes</b>				
General property	\$ 7,010,876	\$ 6,455,531	\$ 6,455,531	\$ -
Forest crop	18,000	18,000	12,109	(5,891)
Managed forest land	40,000	40,000	46,560	6,560
County sales tax	1,524,957	1,524,957	1,564,202	39,245
Real estate transfer fees	60,000	60,000	42,961	(17,039)
Interest on taxes	240,000	240,000	225,162	(14,838)
Payment in lieu of taxes	68,000	68,000	79,333	11,333
<b>Total taxes</b>	<b>8,961,833</b>	<b>8,406,488</b>	<b>8,425,858</b>	<b>19,370</b>
<b>Intergovernmental</b>				
State shared revenues	1,322,417	1,322,417	1,249,667	(72,750)
Exempt computer aid	28,000	28,000	26,860	(1,140)
Finance department	300	300	556	256
County clerk	-	-	5,625	5,625
Clerk of courts	129,862	89,948	90,289	341
Circuit court	98,023	98,023	77,638	(20,385)
Land information	199,400	199,669	277,829	78,160
Sheriff department	104,093	142,464	137,718	(4,746)
Emergency management	31,254	48,204	73,990	25,786
Victim witness	30,000	30,000	31,608	1,602
Zoning grants	47,000	47,000	47,325	325
Veterans service	10,000	10,000	10,000	-
Family court commissioner	1,122	1,122	1,724	602
Child support	105,055	151,637	228,675	77,038
UW extension	8,245	11,206	14,255	3,049
State acreage payment	71,000	71,000	68,600	(2,400)
Land conservation	213,666	230,641	183,364	(47,277)
<b>Total intergovernmental</b>	<b>2,399,443</b>	<b>2,481,637</b>	<b>2,525,723</b>	<b>44,086</b>
<b>Licenses and permits</b>				
County clerk	5,840	5,562	5,424	(138)
Family court commissioner	3,833	3,833	2,975	(858)
Land Information	4,950	4,950	4,501	(449)
Zoning fees	126,192	126,192	102,181	(24,011)
<b>Total licenses and permits</b>	<b>140,815</b>	<b>140,537</b>	<b>115,081</b>	<b>(25,456)</b>
<b>Fines, forfeits, and penalties</b>				
Clerk of courts	128,000	165,050	260,543	95,493
Circuit court	1,663	1,663	1,377	(286)
District attorney	15,000	15,000	-	(15,000)
Sheriff department	-	407	703	296
<b>Total fines, forfeits, and penalties</b>	<b>144,663</b>	<b>182,120</b>	<b>262,623</b>	<b>80,503</b>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Public charges for service</b>				
Clerk of courts	\$ 68,000	\$ 78,073	\$ 87,582	\$ 9,509
Circuit court	11,460	12,767	12,927	160
Family court commissioner	3,672	3,672	2,905	(767)
Register of deeds	120,060	120,060	111,259	(8,801)
Land information	42,400	42,400	40,343	(2,057)
County clerk	500	500	86	(414)
Treasurer	500	500	301	(199)
District attorney	1,500	1,500	1,430	(70)
Sheriff department	230,350	307,738	250,297	(57,441)
Coroner	-	7,989	8,700	711
Maintenance	4,500	4,500	5,400	900
Zoning	2,100	2,100	1,663	(437)
Land conservation	425	425	143	(282)
Administration/personnel	-	-	8	8
Finance	125	125	195	70
Child support	7,900	7,900	6,775	(1,125)
UW extension	10,485	12,131	5,220	(6,911)
Forest land revenue	246,384	315,101	338,457	23,356
Other charges for service	700	700	285	(415)
<b>Total public charges for services</b>	<u>751,061</u>	<u>918,181</u>	<u>873,976</u>	<u>(44,205)</u>
<b>Intergovernmental charges for service</b>				
Sheriff department	59,500	66,880	44,246	(22,634)
Land information	1,100	1,100	844	(256)
Clerk of courts	1,000	2,636	2,636	-
County clerk	5,800	3,791	7,809	4,018
UW extension	3,500	5,305	3,805	(1,500)
<b>Total intergovernmental charges for services</b>	<u>70,900</u>	<u>79,712</u>	<u>59,340</u>	<u>(20,372)</u>
<b>Miscellaneous</b>				
Interest	1,088,666	1,088,780	757,352	(331,428)
Rent	128,000	128,000	135,236	7,236
Tax deed profit	5,000	5,000	1,215	(3,785)
Sale of county property	47,800	47,800	26,131	(21,669)
Misc	395,044	395,044	-	(395,044)
Insurance recovery	30,000	30,000	8,432	(21,568)
Private organization donations	1,300	2,925	2,243	(682)
<b>Total miscellaneous</b>	<u>1,695,810</u>	<u>1,697,549</u>	<u>930,609</u>	<u>(766,940)</u>
<b>Total revenues</b>	<u>14,164,525</u>	<u>13,906,224</u>	<u>13,193,210</u>	<u>(713,014)</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
<b>General government</b>				
County board chairman	\$ 55,700	\$ 55,700	\$ 51,708	\$ 3,992
County board committees	103,900	103,900	91,246	12,654
Clerk of courts	580,516	589,475	589,475	-
Circuit court	261,814	263,121	270,970	(7,849)
Family court commissioner	18,073	30,323	33,193	(2,870)
Coroner	46,746	54,735	46,203	8,532
Law library	2,600	2,600	970	1,630
District attorney	183,449	193,244	188,530	4,714
Corporation counsel	173,780	173,780	170,072	3,708
Victim witness	57,705	57,705	57,277	428
County clerk	129,632	131,002	131,002	-
Administration/personnel	219,732	250,808	250,804	4
Information technology	641,523	641,523	587,715	53,808
General administration	5,552	71,625	70,931	694
Treasurer	141,829	141,829	141,372	457
Finance department	371,833	371,833	367,072	4,761
Maintenance	688,493	688,493	653,636	34,857
Surveyor	207,320	207,320	185,507	21,813
Tax description	102,712	102,712	101,695	1,017
Register of deeds	275,130	275,130	262,655	12,475
Land records	264,979	265,248	211,063	54,185
Tax assessment	69,630	69,630	66,435	3,195
Insurance	84,928	85,440	81,436	4,004
Elections	62,600	73,811	79,436	(5,625)
Contingency fund	887,413	77,379	-	77,379
Total general government	<u>5,637,589</u>	<u>4,978,366</u>	<u>4,690,403</u>	<u>287,963</u>
<b>Public safety</b>				
Sheriff department:				
Law enforcement	2,912,880	3,048,931	3,034,231	14,700
Emergency communication (911)	732,947	752,037	752,093	(56)
Correction and detention	2,002,846	2,196,799	2,187,764	9,035
Emergency management	96,069	113,019	111,032	1,987
Civil service commission	-	2,132	2,132	-
Total public safety	<u>5,744,742</u>	<u>6,112,918</u>	<u>6,087,252</u>	<u>25,666</u>
<b>Public works</b>				
Zoning-sanitation	<u>42,000</u>	<u>42,000</u>	<u>45,333</u>	<u>(3,333)</u>
<b>Health and human services</b>				
Community organizations	20,000	20,000	20,000	-
Health care center	534,736	534,736	534,736	-
Child support agency	159,218	205,800	205,969	(169)
Veterans services	126,145	128,195	126,007	2,188
Cemetery	1,314	1,314	1,314	-
Total health and human services	<u>841,413</u>	<u>890,045</u>	<u>888,026</u>	<u>2,019</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Culture, recreation, and education</b>				
Public libraries	\$ 554,803	\$ 554,803	\$ 554,856	\$ (53)
UW extension	278,968	284,599	259,201	25,398
Total culture, recreation, and education	<u>833,771</u>	<u>839,402</u>	<u>814,057</u>	<u>25,345</u>
<b>Conservation and development</b>				
Economic development	44,500	44,500	44,500	-
Zoning	454,329	456,022	412,426	43,596
Land conservation	375,499	403,782	338,664	65,118
Total conservation and development	<u>874,328</u>	<u>904,304</u>	<u>795,590</u>	<u>108,714</u>
<b>Capital outlay</b>				
Maintenance	20,000	15,966	10,736	5,230
Information Technology	-	614,364	589,409	24,955
Land records	411,000	411,000	288,800	122,200
Sheriff	150,000	130,254	130,254	-
Total capital outlay	<u>581,000</u>	<u>1,171,584</u>	<u>1,019,199</u>	<u>152,385</u>
Total expenditures	<u>14,554,843</u>	<u>14,938,619</u>	<u>14,339,860</u>	<u>598,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(390,318)</u>	<u>(1,032,395)</u>	<u>(1,146,650)</u>	<u>(114,255)</u>
<b>Other financing sources (uses)</b>				
Funds applied	358,190	1,075,163	1,075,163	-
Transfer in	32,128	51,839	429,121	377,282
Transfer out	-	(94,607)	(329,607)	(235,000)
Total other financing sources (uses)	<u>390,318</u>	<u>1,032,395</u>	<u>1,174,677</u>	<u>142,282</u>
Net change in fund balance	-	-	28,027	28,027
<b>FUND BALANCE - BEGINNING</b>	<u>10,887,221</u>	<u>10,887,221</u>	<u>10,887,221</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 10,887,221</u>	<u>\$ 10,887,221</u>	<u>\$ 10,915,248</u>	<u>\$ 28,027</u>

**RECONCILIATION FROM BUDGET TO GAAP:**

Net change in fund balance - budget	\$ 28,027
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>(1,075,163)</u>
Net change in fund balance - GAAP	<u>\$ (1,047,136)</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
General property	\$ 2,193,340	\$ 2,519,645	\$ 2,519,645	\$ -
Intergovernmental	991,592	1,563,318	1,655,105	91,787
Total revenues	3,184,932	4,082,963	4,174,750	91,787
<b>EXPENDITURES</b>				
Public works	3,184,932	4,082,963	4,142,583	(59,620)
Deficiency of revenues over (under) expenditures	-	-	32,167	32,167
<b>FUND BALANCES (DEFICIT) - BEGINNING</b>	(110,255)	(110,255)	(110,255)	-
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<u>\$ 116,341</u>	<u>\$ 116,341</u>	<u>\$ (78,088)</u>	<u>\$ 32,167</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND**  
**Year Ended December 31, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 587,694	\$ 587,694	\$ 587,694	\$ -
Intergovernmental	2,749,152	2,749,152	3,145,145	395,993
Public charges for service	-	-	275	275
Miscellaneous revenues	-	-	1,905	1,905
Total revenues	<u>3,336,846</u>	<u>3,336,846</u>	<u>3,735,019</u>	<u>398,173</u>
<b>EXPENDITURES</b>				
Health and human services	3,330,846	3,330,846	3,331,905	(1,059)
Outlay	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total expenditures	<u>3,336,846</u>	<u>3,336,846</u>	<u>3,331,905</u>	<u>4,941</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	403,114	403,114
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	-	-	(195,392)	(195,392)
Net change in fund balance	-	-	207,722	207,722
<b>FUND BALANCE - JANUARY 1</b>	<u>781,134</u>	<u>781,134</u>	<u>781,134</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 781,134</u>	<u>\$ 781,134</u>	<u>\$ 988,856</u>	<u>\$ 207,722</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - DEVELOPMENTAL DISABILITIES FUND**  
**Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
General property	\$ 33,139	\$ 262,179	\$ 262,179	\$ -
Intergovernmental	4,297,980	4,297,980	4,216,471	(81,509)
Public charges for service	944,300	944,300	977,565	33,265
Intergovernmental charges for service	-	-	41,767	41,767
Miscellaneous revenues	-	-	43	43
Total revenues	<u>5,275,419</u>	<u>5,504,459</u>	<u>5,498,025</u>	<u>(6,434)</u>
<b>EXPENDITURES</b>				
Health and human services	5,327,431	5,527,841	5,651,046	(123,205)
Capital outlay	-	28,630	33,446	(4,816)
Total expenditures	<u>5,327,431</u>	<u>5,556,471</u>	<u>5,684,492</u>	<u>(128,021)</u>
Excess (deficiency) of revenues over (under) expenditures	(52,012)	(52,012)	(186,467)	(134,455)
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	52,012	52,012	52,012	-
Net change in fund balance	-	-	(134,455)	(134,455)
<b>FUND BALANCE - JANUARY 1</b>	<u>236,467</u>	<u>236,467</u>	<u>236,467</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 236,467</u>	<u>\$ 236,467</u>	<u>\$ 102,012</u>	<u>\$ (134,455)</u>

**RECONCILIATION FROM BUDGET TO GAAP:**

Net change in fund balance - budget	\$ (134,455)
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>52,012</u>
Net change in fund balance - GAAP	<u>\$ (186,467)</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2008**

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

For the year ending December 31, 2008, the legally adopted budget line items with actual expenditures over the final budget were as follows:

	Final Budget	Actual
<b>General Fund</b>		
General government		
Family court commissioner	\$ 30,323	\$ 33,193
Circuit court	263,121	270,970
Elections	73,811	79,436
Public safety		
Emergency communication (911)	752,037	752,093
Public works		
Zoning-sanitation	42,000	45,333
Health and human services		
Child support agency	205,800	205,969
Culture, recreation and education		
Public libraries	554,803	554,856
Other financing sources (uses)		
Transfer out	(94,607)	(329,607)
<b>County Roads and Bridges Fund</b>		
Public works	4,082,963	4,142,583
<b>Social Services Fund</b>		
Health and human services	3,330,846	3,331,905
<b>Developmental Disabilities Fund</b>		
Health and human services	5,527,841	5,651,046
Capital outlay	28,630	33,446

**COMBINING FUND STATEMENTS**

LINCOLN COUNTY, WISCONSIN  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2008

	Special Revenue							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	\$ 453,701	\$ 25,921	\$ 30,904	\$ 67,153	\$ 354,871	\$ 27,226	\$ 959,776	\$ 1,025,541
Receivables (net of allowances):								
Property taxes	562,943	103,690	-	-	552,896	-	1,219,529	1,603,182
Accounts	50	2,812	197	-	333,908	-	336,967	336,967
Loans	-	-	-	445,226	-	-	445,226	445,226
Due from other governments	13,289	65,729	-	-	-	1,240	80,258	80,258
Prepaid items	50	50	-	-	383	-	493	493
<b>TOTAL ASSETS</b>	<b>\$ 1,030,043</b>	<b>\$ 198,202</b>	<b>\$ 31,101</b>	<b>\$ 512,379</b>	<b>\$ 1,242,058</b>	<b>\$ 28,466</b>	<b>\$ 3,042,249</b>	<b>\$ 3,491,667</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 6,802	\$ 16,977	\$ 29,175	\$ -	\$ 290,738	\$ -	\$ 343,692	\$ 343,692
Accrued liabilities	31,047	10,013	-	-	1,639	-	42,699	42,699
Due to other governments	-	-	926	-	-	-	926	926
Deferred revenue	562,943	103,690	-	445,226	589,296	-	1,701,155	2,084,808
<b>Total liabilities</b>	<b>600,792</b>	<b>130,680</b>	<b>30,101</b>	<b>445,226</b>	<b>881,673</b>	<b>-</b>	<b>2,088,472</b>	<b>2,472,125</b>
<b>Fund balance</b>								
Fund balances:								
Reserved:								
Prepaid items	60	50	-	-	383	-	493	493
Grants and program fees	269,743	67,472	-	-	-	28,466	337,215	337,215
Jail assessment	-	-	-	-	-	-	28,466	28,466
Unreserved, designated:								
Subsequent years' expenditures	159,448	-	1,000	67,153	360,002	-	587,603	653,368
<b>Total fund balance</b>	<b>429,251</b>	<b>67,522</b>	<b>1,000</b>	<b>67,153</b>	<b>360,385</b>	<b>28,466</b>	<b>953,777</b>	<b>1,019,542</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,030,043</b>	<b>\$ 198,202</b>	<b>\$ 31,101</b>	<b>\$ 512,379</b>	<b>\$ 1,242,058</b>	<b>\$ 28,466</b>	<b>\$ 3,042,249</b>	<b>\$ 3,491,667</b>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended December 31, 2008

	Special Revenue							Total Nonmajor Governmental Funds
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment	Total	
<b>REVENUES</b>								
Taxes	\$ 551,905	\$ 103,690	\$ -	\$ -	\$ 542,055	\$ -	\$ 1,197,650	\$ 383,653
Intergovernmental revenues	137,104	377,319	-	500	75,189	-	590,112	590,112
Licenses and permits	2,620	-	29,361	-	-	-	31,981	31,981
Fines, forfeits, and penalties	-	-	-	-	-	57,366	57,366	57,366
Public charges for service	112,982	124,169	-	51,688	1,235,762	-	1,524,601	1,524,601
Intergovernmental charges for service	169,800	12,280	-	-	16,991	-	199,071	132,811
Miscellaneous revenues	2,663	13,515	-	8,245	-	-	24,423	1,287
Total revenues	977,074	630,973	29,361	60,433	1,869,997	57,366	3,623,204	4,142,955
<b>EXPENDITURES</b>								
Current:								
Public safety	-	-	-	-	1,759,457	7,126	1,766,583	-
Health and human services	923,504	628,060	29,361	-	-	-	1,580,925	1,580,925
Conservation and development	-	-	-	70,500	-	-	70,500	-
Capital outlay	-	-	-	-	-	108,696	108,696	-
Debt service:								
Principal	-	-	-	-	-	-	-	156,645
Interest	-	-	-	-	-	-	-	772,401
Total expenditures	923,504	628,060	29,361	70,500	1,759,457	115,822	3,526,704	929,046
Excess (deficiency) of revenues over (under) expenditures	53,570	2,913	-	(10,067)	110,540	(58,456)	98,500	(411,295)
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from long-term debt	-	-	-	-	-	-	-	9,965,000
Payment to current noteholder	-	-	-	-	-	-	-	(9,965,000)
Transfers in	-	-	-	-	-	-	-	298,145
Transfers out	(34,523)	-	-	-	(38,139)	(21,609)	(94,271)	-
Total other financing sources and uses	(34,523)	-	-	-	(38,139)	(21,609)	(94,271)	298,145
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	19,047	2,913	-	(10,067)	72,401	(80,065)	4,229	(113,150)
<b>FUND BALANCES - BEGINNING</b>	410,204	64,609	1,000	77,220	287,984	108,531	949,548	1,128,463
<b>FUND BALANCES - ENDING</b>	\$ 429,251	\$ 67,522	\$ 1,000	\$ 67,153	\$ 360,385	\$ 28,466	\$ 953,777	\$ 1,019,542

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2008**

	Internal Service Funds		
	Highway	Health Insurance	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 420,630	\$ 4,899,693	\$ 5,320,323
Accounts receivable	14,472	52,361	66,833
Due from other governments	594,359	-	594,359
Inventories, at cost	1,002,559	-	1,002,559
Prepaid expenses	870	-	870
	2,032,890	4,952,054	6,984,944
Total current assets			
Noncurrent assets:			
Capital assets:			
Land	35,540	-	35,540
Improvements other than buildings	244,869	-	244,869
Buildings	1,853,669	-	1,853,669
Machinery and equipment	10,208,010	-	10,208,010
Less accumulated depreciation	(7,226,230)	-	(7,226,230)
	5,115,858	-	5,115,858
Total capital assets			
	7,148,748	4,952,054	12,100,802
Total assets			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	226,523	233,764	460,287
Accrued expenses	140,790	1,615	142,405
Compensated absences payable	179,793	-	179,793
Due other funds	56,195	-	56,195
Accrued claims	-	857,779	857,779
Current maturities of long-term debt	57,001	-	57,001
Deferred revenue	50,036	-	50,036
	710,338	1,093,158	1,803,496
Total current liabilities			
Noncurrent liabilities:			
Noncurrent maturities of long-term debt	56,999	-	56,999
Advance due other funds	401,626	-	401,626
Compensated absences payable	217,245	-	217,245
	618,871	-	675,870
Total noncurrent liabilities			
	1,329,209	1,093,158	2,479,366
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,001,858	-	5,001,858
Unrestricted	760,682	3,858,896	4,619,578
	5,762,540	3,858,896	9,621,436
<b>TOTAL NET ASSETS</b>	<b>\$ 5,762,540</b>	<b>\$ 3,858,896</b>	<b>\$ 9,621,436</b>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2008**

	Internal Service Funds		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Interdepartmental charges for service	\$ 4,180,879	\$ 4,907,198	\$ 9,088,077
Intergovernmental charges for service	2,726,651	-	2,726,651
Other operating revenue	38,616	-	38,616
<b>Total operating revenues</b>	<u>6,946,146</u>	<u>4,907,198</u>	<u>11,853,344</u>
<b>OPERATING EXPENSES</b>			
Claims paid	-	4,521,873	4,521,873
General services	5,990,695	-	5,990,695
Administrative and fiscal services	383,834	591,053	974,887
Depreciation and amortization	639,059	-	639,059
<b>Total operating expenses</b>	<u>7,013,588</u>	<u>5,112,926</u>	<u>12,126,514</u>
<b>Operating income</b>	<u>(67,442)</u>	<u>(205,728)</u>	<u>(273,170)</u>
<b>NONOPERATING REVENUES</b>			
Rent revenue	50	-	50
Grant revenue	9,570	-	9,570
Gain (loss) on disposal of assets	4,047	-	4,047
Salvage revenue	7,869	-	7,869
Gain on sale of supplies	3,282	-	3,282
Insurance recoveries	25,947	-	25,947
Interest income	-	233,686	233,686
<b>Total nonoperating revenues</b>	<u>50,765</u>	<u>233,686</u>	<u>284,451</u>
<b>Change in net assets</b>	<u>(16,677)</u>	<u>27,958</u>	<u>11,281</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>5,779,217</u>	<u>3,830,938</u>	<u>9,610,155</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 5,762,540</u>	<u>\$ 3,858,896</u>	<u>\$ 9,621,436</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2008**

	<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	\$ 4,180,879	\$ 4,912,789	\$ 9,093,668
From government and other parties for sales	2,861,399	-	2,861,399
To employees for compensation and fringe benefits	(3,050,239)	(23,132)	(3,073,371)
To vendors for goods and services	(3,444,724)	(4,941,313)	(8,386,037)
Net cash provided by operating activities	<u>547,315</u>	<u>(51,656)</u>	<u>495,659</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(249,227)	-	(249,227)
Capital grant	480	-	480
Insurance recovery for damaged equipment	13,799	-	13,799
Advance from general fund	26,435	-	26,435
Proceeds from sale of capital assets	81,628	-	81,628
Net cash used for capital and related financing activities	<u>(126,885)</u>	<u>-</u>	<u>(126,885)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	248,596	248,596
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	420,430	196,940	617,370
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>200</u>	<u>4,702,753</u>	<u>4,702,953</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 420,630</u>	<u>\$ 4,899,693</u>	<u>\$ 5,320,323</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ (67,442)	\$ (205,728)	\$ (273,170)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	639,059	-	639,059
Changes in operating assets and liabilities:			
Accounts receivable	26,287	5,591	31,878
Due from other governments	15,617	-	15,617
Prepaid expenses	(295)	-	(295)
Inventories	(71,896)	-	(71,896)
Accounts payable	84,364	(9,689)	74,675
Due other funds	(179,723)	-	(179,723)
Accrued expenses	13,536	1,254	14,790
Compensated absences	49,197	-	49,197
Deferred revenue	38,611	-	38,611
Accrued claims	-	156,916	156,916
Total adjustments	<u>614,757</u>	<u>154,072</u>	<u>768,829</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 547,315</u>	<u>\$ (51,656)</u>	<u>\$ 495,659</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2008**

	Agency Funds		Total
	Employee Benefit Cafeteria Plan	Clerk of Court Collection Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,126	\$ -	\$ 23,126
Accounts receivable	-	805,669	805,669
<b>Total assets</b>	<b>\$ 23,126</b>	<b>\$ 805,669</b>	<b>\$ 828,795</b>
<b>LIABILITIES</b>			
Deposits and advances	16,721	-	16,721
Due other governments	-	805,669	805,669
Due to other funds	6,405	-	6,405
<b>Total liabilities</b>	<b>\$ 23,126</b>	<b>\$ 805,669</b>	<b>\$ 828,795</b>