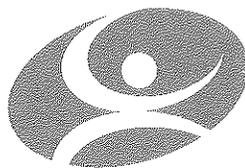


LINCOLN COUNTY, WISCONSIN
Merrill, Wisconsin

BASIC FINANCIAL STATEMENTS
December 31, 2011

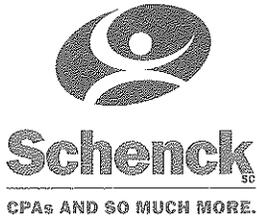


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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

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 the Lincoln County, Wisconsin ("the County") as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lincoln County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2011, 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.

As described in Note 1, the County has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the budgetary comparison information on pages 53 - 60 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Green Bay, Wisconsin
July 25, 2012



LINCOLN COUNTY
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MERRILL, WI 54452
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Management's Discussion and Analysis

As management of Lincoln County, we offer the readers of Lincoln County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2011.

Financial Highlights

- The assets of Lincoln County exceeded liabilities at the close of the most recent fiscal year by \$70,910,547 (net assets). Of this amount, \$21,692,524 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net assets decreased by \$1,032,426 while the business-type activities increased by \$1,536,199.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$13,877,992, an increase of \$429,186 in comparison with the prior year. Seventy-nine percent of this total amount, \$10,915,452, is available for spending at the government's discretions (committed, assigned, or unassigned).
- At the end of the current fiscal year, expenditures exceeded revenues in the general fund by \$53,537.
- In 2011 Lincoln County's capital assets decreased by \$1,959,860.

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, 2011. 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, Lincoln Industries (developmental disabilities workshop) and Forestry are reported here.

Infrastructure assets (which include roads, bridges, curbs and gutters, street and sidewalks, drainage systems, and lighting systems) are reported at historical cost, or estimated historical cost, in the governmental activities column in the government-wide financial statements. They are part of the County Roads and Bridges governmental fund and were not required to have been reported before the implementation of GASB Statement Number 34.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

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

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

The County adopts an annual appropriated budget for all of its governmental funds except 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, Lincoln Industries Workshop and Forestry Department. The County uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities. The County uses internal service funds to account for its Health Insurance Trust Fund and the Highway Department.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. The County's fiduciary funds include its employees' benefit cafeteria plan and clerk of courts collection fund. All of the County's fiduciary activities are reported in a separate *Statement of Fiduciary Net 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 2011, the County's assets exceeded liabilities by \$70,910,547.

By far the largest portion of the County's net assets, \$47,697,760 (67%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lincoln County's Net Assets						
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 36,089,119	\$ 36,006,589	\$ 14,066,696	\$ 13,661,031	\$ 50,155,815	\$ 49,667,620
Capital assets	<u>52,927,329</u>	<u>54,950,482</u>	<u>8,942,203</u>	<u>8,878,910</u>	<u>61,869,532</u>	<u>63,829,392</u>
Total assets	<u>89,016,448</u>	<u>90,957,071</u>	<u>23,008,899</u>	<u>22,539,941</u>	<u>112,025,347</u>	<u>113,497,012</u>
Long-term liabilities outstanding	14,089,219	14,688,477	5,600,225	5,710,096	19,689,444	20,398,573
Other liabilities	<u>19,428,963</u>	<u>19,737,902</u>	<u>1,996,393</u>	<u>2,953,763</u>	<u>21,425,356</u>	<u>22,691,665</u>
Total liabilities	<u>33,518,182</u>	<u>34,426,379</u>	<u>7,596,618</u>	<u>8,663,859</u>	<u>41,114,800</u>	<u>43,090,238</u>
Net assets:						
Invested in capital assets, net of related debt	40,524,024	42,239,237	7,173,736	6,698,492	47,697,760	48,937,729
Restricted	1,463,174	671,962	57,089	22,548	1,520,263	694,510
Unrestricted	<u>13,511,068</u>	<u>13,619,493</u>	<u>8,181,456</u>	<u>7,155,042</u>	<u>21,692,524</u>	<u>20,774,535</u>
Total net assets	\$ 55,498,266	\$ 56,530,692	\$ 15,412,281	\$ 13,876,082	\$ 70,910,547	\$ 70,406,774

An additional portion of the County's net assets, \$1,520,263 (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$21,692,524) 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 \$1,032,426. Key elements of this decrease are as follows:

Lincoln County's Change in Net Assets						
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 7,155,038	\$ 3,222,476	\$ 17,603,843	\$ 14,420,816	\$ 24,758,881	\$ 17,643,292
Operating grants and contributions	6,326,183	13,564,209	236,206	210,768	6,562,389	14,171,219
Capital grants and contributions	-	29,226	-	-	-	29,226
General revenues:						
Property taxes	12,975,967	12,439,990	359,610	347,250	13,335,577	12,787,240
Other taxes	2,234,608	1,951,092	-	-	2,234,608	1,956,983
Grants and contributions not restricted to specific programs	1,270,456	1,250,670	-	-	1,270,456	1,267,240
Other	168,325	205,796	541	1,075	168,866	206,871
Total revenues	30,130,577	32,663,459	18,200,200	14,979,909	48,330,777	47,643,368
Expenses:						
General government	5,953,026	5,430,146	-	-	5,953,026	5,430,146
Public safety	8,386,065	8,124,606	-	-	8,386,065	8,124,606
Public works	7,203,402	9,344,436	-	-	7,203,402	9,344,436
Health and human services	6,931,801	11,871,676	-	-	6,931,801	11,871,676
Culture and recreation	844,250	822,249	-	-	844,250	822,249
Conservation and development	1,202,346	855,570	-	-	1,202,346	855,570
Interest on long-term debt	583,755	575,374	-	-	583,755	575,374
Nursing home	-	-	12,715,281	12,374,747	12,715,281	12,374,747
Forestry	-	-	824,759	863,289	824,759	863,289
Lincoln Industries	-	-	1,115,467	-	1,115,467	-
Landfill	-	-	2,066,852	2,287,614	2,066,852	2,287,614
Total expenses	31,104,645	37,024,057	16,722,359	15,525,650	47,827,004	52,549,707
Increase (decrease) in net assets before transfers	(974,068)	(4,360,598)	1,477,841	(545,741)	503,773	(4,906,339)
Transfers	(58,358)	85,717	58,358	(85,717)	-	-
Increase (Decrease) in net assets	(1,032,426)	(4,274,881)	1,536,199	(631,458)	503,773	(4,906,339)
Net assets - January 1	56,530,692	60,805,573	13,876,082	14,507,540	70,406,774	75,313,113
Net assets - December 31	\$ 55,498,266	\$ 56,530,692	\$ 15,412,281	\$ 13,876,082	\$ 70,910,547	\$ 70,406,774

Interest revenue showed a negative variance of \$119,287 when compared to the 2011 budget. The County's self-funded health insurance program lost \$1,525,598 due continued high claims. Since the County has lost over three million dollars over the last two years in the self-funded health insurance program, the County has made large plan design changes beginning in 2012 which includes higher employee contributions and higher deductibles. The Highway operation gained \$415,528 due to an increase in intergovernmental charges for service of \$586,216 largely due to natural disaster cleanup efforts. In addition, the Emergency Medical Fund saw an increase of \$296,459 due to higher than anticipated runs.

Business-type Activities Business-type activities increased Lincoln County's net assets by \$1,536,199. The key element of this increase is the operational income in Solid Waste of \$1,130,906 due to additional revenues from fly ash. Additionally Forestry showed a gain of \$284,958 due to additional stumpage fees and Lincoln Industries posted a \$249,200 gain for the first year in operation as a proprietary fund type.

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 \$13,877,992, an increase of \$429,186 in comparison with the prior year. Approximately 79 percent of this total amount, \$10,915,452, constitutes the amount which is available for spending at the government's discretion. Of this amount, \$1,542,907 is committed by County Board action for CIP projects. Additionally, \$2,354,603 is assigned by the Finance and Insurance Committee for specific programs and \$1,864,407 is assigned as amounts remaining in governmental funds that are not classified as nonspendable and are not restricted or committed. The remaining \$5,153,534 in the General Fund is unassigned, with \$3,707,723 of this balance set aside by County Board action for cash flow purposes.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,153,534 with \$3,707,723 of this balance set aside by County Board action for cash flow purposes, while the total fund balance was \$11,417,795. Additionally, \$1,542,907 has been committed to capital improvement projects by the County Board and a further \$2,354,603 has been assigned by the Finance and Insurance Committee for programs and projects. A total of \$9,051,045 or seventy-nine percent of the general fund fund balance remains under the County's discretion.

The fund balance of Lincoln County's general fund increased by \$1,149,255 during the current fiscal year. Key factors in this increase are as follows:

- The County transferred a net amount of \$1,202,792 into General Fund. \$793,181 was transferred per Ordinances 3.07 and 3.26 which limit fund balance and net asset balances in other funds and \$612,459 was transferred due to the closing of the Capital Projects Fund and Developmental Disabilities Fund.
- Total revenues fell short of expenditures by \$53,537 due to interest falling short of budgeted amounts by \$119,287, Clerk of Court fines ending \$60,784 short of budget, state aid falling \$50,354 short of budget, and zoning fees ending \$10,162 less than budget amounts.
- Expenditures fell below budgeted levels by \$1,584,593 due to fiscal restraint, vacant positions, and delayed projects.

The County Roads and Bridges Fund has a fund balance of 735,698 at December 31, 2011 an increase of \$168,769 when compared to the previous year. The increase is due to Highway work not completed in 2011.

The Social Services fund has a total fund balance of \$388,884. The fund balance of the Social Services fund decreased by \$283,815 during the current year. The key factors in this decrease was the equity transfer made to the General Fund in the amount of \$243,589 based on 2011 results and state aid funding falling \$147,830 short of budget.

Developmental Disabilities fund fund balance is zero at December 31, 2011. The fund was closed in 2011 due to the implementation of the family care program providing services previously provided locally through the waiver programs. Lincoln County fully transitioned to family care on April 1, 2011. The remaining fund balance of \$520,784 was transferred to the general fund.

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 \$2,419,193, those of Solid Waste Landfill amounted to \$3,678,736, those of Lincoln Industries amounted to \$257,225 and those of Forestry amounted to \$1,826,302. 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 2010). 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 \$348,262. Those amendments are briefly summarized below:

- \$249,247 - The actual amount of grant and designated funds spent down in 2011 was less than the amount estimated as designated for non-lapsing appropriations when the budget was prepared.
- \$86,155 - Increases in IT related expenditures for the building project during 2011 not originally budgeted.

Actual expenditures were \$1,584,593 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$284,442 - Delayed family care billing.
- \$446,353 - Unused contingency funds.
- \$43,656 - Reduced staffing in the county clerks office.
- \$142,970 - Delayed projects in Land Records.
- \$46,853 - Unspent remonumentation budget.
- \$260,400 - Due to decreased operational expenditures in Sheriff's Office.

On the revenue side, the original budget was *increased* by \$41,435 with budget amendments largely due to an increase of \$36,302 in the forest land revenue budget.

Actual revenues were \$132,819 *higher* than budgeted. Significant variances are as follows:

- Interest on taxes ended \$77,794 higher than budgeted.
- Outside housing recorded revenues of \$62,261 over the amount budgeted.
- Forest land revenue of \$315,156 was \$28,854 above the budgeted amount.
- Interest revenue fell short of budget expectations by \$119,287.

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, 2011, amounted to \$61,869,532 (net of accumulated depreciation) compared to \$63,829,392 in 2010. This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, equipment and vehicles, intangible assets, and work in progress. The net decrease in the County's investment in capital assets for the current fiscal year was \$1,959,860 or five percent.

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

- \$1,623,269 (net) was removed from work in progress due to the completion of the courthouse and work at Pine Crest.
- Infrastructure decreased \$307,748 due to paving projects.
- Due to Lincoln Industries being reported as an enterprise fund, total capital assets of \$211,764 were transferred from governmental activities to business type activities.
- Depreciation expense totaled \$4,821,783 in 2011.

Lincoln County's Capital Assets (net of accumulated depreciation)						
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2011	2010
	2011	2010	2011	2010	2011	2010
Land	\$ 116,470	\$ 181,075	\$ 2,665,080	\$ 2,600,475	\$ 2,781,550	\$ 2,781,550
Land improvements	323,213	330,628	1,411,797	1,844,474	1,735,010	2,175,102
Infrastructure	27,066,081	28,396,154	-	-	27,066,081	28,396,154
Buildings and improvements	18,447,742	17,669,768	3,771,617	3,533,256	22,219,359	21,203,024
Equipment and vehicles	4,077,969	4,523,751	805,507	818,710	4,883,476	5,342,461
Work in progress	2,895,854	3,849,106	288,202	81,995	3,184,056	3,931,101
Intangible assets	-	-	-	-	-	-
Total	\$ 52,927,329	\$ 54,950,482	\$ 8,942,203	\$ 8,878,910	\$ 61,869,532	\$ 63,829,392

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 \$15,465,000 which is a decrease of \$860,000. In 2010 the total general obligation debt outstanding was \$16,325,000. 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		Business-Type		Total	
	Activities	Activities	Activities	Activities	2011	2010
	2011	2010	2011	2010	2011	2010
Bonds	\$ 13,715,000	\$ 14,190,000	\$ 1,750,000	\$ 2,135,000	\$ 15,465,000	\$ 16,325,000
Capital lease	283,305	256,245	-	-	283,305	256,245
Compensated absences	1,448,637	1,642,705	491,882	438,987	1,940,519	2,081,692
Total general long-term obligations	\$ 15,446,942	\$ 16,088,950	\$ 2,241,882	\$ 2,573,987	\$ 17,688,824	\$ 18,662,937

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 \$103,626,797, 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 April 2012 was 10.1 percent as compared to 6.8 percent for the State of Wisconsin. The April 2012 rate for Lincoln County 9 percent lower than the April 2011 rate (11.1%).
- The general economic condition and outlook for the County is guarded with several employers planning to hire additional employees or expand in the next year. The economic condition in Lincoln County is expected to slowly improve over the next several years.
- Inflationary trends in our region compare to national indices.

These factors were considered in preparing the County's budget for the 2012 fiscal year.

Request for information

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

BASIC FINANCIAL STATEMENTS

LINCOLN COUNTY, WISCONSIN
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,719,385	\$ 7,520,087	\$ 23,239,472
Receivables, net:			
Property taxes	13,046,472	359,440	13,405,912
Tax certificates and deeds	1,890,648	-	1,890,648
Assessments	60,061	-	60,061
Accounts	1,641,010	2,081,529	3,722,539
Loans	529,283	-	529,283
Due from other governments	1,325,153	-	1,325,153
Inventories, at cost	1,267,176	272,254	1,539,430
Prepaid expenses	272,068	38,470	310,538
Total current assets	<u>35,751,256</u>	<u>10,271,780</u>	<u>46,023,036</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	130,113	3,794,916	3,925,029
Unamortized debt issue costs	207,750	-	207,750
Capital assets:			
Land and construction in progress	3,012,324	2,953,282	5,965,606
Other capital assets, net of depreciation	49,915,005	5,988,921	55,903,926
Total capital assets	<u>52,927,329</u>	<u>8,942,203</u>	<u>61,869,532</u>
Total noncurrent assets	<u>53,265,192</u>	<u>12,737,119</u>	<u>66,002,311</u>
Total assets	<u>89,016,448</u>	<u>23,008,899</u>	<u>112,025,347</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,559,099	423,971	2,983,070
Accrued expenses	633,875	159,266	793,141
Compensated absences payable	753,616	394,860	1,148,476
Accrued claims	640,488	-	640,488
Deposits and advances	111,760	91,179	202,939
Due to other governments	960,816	157,677	1,118,493
Current portion of long-term obligations	604,107	410,000	1,014,107
Unearned revenue	13,165,202	359,440	13,524,642
Total current liabilities	<u>19,428,963</u>	<u>1,996,393</u>	<u>21,425,356</u>
Noncurrent liabilities:			
Future closure payable	-	4,144,736	4,144,736
Compensated absences payable	695,021	97,022	792,043
Noncurrent portion of long-term obligations	13,394,198	1,358,467	14,752,665
Total noncurrent liabilities	<u>14,089,219</u>	<u>5,600,225</u>	<u>19,689,444</u>
Total liabilities	<u>33,518,182</u>	<u>7,596,618</u>	<u>41,114,800</u>
NET ASSETS			
Invested in capital assets, net of related debt	40,524,024	7,173,736	47,697,760
Restricted	1,463,174	57,089	1,520,263
Unrestricted	13,511,068	8,181,456	21,692,524
TOTAL NET ASSETS	<u>\$ 55,498,266</u>	<u>\$ 15,412,281</u>	<u>\$ 70,910,547</u>

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

LINCOLN COUNTY, WISCONSIN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Operating		Governmental Activities	Business-Type Activities		Total
		Sales and Charges for Services	Grants and Contributions		Capital Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES:							
General government	\$ 5,953,026	\$ 487,169	\$ 200,808	\$ (5,265,049)	\$ -	\$ (5,265,049)	
Public safety	8,386,065	2,316,062	186,417	(5,883,586)	-	(5,883,586)	
Public works	7,203,402	2,899,122	1,488,248	(2,816,032)	-	(2,816,032)	
Health and human services	6,931,801	650,470	3,969,220	(2,312,111)	-	(2,312,111)	
Culture, recreation, and education	844,250	7,312	6,873	(830,065)	-	(830,065)	
Conservation and development	1,202,346	794,903	474,617	67,174	-	67,174	
Interest on long-term debt	583,755	-	-	(583,755)	-	(583,755)	
Total governmental activities	31,104,645	7,155,038	6,326,183	(17,623,424)	-	(17,623,424)	
BUSINESS-TYPE ACTIVITIES:							
Nursing home	12,715,281	11,729,748	-	-	(985,533)	(985,533)	
Forestry	824,759	1,344,120	236,206	-	755,567	755,567	
Lincoln Industries	1,115,467	1,347,698	-	-	232,231	232,231	
Solid waste landfill	2,066,852	3,182,277	-	-	1,115,425	1,115,425	
Total business-type activities	16,722,359	17,603,843	236,206	-	1,117,690	1,117,690	
TOTAL PRIMARY GOVERNMENT	\$ 47,827,004	\$ 24,758,881	\$ 6,562,389	\$ (17,623,424)	\$ 1,117,690	\$ (16,505,734)	
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes				12,975,967	359,610	13,335,577	
Private forest cropland/managed forest land taxes				81,350	-	81,350	
County sales tax				1,495,044	-	1,495,044	
Real estate transfer taxes				37,043	-	37,043	
Payment in lieu of taxes				92,488	-	92,488	
Interest and penalties on taxes				528,683	-	528,683	
Grants and contributions not restricted to specific programs				1,270,456	-	1,270,456	
Unrestricted investment earnings				168,325	541	168,866	
Transfers				(58,358)	58,358	-	
Total general revenues and transfers				16,590,998	418,509	17,009,507	
CHANGE IN NET ASSETS				(1,032,426)	1,536,199	503,773	
NET ASSETS - BEGINNING				56,530,692	13,876,082	70,406,774	
NET ASSETS - ENDING				\$ 55,498,266	\$ 15,412,281	\$ 70,910,547	

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, 2011**

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 10,242,223	\$ 735,698	\$ 500,798	\$ 558,169	\$ 1,361,755	\$ 13,398,643
Receivables, net:						
Property taxes	8,521,639	2,222,826	300,000	-	2,002,007	13,046,472
Tax certificates and deeds	1,890,648	-	-	-	-	1,890,648
Assessments	60,061	-	-	-	-	60,061
Accounts	721,495	-	-	10,118	341,944	1,073,557
Loans	-	-	-	-	529,283	529,283
Due from other governments	348,082	-	187,121	-	41,784	576,987
Due from other funds	56,195	-	-	-	-	56,195
Prepaid items	271,127	-	-	-	671	271,798
Inventory	5,954	-	-	-	-	5,954
Advances	233,042	-	-	-	-	233,042
Restricted assets:						
Cash and cash equivalents	54,983	-	75,130	-	-	130,113
TOTAL ASSETS	\$ 22,405,449	\$ 2,958,524	\$ 1,063,049	\$ 568,287	\$ 4,277,444	\$ 31,272,753
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,172,778	\$ -	\$ 52,892	\$ 940	\$ 370,137	\$ 1,596,747
Accrued liabilities	439,116	-	16,821	-	12,204	468,141
Deposits and advances	105,985	-	5,775	-	-	111,760
Due to other governments	141,745	-	250,951	567,347	773	960,816
Deferred revenue	9,128,030	2,222,826	347,726	-	2,558,715	14,257,297
Total liabilities	10,987,654	2,222,826	674,165	568,287	2,941,829	17,394,761
Fund balances						
Reserved for:						
Nonspendable	2,027,979	-	-	-	671	2,028,650
Restricted	338,772	-	75,130	-	519,989	933,891
Committed	1,542,907	-	-	-	-	1,542,907
Assigned	2,354,603	735,698	313,754	-	814,955	4,219,010
Unassigned	5,153,534	-	-	-	-	5,153,534
Total fund balances	11,417,795	735,698	388,884	-	1,335,615	13,877,992
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,405,449	\$ 2,958,524	\$ 1,063,049	\$ 568,287	\$ 4,277,444	\$ 31,272,753

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, 2011**

Total fund balances for governmental funds \$ 13,877,992

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	\$ 80,930	
Construction in progress	2,895,854	
Land improvements, net of \$36,704 accumulated depreciation	182,439	
Buildings, net of \$8,058,225 accumulated depreciation	17,771,687	
Machinery and equipment, net of \$1,922,782 accumulated depreciation	1,049,203	
Infrastructure, net of \$22,276,810 accumulated depreciation	<u>27,066,081</u>	
Total capital assets		49,046,194

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	\$ 868,919	
Highway fund	<u>4,953,394</u>	
Total internal service funds		5,822,313

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 12/31/11 are:

Accrued interest on notes	\$ (121,286)	
Notes payable	(13,715,000)	
Capital lease payable	(1,320)	
Vacation payable	(541,381)	
Vested sick leave	(224,674)	
Accrued sick	(297,359)	
Comp time	<u>(13,043)</u>	
Total long-term liabilities		(14,914,063)

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 12/31/11 are:

207,750

Accounts receivable are recorded when they become measurable and available in governmental funds. On 12/31/11 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.

365,985

On 12/31/11 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	\$ 255,861	
Interest on delinquent taxes	306,951	
Loan receivable	<u>529,283</u>	
Total deferred revenue		<u>1,092,095</u>

Total net assets of governmental activities \$ 55,498,266

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
For the Year Ended December 31, 2011

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 10,327,171	\$ 2,153,218	\$ 392,846	\$ 33,139	\$ 2,078,312	\$ 14,984,686
Intergovernmental	2,170,230	1,403,352	1,897,920	1,709,920	356,421	7,537,843
Licenses and permits	93,577	-	-	-	26,180	119,757
Fines, forfeits, and penalties	134,773	-	-	-	33,781	168,554
Public charges for service	1,513,749	7,328	-	239,528	1,434,888	3,195,493
Intergovernmental charges for service	92,086	-	4,000	-	330,042	426,128
Miscellaneous revenues	445,767	-	156	12	15,919	461,854
Total revenues	<u>14,777,353</u>	<u>3,563,898</u>	<u>2,294,922</u>	<u>1,982,599</u>	<u>4,275,543</u>	<u>26,894,315</u>
EXPENDITURES						
Current:						
General government	4,727,864	-	-	-	-	4,727,864
Public safety	6,193,165	-	-	-	1,735,909	7,929,074
Public works	26,100	3,745,129	-	-	-	3,771,229
Health and human services	2,019,647	-	2,365,882	1,639,084	1,002,411	7,027,024
Culture, recreation, and education	842,673	-	-	-	-	842,673
Conservation and development	768,446	-	-	-	423,450	1,191,896
Capital outlay	252,995	-	12,918	-	415,610	681,523
Debt service:						
Principal	-	-	-	-	475,000	475,000
Interest and other charges	-	-	-	-	589,037	589,037
Total expenditures	<u>14,830,890</u>	<u>3,745,129</u>	<u>2,378,800</u>	<u>1,639,084</u>	<u>4,641,417</u>	<u>27,235,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,537)</u>	<u>(181,231)</u>	<u>(83,878)</u>	<u>343,515</u>	<u>(365,874)</u>	<u>(341,005)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,695,158	350,000	43,652	-	216,538	2,305,348
Transfers out	(492,366)	-	(243,589)	(520,784)	(278,418)	(1,535,157)
Total other financing sources and uses	<u>1,202,792</u>	<u>350,000</u>	<u>(199,937)</u>	<u>(520,784)</u>	<u>(61,880)</u>	<u>770,191</u>
Net change in fund balances	<u>1,149,255</u>	<u>168,769</u>	<u>(283,815)</u>	<u>(177,269)</u>	<u>(427,754)</u>	<u>429,186</u>
FUND BALANCES - BEGINNING	<u>10,268,540</u>	<u>566,929</u>	<u>672,699</u>	<u>177,269</u>	<u>1,763,369</u>	<u>13,448,806</u>
FUND BALANCES - ENDING	<u>\$ 11,417,795</u>	<u>\$ 735,698</u>	<u>\$ 388,884</u>	<u>\$ -</u>	<u>\$ 1,335,615</u>	<u>\$ 13,877,992</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
For the Year Ended December 31, 2011

Net change in fund balances - total governmental funds \$ 429,186

The change in net assets reported for governmental activities in the statement of activities is different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. Additionally, the sale of a capital asset is recorded as a revenue in the governmental funds. However on the accrual basis, a gain or loss must be recognized. The net changes are as follows:

Capital outlay	\$ 1,551,656	
Transfer of capital assets to Lincoln Industries	(249,220)	
Sale and disposal of capital assets	(477,694)	
Depreciation expense	<u>(2,510,444)</u>	
Excess of depreciation expense over capital outlay		(1,685,702)

Repayment of long-term debt and capital leases are 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:

475,600

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:

(15,775)

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	\$ (1,473,092)	
Highway fund	<u>415,428</u>	
Total internal service funds		(1,057,664)

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	\$ 5,282	
Vacation	108,500	
Banked sick leave	722	
Vested sick leave	(4,327)	
Accrued sick	48,643	
Comp time	<u>1,861</u>	
Combined adjustment		160,681

Revenue had accrued on 12/31/11 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	\$ 271,351	
Interest on delinquent taxes	225,889	
Corrections	<u>164,008</u>	
Combined adjustment		<u>661,248</u>

Change in net assets of governmental activities \$ (1,032,426)

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, 2011

	Enterprise Funds					Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestrv	Lincoln Industries	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,527,829	\$ 3,891,631	\$ 1,956,477	\$ 144,150	\$ 7,520,087	\$ 2,320,742
Receivables, net:						
Property taxes	359,440	-	-	-	359,440	-
Accounts	1,551,998	117,547	211,329	-	1,880,874	201,469
Due from other governments	-	-	-	200,655	200,655	748,166
Inventories, at cost	36,142	236,112	-	-	272,254	1,261,222
Prepaid items	35,927	2,543	-	-	38,470	270
Total current assets	<u>3,511,336</u>	<u>4,247,833</u>	<u>2,167,806</u>	<u>344,805</u>	<u>10,271,780</u>	<u>4,531,869</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	19,030	3,775,886	-	-	3,794,916	-
Capital assets:						
Land	13,833	84,605	2,502,037	64,605	2,665,080	35,540
Construction work in progress	-	288,202	-	-	288,202	-
Improvements other than buildings	411,970	6,637,493	9,603	10,752	7,069,818	244,869
Buildings	8,218,443	300,049	295,367	1,219,463	10,033,322	1,853,669
Machinery and equipment	1,487,238	950,456	562,338	108,077	3,108,109	9,402,319
Less accumulated depreciation and depletion	(6,004,042)	(6,325,849)	(701,304)	(1,191,133)	(14,222,328)	(7,655,262)
Total capital assets	<u>4,127,442</u>	<u>1,934,956</u>	<u>2,668,041</u>	<u>211,764</u>	<u>8,942,203</u>	<u>3,881,135</u>
Total noncurrent assets	<u>4,146,472</u>	<u>5,710,842</u>	<u>2,668,041</u>	<u>211,764</u>	<u>12,737,119</u>	<u>3,881,135</u>
Total assets	<u>7,657,808</u>	<u>9,958,675</u>	<u>4,835,847</u>	<u>556,569</u>	<u>23,008,899</u>	<u>8,413,004</u>
LIABILITIES						
Current liabilities:						
Accounts payable	264,082	149,030	2,292	8,567	423,971	962,352
Accrued expenses	133,472	4,458	8,481	12,855	159,266	44,448
Compensated absences payable	297,874	22,852	36,696	37,438	394,860	199,194
Accrued claims	-	-	-	-	-	640,488
Due to other funds	-	-	-	-	-	56,195
Due to other governments	-	-	157,578	99	157,677	-
Unearned revenue	359,440	-	-	-	359,440	-
Current maturities of long-term debt	410,000	-	-	-	410,000	78,448
Deposits and advances	37,275	-	53,904	-	91,179	-
Total current liabilities	<u>1,502,143</u>	<u>176,340</u>	<u>258,951</u>	<u>58,959</u>	<u>1,996,393</u>	<u>1,981,125</u>
Noncurrent liabilities:						
Noncurrent maturities of long-term debt	1,358,467	-	-	-	1,358,467	203,536
Advance due other funds	-	-	-	-	-	233,042
Compensated absences payable	-	23,907	44,494	28,621	97,022	172,988
Future closure payable	-	4,144,736	-	-	4,144,736	-
Total noncurrent liabilities	<u>1,358,467</u>	<u>4,168,643</u>	<u>44,494</u>	<u>28,621</u>	<u>5,600,225</u>	<u>609,566</u>
Total liabilities	<u>2,860,610</u>	<u>4,344,983</u>	<u>303,445</u>	<u>87,580</u>	<u>7,596,618</u>	<u>2,590,691</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,358,975	1,934,956	2,668,041	211,764	7,173,736	3,599,151
Restricted	19,030	-	38,059	-	57,089	-
Unrestricted	<u>2,419,193</u>	<u>3,678,736</u>	<u>1,826,302</u>	<u>257,225</u>	<u>8,181,456</u>	<u>2,223,162</u>
TOTAL NET ASSETS	<u>\$ 4,797,198</u>	<u>\$ 5,613,692</u>	<u>\$ 4,532,402</u>	<u>\$ 468,989</u>	<u>\$ 15,412,281</u>	<u>\$ 5,822,313</u>

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

LINCOLN COUNTY, WISCONSIN*
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Enterprise Funds					Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Total	
OPERATING REVENUES						
Public charges for service	\$ 11,684,168	\$ 2,913,477	\$ 1,331,541	\$ 1,321,674	\$ 17,250,860	\$ -
Interdepartmental charges for service	-	-	-	23,930	23,930	9,191,786
Intergovernmental charges for service	-	214,809	1,990	-	216,799	2,803,129
Other	33,077	-	-	-	33,077	37,244
Total operating revenues	<u>11,717,245</u>	<u>3,128,286</u>	<u>1,333,531</u>	<u>1,345,604</u>	<u>17,524,666</u>	<u>12,032,159</u>
OPERATING EXPENSES						
Claims paid	-	-	-	-	-	5,907,994
Nursing services	5,436,043	-	-	-	5,436,043	-
Other professional services	556,642	-	-	-	556,642	-
General services	2,079,622	1,225,518	772,490	1,090,473	5,168,103	5,558,887
Administrative and fiscal services	3,342,715	-	-	-	3,342,715	1,286,720
Provider assessment tax	336,600	-	-	-	336,600	-
Provision for bad debts	60,311	-	-	-	60,311	-
Future closing costs	-	311,554	-	-	311,554	-
Depreciation and amortization	279,732	514,299	19,596	37,456	851,083	473,815
Total operating expenses	<u>12,091,665</u>	<u>2,051,371</u>	<u>792,086</u>	<u>1,127,929</u>	<u>16,063,051</u>	<u>13,227,416</u>
Operating income (loss)	<u>(374,420)</u>	<u>1,076,915</u>	<u>541,445</u>	<u>217,675</u>	<u>1,461,615</u>	<u>(1,195,257)</u>
NONOPERATING REVENUES (EXPENSES)						
Property taxes	359,610	-	-	-	359,610	-
Insurance recoveries	-	-	-	1,994	1,994	7,236
Interest income	541	53,991	-	-	54,532	28,875
Rental income	-	-	-	-	-	50
Grant revenue	-	-	236,206	-	236,206	58,796
Salvage revenue	-	-	-	-	-	5,503
Donations	12,450	-	6,589	-	19,039	-
Interest expense	(79,979)	-	-	-	(79,979)	-
Gain on sale of supplies	-	-	-	-	-	183
Gain on disposal of capital assets	53	-	4,000	100	4,153	36,950
Total nonoperating revenues (expenses)	<u>292,675</u>	<u>53,991</u>	<u>246,795</u>	<u>2,094</u>	<u>595,555</u>	<u>137,593</u>
Income (loss) before transfers and contributed capital	<u>(81,745)</u>	<u>1,130,906</u>	<u>788,240</u>	<u>219,769</u>	<u>2,057,170</u>	<u>(1,057,664)</u>
Contributed capital	-	-	-	249,220	249,220	-
Transfer out	(66,909)	(200,000)	(503,282)	-	(770,191)	-
Change in net assets	<u>(148,654)</u>	<u>930,906</u>	<u>284,958</u>	<u>468,989</u>	<u>1,536,199</u>	<u>(1,057,664)</u>
TOTAL NET ASSETS - BEGINNING	<u>4,945,852</u>	<u>4,682,786</u>	<u>4,247,444</u>	<u>-</u>	<u>13,876,082</u>	<u>6,879,977</u>
TOTAL NET ASSETS - ENDING	<u>\$ 4,797,198</u>	<u>\$ 5,613,692</u>	<u>\$ 4,532,402</u>	<u>\$ 468,989</u>	<u>15,412,281</u>	<u>\$ 5,822,313</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
For the Year Ended December 31, 2011**

	<u>Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>	<u>Lincoln Industries</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES						
From patients and third party payors	\$ 10,256,104	\$ 3,022,869	\$ 1,135,720	1,121,019	\$ 15,535,712	\$ -
From other County departments	-	-	-	23,930	23,930	9,191,786
From government and other parties for sales	-	214,809	1,990	-	216,799	2,852,027
To employees for compensation and fringe benefits	(8,241,288)	(340,685)	(515,521)	(555,701)	(9,653,195)	(3,114,897)
To vendors for goods and services	(3,506,418)	(1,201,906)	(232,561)	(447,192)	(5,388,077)	(10,295,890)
Other cash received	33,077	-	-	-	33,077	-
Net cash provided by (used in) operating activities	<u>(1,458,525)</u>	<u>1,695,087</u>	<u>389,628</u>	<u>142,056</u>	<u>768,246</u>	<u>(1,366,974)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant revenue	-	-	236,206	-	236,206	58,796
Donations	12,450	-	6,589	-	19,039	-
Transfer out	(66,909)	(200,000)	(503,282)	-	(770,191)	-
Tax levy appropriations	359,610	-	-	-	359,610	-
Net cash provided by (used in) noncapital financing activities	<u>305,151</u>	<u>(200,000)</u>	<u>(260,487)</u>	<u>-</u>	<u>(155,336)</u>	<u>58,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(332,848)	(288,202)	(25,257)	-	(646,307)	(203,877)
Proceeds from sale of assets	53	-	4,000	100	4,153	150,400
Insurance recovery for damaged equipment	-	-	-	1,994	1,994	29,406
Capital lease payment	-	-	-	-	-	(30,403)
Advance from General Fund	-	-	-	-	-	(56,194)
Interest premium on long-term debt	(26,951)	-	-	-	(26,951)	-
Principal payments on long-term debt	(385,090)	-	-	-	(385,000)	-
Interest paid on long-term debt	(113,389)	-	-	-	(113,389)	-
Net cash provided by (used in) capital and related financing activities	<u>(858,135)</u>	<u>(288,202)</u>	<u>(21,257)</u>	<u>2,094</u>	<u>(1,165,500)</u>	<u>(110,668)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	541	43,826	-	-	44,367	35,746
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,010,968)</u>	<u>1,250,711</u>	<u>107,884</u>	<u>144,150</u>	<u>(508,223)</u>	<u>(1,383,100)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,557,827</u>	<u>6,416,806</u>	<u>1,848,593</u>	<u>-</u>	<u>11,823,226</u>	<u>3,703,842</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,546,859</u>	<u>\$ 7,667,517</u>	<u>\$ 1,956,477</u>	<u>\$ 144,150</u>	<u>\$ 11,315,003</u>	<u>\$ 2,320,742</u>
CASH AND CASH EQUIVALENTS CONSIST OF:						
Unrestricted	\$ 1,527,829	\$ 3,891,631	\$ 1,956,477	\$ 144,150	\$ 7,520,087	\$ 2,320,742
Restricted	19,030	3,775,886	-	-	3,794,916	-
	<u>\$ 1,546,859</u>	<u>\$ 7,667,517</u>	<u>\$ 1,956,477</u>	<u>\$ 144,150</u>	<u>\$ 11,315,003</u>	<u>\$ 2,320,742</u>

LINCOLN COUNTY, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	<u>Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>	<u>Lincoln Industries</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ (374,420)	\$ 1,076,915	\$ 541,445	217,675	\$ 1,461,615	\$ (1,195,257)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Provision for bad debts	60,311	-	-	-	60,311	-
Depreciation and amortization	279,732	514,299	19,596	37,456	851,083	473,815
Future closing costs	-	311,554	-	-	311,554	-
Change in assets and liabilities:						
Accounts receivable	(686,790)	109,392	(195,821)	(200,655)	(973,874)	(92,220)
Due from other governments	-	-	-	-	-	(282,124)
Inventories	4,501	-	-	-	4,501	(216,203)
Prepaid items	21,148	(1,418)	-	-	19,730	-
Accounts payable	(41,426)	(300,653)	(10,538)	8,567	(344,050)	(104,600)
Due to other governments	-	-	21,683	99	21,782	-
Accrued expenses	9,141	(281)	(156)	12,855	21,559	(613)
Deferred revenue	(728,150)	-	-	-	(728,150)	-
Compensated absences payable	1,557	(14,721)	-	66,059	52,895	(38,667)
Deposits and advances	(4,129)	-	13,419	-	9,290	-
Claims paid	-	-	-	-	-	88,895
Total adjustments	(1,084,105)	618,172	(151,817)	(75,619)	(693,369)	(171,717)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (1,458,525)	\$ 1,695,087	\$ 389,628	\$ 142,056	\$ 768,246	\$ (1,366,974)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
Capital assets transferred from governmental activities, net of accumulated depreciation	\$ -	\$ -	\$ -	\$ 249,220	\$ 249,220	\$ -
Capital asset additions purchased in capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,070

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, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 29,137
Accounts receivable	<u>519,476</u>
Total assets	<u>\$ 548,613</u>
 LIABILITIES	
Deposits and advances	\$ 21,150
Due other governments	<u>527,463</u>
Total liabilities	<u>\$ 548,613</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, 2011

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, 2011

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.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" for the year ended December 31, 2011. The County reports the following special revenue funds, including the purpose and significant revenue source:

Fund	Purpose	Significant Revenues
County Roads and Bridges	To account for financial resources to be used to maintain the County's roads and bridges.	Property Taxes and Intergovernmental Aids
Social Services	To account for financial resources to be used for social service programs.	Intergovernmental Aids and Property Taxes
Developmental Disabilities	To account for financial resources to be used for programs for developmentally disabled individuals.	Intergovernmental Aids and Property Taxes
County Health	To account for financial resources used for health programs.	Property Taxes and Intergovernmental Charges for Services
Commission on Aging	To account for financial resources used for aging programs.	Intergovernmental Aids and Property Taxes
Dog License	To account for financial resources used for the humane society.	Licenses and Permits
Community Development	To account for financial resources used for community development programs.	Public Charges for Services
Emergency Medical	To account for financial resources used for the emergency medical program.	Public Charges for Services
Jail Assessment	To account for fines and forfeits to be used for jail improvements.	Fines and Forfeits

The County reports the following major enterprise funds:

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

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

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

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

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

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.

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, 2011

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.

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.

Uses of Estimates

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

PROPERTY TAXES

Property taxes are levied prior to December 31 and are due and collectible in the following year. The 2011 tax levy is recorded as receivable with offsetting deferred revenue at December 31, 2011; it will be recognized as revenue in 2012 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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The property tax calendar for the 2011 tax roll follows:

Lien date and date levy	December 2011
Tax bills mailed	December 2011
Real estate taxes first installment due	January 31, 2012
Personal property taxes due in full	January 31, 2012
Real estate taxes second installment due	July 31, 2012
Tax sale - 2011 delinquent real estate taxes	October 2015

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 nonspendable fund balance 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. Inventory of governmental fund types are offset by nonspendable fund balance to indicate that they do not represent available spendable financial resources.

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 nonspendable fund balance to indicate that they do not represent available spendable financial resources.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

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

Capital assets used in the governmental funds type operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

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, 2011

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

For the year ended December 31, 2011, the County implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable*: fund balance not in spendable form (inventories, prepaid amounts, etc.).
- *Restricted*: 1) Externally imposed by creditors, grantors, contributors, or law and regulations, 2) Imposed by law through constitutional provisions or enabling legislation. The main points for this classification are that the constraint is externally imposed and legally enforceable.
- *Committed*: constraints imposed by formal action of the Lincoln County Board of Supervisors for a purpose defined by the Lincoln County Board of Supervisors. This is an internal constraint by the highest decision making authority. These amounts may not be used for another purpose unless the Lincoln County Board of Supervisors removes or changes the use by resolution or ordinance.
- *Assigned*: Amounts that are constrained by Lincoln County's intent to be used for a specific purpose. These amounts are constrained by action of the Finance and Insurance Committee. Additionally, assigned amounts include all remaining amounts that are reporting in governmental funds, other than the general fund, that are not classified as Nonspendable and are neither restricted nor committed.
- *Unassigned*: The residual classification for the general fund. Amounts that have not been restricted, committed, or assigned to a specific purpose in the general fund.

The County has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

BUDGETARY ACCOUNTING

The County follows these procedures in establishing the annual budget:

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

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS

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

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

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

The carrying amount of the County's cash and cash equivalents totaled \$27,193,638 on December 31, 2011, as summarized below:

Petty cash fund	\$ 2,220
Deposits with financial institutions	14,859,520
Investments	
Wisconsin local government investment pool	6,106,049
Landfill long-term care trust	3,775,886
Health insurance trust fund	2,394,979
Insurance deposits	54,984
	<u>\$ 27,193,638</u>

Presented in the Statement of Net Assets as follows:

Unrestricted cash and cash equivalents	\$ 23,239,472
Restricted cash and investments	3,925,029
Fiduciary fund cash and cash equivalents	29,137
	<u>\$ 27,193,638</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The County has a formal policy addressing this type of deposit risk.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. In addition, the City's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, 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, 2011, \$8,499,202 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.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

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.

<u>Type of Investment</u>	<u>Fair Value at Year End</u>	<u>Investment Rating</u>
Local Government Investment Pool	\$ 6,106,049	Not Rated
U.S. Treasury Notes	3,444,970	Exempt
U.S. Government securities	2,245,725	AAA
Money Market Mutual Funds	480,170	Not Rated
Insurance Deposits	54,984	Not Rated

Interest Rate Risk

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2011 the County had the following investments and maturities:

<u>Type of Investment</u>	<u>Fair Value at Year End</u>	<u>Average Maturities</u>
Local Government Investment Pool	\$ 6,106,049	Less than 1 year
U.S. Treasury Notes	3,444,970	1 to 3 years
U.S. Government securities	2,245,725	1 to 3 years
Money Market Mutual Funds	480,170	Less than 1 year
Insurance Deposits	54,984	Less than 1 year

Governmental entities including counties, municipalities and school districts may deposit money in the Local Government Investment Pool (LGIP), which holds investments in U.S. Government securities, certificates of deposit, commercial papers, and repurchase agreements. Participants in the fund may withdraw or add to their account balances at part at any time. The fair value of this fund may be different from the accounting basis that is reflected in the monthly statements sent to participants. To translate participant's holdings to a fair value amount, a conversion factor must be applied to the County's account balance. The State Investment Fund publishes this conversion factor monthly and as of December 31, 2011, the factor was 100%. As of December 31, 2011 the carrying amount of these investments was \$6,106,049. The annualized interest rate on the LGIP was .14% for the month of December 2011.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Concentration of Credit Risk

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

NOTE 3 - RESTRICTED ASSETS

Restricted assets on December 31, 2011, totaled \$3,925,029 consisting of cash and investments as follows:

General fund	
Insurance deposits	\$ 54,983
Social Service fund	
COP risk reserve	75,130
Enterprise fund	
Solid waste landfill	
Long-term care and closure deposits	3,775,886
Pine Crest Nursing Home	
Donation and special fund	<u>19,030</u>
	<u>\$3,925,029</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

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

	General	County Roads and Bridges	Social Services	Develop- mental Disabilities	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Nonmajor and Internal Service Funds	Total
Receivables										
Property taxes	\$ 8,521,639	\$ 2,222,826	\$ 300,000	\$ -	\$ 359,440	\$ -	\$ -	\$ -	\$ 2,002,007	\$ 13,405,912
Tax certificates and deeds	1,890,648	-	-	-	-	-	-	-	-	1,890,648
Assessments	60,061	-	-	-	-	-	-	-	-	60,061
Accounts	721,495	-	-	10,118	1,651,998	117,547	211,329	-	625,824	3,338,311
Loans	-	-	-	-	-	-	-	-	529,283	529,283
Due from other governments	348,082	-	187,121	-	-	-	-	200,655	789,950	1,525,808
Gross receivables	11,541,925	2,222,826	487,121	10,118	2,011,438	117,547	211,329	200,655	3,947,064	20,750,023
Less allowance for uncollectibles	-	-	-	-	(100,000)	-	-	-	(82,411)	(182,411)
Net total fund receivables	<u>\$ 11,541,925</u>	<u>\$ 2,222,826</u>	<u>\$ 487,121</u>	<u>\$ 10,118</u>	<u>\$ 1,911,438</u>	<u>\$ 117,547</u>	<u>\$ 211,329</u>	<u>\$ 200,655</u>	<u>\$ 3,864,653</u>	20,567,612
Corrections										126,232
Worker comp rebate										103,752
NCHC refund										<u>136,000</u>
Net statement of net assets receivables										<u>\$ 20,933,596</u>

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

On December 31, 2011, the County's general fund showed an investment of \$1,890,648 in delinquent taxes as follows:

Tax certificates	\$1,850,622
Tax deeds	<u>40,026</u>
Total	<u>\$1,890,648</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE (CONTINUED)

An aging of the delinquent tax certificate taxes of \$1,850,622 on December 31, 2011, follows:

Year Acquired

Prior to 2007	\$ 13,278
2007	20,587
2008	48,608
2009	103,653
2010	521,987
2011	<u>1,142,509</u>
	<u>\$1,850,622</u>

Of the total of \$1,850,622 for delinquent tax certificate taxes, \$372,792 was collected by the County within 90 days after December 31, 2011. The remaining unpaid balance of \$1,477,830 and tax deeds of \$40,026 are recorded as nonspendable fund balance of \$1,517,856 for the general fund.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General fund	\$ 562,812	\$ 8,565,218	\$ 9,128,030
Special revenue funds:			
County roads and bridges	-	2,222,826	2,222,826
Social services	-	347,726	347,726
County health	-	544,730	544,730
Community Development	529,283	-	529,283
Emergency medical	-	646,760	646,760
Debt Service	-	837,942	837,942
Subtotal	<u>1,092,095</u>	<u>13,165,202</u>	<u>14,257,297</u>
Pine Crest Nursing Home	-	359,440	359,440
Total deferred/unearned revenue	<u>\$ 1,092,095</u>	<u>\$13,524,642</u>	<u>\$14,616,737</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At December 31, 2011, interfund receivables and payables were as follows:

	<u>Receivable From Other Funds</u>	<u>Payable To Other Funds</u>
General Fund	\$ 56,195	\$ -
Highway Fund	<u>-</u>	<u>56,195</u>
	<u>\$ 56,195</u>	<u>\$ 56,195</u>

The General Fund's receivable of \$56,195 from the Highway Fund is for past building upgrades. Additional advances between the General Fund and Highway Fund are as follows:

	<u>Advance Receivables</u>	<u>Advance Payables</u>
General Fund	\$ 233,042	\$ -
Highway Fund	<u>-</u>	<u>233,042</u>
	<u>\$ 233,042</u>	<u>\$ 233,042</u>

Transfers were made in the primary government as follows:

	Transfer to:						
<u>Fund</u>	<u>General Fund</u>	<u>Emergency Medical</u>	<u>Debt Service</u>	<u>County Roads</u>	<u>Social Services</u>	<u>County Health</u>	<u>Commission On Aging</u>
Transfers from:							
General Fund	\$ -	\$ 113,791	\$ -	\$ 350,000	\$ -	\$ -	\$ 28,575
Social Services	243,589	-	-	-	-	-	-
Solid Waste	200,000	-	-	-	-	-	-
Jail Assessment	21,609	-	-	-	-	-	-
County Health	114,219	-	-	-	-	-	-
Pine Crest	-	-	66,909	-	-	-	-
Forestry	503,282	-	-	-	-	-	-
Comm On Aging	-	-	-	-	43,652	7,263	-
Develop Disability	520,784	-	-	-	-	-	-
Capital Projects	<u>91,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,695,158</u>	<u>\$ 113,791</u>	<u>\$ 66,909</u>	<u>\$ 350,000</u>	<u>\$ 43,652</u>	<u>\$ 7,263</u>	<u>\$ 28,575</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 and County Roads Fund. Additionally, transfers from Developmental Disabilities and Commission On Aging to the General Fund, Social Services and County Health were made due to Family Care taking over these functions within the County.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 - CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>Balance</u> <u>1-1-11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-11</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 181,075	\$ -	\$ 64,605	\$ 116,470
Construction in progress	<u>3,849,106</u>	<u>588,022</u>	<u>1,541,274</u>	<u>2,895,854</u>
Total capital assets not depreciated	<u>4,030,181</u>	<u>588,022</u>	<u>1,605,879</u>	<u>3,012,324</u>
Capital assets being depreciated:				
Land improvements	464,395	17,699	18,082	464,012
Infrastructure	49,650,639	381,593	689,341	49,342,891
Buildings and improvements	26,969,877	1,933,167	1,219,463	27,683,581
Equipment and vehicles	12,637,334	721,233	984,263	12,374,304
Intangible assets	<u>107,695</u>	<u>-</u>	<u>-</u>	<u>107,695</u>
Total capital assets depreciated	<u>89,829,940</u>	<u>3,053,692</u>	<u>2,911,149</u>	<u>89,972,483</u>
Less accumulated depreciation:				
Land improvements	133,767	15,059	8,027	140,799
Infrastructure	21,254,485	1,271,448	249,123	22,276,810
Buildings and improvements	9,300,109	961,821	1,026,091	9,235,839
Equipment and vehicles	8,113,583	735,931	553,179	8,296,335
Intangible assets	<u>107,695</u>	<u>-</u>	<u>-</u>	<u>107,695</u>
Total accumulated depreciation	<u>38,909,639</u>	<u>2,984,259</u>	<u>1,836,420</u>	<u>40,057,478</u>
Total capital assets depreciated, net	<u>50,920,301</u>	<u>69,433</u>	<u>1,074,729</u>	<u>49,915,005</u>
Total governmental activities capital assets, net	<u>\$ 54,950,482</u>	<u>\$ 657,455</u>	<u>\$ 2,680,608</u>	<u>52,927,329</u>
Less related long-term debt outstanding				<u>12,304,305</u>
Invested in capital asset, net of related debt				<u>\$ 40,524,024</u>

As of January 1, 2011, the County reclassified the activities of Lincoln Industries from a special revenue fund to an enterprise fund, resulting in a transfer of capital assets with a book value of \$249,220 as follows:

Land	\$ 64,605
Land improvements	10,752
Buildings and improvements	1,219,463
Equipment and vehicles	<u>8,077</u>
Total capital assets	1,402,897
Less: Accumulated depreciation	<u>1,153,677</u>
Net capital assets transferred	<u>\$ 249,220</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Changes in capital assets were as follows:

	<u>Balance</u> <u>1-1-11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-11</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,600,475	\$ 64,605	\$ -	\$ 2,665,080
Construction in progress	<u>81,995</u>	<u>288,202</u>	<u>81,995</u>	<u>288,202</u>
Total capital projects not depreciated	<u>2,682,470</u>	<u>352,807</u>	<u>81,995</u>	<u>2,953,282</u>
Capital assets being depreciated:				
Land improvements	7,194,809	25,377	150,368	7,069,818
Buildings and improvements	8,508,407	1,524,915	-	10,033,322
Equipment and vehicles	<u>2,905,451</u>	<u>228,101</u>	<u>25,443</u>	<u>3,108,109</u>
Total capital assets depreciated	<u>18,608,667</u>	<u>1,778,393</u>	<u>175,811</u>	<u>20,211,249</u>
Less accumulated depreciation:				
Land improvements	5,350,335	309,492	1,806	5,658,021
Buildings and improvements	4,975,151	1,286,554	-	6,261,705
Equipment and vehicles	<u>2,086,741</u>	<u>241,478</u>	<u>25,617</u>	<u>2,302,602</u>
Total accumulated depreciation	<u>12,412,227</u>	<u>1,837,524</u>	<u>27,423</u>	<u>14,222,328</u>
Total capital assets depreciated, net	<u>6,196,440</u>	<u>(59,131)</u>	<u>148,388</u>	<u>5,988,921</u>
Total business-type activities capital assets, net	<u>\$ 8,878,910</u>	<u>\$ 293,676</u>	<u>\$ 230,383</u>	8,942,203
Less related long-term debt outstanding				<u>1,768,467</u>
Invested in capital asset, net of related debt				<u>\$ 7,173,736</u>
Depreciation expense was charged to the functions as follows:				
Governmental activities				
General government				\$ 983,832
Public safety				252,787
Public works				1,745,263
Conservation and development				<u>2,377</u>
Total depreciation expense - governmental activities				<u>\$ 2,984,259</u>
Business-type activities				
Nursing home				\$ 275,453
Forestry				19,596
Solid waste landfill				351,342
Lincoln Industries				<u>1,191,133</u>
Increase in accumulated depreciation				1,837,524
Less: Accumulated depreciation on assets transferred to Lincoln Industries				<u>1,153,677</u>
Total depreciation expense - business-type activities				<u>\$ 683,847</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 - CAPITAL ASSETS (CONTINUED)

The County has active construction projects as of December 31, 2011. The projects include street construction and the widening and construction of existing streets and bridges. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street construction	\$ 589,273	\$ 747,227
Bridge and approach expansion	<u>1,343,718</u>	<u>1,069,408</u>
Total	<u>\$ 1,932,991</u>	<u>\$ 1,816,635</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:

	<u>Outstanding 1/1/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 12/31/11</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Debt					
Bonds	\$ 14,190,000	\$ -	\$ 475,000	\$ 13,715,000	\$ 525,000
Capital lease	256,245	93,070	66,010	283,305	79,107
Compensated absences	1,642,705	744,909	938,977	1,448,637	753,616
Governmental activities Long-term obligations	<u>\$ 16,088,950</u>	<u>\$ 868,382</u>	<u>\$ 1,510,390</u>	<u>\$ 15,446,942</u>	<u>\$ 1,357,723</u>
Business-type activities:					
General Obligation Debt					
Bonds	\$ 2,135,000	\$ -	\$ 385,000	\$ 1,750,000	\$ 410,000
Unamortized refunding loss/interest premium	45,418	-	26,951	18,467	-
Compensated absences	438,987	474,979	422,084	491,882	394,860
Business-type activities Long-term obligations	<u>\$ 2,619,405</u>	<u>\$ 474,979</u>	<u>\$ 834,035</u>	<u>\$ 2,260,349</u>	<u>\$ 804,860</u>

Interest paid for the year ended December 31, 2011 totaled \$712,639.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

Detail of the above outstanding general obligations debt follows:

Bonds:

2,400,000	issued March 15, 2004; \$115,000 to \$215,000 due annually through 2020; interest 2.2% to 5.23%	\$ 1,595,000
2,145,000	issued July 15, 2005; \$385,000 to \$445,000 due annually from 2011 through 2015; interest 3.45% to 3.7%	1,750,000
9,965,000	issued November 15, 2008; \$384,950 to \$1,202,172 due annually from 2009 through 2028; interest 4% to 4.65%	9,500,000
1,810,000	issued August 27, 2010; \$75,000 to 475,000 due annually from 2011 through 2017; interest 1.5% to 2.25%	1,730,000
890,000	issued August 27, 2010; \$170,000 to \$520,000 due 2018 through 2020; interest 4%	<u>890,000</u>
		<u>\$15,465,000</u>

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2011, are allocated to activities as detailed below:

<u>Due</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 525,000	\$ 563,015	\$ 410,000	\$ 89,326	\$ 935,000	\$ 652,341
2013	575,000	542,018	435,000	63,701	1,010,000	605,719
2014	515,000	523,876	460,000	35,970	975,000	559,846
2015	545,000	508,934	445,000	17,800	990,000	526,734
2016	600,000	492,767	-	-	600,000	492,767
2017-2021	4,190,000	2,023,048	-	-	4,190,000	2,023,048
2022-2026	4,495,000	1,056,477	-	-	4,495,000	1,056,477
2027-2028	2,270,000	106,702	-	-	2,270,000	106,702
Total	<u>\$13,715,000</u>	<u>\$5,816,837</u>	<u>\$1,750,000</u>	<u>\$ 206,797</u>	<u>\$15,465,000</u>	<u>\$ 6,023,634</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 value		\$2,381,381,100
Legal debt margin percentage		<u>5%</u>
Legal debt limit		119,069,055
Outstanding general obligation debt	\$ 15,465,000	
Less amount available in debt service	<u>(22,742)</u>	<u>15,442,258</u>
Legal debt margin		<u>\$ 103,626,797</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)

The County has entered into a lease agreement as lessee for financing the acquisition of a postage machine, two graders and two quad axle trucks. 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 \$673,512.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental</u> <u>Activities</u>
2012	\$ 88,594
2013	88,531
2014	41,302
2015	41,303
2016	<u>53,980</u>
Total minimum lease payments	313,710
Less amount representing interest	<u>(30,405)</u>
Present value of minimum lease payments	<u>\$ 283,305</u>

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

NOTE 8 - EMPLOYEE RETIREMENT PLAN

All eligible Lincoln County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS). All permanent employees hired before July 1, 2011 and expected to work over 600 hours a year (440 hours for teachers and educational support employees) or hired on or after July 1, 2011 and expected to work over 1200 hours a year (880 hours for teachers and educational support employees) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.8 percent of their salary (6.65 percent for Executive and Elected Officials, 5.8 percent for Protective Occupations with Social Security, and 5.8 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 WRS for the year ended December 31, 2011, was \$15,249,193; the employer's total payroll was \$15,937,359. The total required contribution for the year ended December 31, 2011, was \$1,862,349, which consisted of \$1,088,537 or 7.14% of payroll from the employer and \$773,812 or 5.07% of payroll from employees. Of the \$773,812 required contributions for employees for the year ended December 31, 2011, \$649,564 was financed by the County and \$124,248 was financed by the employees. Total contributions for years ended December 31, 2010 and 2009, were \$1,781,739 and \$1,756,852, respectively, equal to the required contributions for each year.

**LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011**

NOTE 8 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Employees who retire at or after the age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of credible service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application 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 \$100,000 per individual claim or an aggregate limit of \$6,503,349 during the period of January 1, 2011 to December 31, 2011.

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:

	Claims Liability at <u>January 1</u>	Provision Current Year <u>Claims</u>	Claims <u>Paid</u>	Claims Liability at <u>December 31</u>
2011	\$ 1,359,924	\$ 5,907,994	\$ 5,806,570	\$ 1,461,348
2010	1,103,363	5,716,847	5,460,286	1,359,924

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

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 \$54,983. 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, 2011, 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 2011 was \$9,960,412 with Lincoln County's share totaling \$556,340 (5.6%). 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, 2011, and for the year then ended.

Assets	\$ 30,297,185
Liabilities	9,035,971
Equity	21,261,214
Revenues	56,362,740
Expenses	53,686,680
Non-operating gain	104,295
Change in net assets	2,780,355

Lincoln County's share of net assets for the year ended December, 31 2011 is \$1,248,938.

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, 2011

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, 2011, the County has utilized approximately 82.5% of its landfill's capacity, a net increase of 7.9% compared to December 31, 2010. The landfill is estimated to be fully utilized in 2015.

The estimated liability for landfill closure and postclosure care costs and total future estimated costs as of December 31, 2011, is as follows:

Total estimated costs for construction, closure, and postclosure care	\$ 5,026,620
Estimated costs expensed through December 31, 2011	<u>(4,144,736)</u>
Estimated costs of construction, closure, and postclosure care to be recognized in future years	<u>\$ 881,884</u>

The estimated total current cost of the landfill construction, closure, and postclosure care of \$5,026,620 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, 2011. 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, 2011, investments of \$3,775,886 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 effect on the financial condition of the County.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 - FUND EQUITY

Fund Balances

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

	<u>General Fund</u>	<u>County Roads And Bridges</u>	<u>Social Services</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:					
Property Taxes	\$1,517,856	\$ -	\$ -	\$ -	1,517,856
Prepaid	271,127	-	-	671	271,798
Advances	233,042	-	-	-	233,042
Inventory	5,954	-	-	-	5,954
Restricted:					
Insurance Deposits	54,984	-	-	-	54,984
Veterans	3,044	-	-	-	3,044
Land Records	139,094	-	-	-	139,094
Land Conservation	909	-	-	-	909
Register of Deeds	48,920	-	-	-	48,920
UW Extension	12,589	-	-	-	12,589
Social Services	-	-	75,130	-	75,130
Other Funds	-	-	-	519,989	519,989
Sheriff	79,232	-	-	-	79,232
Committed:					
Roads Fund	250,000	-	-	-	250,000
Family Care	1,201,232	-	-	-	1,201,232
Building Project	91,675	-	-	-	91,675
Assigned:					
Veterans	2,000	-	-	-	2,000
Surveyor	69,358	-	-	-	69,358
Land Records	330	-	-	-	330
Land Conservation	20,581	-	-	-	20,581
Zoning	6,690	-	-	-	6,690
Register of Deeds	3,315	-	-	-	3,315
UW Extension	7,167	-	-	-	7,167
Sheriff	20,463	-	-	-	20,463
Emergency Management	2,500	-	-	-	2,500
CIP not committed	2,222,199	-	-	-	2,222,199
Roads Fund	-	735,698	-	-	735,698
Social Services	-	-	313,754	-	313,754
Other Funds	-	-	-	814,955	814,955
Total Fund Balances	<u>\$6,264,261</u>	<u>\$ 735,698</u>	<u>\$ 388,884</u>	<u>\$ 1,335,615</u>	<u>\$ 8,724,458</u>

The County's general fund unassigned balance is \$5,153,535. Included in this unassigned balance is \$3,707,723 for the County's cash flow needs.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 - FUND EQUITY (CONTINUED)

Restricted net assets

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

	Governmental Activities	Business-type Activities
Insurance deposit	\$ 54,984	\$ -
Grant and program fees	1,463,174	-
Jail assessments	43,818	-
Nursing home funds	-	19,030
Forestry grants	-	38,059
	<u>\$1,463,174</u>	<u>\$ 57,089</u>

NOTE 14 - PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2011 budget year, the increase in the maximum allowable tax levy is limited to the greater of the percentage change in the County's January 1 equalized value as a result of net new construction or 3.0% per year. The actual limit for the County for the 2011 budget was 3.0%. For the 2012 budget year, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the County's January 1 equalized value as a result of net new construction. The actual limit for the County for the 2012 budget was .58%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

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

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
General property	\$ 8,318,452	\$ 8,318,452	\$ 8,318,452	\$ -
Forest crop	20,000	20,000	38,373	18,373
Managed forest land	45,000	45,000	42,977	(2,023)
County sales tax	1,485,000	1,485,000	1,495,044	10,044
Real estate transfer fees	50,000	50,000	37,043	(12,957)
Interest on taxes	225,000	225,000	302,794	77,794
Payment in lieu of taxes	79,000	79,000	92,488	13,488
Total taxes	<u>10,222,452</u>	<u>10,222,452</u>	<u>10,327,171</u>	<u>104,719</u>
Intergovernmental				
State shared revenues	1,270,839	1,270,839	1,218,427	(52,412)
Exempt computer aid	28,000	28,000	34,497	6,497
Finance Department	800	800	763	(37)
Clerk of courts	88,900	88,900	85,586	(3,314)
Circuit court	78,195	78,195	72,443	(5,752)
Land information	10,300	10,300	10,585	285
Sheriff department	52,537	56,837	75,993	19,156
Emergency management	37,200	39,764	46,052	6,288
Victim witness	35,352	35,352	30,813	(4,539)
Zoning grants	30,000	26,100	26,100	-
Veterans service	10,000	10,000	10,000	-
Family court commissioner	1,186	1,186	618	(568)
Child support	243,520	243,520	232,363	(11,157)
UW extension	9,445	8,945	6,873	(2,072)
State acreage payment	71,000	71,000	67,439	(3,561)
Land conservation	251,000	250,846	251,678	832
Total intergovernmental	<u>2,218,274</u>	<u>2,220,584</u>	<u>2,170,230</u>	<u>(50,354)</u>
Licenses and permits				
County clerk	5,140	5,140	4,944	(196)
Family court commissioner	3,243	3,243	2,690	(553)
Land Information	2,500	2,500	4,328	1,828
Zoning fees	91,957	91,777	81,615	(10,162)
Total licenses and permits	<u>102,840</u>	<u>102,660</u>	<u>93,577</u>	<u>(9,083)</u>
Fines, forfeits, and penalties				
Clerk of courts	194,000	194,000	133,216	(60,784)
Circuit court	1,415	1,415	1,430	15
Sheriff department	50	50	127	77
Total fines, forfeits, and penalties	<u>195,465</u>	<u>195,465</u>	<u>134,773</u>	<u>(60,692)</u>

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public charges for service				
Clerk of courts	\$ 84,000	\$ 84,000	\$ 70,809	\$ (13,191)
Circuit court	12,601	12,601	10,945	(1,656)
Family court commissioner	3,052	3,052	3,150	98
Register of deeds	142,950	142,950	170,828	27,878
Land information	34,450	34,450	51,577	17,127
County clerk	610	610	2,112	1,502
Treasurer	100	100	21	(79)
District attorney	2,500	2,500	1,836	(664)
Sheriff department	712,805	712,805	745,090	32,285
Information Technology	58,385	58,385	59,175	790
Coroner	7,500	7,500	13,657	6,157
Maintenance	5,000	6,353	6,353	-
Zoning	16,320	1,500	2,945	1,445
Land conservation	-	361	361	-
Administration/personnel	-	-	68	68
Corporation counsel	-	-	912	912
Finance	150	150	195	45
Child support	7,500	7,500	5,271	(2,229)
UW extension	3,700	3,371	1,027	(2,344)
Forest land revenue	250,000	286,302	315,156	28,854
Other charges for service	720	720	52,261	51,541
Total public charges for services	<u>1,342,343</u>	<u>1,365,210</u>	<u>1,513,749</u>	<u>148,539</u>
Intergovernmental charges for service				
Sheriff department	40,600	48,022	53,808	5,786
Land information	650	650	6,400	5,750
Clerk of courts	3,300	3,300	3,001	(299)
County clerk	13,000	13,000	24,477	11,477
UW extension	3,200	5,200	4,400	(800)
Total intergovernmental charges for services	<u>60,750</u>	<u>70,172</u>	<u>92,086</u>	<u>21,914</u>
Miscellaneous				
Interest	287,600	287,600	168,313	(119,287)
Rent	109,000	115,516	158,716	43,200
Tax Deed Profit	5,000	5,000	1,827	(3,173)
Sale of county property	40,000	40,000	62,473	22,473
Misc	-	-	-	-
Insurance recovery	15,000	15,000	51,928	36,928
Private organization donations	4,375	4,875	2,510	(2,365)
Total miscellaneous	<u>460,975</u>	<u>467,991</u>	<u>445,767</u>	<u>(22,224)</u>
Total revenues	<u>14,603,099</u>	<u>14,644,534</u>	<u>14,777,353</u>	<u>132,819</u>

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
General government				
County board chairman	\$ 47,588	\$ 47,588	\$ 43,308	\$ 4,280
County board committees	96,208	96,208	80,656	15,552
Clerk of courts	641,634	641,634	616,888	24,746
Circuit court	247,305	257,099	257,199	(100)
Family court commissioner	32,716	32,716	30,566	2,150
Coroner	48,547	48,547	48,311	236
Law library	1,200	1,200	1,252	(52)
District attorney	198,561	224,487	224,388	99
Corporation counsel	183,579	183,579	174,848	8,731
Victim witness	63,797	63,797	62,186	1,611
County clerk	134,764	130,233	86,577	43,656
Administration/personnel	206,424	206,424	179,117	27,307
Information technology	715,278	735,480	713,457	22,023
General administration	17,556	41,200	30,384	10,816
Treasurer	130,081	131,856	131,776	80
Finance department	405,047	405,047	402,798	2,249
Maintenance	820,532	847,707	842,708	4,999
Surveyor	155,488	188,988	130,834	58,154
Tax description	85,559	85,559	60,409	25,150
Register of deeds	218,174	236,629	208,836	27,793
Land records	266,780	342,954	199,984	142,970
Tax assessment	74,527	74,527	72,249	2,278
Insurance	89,397	102,055	88,053	14,002
Elections	35,600	41,081	41,080	1
Contingency fund	569,462	446,353	-	446,353
Total general government	<u>5,485,804</u>	<u>5,612,948</u>	<u>4,727,864</u>	<u>885,084</u>
Public safety				
Sheriff department:				
Law enforcement	3,198,817	3,253,770	3,113,568	140,202
Emergency communication (911)	792,113	820,943	820,852	91
Correction and detention	2,260,350	2,263,932	2,143,734	120,198
Emergency management	100,549	118,058	114,412	3,646
Civil service commission	2,000	2,000	599	1,401
Total public safety	<u>6,353,829</u>	<u>6,458,703</u>	<u>6,193,165</u>	<u>265,538</u>
Public works				
Zoning-sanitation	<u>30,000</u>	<u>26,100</u>	<u>26,100</u>	<u>-</u>
Health and human services				
Community organizations	190,000	190,000	189,739	261
Family care	1,128,771	1,128,771	844,329	284,442
Health care center	556,340	556,340	556,340	-
Child support agency	297,400	297,400	292,419	4,981
Veterans services	139,563	143,637	135,506	8,131
Cemetery	1,314	1,314	1,314	-
Total health and human services	<u>2,313,388</u>	<u>2,317,462</u>	<u>2,019,647</u>	<u>297,815</u>

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Culture, recreation, and education				
Public libraries	\$ 619,414	\$ 619,414	\$ 620,443	\$ (1,029)
UW extension	252,390	259,057	222,230	36,827
Total culture, recreation, and education	<u>871,804</u>	<u>878,471</u>	<u>842,673</u>	<u>35,798</u>
Conservation and development				
Economic development	45,995	45,995	45,995	-
Zoning	340,174	317,645	266,516	51,129
Land conservation	429,383	456,894	455,935	959
Total conservation and development	<u>815,552</u>	<u>820,534</u>	<u>768,446</u>	<u>52,088</u>
Capital outlay				
Maintenance	12,500	-	-	-
Information Technology	-	86,155	84,601	1,554
Land records	-	39,650	36,759	2,891
Sheriff	184,344	175,460	131,635	43,825
Total capital outlay	<u>196,844</u>	<u>301,265</u>	<u>252,995</u>	<u>48,270</u>
Total expenditures	<u>16,067,221</u>	<u>16,415,483</u>	<u>14,830,890</u>	<u>1,584,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,464,122)</u>	<u>(1,770,949)</u>	<u>(53,537)</u>	<u>1,717,412</u>
Other financing sources (uses)				
Funds applied	1,640,620	1,976,022	1,976,022	-
Transfer in	287,293	287,293	1,695,158	1,407,865
Transfer out	(463,791)	(492,366)	(492,366)	-
Total other financing sources (uses)	<u>1,464,122</u>	<u>1,770,949</u>	<u>3,178,814</u>	<u>1,407,865</u>
Net change in fund balance	-	-	3,125,277	3,125,277
FUND BALANCE - BEGINNING	<u>10,268,540</u>	<u>10,268,540</u>	<u>10,268,540</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 10,268,540</u>	<u>\$ 10,268,540</u>	<u>\$ 13,393,817</u>	<u>\$ 3,125,277</u>

RECONCILIATION FROM BUDGET TO GAAP:

Net change in fund balance - budget	\$ 3,125,277
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>(1,976,022)</u>
Net change in fund balance - GAAP	<u>\$ 1,149,255</u>

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property	\$ 2,153,218	\$ 2,153,218	\$ 2,153,218	\$ -
Intergovernmental	1,395,945	1,395,945	1,403,352	7,407
Public charges for service	-	-	7,328	7,328
Total revenues	<u>3,549,163</u>	<u>3,549,163</u>	<u>3,563,898</u>	<u>14,735</u>
EXPENDITURES				
Public works	<u>3,899,163</u>	<u>4,316,092</u>	<u>3,745,129</u>	<u>570,963</u>
Deficiency of revenues over (under) expenditures	<u>(350,000)</u>	<u>(766,929)</u>	<u>(181,231)</u>	<u>585,698</u>
OTHER FINANCING SOURCES				
Transfers in	350,000	350,000	350,000	-
Fund balance applied	-	<u>416,929</u>	<u>416,929</u>	-
Total other financing sources	<u>350,000</u>	<u>766,929</u>	<u>766,929</u>	-
Net change in fund balance	-	-	585,698	585,698
FUND BALANCES - BEGINNING	<u>566,929</u>	<u>566,929</u>	<u>566,929</u>	-
FUND BALANCES - ENDING	<u>\$ 566,929</u>	<u>\$ 566,929</u>	<u>\$ 1,152,627</u>	<u>\$ 585,698</u>
RECONCILIATION FROM BUDGET TO GAAP:				
Net change in fund balance - budget	\$ 585,698			
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>(416,929)</u>			
Net change in fund balance - GAAP	<u>\$ 168,769</u>			

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property	\$ 392,846	\$ 392,846	\$ 392,846	\$ -
Intergovernmental	2,045,750	2,045,750	1,897,920	(147,830)
Intergovernmental charges for service	-	-	4,000	4,000
Miscellaneous revenues	-	-	156	156
Total revenues	<u>2,438,596</u>	<u>2,438,596</u>	<u>2,294,922</u>	<u>(143,674)</u>
EXPENDITURES				
Health and human services	2,432,596	2,432,596	2,365,882	66,714
Outlay	6,000	6,000	12,918	(6,918)
Total expenditures	<u>2,438,596</u>	<u>2,438,596</u>	<u>2,378,800</u>	<u>59,796</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(83,878)	(83,878)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	43,652	43,652
Transfer out	-	-	(243,589)	(243,589)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(199,937)</u>	<u>(199,937)</u>
Net change in fund balance	-	-	(283,815)	(283,815)
FUND BALANCE - JANUARY 1	<u>672,699</u>	<u>672,699</u>	<u>672,699</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 672,699</u>	<u>\$ 672,699</u>	<u>\$ 388,884</u>	<u>\$ (283,815)</u>

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - DEVELOPMENTAL DISABILITIES FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property	\$ 33,139	\$ 33,139	\$ 33,139	\$ -
Intergovernmental	4,725,414	4,725,414	1,709,920	(3,015,494)
Public charges for service	1,127,900	1,127,900	239,528	(888,372)
Intergovernmental charges for service	41,800	41,800	-	(41,800)
Miscellaneous revenues	30	30	12	(18)
Total revenues	5,928,283	5,928,283	1,982,599	(3,945,684)
EXPENDITURES				
Health and human services	5,928,283	5,928,283	1,639,084	4,289,199
Excess (deficiency) of revenues over (under) expenditures	-	-	343,515	343,515
OTHER FINANCING SOURCES (USES)				
Transfer out	-	-	(520,784)	(520,784)
Total other financing sources (uses)	-	-	(520,784)	(520,784)
Net change in fund balance	-	-	(177,269)	(177,269)
FUND BALANCE - JANUARY 1	177,269	177,269	177,269	-
FUND BALANCE - DECEMBER 31	\$ 177,269	\$ 177,269	\$ -	\$ (177,269)

LINCOLN COUNTY, WISCONSIN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

NOTE 1 - EXCESS OF ACTUAL EXPENDITURES OVER FINAL BUDGET

For the year ending December 31, 2011, the legally adopted budget line items with actual expenditures over the final budget were as follows:

General Fund	<u>Final Budget</u>	<u>Actual</u>
General government		
Circuit Court	\$ 257,099	\$ 257,199
Law Library	1,200	1,252
Culture, recreation, and education		
Public Libraries	619,414	620,443
Social Services Fund		
Outlay	6,000	12,918

COMBINING FUND STATEMENTS

LINCOLN COUNTY, WISCONSIN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2011

	Special Revenue							Total	Debt Service	Capital Project	Total Nonmajor Governmental Funds
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment					
ASSETS											
Cash and cash equivalents	\$ 516,892	\$ -	\$ 25,093	\$ 127,158	\$ 626,228	\$ 43,257	\$ 1,338,628	\$ 22,071	\$ 1,056	\$ 1,361,755	
Receivables (net of allowances):											
Property taxes	542,655	-	-	-	621,410	-	1,164,065	837,942	-	2,002,007	
Accounts	2,640	-	-	-	339,304	-	341,944	-	-	341,944	
Loans	-	-	-	529,283	-	-	529,283	-	-	529,283	
Due from other governments	41,136	-	87	-	-	561	41,784	-	-	41,784	
Prepaid items	-	-	-	-	-	-	-	671	-	671	
TOTAL ASSETS	\$ 1,103,323	\$ -	\$ 25,180	\$ 656,441	\$ 1,586,942	\$ 43,818	\$ 3,415,704	\$ 860,684	\$ 1,056	\$ 4,277,444	
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ 7,542	\$ -	\$ 23,407	\$ -	\$ 338,132	\$ -	\$ 369,081	\$ -	\$ 1,056	\$ 370,137	
Accrued liabilities	11,487	-	-	-	717	-	12,204	-	-	12,204	
Due to other governments	-	-	773	-	-	-	773	-	-	773	
Deferred revenue	544,730	-	-	529,283	646,760	-	1,720,773	837,942	-	2,558,715	
Total liabilities	563,759	-	24,180	529,283	985,609	-	2,102,831	837,942	1,056	2,941,829	
Fund balance											
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	671	-	671	
Restricted	349,013	-	-	127,158	-	43,818	519,989	-	-	519,989	
Assigned	190,351	-	1,000	-	601,333	-	792,884	22,071	-	814,955	
Total fund balance	539,364	-	1,000	127,158	601,333	43,818	1,312,873	22,742	-	1,335,615	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,103,323	\$ -	\$ 25,180	\$ 656,441	\$ 1,586,942	\$ 43,818	\$ 3,415,704	\$ 860,684	\$ 1,056	\$ 4,277,444	

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Special Revenue							Total Nonmajor Governmental Funds	
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment	Total		
REVENUES									
Taxes	\$ 543,814	\$ -	\$ -	\$ -	\$ 698,067	\$ -	\$ 1,241,881	\$ 836,431	\$ 2,078,312
Intergovernmental revenues	119,016	-	-	155,500	64,372	-	338,888	17,533	356,421
Licenses and permits	2,513	-	23,667	-	-	-	26,180	-	26,180
Fines, forfeits, and penalties	165,101	-	-	113,649	1,156,138	33,781	1,434,888	-	1,434,888
Public charges for service	204,321	-	-	10,008	-	-	204,321	125,721	330,042
Intergovernmental charges for service	5,911	-	-	-	-	-	5,911	-	5,911
Miscellaneous revenues	-	-	-	-	-	-	-	-	-
Total revenues	1,040,676	-	23,667	279,157	1,918,577	33,781	3,295,858	979,685	4,275,543
EXPENDITURES									
Current:									
Public safety	-	-	-	-	1,735,909	-	1,735,909	-	1,735,909
Health and human services	938,618	40,126	23,667	-	-	-	1,002,411	-	1,002,411
Conservation and development	-	-	-	423,450	-	-	423,450	-	423,450
Capital outlay	-	-	-	-	-	-	-	415,610	415,610
Debt service:	-	-	-	-	-	-	-	475,000	475,000
Principal	-	-	-	-	-	-	-	589,037	589,037
Interest	-	-	-	-	-	-	-	1,064,037	1,064,037
Total expenditures	938,618	40,126	23,667	423,450	1,735,909	-	3,161,770	415,610	4,641,417
Excess (deficiency) of revenues over (under) expenditures	102,058	(40,126)	-	(144,293)	182,668	33,781	134,088	(84,352)	(365,874)
OTHER FINANCING SOURCES (USES)									
Transfers in	7,263	28,575	-	-	113,791	-	149,629	66,909	216,338
Transfers out	(114,219)	(50,915)	-	-	-	(21,609)	(186,743)	-	(278,418)
Total other financing sources (uses)	(106,956)	(22,340)	-	-	113,791	(21,609)	(37,114)	66,909	(61,880)
Net Change in Fund Balances	(4,898)	(62,466)	-	(144,293)	296,459	12,172	96,974	(17,443)	(427,754)
FUND BALANCES - BEGINNING	544,462	62,466	1,000	271,451	304,874	31,646	1,215,899	40,185	1,763,369
FUND BALANCES - ENDING	\$ 539,564	\$ -	\$ 1,000	\$ 127,158	\$ 601,333	\$ 43,818	\$ 1,312,873	\$ 22,742	\$ 1,335,615

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2011

	Internal Service Funds		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,339	\$ 2,312,403	\$ 2,320,742
Accounts receivable	183,349	18,120	201,469
Due from other governments	748,166	-	748,166
Inventories, at cost	1,261,222	-	1,261,222
Prepaid expenses	270	-	270
Total current assets	<u>2,201,346</u>	<u>2,330,523</u>	<u>4,531,869</u>
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	9,402,319	-	9,402,319
Less accumulated depreciation	<u>(7,655,262)</u>	<u>-</u>	<u>(7,655,262)</u>
Total capital assets	<u>3,881,135</u>	<u>-</u>	<u>3,881,135</u>
Total assets	<u>6,082,481</u>	<u>2,330,523</u>	<u>8,413,004</u>
LIABILITIES			
Current liabilities:			
Accounts payable	141,492	820,860	962,352
Accrued expenses	44,192	256	44,448
Compensated absences payable	199,194	-	199,194
Due other funds	56,195	-	56,195
Accrued claims	-	640,488	640,488
Current maturities of long-term debt	<u>78,448</u>	<u>-</u>	<u>78,448</u>
Total current liabilities	<u>519,521</u>	<u>1,461,604</u>	<u>1,981,125</u>
Noncurrent liabilities:			
Noncurrent maturities of long-term debt	203,536	-	203,536
Advance due other funds	233,042	-	233,042
Compensated absences payable	<u>172,988</u>	<u>-</u>	<u>172,988</u>
Total noncurrent liabilities	<u>609,566</u>	<u>-</u>	<u>609,566</u>
Total liabilities	<u>1,129,087</u>	<u>1,461,604</u>	<u>2,590,691</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,599,151	-	3,599,151
Unrestricted	<u>1,354,243</u>	<u>868,919</u>	<u>2,223,162</u>
TOTAL NET ASSETS	<u>\$ 4,953,394</u>	<u>\$ 868,919</u>	<u>\$ 5,822,313</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2011

	Internal Service Funds		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Interdepartmental charges for service	\$ 4,003,238	\$ 5,188,548	\$ 9,191,786
Intergovernmental charges for service	2,803,129	-	2,803,129
Other operating revenue	<u>37,244</u>	<u>-</u>	<u>37,244</u>
Total operating revenues	<u>6,843,611</u>	<u>5,188,548</u>	<u>12,032,159</u>
OPERATING EXPENSES			
Claims paid	-	5,907,994	5,907,994
General services	5,558,887	-	5,558,887
Administrative and fiscal services	504,199	782,521	1,286,720
Depreciation and amortization	<u>473,815</u>	<u>-</u>	<u>473,815</u>
Total operating expenses	<u>6,536,901</u>	<u>6,690,515</u>	<u>13,227,416</u>
Operating income	<u>306,710</u>	<u>(1,501,967)</u>	<u>(1,195,257)</u>
NONOPERATING REVENUES			
Rent revenue	50	-	50
Grant Revenue	58,796	-	58,796
Gain (loss) on disposal of assets	36,950	-	36,950
Salvage revenue	5,503	-	5,503
Gain on sale of supplies	183	-	183
Insurance recoveries	7,236	-	7,236
Interest income	<u>-</u>	<u>28,875</u>	<u>28,875</u>
Total nonoperating revenues	<u>108,718</u>	<u>28,875</u>	<u>137,593</u>
Change in net assets	415,428	(1,473,092)	(1,057,664)
TOTAL NET ASSETS - BEGINNING	<u>4,537,966</u>	<u>2,342,011</u>	<u>6,879,977</u>
TOTAL NET ASSETS - ENDING	<u>\$ 4,953,394</u>	<u>\$ 868,919</u>	<u>\$ 5,822,313</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2011

	Internal Service Funds		
	Highway	Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
From other County departments	\$ 4,003,238	\$ 5,188,548	\$ 9,191,786
From government and other parties for sales	2,852,027	-	2,852,027
To employees for compensation and fringe benefits	(3,091,627)	(23,270)	(3,114,897)
To vendors for goods and services	(3,730,018)	(6,565,872)	(10,295,890)
Net cash provided by (used in) operating activities	<u>33,620</u>	<u>(1,400,594)</u>	<u>(1,366,974)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grant revenue	<u>58,796</u>	<u>-</u>	<u>58,796</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(203,877)	-	(203,877)
Lease payment	(30,403)	-	(30,403)
Insurance recovery for damaged equipment	29,406	-	29,406
Advance from general fund	(56,194)	-	(56,194)
Proceeds from sale of capital assets	<u>150,400</u>	<u>-</u>	<u>150,400</u>
Net cash used in capital and related financing activities	(110,668)	-	(110,668)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>-</u>	<u>35,746</u>	<u>35,746</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(18,252)	(1,364,848)	(1,383,100)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>26,591</u>	<u>3,677,251</u>	<u>3,703,842</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,339</u>	<u>\$ 2,312,403</u>	<u>\$ 2,320,742</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 306,710	\$(1,501,967)	\$ (1,195,257)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	473,815	-	473,815
Changes in operating assets and liabilities:			
Accounts receivable	(92,220)	-	(92,220)
Due from other governments	(282,124)	-	(282,124)
Inventories	(216,203)	-	(216,203)
Accounts payable	(117,129)	12,529	(104,600)
Accrued expenses	(562)	(51)	(613)
Compensated absences	(38,667)	-	(38,667)
Accrued claims	-	88,895	88,895
Total adjustments	<u>(273,090)</u>	<u>101,373</u>	<u>(171,717)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 33,620</u>	<u>\$ (1,400,594)</u>	<u>\$ (1,366,974)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions purchased in capital lease	<u>\$ 93,070</u>	<u>\$ -</u>	<u>\$ 93,070</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2011

	<u>Agency Funds</u>		<u>Total</u>
	<u>Employee Benefit Cafeteria Plan</u>	<u>Clerk of Court Collection Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 29,137	\$ -	\$ 29,137
Accounts receivable	<u>-</u>	<u>519,476</u>	<u>519,476</u>
Total assets	<u>\$ 29,137</u>	<u>\$ 519,476</u>	<u>\$ 548,613</u>
LIABILITIES			
Deposits and advances	\$ 21,150	\$ -	\$ 21,150
Due other governments	<u>7,987</u>	<u>519,476</u>	<u>527,463</u>
Total liabilities	<u>\$ 29,137</u>	<u>\$ 519,476</u>	<u>\$ 548,613</u>