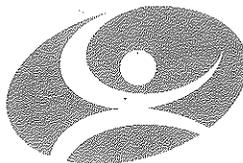


LINCOLN COUNTY, WISCONSIN
Merrill, Wisconsin

BASIC FINANCIAL STATEMENTS
December 31, 2012



Schenck
SC

CPAs AND SO MUCH MORE.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	14
Government-Wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Proprietary Funds.....	21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	22
Statement of Cash Flows - Proprietary Funds.....	23
Statement of Fiduciary Net Position - Fiduciary Funds.....	25
Notes to Basic Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	55
Budgetary Comparison Schedule - General Fund.....	56
Budgetary Comparison Schedule - County Roads and Bridges	60
Budgetary Comparison Schedule - Social Services Fund.....	61
Note to Required Supplementary Information	62
COMBINING FUND STATEMENTS	63
Combining Balance Sheet - Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	65
Combining Statement of Net Position - Internal Service Funds.....	66
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds	67
Combining Statement of Cash Flows - Internal Service Funds.....	68
Combining Statement of Fiduciary Net Position	69



Schenck

CPAs AND SO MUCH MORE.

INDEPENDENT AUDITORS' REPORT

Members of the Lincoln County
Board of Supervisors
Merill, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County ("the County") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pine Crest Nursing Home, which represent 33 percent, 33 percent, and 73 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pine Crest Nursing Home, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the County has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Our opinions are not modified with respect to this matter.

As described in Note 15, the County recorded a prior period adjustment to increase net position of the County's governmental activities by \$1,872,978 for infrastructure, net of related depreciation. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 13 and pages 56 through 61 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2013, 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* in considering the County's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
July 26, 2013

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2012.

Financial Highlights

- The assets of Lincoln County exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$70,425,875 (net position). Of this amount, \$22,273,737 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net position decreased by \$1,999,711 and the business-type activities decreased by \$132,374.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$15,209,379, an increase of \$1,331,387 in comparison with the prior year. Eighty percent of this total amount, \$12,201,216, is available for spending at the government's discretion (committed, assigned, or unassigned).
- At the end of the current fiscal year, revenues exceeded expenditures in the general fund by \$785,181.
- In 2012, Lincoln County's capital assets decreased by \$1,410,819.

Overview of the Basic Financial Statements

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

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

The *statement of net position* reports what a government owns (assets) and owes (liabilities and deferred inflows of resources), as well as the net difference between them (net position). This statement reports the financial position of Lincoln County at December 31, 2012. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in these statements for some items

that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of 2012, the County's assets exceeded liabilities deferred and inflows of resources by \$70,425,895.

By far the largest portion of the County's net position, \$47,174,382 (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 Position						
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$34,858,053	\$36,089,119	\$14,186,621	\$14,066,696	\$49,044,674	\$50,155,815
Capital assets	<u>51,634,683</u>	<u>52,927,329</u>	<u>8,824,030</u>	<u>8,942,203</u>	<u>60,458,713</u>	<u>61,869,532</u>
Total assets	<u>86,492,736</u>	<u>89,016,448</u>	<u>23,010,651</u>	<u>23,008,899</u>	<u>109,503,387</u>	<u>112,025,347</u>
Long-term liabilities outstanding	13,487,448	14,089,219	5,455,345	5,600,225	18,942,793	19,689,444
Other liabilities	<u>4,835,944</u>	<u>6,263,761</u>	<u>1,834,164</u>	<u>1,636,953</u>	<u>6,670,108</u>	<u>7,900,714</u>
Total liabilities	<u>18,323,392</u>	<u>20,352,980</u>	<u>7,289,509</u>	<u>7,237,178</u>	<u>25,612,901</u>	<u>27,590,158</u>
Deferred inflows of resources	<u>13,005,561</u>	<u>13,165,202</u>	<u>459,050</u>	<u>359,440</u>	<u>13,464,611</u>	<u>13,524,642</u>
Net position:						
Net investment in capital assets	39,691,147	40,524,024	7,483,235	7,173,736	47,174,382	47,697,760
Restricted	907,030	858,760	70,726	57,089	977,756	915,849
Unrestricted	<u>14,565,606</u>	<u>14,115,482</u>	<u>7,708,131</u>	<u>8,181,456</u>	<u>22,273,737</u>	<u>22,296,938</u>
Total net position	\$55,163,783	\$55,498,266	\$15,262,092	\$15,412,281	\$70,425,875	\$70,910,547

An additional portion of the County's net position, \$977,756 (1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$22,273,737) 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 position, 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 position by \$334,483. Key elements of this decrease are as follows:

Lincoln County's Change in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$6,320,212	\$7,155,038	\$16,409,808	\$17,603,843	\$22,406,737	\$24,758,881
Operating grants and contributions	4,430,456	6,326,183	216,699	236,206	4,441,155	6,562,389
General revenues:						
Property taxes	13,046,472	12,975,967	359,440	359,610	13,405,912	13,335,577
Other taxes	2,231,014	2,234,608	-	-	2,231,014	2,234,608
Grants and contributions not restricted to specific programs						
	998,041	1,270,456	-	-	998,041	1,270,456
Other	<u>543,554</u>	<u>168,325</u>	<u>541</u>	<u>541</u>	<u>544,095</u>	<u>168,866</u>
Total revenues	<u>27,040,466</u>	<u>30,130,577</u>	<u>16,986,488</u>	<u>18,200,200</u>	<u>44,026,954</u>	<u>48,330,777</u>
Expenses:						
General government	5,994,482	5,953,026	-	-	5,994,482	5,953,026
Public safety	8,468,426	8,386,065	-	-	8,468,426	8,386,065
Public works	8,531,285	7,203,402	-	-	8,531,285	7,203,402
Health and human services	4,274,464	6,931,801	-	-	4,274,464	6,931,801
Culture and recreation	835,108	844,250	-	-	835,108	844,250
Conservation and development	1,684,039	1,202,346	-	-	1,154,756	1,202,346
Interest on long-term debt	558,310	583,755	-	-	558,310	583,755
Nursing home	-	-	12,166,315	12,715,281	12,166,315	12,715,281
Forestry	-	-	813,213	824,759	813,213	824,759
Lincoln Industries	-	-	1,620,028	1,115,467	1,620,028	1,115,467
Landfill	-	-	<u>1,742,652</u>	<u>2,066,852</u>	<u>1,853,652</u>	<u>2,066,852</u>
Total expenses	<u>30,346,114</u>	<u>31,104,645</u>	<u>16,342,208</u>	<u>16,722,359</u>	<u>44,650,011</u>	<u>47,827,004</u>
Increase (decrease) in net position						
before transfers	(2,776,365)	(974,068)	644,280	1,477,841	(2,132,085)	503,773
Transfers	<u>776,654</u>	<u>(58,358)</u>	<u>(776,654)</u>	<u>58,358</u>	-	-
Increase (Decrease) in net position	(1,999,711)	(1,032,426)	(132,374)	1,536,199	(2,132,085)	503,773
Prior Period Adjustment	1,872,978	-	-	-	1,872,978	-
Cumulative Effect of Change in Accounting Principle						
	(207,750)	-	(17,815)	-	(225,565)	-
Net position - January 1	<u>55,498,266</u>	<u>56,530,692</u>	<u>15,412,281</u>	<u>13,876,082</u>	<u>70,910,547</u>	<u>70,406,774</u>
Net position - December 31	\$55,163,783	\$55,498,266	\$15,262,092	\$15,412,281	\$70,425,875	\$70,910,547

Interest revenue showed a negative variance of \$118,802 when compared to the 2012 budget. The County's self-funded health insurance program lost \$530,434 due continued high claims. Governmental capital assets decreased \$1,302,646 primarily due to depreciation. The County recorded a prior period adjustment of \$1,872,978 in order to correctly report highway infrastructure. In 2012, the County implemented GASB 65. As a result, the County recorded a cumulative effect of change in accounting principle which resulted in a decrease of \$207,750 in net position.

Business-type Activities Business-type activities decreased Lincoln County's net position by \$150,189. Solid Waste had a decrease of \$230,559 mostly due to a transfer out of \$200,000 to offset tax levy. Additionally, Forestry showed a loss of \$411,338 due to a transfer of \$717,577 mostly to the Capital Improvement Project (CIP) fund. Lincoln Industries posted a \$300,291 gain due to higher than anticipated revenues, and Pine Crest also posted a gain of \$209,232.

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 \$15,209,379, an increase of \$1,331,387 in comparison with the prior year. Approximately 80 percent of this total amount, \$12,200,629, constitutes the amount which is available for spending at the government's discretion. Of this amount, \$1,280,583 is committed by County Board action for CIP projects and \$848,860 is segregated in unassigned general fund by County Board action for cash flow. Additionally, \$2,389,935 is assigned by the Finance and Insurance Committee for specific programs and \$2,098,535 is assigned as amounts remaining in governmental funds that are not classified as nonspendable and are not restricted or committed. The remaining \$5,582,716 in the General Fund is unassigned.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,582,716, while the total fund balance was \$12,641,164. Additionally, \$2,129,443 has been committed to capital improvement projects by the County Board and a further \$2,389,935 has been assigned by the Finance and Insurance Committee for programs and projects. A total of \$10,102,094 or eighty percent of the general fund fund balance remains under the County's discretion.

The fund balance of Lincoln County's general fund increased by \$1,223,369 during the current fiscal year. Key factors in this increase are as follows:

- The County transferred an amount of \$1,134,541 into General Fund. \$865,966 was transferred per Ordinances 3.07 and 3.26 which limit fund balance and net asset balances in other funds and an additional \$200,000 was transferred from the Solid Waste Fund to offset tax levy.
- Total revenues exceeded budget expectations by \$565,726 due to Sherriff Office outside housing revenues exceeding budget by \$340,018, County sales tax revenues coming in \$111,759 higher than anticipated, and State aids exceeded budget by \$68,847, even though interest fell short of budgeted amounts by \$118,802,
- Expenditures fell below budgeted levels by \$2,483,400 due to fiscal restraint, delayed Family Care payments, and delayed capital projects.

The County Roads and Bridges Fund has a fund balance of 899,115 at December 31, 2012 an increase of \$163,417 when compared to the previous year. The increase is due to reduced winter maintenance and Highway work not completed in 2012.

The Social Services fund has a total fund balance of \$628,422. The fund balance of the Social Services fund increased by \$239,538 during the current year. The key factors in this increase were higher than anticipated State aids by \$171,466 and lower than anticipated expenditures by \$56,089.

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

Unrestricted net position of Pine Crest Nursing Home operations at the end of the year amounted to \$2,285,196, those of Solid Waste Landfill amounted to \$3,446,557, those of Lincoln Industries amounted to \$607,457 and those of Forestry amounted to \$1,368,921. 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 2011). The second category included several increases in appropriations to prevent budget overruns. The third included grants or purchases that were not anticipated and budgeted for originally. Other budget amendments were not made for variances in revenue lines unless it was for a grant.

During the year, the budget for expenditures was *increased* by \$1,257,424. Those amendments are briefly summarized below:

- \$691,826 - 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.
- \$260,009 – Increases in maintenance for outlay projects that were not originally budgeted.
- 95,117 – Increase in expenditures due to increased grant revenues.

Actual expenditures were \$2,483,400 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$919,789– Delayed family care billing.
- \$490,814 – Unused contingency funds.
- \$159,117 – Delayed outlay projects.
- \$26,937 – UW Extension staff changes and unspent program revenues.
- \$215,363 – Due to decreased operational expenditures and unspent restricted and assigned funds in Sheriff's Office.

On the revenue side, the original budget was *increased* by \$210,820 with budget amendments largely due to an increase of \$84,739 in the interest on taxes revenue budget and \$72,451 in the land conservation budget.

Actual revenues were \$565,726 *higher* than budgeted. Significant variances are as follows:

- Sales tax ended \$111,759 higher than budgeted.
- Outside housing recorded revenues of \$340,018 over the amount budgeted.
- Rental revenue of \$175,469 was \$57,211 above the budgeted amount.
- Child support revenue was \$35,950 higher than budgeted.
- Interest revenue fell short of budget expectations by \$118,802.

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, 2012, amounted to \$60,458,713 (net of accumulated depreciation) compared to \$61,869,532 in 2011. 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 \$1,410,819 or two percent.

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

- \$1,781,006 (net) was removed from work in progress due to the completion of road projects.
- Infrastructure increased \$1,811,904 due to the prior period adjustment.
- Depreciation expense totaled \$3,934,308 in 2012.

Lincoln County's Capital Assets (net of accumulated depreciation)						
	Governmental Activities		Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011	Total	Total
	2012	2011	2012	2011	2012	2011
Land	\$116,470	\$116,470	\$2,665,080	\$2,665,080	\$2,781,550	\$2,781,550
Land improvements	307,588	323,213	1,132,456	1,411,797	1,440,044	1,735,010
Infrastructure	28,877,985	27,066,081	-	-	28,877,985	27,066,081
Buildings and improvements	17,482,713	18,447,742	3,583,980	3,771,617	21,066,693	22,219,359
Equipment and vehicles	3,735,079	4,077,969	831,684	805,507	4,566,763	4,883,476
Work in progress	1,114,848	2,895,854	610,830	288,202	1,725,678	3,184,056
Intangible assets	-	-	-	-	-	-
Total	\$51,634,683	\$52,927,329	\$8,824,030	\$8,942,203	\$60,458,713	\$61,869,532

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

Long-term debt. At the end of the current fiscal year, Lincoln County had a total general obligation debt outstanding of \$14,530,000 which is a decrease of \$935,000. In 2011 the total general obligation debt outstanding was \$15,465,000. 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 Activities		Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011	Total	Total
	2012	2011	2012	2011	2012	2011
Bonds	\$13,190,000	\$13,715,000	\$1,340,000	\$1,750,000	\$14,530,000	\$15,465,000
Capital lease	203,536	283,305	-	-	203,536	283,305
Compensated absences	<u>1,504,791</u>	<u>1,448,637</u>	<u>510,531</u>	<u>491,882</u>	<u>2,015,322</u>	<u>1,940,519</u>
Total general long-term obligations	\$14,898,327	\$15,446,942	\$1,850,531	\$2,241,882	\$16,748,858	\$17,688,824

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 \$103,316,540, 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 2013 was 10.8 percent as compared to 7.1 percent for the State of Wisconsin. The April 2013 rate for Lincoln County was 7 percent higher than the April 2012 rate (10.1%).
- The general economic condition and outlook for the County is for slow growth well behind the anticipated growth for the State and County. The economic condition in Lincoln County is expected to very 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 2013 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 POSITION
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,126,321	\$ 7,122,170	\$ 22,248,491
Receivables, net:			
Property taxes	13,005,561	459,050	13,464,611
Tax certificates and deeds	1,988,374	-	1,988,374
Assessments	65,751	-	65,751
Accounts	1,810,391	2,379,627	4,190,018
Due from other governments	1,165,285	34,232	1,199,517
Inventories, at cost	1,252,174	271,828	1,524,002
Prepaid items	309,938	108,708	418,646
Total current assets	<u>34,723,795</u>	<u>10,375,615</u>	<u>45,099,410</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	<u>134,258</u>	<u>3,811,006</u>	<u>3,945,264</u>
Capital assets:			
Land and construction in progress	1,231,318	3,275,910	4,507,228
Other capital assets, net of depreciation	<u>50,403,365</u>	<u>5,548,120</u>	<u>55,951,485</u>
Total capital assets	<u>51,634,683</u>	<u>8,824,030</u>	<u>60,458,713</u>
Total noncurrent assets	<u>51,768,941</u>	<u>12,635,036</u>	<u>64,403,977</u>
Total assets	<u>86,492,736</u>	<u>23,010,651</u>	<u>109,503,387</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,435,198	423,897	1,859,095
Accrued expenses	592,037	220,218	812,255
Compensated absences payable	755,844	404,005	1,159,849
Accrued claims	927,005	-	927,005
Deposits and advances	178,116	126,646	304,762
Due to other governments	243,332	141,041	384,373
Current portion of long-term obligations	655,035	439,311	1,094,346
Unearned revenue	<u>49,377</u>	<u>79,046</u>	<u>128,423</u>
Total current liabilities	<u>4,835,944</u>	<u>1,834,164</u>	<u>6,670,108</u>
Noncurrent liabilities:			
Future closure payable	-	4,433,974	4,433,974
Compensated absences payable	748,947	106,526	855,473
Noncurrent portion of long-term obligations	<u>12,738,501</u>	<u>914,845</u>	<u>13,653,346</u>
Total noncurrent liabilities	<u>13,487,448</u>	<u>5,455,345</u>	<u>18,942,793</u>
Total liabilities	<u>18,323,392</u>	<u>7,289,509</u>	<u>25,612,901</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	<u>13,005,561</u>	<u>459,050</u>	<u>13,464,611</u>
NET POSITION			
Net investment in capital assets	39,691,147	7,483,235	47,174,382
Restricted	907,030	70,726	977,756
Unrestricted	<u>14,565,606</u>	<u>7,708,131</u>	<u>22,273,737</u>
TOTAL NET POSITION	<u>\$ 55,163,783</u>	<u>\$ 15,262,092</u>	<u>\$ 70,425,875</u>

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

LINCOLN COUNTY, WISCONSIN
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Sales and Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 5,994,482	\$ 586,929	\$ 186,156	\$ -	\$ (5,221,397)	\$ -	\$ (5,221,397)
Public safety	8,468,426	2,580,148	208,274	-	(5,680,004)	-	(5,680,004)
Public works	8,531,285	2,329,503	1,190,617	-	(5,011,165)	-	(5,011,165)
Health and human services	4,274,464	393,514	2,285,656	-	(1,595,294)	-	(1,595,294)
Culture, recreation, and education	835,108	16,384	8,031	-	(810,693)	-	(810,693)
Conservation and development	1,684,039	413,734	535,702	-	(734,603)	-	(734,603)
Interest on long-term debt	558,310	-	16,020	-	(542,290)	-	(542,290)
Total governmental activities	30,346,114	6,320,212	4,430,456	-	(19,595,446)	-	(19,595,446)
BUSINESS-TYPE ACTIVITIES:							
Nursing home	12,166,315	11,892,850	-	-	(273,465)	-	(273,465)
Forestry	813,213	891,393	216,699	-	294,879	-	294,879
Lincoln Industries	1,620,028	1,920,679	-	-	300,651	-	300,651
Solid waste landfill	1,742,652	1,704,886	-	-	(37,766)	-	(37,766)
Total business-type activities	16,342,208	16,409,808	216,699	-	284,299	-	284,299
TOTAL PRIMARY GOVERNMENT	\$ 46,688,322	\$ 22,730,020	\$ 4,647,155	\$ -	(19,595,446)	284,299	(19,311,147)

GENERAL REVENUES:

Taxes:

Property taxes, levied for general purposes	13,046,472	359,440	13,405,912
Private forest cropland/managed forest land taxes	94,727	-	94,727
County sales tax	1,594,185	-	1,594,185
Real estate transfer taxes	38,288	-	38,288
Payment in lieu of taxes	91,815	-	91,815
Interest and penalties on taxes	411,999	-	411,999
Insurance recovery	443,872	-	443,872
Grants and contributions not restricted to specific programs	998,041	-	998,041
Unrestricted investment earnings	99,682	541	100,223
Transfers	776,654	(776,654)	-
Total general revenues and transfers	17,595,735	(416,673)	17,179,062

CHANGE IN NET POSITION

PRIOR PERIOD ADJUSTMENT

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

NET POSITION - BEGINNING

NET POSITION - ENDING

	(1,999,711)	(132,374)	(2,132,085)
	1,872,978	-	1,872,978
	(207,750)	(17,815)	(225,565)
	55,498,266	15,412,281	70,910,547
	\$ 55,163,783	\$ 15,262,092	\$ 70,425,875

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, 2012

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 10,642,014	\$ 899,115	\$ 535,682	\$ 1,005,646	\$ 13,082,457
Receivables, net:					
Property taxes	8,345,476	2,266,753	314,007	2,079,325	13,005,561
Tax certificates and deeds	1,988,374	-	-	-	1,988,374
Assessments	65,751	-	-	-	65,751
Accounts	699,443	-	-	413,599	1,113,042
Due from other governments	489,166	-	194,684	58,190	742,040
Due from other funds	56,195	-	-	-	56,195
Prepaid items	255,714	-	-	587	256,301
Inventories, at cost	16,445	-	-	-	16,445
Advances	176,847	-	-	-	176,847
Restricted assets:					
Cash and cash equivalents	57,588	-	76,670	-	134,258
TOTAL ASSETS	\$ 22,793,013	\$ 3,165,868	\$ 1,121,043	\$ 3,557,347	\$ 30,637,271
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 466,609	\$ -	\$ 55,969	\$ 389,468	\$ 912,046
Accrued liabilities	363,976	-	18,270	15,532	397,778
Deposits and advances	170,902	-	7,214	-	178,116
Due to other governments	139,327	-	97,161	6,844	243,332
Unearned revenue	23,877	-	-	25,500	49,377
Total liabilities	1,164,691	-	178,614	437,344	1,780,649
Deferred inflows of resources					
Property taxes	8,345,476	2,266,753	314,007	2,079,325	13,005,561
Interest on delinquent taxes	334,223	-	-	-	334,223
Citation receivables	307,459	-	-	-	307,459
Total deferred inflows of resources	8,987,158	2,266,753	314,007	2,079,325	13,647,243
Fund balances					
Reserved for:					
Nonspendable	2,101,133	-	-	587	2,101,720
Restricted	437,937	-	75,189	393,904	907,030
Committed	2,129,443	-	-	-	2,129,443
Assigned	2,389,935	899,115	553,233	646,187	4,488,470
Unassigned	5,582,716	-	-	-	5,582,716
Total fund balances	12,641,164	899,115	628,422	1,040,678	15,209,379
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 22,793,013	\$ 3,165,868	\$ 1,121,043	\$ 3,557,347	\$ 30,637,271

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

LINCOLN COUNTY WISCONSIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total fund balances for governmental funds \$ 15,209,379

Total net position used in governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	80,930	
Construction in progress		1,114,848	
Land improvements, net of \$45,942 accumulated depreciation		173,201	
Buildings, net of \$8,901,808 accumulated depreciation		16,889,572	
Machinery and equipment, net of \$1,997,702 accumulated depreciation		1,043,908	
Intangible assets, net of \$107,695 accumulated depreciation		-	
Infrastructure, net of \$23,334,325 accumulated depreciation		<u>28,877,985</u>	
Total capital assets			48,180,444

Internal service funds are used by the County to charge the cost of health insurance and County road work to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Internal service fund's net position are:

Health insurance fund	\$	338,485	
Highway fund		<u>4,620,465</u>	
Total internal service funds			4,958,950

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (current and long-term) are reported in the statement of net position. Balances on 12/31/12 are:

Accrued interest on notes	\$	(115,911)	
Notes payable		(13,190,000)	
Vacation payable		(535,086)	
Vested sick leave		(200,394)	
Accrued sick		(350,176)	
Comp time		<u>(12,504)</u>	
Total long-term liabilities			(14,404,071)

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

577,399

On 12/31/12, certain receivables in the governmental funds are not considered a current financial resource and reported as deferred inflows of resources, but are an economic resource. Consequently, this revenue is recognized.

Citation revenue	\$	307,459	
Interest on delinquent taxes		<u>334,223</u>	
Total deferred inflows of resources			<u>641,682</u>

Total net position of governmental activities \$ 55,163,783

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

LINCOLN COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 10,718,173	\$ 2,222,826	\$ 300,000	\$ 2,009,215	\$ 15,250,214
Intergovernmental revenues	1,981,390	1,080,248	1,878,367	417,034	5,357,039
Licenses and permits	97,760	-	-	25,825	123,585
Fines, forfeits, and penalties	128,225	-	-	30,482	158,707
Public charges for service	1,813,275	134,719	11,796	1,318,356	3,278,146
Intergovernmental charges for service	91,783	-	-	336,810	428,593
Miscellaneous revenues	304,334	-	187	6,430	310,951
Total revenues	<u>15,134,940</u>	<u>3,437,793</u>	<u>2,190,350</u>	<u>4,144,152</u>	<u>24,907,235</u>
EXPENDITURES					
Current:					
General government	4,808,873	-	-	-	4,808,873
Public safety	6,208,148	-	-	1,861,771	8,069,919
Public works	38,911	3,970,729	-	-	4,009,640
Health and human services	1,304,961	-	1,845,770	934,380	4,085,111
Culture, recreation, and education	836,917	-	-	-	836,917
Conservation and development	750,393	-	-	370,586	1,120,979
Capital outlay	401,556	-	20,376	129,990	551,922
Debt service:					
Principal	-	-	-	525,000	525,000
Interest and other charges	-	-	-	563,685	563,685
Total expenditures	<u>14,349,759</u>	<u>3,970,729</u>	<u>1,866,146</u>	<u>4,385,412</u>	<u>24,572,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>785,181</u>	<u>(532,936)</u>	<u>324,204</u>	<u>(241,260)</u>	<u>335,189</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,134,541	696,353	-	78,621	1,909,515
Transfers out	(696,353)	-	(84,666)	(132,298)	(913,317)
Total other financing sources (uses)	<u>438,188</u>	<u>696,353</u>	<u>(84,666)</u>	<u>(53,677)</u>	<u>996,198</u>
Net change in fund balances	1,223,369	163,417	239,538	(294,937)	1,331,387
FUND BALANCES - BEGINNING	<u>11,417,795</u>	<u>735,698</u>	<u>388,884</u>	<u>1,335,615</u>	<u>13,877,992</u>
FUND BALANCES - ENDING	<u>\$ 12,641,164</u>	<u>\$ 899,115</u>	<u>\$ 628,422</u>	<u>\$ 1,040,678</u>	<u>\$ 15,209,379</u>

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

LINCOLN COUNTY, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Net change in fund balances - total governmental funds \$ 1,331,387

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

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

Capital outlay	\$ 709,902	
Sale and disposal of capital assets	(847,224)	
Depreciation expense	<u>(2,601,406)</u>	
Excess of capital outlay over (under) depreciation expense		(2,738,728)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, this amount consisted of:

Notrs		525,000
Capital leases payable		1,321

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	\$ (530,434)	
Highway fund	<u>(332,929)</u>	
Total internal service funds		(863,363)

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	\$ 5,375	
Vacation	6,295	
Vested sick leave	24,280	
Accrued sick	(52,817)	
Comp time	<u>538</u>	
Combined adjustment		(16,329)

Revenue had accrued on 12/31/12 but was not available. Consequently this revenue was either deferred inflows or not accrued in governmental funds, but is recorded as a receivable on the statement of net position and recognized as revenue on the statement of activities.

The net revenue consists of:

Notes	\$ (529,283)	
Insurance reimbursement	443,872	
Interest on delinquent taxes	27,272	
Corrections	(232,458)	
Citations	<u>51,598</u>	
Combined adjustment		<u>(238,999)</u>

Change in net position of governmental activities \$ (1,999,711)

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

LINCOLN COUNTY, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Enterprise Funds					Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,077,779	\$ 3,806,990	\$ 1,706,824	\$ 530,577	\$ 7,122,170	\$ 2,043,864
Receivables, net:						
Property taxes	459,050	-	-	-	459,050	-
Accounts	1,895,786	156,356	82,294	245,191	2,379,627	119,950
Due from other governments	-	-	34,232	-	34,232	423,245
Inventories, at cost	35,716	236,112	-	-	271,828	1,235,729
Prepaid items	72,787	33,921	2,000	-	108,708	53,637
Total current assets	<u>3,541,118</u>	<u>4,233,379</u>	<u>1,825,350</u>	<u>775,768</u>	<u>10,375,615</u>	<u>3,876,425</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	17,492	3,793,514	-	-	3,811,006	-
Capital assets:						
Land	13,833	84,605	2,502,037	64,605	2,665,080	35,540
Construction work in progress	-	610,830	-	-	610,830	-
Improvements other than buildings	411,970	6,711,393	9,603	10,752	7,143,718	244,869
Buildings	8,233,358	300,049	295,367	1,219,463	10,048,237	1,853,669
Machinery and equipment	1,580,235	955,956	621,541	94,612	3,252,344	9,457,485
Less accumulated depreciation and depletion	(6,212,674)	(6,726,257)	(729,639)	(1,227,609)	(14,896,179)	(8,137,324)
Total capital assets	<u>4,026,722</u>	<u>1,936,576</u>	<u>2,698,909</u>	<u>161,823</u>	<u>8,824,030</u>	<u>3,454,239</u>
Total noncurrent assets	<u>4,044,214</u>	<u>5,730,090</u>	<u>2,698,909</u>	<u>161,823</u>	<u>12,635,036</u>	<u>3,454,239</u>
Total assets	<u>7,585,332</u>	<u>9,963,469</u>	<u>4,524,259</u>	<u>937,591</u>	<u>23,010,651</u>	<u>7,330,664</u>
LIABILITIES						
Current liabilities:						
Accounts payable	248,950	90,798	1,214	82,935	423,897	523,152
Accrued expenses	188,123	5,677	10,402	16,016	220,218	78,348
Compensated absences payable	302,194	21,576	40,889	39,346	404,005	208,254
Accrued claims	-	-	-	-	-	927,005
Due to other funds	-	-	-	-	-	56,195
Due to other governments	-	-	140,955	86	141,041	-
Unearned revenue	-	-	79,046	-	79,046	-
Current maturities of long-term debt	439,311	-	-	-	439,311	80,035
Deposits and advances	44,244	-	82,402	-	126,646	-
Total current liabilities	<u>1,222,822</u>	<u>118,051</u>	<u>354,908</u>	<u>138,383</u>	<u>1,834,164</u>	<u>1,872,989</u>
Noncurrent liabilities:						
Noncurrent maturities of long-term debt	914,845	-	-	-	914,845	123,501
Advance due other funds	-	-	-	-	-	176,847
Compensated absences payable	-	28,311	48,287	29,928	106,526	198,377
Future closure payable	-	4,433,974	-	-	4,433,974	-
Total noncurrent liabilities	<u>914,845</u>	<u>4,462,285</u>	<u>48,287</u>	<u>29,928</u>	<u>5,455,345</u>	<u>498,725</u>
Total liabilities	<u>2,137,667</u>	<u>4,580,336</u>	<u>403,195</u>	<u>168,311</u>	<u>7,289,509</u>	<u>2,371,714</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes	459,050	-	-	-	459,050	-
NET POSITION						
Net investment in capital assets	2,685,927	1,936,576	2,698,909	161,823	7,483,235	3,250,703
Restricted	17,492	-	53,234	-	70,726	-
Unrestricted	2,285,196	3,446,557	1,368,921	607,457	7,708,131	1,708,247
TOTAL NET POSITION	<u>\$ 4,988,615</u>	<u>\$ 5,383,133</u>	<u>\$ 4,121,064</u>	<u>\$ 769,280</u>	<u>\$ 15,262,092</u>	<u>\$ 4,958,950</u>

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

LINCOLN COUNTY, WISCONSIN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2012

	Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries		
OPERATING REVENUES						
Public charges for service	\$ 11,708,135	\$ 1,348,574	\$ 889,042	\$ 1,882,617	\$ 15,828,368	\$ -
Interdepartmental charges for service	-	-	-	35,376	35,376	9,415,144
Intergovernmental charges for service	-	190,199	1,989	-	192,188	2,050,626
Other	30,226	149,484	-	-	179,710	50,625
Total operating revenues	<u>11,738,361</u>	<u>1,688,257</u>	<u>891,031</u>	<u>1,917,993</u>	<u>16,235,642</u>	<u>11,516,395</u>
OPERATING EXPENSES						
Claims paid	-	-	-	-	-	4,954,697
Nursing services	5,396,176	-	-	-	5,396,176	-
Other professional services	610,316	-	-	-	610,316	-
General services	2,049,595	1,045,799	768,018	1,570,447	5,433,859	5,736,314
Administrative and fiscal services	3,112,661	-	-	-	3,112,661	1,383,857
Provider assessment tax	367,200	-	-	-	367,200	-
Provision for bad debts	53,727	-	-	-	53,727	-
Future closing costs	-	289,238	-	-	289,238	-
Depreciation and amortization	304,690	400,408	33,835	49,941	788,874	481,975
Total operating expenses	<u>11,894,365</u>	<u>1,735,445</u>	<u>801,853</u>	<u>1,620,388</u>	<u>16,052,051</u>	<u>12,556,843</u>
Operating income (loss)	<u>(156,004)</u>	<u>(47,188)</u>	<u>89,178</u>	<u>297,605</u>	<u>183,591</u>	<u>(1,040,448)</u>
NONOPERATING REVENUES (EXPENSES)						
Property taxes	359,440	-	-	-	359,440	-
Insurance recoveries	-	-	162	2,686	2,848	14,788
Interest income	541	16,629	-	-	17,170	14,644
Rental income	-	-	-	-	-	50
Grant revenue	-	-	216,699	-	216,699	71,458
Salvage revenue	-	-	-	-	-	74,537
Donations	4,010	-	200	-	4,210	-
Interest expense	(65,065)	-	-	-	(65,065)	-
Gain on sale of supplies	-	-	-	-	-	731
Donation expense	(5,548)	-	-	-	(5,548)	-
Gain on disposal of capital assets	150,479	-	-	-	150,479	877
Total nonoperating revenues (expenses)	<u>443,857</u>	<u>16,629</u>	<u>217,061</u>	<u>2,686</u>	<u>680,233</u>	<u>177,085</u>
Income (loss) before transfers	<u>287,853</u>	<u>(30,559)</u>	<u>306,239</u>	<u>300,291</u>	<u>863,824</u>	<u>(863,363)</u>
Transfer out	<u>(78,621)</u>	<u>(200,000)</u>	<u>(717,577)</u>	<u>-</u>	<u>(996,198)</u>	<u>-</u>
Change in net position	<u>209,232</u>	<u>(230,559)</u>	<u>(411,338)</u>	<u>300,291</u>	<u>(132,374)</u>	<u>(863,363)</u>
Cumulative effect of change of accounting principle	<u>(17,815)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,815)</u>	<u>-</u>
TOTAL NET POSITION - BEGINNING	<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>
TOTAL NET POSITION - ENDING	<u>\$ 4,988,615</u>	<u>\$ 5,383,133</u>	<u>\$ 4,121,064</u>	<u>\$ 769,280</u>	<u>\$ 15,262,092</u>	<u>\$ 4,958,950</u>

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

**LINCOLN COUNTY, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012**

	Enterprise Funds					Governmental Activities - Internal Service Funds
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
From patients and third party payers	\$ 11,364,347	\$ 1,459,249	\$ 1,074,766	1,838,081	\$ 15,736,443	\$ -
From other County departments	-	-	-	35,376	35,376	9,415,144
From government and other parties for sales	-	190,199	1,989	-	192,188	2,490,779
To employees for compensation and fringe benefits	(7,795,016)	(296,836)	(485,873)	(892,121)	(9,469,846)	(2,852,218)
To vendors for goods and services	(3,780,285)	(834,226)	(275,316)	(597,595)	(5,487,422)	(9,334,858)
Other cash received	30,226	-	-	-	30,226	-
Net cash provided by (used in) operating activities	<u>(180,728)</u>	<u>518,386</u>	<u>315,566</u>	<u>383,741</u>	<u>1,036,965</u>	<u>(281,153)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant revenue	-	-	216,699	-	216,699	71,458
Donations	4,010	-	200	-	4,210	-
Donation expense	(5,548)	-	-	-	(5,548)	-
Transfer out	(78,621)	(200,000)	(717,577)	-	(996,198)	-
Tax levy appropriations	359,440	-	-	-	359,440	-
Net cash provided by (used in) noncapital financing activities	<u>279,281</u>	<u>(200,000)</u>	<u>(500,678)</u>	<u>-</u>	<u>(421,397)</u>	<u>71,458</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(227,701)	(402,028)	(64,703)	-	(694,432)	(64,461)
Proceeds from sale of assets	176,346	-	-	-	176,346	85,577
Insurance recovery for damaged equipment	-	-	162	2,686	2,848	14,788
Capital lease payment	-	-	-	-	-	(78,448)
Advance from General Fund	-	-	-	-	-	(56,195)
Principal payments on long-term debt	(410,000)	-	-	-	(410,000)	-
Interest paid on long-term debt	(89,327)	-	-	-	(89,327)	-
Net cash provided by (used in) capital and related financing activities	<u>(550,682)</u>	<u>(402,028)</u>	<u>(64,541)</u>	<u>2,686</u>	<u>(1,014,565)</u>	<u>(98,739)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	541	16,629	-	-	17,170	31,556
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(451,588)</u>	<u>(67,013)</u>	<u>(249,653)</u>	<u>386,427</u>	<u>(381,827)</u>	<u>(276,878)</u>
CASH AND CASH EQUIVALENTS, BEGINNING 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, END OF YEAR	<u>\$ 1,095,271</u>	<u>\$ 7,600,504</u>	<u>\$ 1,706,824</u>	<u>\$ 530,577</u>	<u>\$ 10,933,176</u>	<u>\$ 2,043,864</u>
CASH AND CASH EQUIVALENTS CONSIST OF:						
Unrestricted	\$ 1,077,779	\$ 3,806,990	\$ 1,706,824	\$ 530,577	\$ 7,122,170	\$ 2,043,864
Restricted	17,492	3,793,514	-	-	3,811,006	-
	<u>\$ 1,095,271</u>	<u>\$ 7,600,504</u>	<u>\$ 1,706,824</u>	<u>\$ 530,577</u>	<u>\$ 10,933,176</u>	<u>\$ 2,043,864</u>

LINCOLN COUNTY, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012

	Enterprise Funds				Governmental Activities - Internal Service Funds	
	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries		Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ (156,004)	\$ (47,188)	\$ 89,178	297,605	\$ 183,591	\$ (1,040,448)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	304,690	400,408	33,835	49,941	788,874	481,975
Future closing costs	-	289,238	-	-	289,238	-
Change in assets and liabilities:						
Accounts receivable	(343,788)	(38,809)	129,035	(44,536)	(298,098)	64,607
Due from other governments	-	-	(34,232)	-	(34,232)	324,921
Inventories	426	-	-	-	426	25,493
Prepaid items	(36,860)	(31,378)	(2,000)	-	(70,238)	(53,367)
Accounts payable	(15,132)	(58,232)	(1,078)	74,368	(74)	(439,200)
Due to other governments	-	-	(16,623)	(13)	(16,636)	-
Accrued expenses	54,651	1,219	1,921	3,161	60,952	33,900
Deferred revenue	-	-	79,046	-	79,046	-
Compensated absences payable	4,320	3,128	7,986	3,215	18,649	34,449
Deposits and advances	6,969	-	28,498	-	35,467	-
Claims paid	-	-	-	-	-	286,517
Total adjustments	(24,724)	565,574	226,388	86,136	853,374	759,295
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (180,728)	\$ 518,386	\$ 315,566	\$ 383,741	\$ 1,036,965	\$ (281,153)

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

LINCOLN COUNTY, WISCONSIN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 35,804
Accounts receivable	<u>624,235</u>
Total assets	<u>\$ 660,039</u>
LIABILITIES	
Deposits and advances	24,149
Due other governments	<u>635,890</u>
Total liabilities	<u>\$ 660,039</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, 2012

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, 2012

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, deferred inflows of resources, 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. Significant revenues are property taxes and intergovernmental aids.

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. Significant revenues are property taxes and intergovernmental aids.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports the following major enterprise funds:

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

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

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

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

In addition, the County reports the following fund types:

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

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

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.

**LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

PROPERTY TAXES

Property taxes are levied prior to December 31 and are due and collectible in the following year. The 2012 tax levy is recorded as receivable with offsetting deferred inflows of resources at December 31, 2012; it will be recognized as revenue in 2013 when used to finance the County's services.

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

The property tax calendar for the 2012 tax roll follows:

Lien date and date levy	December 2012
Tax bills mailed	December 2012
Real estate taxes first installment due	January 31, 2013
Personal property taxes due in full	January 31, 2013
Real estate taxes second installment due	July 31, 2013
Tax sale - 2012 delinquent real estate taxes	October 2016

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.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND RECEIVABLES AND PAYABLES

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

INVENTORIES

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

PREPAID ITEMS

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

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	50,000
Equipment and vehicles	2,000-5,000
Intangible assets	5,000

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

COMPENSATED ABSENCES

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

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County currently does not have any items that qualify for reporting in this category.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category; property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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

INTERFUND TRANSACTIONS

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

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

The County has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy GASB Statement No. 54 indicates that restricted funds would 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

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

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, 2012

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 \$26,229,559 on December 31, 2012, as summarized below:

Petty cash fund	\$ 2,165
Deposits with financial institutions	5,967,753
Investments	
Wisconsin local government investment pool	15,167,282
Landfill long-term care trust	3,793,514
Health insurance trust fund	1,241,257
Insurance deposits	57,588
	\$ 26,229,559

Reconciliation to the basic financial statements:

Statement of Net Position	
Unrestricted cash and cash equivalents	\$ 22,248,491
Restricted cash and investments	3,945,264
Fiduciary fund statement of net position	
Agency fund	35,804
	\$ 26,229,559

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County has a formal policy addressing this type of deposit risk.

Deposits with financial institutions 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. Deposits with credit unions are insured by the National Credit Union Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. In addition, the County's non-interest bearing transaction accounts are fully insured through December 31, 2012. As of January 1, 2013 the County's noninterest-bearing transaction accounts are combined with its interest-bearing demand deposits for FDIC insurance coverage. 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, 2012, none 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, 2012

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.

Type of Investment	Fair Value at Year End	Investment Rating
Local Government Investment Pool	\$ 15,167,282	Not Rated
U.S. Treasury Notes	2,785,619	Exempt
U.S. Government securities	1,070,238	AAA
Certificates of Deposit	960,393	Not Rated
Money Market Mutual Funds	218,521	Not Rated
Insurance Deposits	57,588	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, 2012 the County had the following investments and maturities:

Type of Investment	Fair Value at Year End	Average Maturities
Local Government Investment Pool	\$ 15,167,282	Less than 1 year
U.S. Treasury Notes	2,785,619	1 to 3 years
U.S. Government securities	1,070,238	1 to 3 years
Certificates of Deposit	960,393	1 to 5 years
Money Market Mutual Funds	218,521	Less than 1 year
Insurance Deposits	57,588	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, 2012, the factor was 100%. As of December 31, 2012 the carrying amount of these investments was \$15,167,282. The annualized interest rate on the LGIP was .18% for the month of December 2012.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

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, 2012, totaled \$3,945,264 consisting of cash and investments as follows:

General fund	
Insurance deposits	\$ 57,588
Social Service Fund	
COP risk reserve	76,670
Enterprise Fund	
Solid waste landfill	
Long-term care and closure deposits	3,793,514
Pine Crest Nursing Home	
Donation and special fund	17,492
Total Restricted Assets	<u>\$ 3,945,264</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 – RECEIVABLES

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

	General	County Roads and Bridges	Social Services	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Lincoln Industries	Nonmajor and Internal Service Funds	Total
Receivables									
Property taxes	\$ 8,345,476	\$ 2,266,753	\$ 314,007	\$ 459,050	\$ -	\$ -	\$ -	\$ 2,079,325	\$ 13,464,611
Tax certificates and deeds	1,988,374	-	-	-	-	-	-	-	1,988,374
Assessments	65,751	-	-	-	-	-	-	-	65,751
Accounts Due from other governments	699,443	-	-	1,995,786	156,356	82,294	245,191	585,244	3,764,314
	489,166	-	194,684	-	-	34,232	-	481,435	1,199,517
Gross receivables	11,588,210	2,266,753	508,691	2,454,836	156,356	116,526	245,191	3,146,004	20,482,567
Less allowance for uncollectibles	-	-	-	(100,000)	-	-	-	(51,695)	(151,695)
Net total fund receivables	<u>\$ 11,588,210</u>	<u>\$ 2,266,753</u>	<u>\$ 508,691</u>	<u>\$ 2,354,836</u>	<u>\$ 156,356</u>	<u>\$ 116,526</u>	<u>\$ 245,191</u>	<u>\$ 3,094,309</u>	<u>20,330,872</u>
Correction									133,527
Storm Damage Reimbursement									<u>443,872</u>
Net statement of net position receivables									<u>\$ 20,908,271</u>

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

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 – RECEIVABLES (Continued)

On December 31, 2012, the County's general fund showed an investment of \$1,988,374 in delinquent taxes as follows:

Tax certificates	\$ 1,935,428
Tax deeds	<u>52,946</u>
Total	<u>\$ 1,988,374</u>

An aging of the delinquent tax certificate taxes of \$1,935,428 on December 31, 2012, follows:

<u>Year Acquired</u>	
Prior to 2008	\$ 20,047
2008	28,880
2009	41,756
2010	134,512
2011	568,819
2012	<u>1,141,414</u>
	<u>\$ 1,935,428</u>

Of the total of \$1,935,428 for delinquent tax certificate taxes, \$336,247 was collected by the County within 90 days after December 31, 2012. The remaining unpaid balance of \$1,599,181 and tax deeds of \$52,946 are recorded as nonspendable fund balance of \$1,652,127 for the general fund.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At December 31, 2012, interfund receivables and payables were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 56,195	\$ -
Highway Fund	-	56,195
Totals	\$ 56,195	\$ 56,195

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:

	Advance Receivables	Advance Payables
General Fund	\$ 176,847	\$ -
Highway Fund	-	176,847
	<u>\$ 176,847</u>	<u>\$ 176,847</u>

Transfers were made in the primary government as follows:

	Transfer to:		
	General	Debt Service	County Roads
Transfers from:			
General fund	\$ -	\$ -	\$ 696,353
Social Services	84,666	-	-
Solid Waste Landfill	200,000	-	-
Jail Assessment	21,609	-	-
County Health	96,738	-	-
Pine Crest Nursing Home	-	78,621	-
Forestry	717,577	-	-
Emergency Medical	13,951	-	-
Totals	\$ 1,134,541	\$ 78,621	\$ 696,353

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 County Roads Fund.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 6 - CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 116,470	\$ -	\$ -	\$ 116,470
Construction in progress	2,895,854	896,957	2,677,963	1,114,848
Total capital assets not depreciated	3,012,324	896,957	2,677,963	1,231,318
Capital assets, being depreciated:				
Land improvements	464,012	-	-	464,012
Infrastructure	51,463,814	1,972,598	976,157	52,460,255
Buildings and improvements	27,683,581	108,094	146,626	27,645,049
Equipment and vehicles	12,374,304	543,522	418,731	12,499,095
Intangible assets	107,695	-	-	107,695
Subtotals	92,093,406	2,624,214	1,541,514	93,176,106
Less accumulated depreciation for:				
Land improvements	140,799	15,625	-	156,424
Infrastructure	22,524,755	1,272,666	215,151	23,582,270
Buildings and improvements	9,235,839	1,023,936	97,439	10,162,336
Equipment and vehicles	8,296,335	837,660	369,979	8,764,016
Intangible assets	107,695	-	-	107,695
Subtotals	40,305,423	3,149,887	682,569	42,772,741
Total capital assets, being depreciated, net	51,787,983	(525,673)	858,945	50,403,365
Governmental activities capital assets, net	<u>\$ 54,800,307</u>	<u>\$ 371,284</u>	<u>\$ 3,536,908</u>	51,634,683
Less related long-term debt outstanding				<u>11,943,536</u>
Net investment in capital assets				<u>\$ 39,691,147</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets were as follows:

	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,665,080	\$ -	\$ -	\$ 2,665,080
Construction in progress	288,202	322,628	-	610,830
Total capital projects not depreciated	<u>2,953,282</u>	<u>322,628</u>	<u>-</u>	<u>3,275,910</u>
Capital assets, being depreciated:				
Land improvements	7,069,818	73,900	-	7,143,718
Buildings	10,033,322	153,493	138,578	10,048,237
Machinery and equipment	3,108,109	181,044	36,809	3,252,344
Subtotals	<u>20,211,249</u>	<u>408,437</u>	<u>175,387</u>	<u>20,444,299</u>
Less accumulated depreciation for:				
Land improvements	5,658,021	353,241	-	6,011,262
Buildings	6,261,705	276,340	73,788	6,464,257
Machinery and equipment	2,302,602	154,840	36,782	2,420,660
Subtotals	<u>14,222,328</u>	<u>784,421</u>	<u>110,570</u>	<u>14,896,179</u>
Total capital assets, being depreciated, net	<u>5,988,921</u>	<u>(375,984)</u>	<u>64,817</u>	<u>5,548,120</u>
Business-type activities capital assets, net	<u>\$ 8,942,203</u>	<u>\$ (53,356)</u>	<u>\$ 64,817</u>	<u>8,824,030</u>
Less related long-term debt outstanding				<u>1,340,795</u>
Net investment in capital assets				<u>\$ 7,483,235</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions as follows:

Governmental activities	
General government	\$ 1,059,861
Public safety	250,454
Public works	1,821,147
Conservation and development	18,425
Total depreciation expense - governmental activities	<u>\$ 3,149,887</u>
Business-type activities	
Nursing home	\$ 300,237
Forestry	33,835
Solid waste landfill	400,408
Lincoln Industries	49,941
Total depreciation expense - business-type activities	<u>\$ 784,421</u>

The County has active construction projects as of December 31, 2012. 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:

Project	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street construction	\$ <u>227,729</u>	\$ <u>617,071</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - LONG-TERM OBLIGATIONS

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

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 13,715,000	\$ -	\$ 525,000	\$ 13,190,000	\$ 575,000
Capital lease	283,305	-	79,769	203,536	80,035
Compensated absences	<u>1,448,637</u>	<u>903,831</u>	<u>847,677</u>	<u>1,504,791</u>	<u>755,844</u>
Governmental activities					
Long-term obligations	<u>\$ 15,446,942</u>	<u>\$ 903,831</u>	<u>\$ 1,452,446</u>	<u>\$ 14,898,327</u>	<u>\$ 1,410,879</u>
Business-type activities:					
General Obligation Debt					
Bonds	\$ 1,750,000	\$ -	\$ 410,000	\$ 1,340,000	\$ 435,000
Unamortized refunding loss/interest premium	18,467	-	4,311	14,156	-
Compensated absences	<u>491,882</u>	<u>446,529</u>	<u>427,880</u>	<u>510,531</u>	<u>404,005</u>
Business-type activities					
Long-term obligations	<u>\$ 2,260,349</u>	<u>\$ 446,529</u>	<u>\$ 842,191</u>	<u>\$ 1,864,687</u>	<u>\$ 839,005</u>

Interest paid for the year ended December 31, 2012 totaled \$605,719.

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%	\$ 1,450,000
\$2,145,000 issued July 15, 2005; \$385,000 to \$445,000 due annually through 2015; interest 3.45% to 3.7%	1,340,000
\$9,965,000 issued November 15, 2008; \$384,950 to \$1,202,172 due annually through 2028; interest 4% to 4.65%	9,195,000
\$1,810,000 issued August 27, 2010; \$75,000 to \$475,000 due annually through 2017; interest 1.5% to 2.25%	1,655,000
\$890,000 issued August 27, 2010; \$170,000 to \$520,000 due 2018 through 2020; interest 4%	<u>890,000</u>
Total Bonds	<u>\$ 14,530,000</u>

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2012, are allocated to activities as detailed below:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	660,000	474,387	-	-	660,000	474,387
2018-2022	4,310,000	1,836,940	-	-	4,310,000	1,836,940
2023-2027	4,810,000	847,727	-	-	4,810,000	847,727
2027-2028	1,175,000	27,173	-	-	1,175,000	27,173
	<u>\$ 13,190,000</u>	<u>\$ 5,253,822</u>	<u>\$ 1,340,000</u>	<u>\$ 117,471</u>	<u>\$ 14,530,000</u>	<u>\$ 5,371,293</u>

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

Equalized valuation of the County	\$ 2,356,680,800
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	117,834,040
Total outstanding general obligation debt applicable to debt limitation	\$ 14,530,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>12,500</u>
Net outstanding general obligation debt applicable to debt limitation	<u>14,517,500</u>
Legal Margin for New Debt	<u>\$ 103,316,540</u>

The County has entered into a lease agreement as lessee for financing the acquisition of 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.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, were as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Governmental</u> <u>Activities</u>
2013	\$ 87,838
2014	41,302
2015	41,302
2016	<u>53,980</u>
Total minimum lease payments	224,422
Less: Amount representing interest	<u>(20,886)</u>
Present value of minimum lease payments	<u>\$ 203,536</u>

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

NOTE 8 - EMPLOYEE RETIREMENT PLAN

All eligible Lincoln County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts) but expected to return year after year are considered to have met the one-year requirement.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executive and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for Lincoln County employees covered by the WRS for the year ended December 31, 2012, was \$15,079,698; the employer's total payroll was \$15,687,129. The total required contribution for the year ended December 31, 2012, was \$1,878,099 which consisted of \$986,476 of payroll from the employer and \$891,623 of payroll from employees. Total contributions for years ended December 31, 2011 and 2010, were \$1,862,349 and \$1,781,739, respectively, equal to the required contributions for each year.

Employees who retire at or after the age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of credible service, and (3) a formula factor. A 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 a 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. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be 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.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

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 \$7,044,321 during the period of January 1, 2012 to December 31, 2012.

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

An analysis of claim activities is presented below:

	Liability January 1	Current Year Claims and Changes in Estimates	Claims Paid	Liability December 31
2012	\$ 1,461,348	\$ 4,954,697	\$ 5,127,463	\$ 1,288,582
2011	\$ 1,359,924	\$ 5,907,994	\$ 5,806,570	\$ 1,461,348

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 \$57,588. 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, 2012, is not available for presentation.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

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 2012 was \$9,469,913 with Lincoln County's share totaling \$556,340 (5.9%). Operations of the Tri-County Human Services Board are not reflected in the financial statements of Lincoln County.

The following audited summary financial information for North Central Health Care Tri-County facilities is as of December 31, 2012, and for the year then ended.

Assets	\$ 33,906,923
Liabilities	8,166,901
Equity	25,740,022
Revenues	58,286,934
Expenses	55,794,165
Non-operating gain	95,588
Change in net assets	2,588,357

Lincoln County's share of net assets for the year ended December, 31 2012 is \$1,303,324.

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

NOTE 11 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that Lincoln County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill sites only for forty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. At December 31, 2012, the County has utilized approximately 86.6% of its landfill's capacity, a net increase of 5.0% compared to December 31, 2011. The landfill is estimated to be fully utilized in 2014.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 11 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

The estimated liability for landfill closure and postclosure care costs and total future estimated costs as of December 31, 2012, is as follows:

Total estimated costs	\$ 5,120,549
Less closure costs accrued	<u>4,433,974</u>
Estimated costs of construction, closure, and postclosure care to be recognized in future years	<u>\$ 686,575</u>

The estimated total current cost of the landfill construction, closure, and postclosure care of \$5,120,549 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, 2012. 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, 2012, investments of \$3,793,514 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, 2012

NOTE 13 - FUND EQUITY

Fund Balances

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

	General	County Roads and Bridges	Social Services	Other Funds	Total
Nonspendable:					
Property Taxes	\$ 1,652,127	\$ -	\$ -	\$ -	\$ 1,652,127
Prepaid	255,714	-	-	-	255,714
Advances	176,847	-	-	-	176,847
Inventory	16,445	-	-	-	16,445
Restricted:					
Insurance Deposits	57,588	-	-	-	57,588
Veterans	6,688	-	-	-	6,688
Land Records	193,693	-	-	-	193,693
Land Conservation	18,750	-	-	-	18,750
Zoning	1,167	-	-	-	1,167
Register of Deeds	73,261	-	-	-	73,261
UW Extension	13,388	-	-	-	13,388
Sheriff	73,402	-	-	-	73,402
Social Services	-	-	75,189	-	75,189
Other Funds	-	-	-	393,904	393,904
Committed:					
Roads Fund	250,000	-	-	-	250,000
Family Care	916,790	-	-	-	916,790
Health Insurance	500,000	-	-	-	500,000
IT CIP	223,110	-	-	-	223,110
Maintenance	110,925	-	-	-	110,925
EMS	128,618	-	-	-	128,618
Assigned:					
Veterans	2,000	-	-	-	2,000
County Board	136,000	-	-	-	136,000
Land Records	390	-	-	-	390
Zoning	5,856	-	-	-	5,856
UW Extension	15,946	-	-	-	15,946
Sheriff	10,447	-	-	-	10,447
CIP not committed	2,219,296	-	-	-	2,219,296
Roads Fund	-	899,115	-	-	899,115
Social Services	-	-	553,233	-	553,233
Other Funds	-	-	-	646,774	646,774
Total Fund Balances	7,058,448	899,115	628,422	1,040,678	9,626,663

The County's general fund unassigned balance is \$5,582,716. Included in this unassigned balance is \$3,587,440 for the County's cash flow needs.

LINCOLN COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE 13 - FUND EQUITY (Continued)

Restricted net position

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

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Insurance deposit	\$ 57,588	\$ -
Grant and program fees	820,510	-
Jail assessments	28,932	-
Nursing home funds	-	17,492
Forestry grants	-	53,234
	<u>\$ 907,030</u>	<u>\$ 70,726</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 2012 budget year, the increase in the maximum allowable tax levy is limited to the greater of the percentage change in the County's January 1 equalized value as a result of net new construction or zero. The actual limit for the County for the 2012 budget was .56%. The actual limit for the County's 2013 budget was .16%. Debt service for debt authorized after July 2005 is exempt for the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the beginning net position of the governmental activities on the government-wide financial statement. Capital assets and beginning net position were increased \$1,872,978 for infrastructure and the resulting depreciation that should have been recognized in a prior period.

NOTE 16 – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The County has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended December 31, 2011 have not been restated. The cumulative effect of this change was to decrease the December 31, 2012 net position of the governmental activities by \$207,750 and the net position of the business-type activities and proprietary funds by \$17,815.

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

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, WISCONSIN
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
General property	\$ 8,521,639	\$ 8,514,431	\$ 8,514,431	\$ -
Forest crop	21,000	21,000	10,160	(10,840)
Managed forest land	55,000	55,000	84,567	29,567
County sales tax	1,482,426	1,482,426	1,594,185	111,759
Real estate transfer fees	40,000	40,000	38,288	(1,712)
Interest on taxes	230,000	314,739	384,727	69,988
Payment in lieu of taxes	82,000	82,000	91,815	9,815
Total taxes	10,432,065	10,509,596	10,718,173	208,577
Intergovernmental				
State shared revenues	958,513	958,513	965,485	6,972
Exempt computer aid	28,000	28,000	32,557	4,557
Finance department	900	900	268	(632)
Clerk of courts	81,000	81,000	79,685	(1,315)
Circuit court	70,375	70,375	68,145	(2,230)
Land information	10,300	10,300	12,164	1,864
Sheriff department	39,732	39,732	56,043	16,311
Emergency management	37,200	74,165	89,593	15,428
Victim witness	35,353	35,353	25,429	(9,924)
Zoning grants	47,798	56,709	38,911	(17,798)
Veterans service	10,000	10,000	10,000	-
Family court commissioner	1,186	1,186	465	(721)
Child support	229,462	229,462	265,412	35,950
UW extension	9,445	9,445	8,031	(1,414)
State acreage payment	68,000	68,000	67,192	(808)
Land conservation	166,952	239,403	262,010	22,607
Total intergovernmental	1,794,216	1,912,543	1,981,390	68,847
Licenses and permits				
County clerk	4,390	4,390	6,972	2,582
Family court commissioner	3,243	4,486	4,640	154
Land information	2,500	2,500	2,063	(437)
Zoning fees	86,123	86,123	84,085	(2,038)
Total licenses and permits	96,256	97,499	97,760	261
Fines, forfeits, and penalties				
Clerk of courts	170,000	170,000	127,048	(42,952)
Circuit court	1,469	1,469	815	(654)
Sheriff department	55	55	362	307
Total fines, forfeits, and penalties	171,524	171,524	128,225	(43,299)

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public charges for service				
Clerk of courts	\$ 80,000	\$ 80,000	\$ 62,376	\$ (17,624)
Circuit court	12,807	12,807	10,442	(2,365)
Family court commissioner	3,052	3,052	3,060	8
Register of deeds	164,170	164,170	189,172	25,002
Land information	33,475	33,475	56,280	22,805
County clerk	1,110	1,110	3,987	2,877
Treasurer	70	70	23	(47)
District attorney	2,500	2,500	3,944	1,444
Sheriff department	778,482	766,269	1,074,430	308,161
Information technology	58,385	58,385	59,965	1,580
Coroner	7,500	11,702	16,827	5,125
Maintenance	2,000	2,000	342	(1,658)
Zoning	1,500	1,500	2,589	1,089
Land conservation	-	-	135	135
Administration/personnel	-	-	54	54
Corporation counsel	-	-	3,630	3,630
Finance	150	150	259	109
Child support	6,500	6,500	4,331	(2,169)
UW extension	1,050	3,228	11,054	7,826
Forest land revenue	250,000	250,000	281,910	31,910
Other charges for service	2,200	2,200	28,465	26,265
Total public charges for services	1,404,951	1,399,118	1,813,275	414,157
Intergovernmental charges for service				
Sheriff department	54,880	59,026	52,747	(6,279)
Land information	600	600	300	(300)
Zoning	17,902	17,902	10,634	(7,268)
Clerk of courts	4,000	4,000	1,155	(2,845)
County clerk	18,045	18,045	23,790	5,745
UW extension	2,850	2,850	3,157	307
Total intergovernmental charges for services	98,277	102,423	91,783	(10,640)
Miscellaneous				
Interest	206,280	206,280	87,478	(118,802)
Rent	109,000	118,258	175,469	57,211
Sale of county property	31,450	35,600	26,808	(8,792)
Insurance recovery	10,000	10,000	11,940	1,940
Private organization donations	4,375	6,373	2,639	(3,734)
Total miscellaneous	361,105	376,511	304,334	(72,177)
Total revenues	14,358,394	14,569,214	15,134,940	565,726

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
General government				
County board chairman	\$ 47,588	\$ 47,588	\$ 47,140	\$ 448
County board committees	88,311	88,311	78,613	9,698
Clerk of courts	605,992	605,992	573,650	32,342
Circuit court	236,542	274,370	260,101	14,269
Family court commissioner	32,716	33,959	26,088	7,871
Coroner	48,547	52,749	52,282	467
Law library	1,200	1,200	493	707
District attorney	198,357	198,357	172,198	26,159
Corporation counsel	183,347	183,347	164,076	19,271
Victim witness	62,242	62,242	54,587	7,655
County clerk	126,657	96,267	94,609	1,658
Administration/personnel	206,195	206,195	177,996	28,199
Information technology	714,819	739,443	721,299	18,144
General administration	17,956	74,561	67,698	6,863
Treasurer	128,747	128,747	127,783	964
Finance department	404,648	404,648	388,799	15,849
Maintenance	815,197	838,246	838,375	(129)
Surveyor	154,958	201,811	195,727	6,084
Tax description	83,521	62,692	60,295	2,397
Register of deeds	216,310	268,545	208,204	60,341
Land records	223,394	362,818	229,135	133,683
Tax assessment	73,759	73,759	70,967	2,792
Insurance	77,844	105,978	92,301	13,677
Elections	97,700	120,882	106,457	14,425
Contingency fund	513,642	490,814	-	490,814
Total general government	<u>5,360,189</u>	<u>5,723,521</u>	<u>4,808,873</u>	<u>914,648</u>
Public safety				
Sheriff department:				
Law enforcement	3,250,776	3,305,717	3,174,936	130,781
Emergency communication (911)	808,132	819,867	819,866	1
Correction and detention	2,267,070	2,179,735	2,095,154	84,581
Emergency management	101,182	140,647	117,916	22,731
Civil service commission	1,000	1,000	276	724
Total public safety	<u>6,428,160</u>	<u>6,446,966</u>	<u>6,208,148</u>	<u>238,818</u>
Public works				
Zoning-sanitation	30,000	38,911	38,911	-
Health and human services				
Community organizations	190,000	190,000	189,584	416
Family care	916,790	1,201,232	281,443	919,789
Health care center	556,340	556,340	420,340	136,000
Child support agency	282,487	282,487	278,786	3,701
Veterans services	139,410	142,454	133,494	8,960
Cemetery	1,314	1,314	1,314	-
Total health and human services	<u>2,086,341</u>	<u>2,373,827</u>	<u>1,304,961</u>	<u>1,068,866</u>

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Culture, recreation, and education				
Public libraries	\$ 619,414	\$ 619,414	\$ 620,717	\$ (1,303)
UW extension	219,981	243,137	216,200	26,937
Total culture, recreation, and education	<u>839,395</u>	<u>862,551</u>	<u>836,917</u>	<u>25,634</u>
Conservation and development				
Economic development	45,995	45,995	45,995	-
Zoning	292,110	298,800	281,401	17,399
Land conservation	338,512	432,701	422,997	9,704
Total conservation and development	<u>676,617</u>	<u>777,496</u>	<u>750,393</u>	<u>27,103</u>
Capital outlay				
Maintenance	15,533	275,542	116,425	159,117
Information technology	-	83,882	54,927	28,955
Land information	-	22,505	22,505	-
Land conservation	-	20,581	20,580	1
Group homes	-	-	10,352	(10,352)
Sheriff	139,500	207,377	176,767	30,610
Total capital outlay	<u>155,033</u>	<u>609,887</u>	<u>401,556</u>	<u>208,331</u>
Total expenditures	<u>15,575,735</u>	<u>16,833,159</u>	<u>14,349,759</u>	<u>2,483,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,217,341)</u>	<u>(2,263,945)</u>	<u>785,181</u>	<u>3,049,126</u>
OTHER FINANCING SOURCES (USES)				
Fund balance applied	1,176,848	2,669,805	2,669,805	-
Transfer in	290,493	290,493	1,134,541	844,048
Transfer out	(250,000)	(696,353)	(696,353)	-
Total other financing sources (uses)	<u>1,217,341</u>	<u>2,263,945</u>	<u>3,107,993</u>	<u>844,048</u>
Net change in fund balance	-	-	3,893,174	3,893,174
FUND BALANCE - BEGINNING	<u>11,417,795</u>	<u>11,417,795</u>	<u>11,417,795</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 11,417,795</u>	<u>\$ 11,417,795</u>	<u>\$ 15,310,969</u>	<u>\$ 3,893,174</u>
RECONCILIATION FROM BUDGET TO GAAP:				
Net change in fund balance - budget	\$ 3,893,174			
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>(2,669,805)</u>		
Net change in fund balance - GAAP	<u>\$ 1,223,369</u>			

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
General property	\$ 2,222,826	\$ 2,222,826	\$ 2,222,826	\$ -
Intergovernmental	1,152,187	1,152,187	1,080,248	(71,939)
Public charges for service	-	134,719	134,719	-
Total revenues	<u>3,375,013</u>	<u>3,509,732</u>	<u>3,437,793</u>	<u>(71,939)</u>
EXPENDITURES				
Public works	<u>3,525,013</u>	<u>4,495,430</u>	<u>3,970,729</u>	<u>524,701</u>
Deficiency of revenues over (under) expenditures	(150,000)	(985,698)	(532,936)	452,762
OTHER FINANCING SOURCES				
Transfers in	250,000	250,000	696,353	446,353
Fund balance applied	-	735,698	735,698	-
Total other financing sources	<u>250,000</u>	<u>985,698</u>	<u>1,432,051</u>	<u>446,353</u>
Net change in fund balance	100,000	-	899,115	899,115
FUND BALANCE - BEGINNING	<u>735,698</u>	<u>735,698</u>	<u>735,698</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 835,698</u>	<u>\$ 735,698</u>	<u>\$ 1,634,813</u>	<u>\$ 899,115</u>
RECONCILIATION FROM BUDGET TO GAAP:				
Net change in fund balance - budget	\$ 899,115			
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>(735,698)</u>			
Net change in fund balance - GAAP	<u>\$ 163,417</u>			

LINCOLN COUNTY, WISCONSIN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
General property	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Intergovernmental	1,706,901	1,706,901	1,878,367	171,466
Public charges for service	-	-	11,796	11,796
Miscellaneous revenues	-	-	187	187
Total revenues	<u>2,006,901</u>	<u>2,006,901</u>	<u>2,190,350</u>	<u>183,449</u>
EXPENDITURES				
Health and human services	2,006,901	1,901,858	1,845,770	56,088
Capital outlay	-	20,377	20,376	1
Total expenditures	<u>2,006,901</u>	<u>1,922,235</u>	<u>1,866,146</u>	<u>56,089</u>
Excess (deficiency) of revenues over (under) expenditures	-	84,666	324,204	239,538
OTHER FINANCING USES				
Transfer out	-	(84,666)	(84,666)	-
Net change in fund balance	-	-	239,538	239,538
FUND BALANCE - JANUARY 1	<u>388,884</u>	<u>388,884</u>	<u>388,884</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 388,884</u>	<u>\$ 388,884</u>	<u>\$ 628,422</u>	<u>\$ 239,538</u>

LINCOLN COUNTY, WISCONSIN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1 - EXCESS OF ACTUAL EXPENDITURES OVER FINAL BUDGET

For the year ending December 31, 2012, 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		
Maintenance	\$ 838,246	\$ 838,375
Culture, recreation, and education		
Public Libraries	619,414	620,717
Capital Outlay		
Group Homes	-	10,352

COMBINING FUND STATEMENTS

LINCOLN COUNTY, WISCONSIN'
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	Special Revenue						Total	Debt Service	Total Nonmajor Governmental Funds
	County Health	Dog License	Community Development	Emergency Medical	Jail Assessment	Total			
ASSETS									
Cash and cash equivalents	\$ 526,601	\$ 24,667	\$ 2	\$ 413,730	\$ 28,146	\$ 993,146	\$ 12,500	\$ 1,005,646	
Receivables (net of allowances):									
Property taxes	551,973	-	-	651,151	-	1,203,124	876,201	2,079,325	
Accounts	65	40	6,000	407,494	-	413,599	-	413,599	
Due from other governments	57,404	-	-	-	786	58,190	-	58,190	
Prepaid items	204	-	-	383	-	587	-	587	
TOTAL ASSETS	\$ 1,136,247	\$ 24,707	\$ 6,002	\$ 1,472,758	\$ 28,932	\$ 2,668,646	\$ 888,701	\$ 3,557,347	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 8,483	\$ 22,946	-	\$ 358,039	-	\$ 389,468	\$ -	\$ 389,468	
Accrued liabilities	15,532	-	-	-	-	15,532	-	15,532	
Due to other governments	83	761	6,000	-	-	6,844	-	6,844	
Deferred revenue	-	-	-	25,500	-	25,500	-	25,500	
Total liabilities	24,098	23,707	6,000	383,539	-	437,344	-	437,344	
Deferred inflows of resources									
Property taxes	551,973	-	-	651,151	-	1,203,124	876,201	2,079,325	
Fund balance									
Fund balances:									
Nonspendable	204	-	-	383	-	587	-	587	
Restricted	364,972	-	-	-	28,932	393,904	-	393,904	
Assigned	195,000	1,000	2	437,685	-	633,687	12,500	646,187	
Total fund balance	560,176	1,000	2	438,068	28,932	1,028,178	12,500	1,040,678	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,136,247	\$ 24,707	\$ 6,002	\$ 1,472,758	\$ 28,932	\$ 2,668,646	\$ 888,701	\$ 3,557,347	

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	Special Revenue							Total	Debt Service	Total Nonmajor Governmental Funds
	County Health	Dog License	Community Development	Emergency Medical	Jail Assessment	Emergency Medical	Total			
REVENUES										
Taxes	\$ 542,655	\$ -	\$ -	\$ 628,618	\$ -	\$ -	\$ 1,171,273	\$ 837,942	\$ 2,009,215	
Intergovernmental revenues	131,876	-	206,500	62,638	-	-	401,014	16,020	417,034	
Licenses and permits	2,570	23,255	-	-	-	-	25,825	-	25,825	
Fines, forfeits, and penalties	-	-	-	-	30,482	-	30,482	-	30,482	
Public charges for service	157,307	-	33,617	1,127,432	-	-	1,318,356	-	1,318,356	
Intergovernmental charges for service	190,950	-	-	-	-	-	190,950	145,860	336,810	
Miscellaneous revenues	3,117	-	3,313	-	-	-	6,430	-	6,430	
Total revenues	1,028,475	23,255	243,430	1,818,688	30,482	-	3,144,330	999,822	4,144,152	
EXPENDITURES										
Current:										
Public safety	-	-	-	1,861,771	-	-	1,861,771	-	1,861,771	
Health and human services	911,125	23,255	-	-	-	-	934,380	-	934,380	
Conservation and development	-	-	370,586	-	-	-	370,586	-	370,586	
Capital outlay	-	-	-	106,231	23,759	-	129,990	-	129,990	
Debt service:										
Principal	-	-	-	-	-	-	-	525,000	525,000	
Interest	-	-	-	-	-	-	-	563,685	563,685	
Total expenditures	911,125	23,255	370,586	1,968,002	23,759	-	3,296,727	1,088,685	4,385,412	
Excess (deficiency) of revenues over (under) expenditures	117,350	-	(127,156)	(149,314)	6,723	-	(152,397)	(88,863)	(241,260)	
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	78,621	78,621	
Transfers out	(96,738)	-	-	(13,951)	(21,609)	-	(132,298)	-	(132,298)	
Total other financing sources (uses)	(96,738)	-	-	(13,951)	(21,609)	-	(132,298)	78,621	(53,677)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	20,612	-	(127,156)	(163,265)	(14,886)	-	(284,695)	(10,242)	(294,937)	
FUND BALANCES - BEGINNING	539,564	1,000	127,158	601,333	43,818	-	1,312,873	22,742	1,335,615	
FUND BALANCES - ENDING	560,176	1,000	2	438,068	28,932	-	1,028,178	12,500	1,040,678	

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2012

	Internal Service Funds		
	Highway	Health Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 468,317	\$ 1,575,547	\$ 2,043,864
Accounts receivable	118,742	1,208	119,950
Due from other governments	423,245	-	423,245
Inventories, at cost	1,235,729	-	1,235,729
Prepaid items	2,642	50,995	53,637
Total current assets	<u>2,248,675</u>	<u>1,627,750</u>	<u>3,876,425</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	9,457,485	-	9,457,485
Less accumulated depreciation	(8,137,324)	-	(8,137,324)
Total capital assets	<u>3,454,239</u>	<u>-</u>	<u>3,454,239</u>
Total assets	<u>5,702,914</u>	<u>1,627,750</u>	<u>7,330,664</u>
LIABILITIES			
Current liabilities:			
Accounts payable	161,213	361,939	523,152
Accrued expenses	78,027	321	78,348
Compensated absences payable	208,254	-	208,254
Due other funds	56,195	-	56,195
Accrued claims	-	927,005	927,005
Current maturities of long-term debt	80,035	-	80,035
Total current liabilities	<u>583,724</u>	<u>1,289,265</u>	<u>1,872,989</u>
Noncurrent liabilities:			
Noncurrent maturities of long-term debt	123,501	-	123,501
Advance due other funds	176,847	-	176,847
Compensated absences payable	198,377	-	198,377
Total noncurrent liabilities	<u>498,725</u>	<u>-</u>	<u>498,725</u>
Total liabilities	<u>1,082,449</u>	<u>1,289,265</u>	<u>2,371,714</u>
NET POSITION			
Net investment in capital assets	3,250,703	-	3,250,703
Unrestricted	1,369,762	338,485	1,708,247
TOTAL NET POSITION	<u>\$ 4,620,465</u>	<u>\$ 338,485</u>	<u>\$ 4,958,950</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended December 31, 2012

	Internal Service Funds		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Interdepartmental charges for service	\$ 4,167,412	\$ 5,247,732	\$ 9,415,144
Intergovernmental charges for service	2,050,626	-	2,050,626
Other operating revenue	50,625	-	50,625
Total operating revenues	<u>6,268,663</u>	<u>5,247,732</u>	<u>11,516,395</u>
OPERATING EXPENSES			
Claims paid	-	4,954,697	4,954,697
General services	5,736,314	-	5,736,314
Administrative and fiscal services	545,744	838,113	1,383,857
Depreciation and amortization	481,975	-	481,975
Total operating expenses	<u>6,764,033</u>	<u>5,792,810</u>	<u>12,556,843</u>
Operating loss	<u>(495,370)</u>	<u>(545,078)</u>	<u>(1,040,448)</u>
NONOPERATING REVENUES			
Rent revenue	50	-	50
Grant Revenue	71,458	-	71,458
Gain on disposal of assets	877	-	877
Salvage revenue	74,537	-	74,537
Gain on sale of supplies	731	-	731
Insurance recoveries	14,788	-	14,788
Interest income	-	14,644	14,644
Total nonoperating revenues	<u>162,441</u>	<u>14,644</u>	<u>177,085</u>
Change in net position	<u>(332,929)</u>	<u>(530,434)</u>	<u>(863,363)</u>
TOTAL NET POSITION - BEGINNING	<u>4,953,394</u>	<u>868,919</u>	<u>5,822,313</u>
TOTAL NET POSITION - ENDING	<u>\$ 4,620,465</u>	<u>\$ 338,485</u>	<u>\$ 4,958,950</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended December 31, 2012

	Internal Service Funds		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
From other County departments	\$ 4,167,412	\$ 5,247,732	\$ 9,415,144
From government and other parties for sales	2,490,779	-	2,490,779
To employees for compensation and fringe benefits	(2,829,499)	(22,719)	(2,852,218)
To vendors for goods and services	(3,341,433)	(5,993,425)	(9,334,858)
Net cash provided by (used in) operating activities	<u>487,259</u>	<u>(768,412)</u>	<u>(281,153)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grant revenue	<u>71,458</u>	<u>-</u>	<u>71,458</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(64,461)	-	(64,461)
Lease payment	(78,448)	-	(78,448)
Insurance recovery for damaged equipment	14,788	-	14,788
Advance from general fund	(56,195)	-	(56,195)
Proceeds from sale of capital assets	85,577	-	85,577
Net cash used for capital and related financing activities	<u>(98,739)</u>	<u>-</u>	<u>(98,739)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>-</u>	<u>31,556</u>	<u>31,556</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	459,978	(736,856)	(276,878)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,339</u>	<u>2,312,403</u>	<u>2,320,742</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 468,317</u>	<u>\$ 1,575,547</u>	<u>\$ 2,043,864</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating loss	<u>\$ (495,370)</u>	<u>\$ (545,078)</u>	<u>\$ (1,040,448)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	481,975	-	481,975
Changes in operating assets and liabilities:			
Accounts receivable	64,607	-	64,607
Due from other governments	324,921	-	324,921
Prepaid expenses	(2,372)	(50,995)	(53,367)
Inventories	25,493	-	25,493
Accounts payable	19,721	(458,921)	(439,200)
Accrued expenses	33,835	65	33,900
Compensated absences	34,449	-	34,449
Accrued claims	-	286,517	286,517
Total adjustments	<u>982,629</u>	<u>(223,334)</u>	<u>759,295</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 487,259</u>	<u>\$ (768,412)</u>	<u>\$ (281,153)</u>

LINCOLN COUNTY, WISCONSIN
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

	<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	\$ 35,804	\$ -	\$ 35,804
Accounts receivable	-	624,235	624,235
Total assets	\$ 35,804	\$ 624,235	\$ 660,039
LIABILITIES			
Deposits and advances	\$ 24,149	\$ -	\$ 24,149
Due other governments	11,655	624,235	635,890
Total liabilities	\$ 35,804	\$ 624,235	\$ 660,039