

LINCOLN COUNTY, WISCONSIN  
Merrill, Wisconsin

BASIC FINANCIAL STATEMENTS  
December 31, 2003

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## Independent Auditor's Report

Members of the Lincoln County  
Board of Supervisors  
Merrill, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County, Wisconsin, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County, Wisconsin's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of PineCrest Nursing Home, an enterprise fund, which statements reflect total assets of \$8,131,425 as of December 31, 2003, and total revenues of \$9,441,977 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for PineCrest Nursing Home, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County, Wisconsin, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2003.

The management's discussion and analysis on pages 3 through 13 and the budgetary comparison information on pages 48 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2004, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Stevens Point, Wisconsin  
April 22, 2004

## 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, 2003.

### **Financial Highlights**

- The assets of Lincoln County exceeded liabilities at the close of the most recent fiscal year by \$67,338,692 (net assets). Of this amount, \$17,450,261 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,444,211.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$12,543,231, an increase of \$634,360 in comparison with the prior year. Eighty-seven percent of this total amount, \$10,857,161, is available for spending at the government's discretions (unreserved fund balance).
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$6,036,239, or 52% of total general fund expenditures.
- Lincoln County's total general long-term obligations decreased by \$530,616.

### **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.

Since this is the first year of implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, the presentation of comparative data is limited. In future years, when prior year's information is available, a comparative analysis of government-wide data will be provided.

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

The *statement of net assets* reports what a government owns (assets) and owes (liabilities), as well as the net difference between the two (net assets). This statement reports the financial position of Lincoln County at December 31, 2003. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the county roads and bridges special revenue fund, social services special revenue fund, and developmental disabilities special revenue fund, all of which are considered to be major funds. Data from the other 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 except the jail assessment special revenue fund. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund and for each individual, major special revenue fund to demonstrate compliance with the budget.

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

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

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

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

## **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. At the close of 2003, the County's assets exceeded liabilities by \$67,338,692.

By far the largest portion of the County's net assets (71%) 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.

<b>Lincoln County's Net Assets</b>			
	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Current and other assets	\$ 29,188,076	\$ 8,935,069	\$ 38,123,145
Capital assets	<u>43,109,792</u>	<u>10,261,391</u>	<u>53,371,183</u>
Total assets	<u>72,297,868</u>	<u>19,196,460</u>	<u>91,494,328</u>
Long-term liabilities outstanding	3,032,007	5,942,920	8,974,927
Other liabilities	<u>13,452,676</u>	<u>1,728,033</u>	<u>15,180,709</u>
Total liabilities	<u>16,484,683</u>	<u>7,670,953</u>	<u>24,155,636</u>
Net assets:			
Invested in capital assets, net of related debt	42,793,732	5,288,192	48,081,924
Restricted	496,748	1,309,759	1,806,507
Unrestricted	<u>12,522,705</u>	<u>4,927,556</u>	<u>17,450,261</u>
Total net assets	\$ 55,813,185	\$ 11,525,507	\$ 67,338,692

An additional portion of the County's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$17,450,261) may be used to meet the County's ongoing obligations to citizens and creditors.

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

**Governmental Activities.** Governmental activities increased the County's net assets by \$3,244,031, thereby accounting for 73% of the total growth in net assets of the County. Key elements of this increase are as follows:

Lincoln County's Change in Net Assets			
	Governmental	Business-Type	
	Activities	Activities	Total
	2003	2003	2003
Revenues:			
Program revenues:			
Charges for services	\$ 5,021,006	\$ 11,479,500	\$ 16,500,506
Operating grants and contributions	8,142,705	217,637	8,360,342
Capital grants and contributions	912,639	-	912,639
General revenues:			-
Property taxes	9,850,065	456,493	10,306,558
Other taxes	1,562,303	-	1,562,303
Grants and contributions not restricted to specific programs	1,195,279	-	1,195,279
Other	<u>651,502</u>	<u>2,332</u>	<u>653,834</u>
Total revenues	<u>27,335,499</u>	<u>12,155,962</u>	<u>39,491,461</u>
Expenses:			
General government	4,531,987	-	4,531,987
Public safety	5,379,406	-	5,379,406
Public works	4,807,206	-	4,807,206
Health and human services	8,360,335	-	8,360,335
Culture and recreation	766,441	-	766,441
Conservation and development	687,446	-	687,446
Interest on long-term debt	172,010	-	172,010
Nursing home	-	8,516,467	8,516,467
Forestry	-	791,427	791,427
Landfill	<u>-</u>	<u>1,034,525</u>	<u>1,034,525</u>
Total expenses	<u>24,704,831</u>	<u>10,342,419</u>	<u>35,047,250</u>
Increase in net assets before transfers	2,630,668	1,813,543	4,444,211
Transfers	<u>613,363</u>	<u>(613,363)</u>	<u>-</u>
Increase in net assets	3,244,031	1,200,180	4,444,211
Net assets - January 1, 2003	<u>52,569,154</u>	<u>10,325,327</u>	<u>62,894,481</u>
Net assets - December 31, 2003	\$ 55,813,185	\$ 11,525,507	\$ 67,338,692

Property taxes were \$10,306,558 for the year, which was a 3 percent increase over the previous year. The increase went to pay the increased operating costs of health insurance and wage increases.

For the most part, the increase in net assets for governmental activities resulted from the County's efforts in expenditure restraint in the general fund and several of the special revenue funds which showed operating expenditures less than budgeted and resulted in transfers of funds to the general fund. Also, claims in the Health insurance trust fund were significantly less than anticipated resulting in an increase in net assets of \$1,267,255.

**Business-type Activities** Business-type activities increased Lincoln County's net assets by \$1,200,180, accounting for 27 percent of the total growth in the government's net assets. Key elements of this increase area as follows:

- Net assets for PineCrest Nursing Home increased by \$504,637. Intergovernmental transfer payment revenue exceeded the amount budgeted by \$449,400 and Medicare revenue from daily room revenue exceed budget by \$139,000.
- Net assets for Solid Waste Landfill increased by \$537,223. This was as a result of an adjustment made at year end for a change in usage estimate based on a survey done in February 2003.

### **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 \$12,543,231, an increase of \$634,360 in comparison with the prior year. Approximately 87 percent of this total amount, \$10,857,161 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) \$25,372 for capital improvement projects, 2) \$162,826 for prepaid items that benefit periods beyond the end of the current year, 3) \$77,077 for insurance deposits, 4) \$865,527 for non-liquid delinquent taxes, 5) \$350,819 for grant and program fees, and 6) \$204,449 for jail assessment.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$8,625,320, while the total fund balance was \$9,872,279. Of the \$8,625,320 unreserved fund balance, \$2,589,081 has been designated by the County for the 2004 budget or for future capital improvement projects leaving \$6,036,239 as undesignated unreserved. As a measure of the general fund's liquidity, it may be useful to compare the total unreserved fund balance, undesignated unreserved fund balance, and total fund balance to total fund expenditures. Total general fund unreserved fund balances represent 74% of total general fund expenditures, undesignated unreserved fund balance represents 52% of total general fund expenditures, while total fund balance represents 85% of that same amount.

The fund balance of Lincoln County's general fund increased by \$1,554,905 during the current fiscal year. Key factors in this increase are as follows:

- Overtime hours in the Sheriff's Department were less than budgeted resulting in a reduction of expenditures of \$128,527. Three new positions were budgeted for in the 911 budget, but the positions were filled by staggering the starting dates resulting in a reduction of expenditures of \$60,559. Actual expenditures in the corrections department were \$253,358 less than budgeted. Lincoln County experienced an unexplained rise in inmates in 2001 with an associated significant increase in outside housing costs for that year; consequently subsequent budgets have been set to accommodate increases, but those increases did not materialize. The County did not purchase \$45,000 of equipment for video conferencing to be used in the jail and Branch II circuit courtroom as had been included in the budget.
- Transfers were made from special revenue funds to the general fund in accordance with Chapter 3.07 of the Lincoln County Ordinance, which limited maximum unreserved fund balances in special revenue funds to 25 percent of expenditures. Transfers were as follows: Social Services \$430,288, Health Department \$110,571, Forestry \$156,955 (this fund was reclassified to an enterprise fund in 2003, but the transfer was calculated based on the 2002 classification and operations), and Developmental Disabilities \$92,199 for a total of \$790,013.
- Funds allocated for contingency in the amount of \$216,387 were not used.

The County Roads and Bridges Fund has a deficit balance of \$48,623 at December 31, 2003. \$35,149 of the deficit resulted from winter maintenance expenses exceeding the budgeted amount. The remaining amount was as a result of expenses exceeding revenues/reimbursements for the construction projects completed during the year.

The Social Services fund has a total fund balance of \$1,169,623. Of this fund balance, \$1,102,323 is unreserved and \$67,300 is reserved for other restricted purposes. Unreserved fund balance represents 35 percent of total social services fund expenditures, while total fund balance represents 37.5 percent of that same amount.

The fund balance of the Social Services fund decreased by \$296,640 during the current year. Key factors in this decrease are as follows:

- Transfer to the general fund per Lincoln County Ordinance 3.07 in the amount of \$430,288.
- Expenditures were \$133,648 less than budgeted.

Developmental Disabilities fund has a total fund balance of \$518,578 at December 31, 2003. Of this fund balance, \$492,663 is unreserved and \$25,915 is reserved for prepaid items. Unreserved fund balance represents 15 percent of total developmental disabilities fund expenditures, while total fund balance represents 16 percent of that same amount.

The fund balance of the Developmental Disabilities fund decreased by \$311,582 during the current year. Key factors in this decrease are as follows:

- Lincoln County purchased a Community Based Residential Facility at a cost of \$165,609 to accommodate Lincoln County clients in anticipation of the closing of the Northern Wisconsin Center and the downsizing of Petersen Health Care Center. Existing fund balance was applied as a source of funds for the purchase.
- Transfer to the general fund per Lincoln County Ordinance 3.07 in the amount of \$92,199.
- The original budget for 2003 included applying \$103,525 of fund balance.

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

Unrestricted net assets of PineCrest Nursing Home operations at the end of the year amounted to \$2,409,665, those of Solid Waste Landfill amounted to \$1,907,014, and those of Forestry amounted to \$610,877. 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 several times. The budget amendments fell into four 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 2002). 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. The fourth category included amendments made to account for the transfer of funds from special revenue fund balances in excess of 25% of the year's expenditures in compliance with Lincoln County Ordinance Chapter 3.07. 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 \$1,537,488. Those amendments are briefly summarized below:

- \$311,705 - The actual amount of grant and designated funds not spent down in 2002 exceeded the amount estimated as designated for non-lapsing appropriations when the budget was prepared.
- \$203,482 - A federal grant was received to restore the County Courthouse; this was not finalized at the time the budget was prepared.
- \$103,139 - Emergency Management received Homeland Security and Domestic Preparedness Grants; these were anticipated at budget time, but the amounts were not determinable.
- \$790,013 - This represents transfers from special revenue funds to the general fund as discussed previously. These transfers were not anticipated and not originally budgeted. The budget was modified to reflect the additional revenue and the offset

was to an expenditure account titled budgeted excess. Modifying the budget also produced a variance between the amount of the amended budgeted expenditures and actual expenditures.

Of this \$1,537,488 increase, \$306,621 was funded by additional grants, \$790,013 was transfers from special revenue funds, and \$113,613 came from the contingency fund. The County intended the remaining \$327, 241 to be funded from available fund balance (designated for non-lapsing appropriations). During the year, overall revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Actual expenditures were \$2,370,836 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$92,311 - Cost of maintenance projects was less than anticipated.
- \$216,387 - Funds allocated for contingency that were not used.
- \$287,871 - This amount was unspent at the end of the 2003 for grant projects that had not been completed by year-end or had different fiscal periods than the County's calendar year. These were carried over to the 2004 budget.

On the revenue side, the original budget was *increased* by \$437,470 with budget amendments. Significant amendments are summarized as follows:

- \$102,814 - Emergency Management received Homeland Security Grant and Domestic Preparedness Grant. The amount could not be estimated at budget preparation.
- \$203,483 - County received federal grant to restore Courthouse. Amount could not be estimated at budget time.

Actual revenues were \$206,441 *greater* than budgeted. Significant variances are as follows:

- Sales tax revenue exceeded the budget by \$83,228.
- Interest on taxes exceeded the budget by \$98,599.
- State shared revenue was \$96,984 less than budgeted.
- Register of Deeds public charges for service exceeded the budget by \$57,253.

### **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, 2003, amounted to \$53,371,183 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, equipment and vehicles, intangible assets, and work in progress. The net increase in the County's investment in capital assets for the current fiscal year was \$844,174 or 1.6 percent.

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

- Highway construction projects recorded in the County Roads and Bridges Fund completed during the year increased infrastructure by \$1,275,533.
- Highway construction and maintenance projects recorded as work in progress at year-end in the County Roads and Bridges Fund amounted to \$1,238,821.
- These amounts were offset, in part, by the amount of the projects completed in the previous year and removal of depreciation for roads reconstructed.

<b>Lincoln County's Capital Assets</b> (net of accumulated depreciation)			
	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Land	\$ 470,625	\$ 2,380,133	\$ 2,850,758
Land improvements	143,405	2,634,324	2,777,729
Infrastructure	30,095,740	-	30,095,740
Buildings and improvements	4,470,660	4,339,806	8,810,466
Equipment and vehicles	4,553,564	907,128	5,460,692
Work in progress	3,346,075	-	3,346,075
Intangible assets	<u>29,723</u>	<u>-</u>	<u>29,723</u>
Total	\$43,109,792	\$10,261,391	\$53,371,183

Additional information on Lincoln County's capital assets can be found in Note 6 on page 39.

**Long-term debt.** At the end of the current fiscal year, Lincoln County had a total general obligation debt outstanding of \$6,945,774. All of this debt is backed by the full faith and credit of the County.

<b>Lincoln County's Outstanding General Obligation Debt</b>			
	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Bonds	\$ -	\$ 4,370,000	\$ 4,370,000
Notes	<u>2,575,774</u>	<u>-</u>	<u>2,575,774</u>
Total general obligation debt	2,575,774	4,370,000	6,945,774
Capital lease	174,134	-	174,134
Forestry loans	-	603,199	603,199
Compensated absences	<u>1,173,816</u>	<u>328,461</u>	<u>1,502,277</u>
Total general long-term obligations	\$ 3,923,724	\$ 5,301,660	\$ 9,225,384

Lincoln County's total general obligation debt decreased by \$365,317 during the fiscal year. This is made up of payment of \$260,000 of Lincoln County General Obligation Refunding Bonds for PineCrest Nursing Home and \$105,317 payments of notes to Wisconsin State Trust Fund loans. Lincoln County maintains a Moody's Rating of A3 for general obligation debt.

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 \$87,410,021, 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 on pages 41 - 43 of this report.

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

- The unemployment rate for Lincoln County in April 2004 was 6.7 percent as compared to 5.1 percent for the State of Wisconsin. The April 2004 rate for Lincoln County was lower than both its April 2003 and April 2002 rates.
- The general economic condition and outlook for the County for 2004 are improved when compared to 2003 according to a Lincoln Labor Market Study, conducted by the University of Wisconsin Extension - Lincoln County dated March 2004.
- Inflationary trends in our region compare favorably to national indices.

These factors were considered in preparing the County's budget for the 2004 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$8,625,320. Lincoln County has designated \$2,489,679 for capital improvement projects in future years. It is intended that this use of available fund balance will reduce the need to raise taxes or borrow to complete future capital projects.

### **Request for information**

This financial report is designed to provide a general overview of Lincoln County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Lincoln County, 1104 East First Street, Merrill, WI 54452.

## **BASIC FINANCIAL STATEMENTS**

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF NET ASSETS**  
**December 31, 2003**

	<b>Primary Government</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 15,201,044	\$ 3,720,281	\$ 18,921,325
Receivables, net:			
Property taxes	10,058,464	248,094	10,306,558
Tax certificates and deeds	1,179,669	-	1,179,669
Assessments	63,152	-	63,152
Accounts	457,770	1,687,538	2,145,308
Due from other governments	1,365,791	26,917	1,392,708
Inventories, at cost	500,176	502,776	1,002,952
Prepaid expenses	283,044	38,093	321,137
Deferred debits	1,889	-	1,889
Restricted assets:			
Cash and cash equivalents	77,077	-	77,077
Total current assets	<u>29,188,076</u>	<u>6,223,699</u>	<u>35,411,775</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	-	2,637,191	2,637,191
Unamortized debt issue costs	-	74,179	74,179
Capital assets:			
Land and construction in progress	3,816,700	2,380,133	6,196,833
Other capital assets, net of depreciation	39,293,092	7,881,258	47,174,350
Total capital assets	<u>43,109,792</u>	<u>10,261,391</u>	<u>53,371,183</u>
Total noncurrent assets	<u>43,109,792</u>	<u>12,972,761</u>	<u>56,082,553</u>
Total assets	<u>72,297,868</u>	<u>19,196,460</u>	<u>91,494,328</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	890,648	211,358	1,102,006
Accrued expenses	470,026	200,264	670,290
Compensated absences payable	618,595	265,332	883,927
Accrued claims	494,067	-	494,067
Deposits and advances	245,679	156,298	401,977
Due to other governments	202,723	166,687	369,410
Current portion of long-term obligations	273,122	480,000	753,122
Deferred revenue	10,257,816	248,094	10,505,910
Total current liabilities	<u>13,452,676</u>	<u>1,728,033</u>	<u>15,180,709</u>
Noncurrent liabilities:			
Future closure payable	-	1,386,592	1,386,592
Compensated absences payable	555,221	63,129	618,350
Noncurrent portion of long-term obligations	2,476,786	4,493,199	6,969,985
Total noncurrent liabilities	<u>3,032,007</u>	<u>5,942,920</u>	<u>8,974,927</u>
Total liabilities	<u>16,484,683</u>	<u>7,670,953</u>	<u>24,155,636</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	42,793,732	5,288,192	48,081,924
Restricted	496,748	1,309,759	1,806,507
Unrestricted	12,522,705	4,927,556	17,450,261
<b>TOTAL NET ASSETS</b>	<u>\$ 55,813,185</u>	<u>\$ 11,525,507</u>	<u>\$ 67,338,692</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, 2003**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Sales and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 4,531,987	\$ 413,809	\$ 331,104	\$ 203,483	\$ (3,583,591)	\$ -	\$ (3,583,591)
Public safety	5,379,406	1,249,185	241,240	-	(3,888,981)	-	(3,888,981)
Public works	4,807,206	2,261,462	1,004,614	709,156	(831,974)	-	(831,974)
Health and human services	8,360,335	740,859	6,266,064	-	(1,353,412)	-	(1,353,412)
Culture, recreation, and education	766,441	2,131	11,576	-	(752,734)	-	(752,734)
Conservation and development	687,446	353,560	288,107	-	(45,779)	-	(45,779)
Interest on long-term debt	172,010	-	-	-	(172,010)	-	(172,010)
Total governmental activities	24,704,831	5,021,006	8,142,705	912,639	(10,628,481)	-	(10,628,481)
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Nursing home	8,516,467	8,990,117	-	-	-	473,650	473,650
Forestry	791,427	849,402	217,637	-	-	275,612	275,612
Solid waste landfill	1,034,525	1,639,981	-	-	-	605,456	605,456
Total business-type activities	10,342,419	11,479,500	217,637	-	-	1,354,718	1,354,718
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 35,047,250</b>	<b>\$ 16,500,506</b>	<b>\$ 8,360,342</b>	<b>\$ 912,639</b>	<b>(10,628,481)</b>	<b>1,354,718</b>	<b>(9,273,763)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					9,850,065	456,493	10,306,558
Private forest cropland/managed forest land taxes					26,855	-	26,855
County sales tax					1,483,289	-	1,483,289
Real estate transfer taxes					52,159	-	52,159
Payment in lieu of taxes					61,501	-	61,501
Interest and penalties on taxes					248,599	-	248,599
Grants and contributions not restricted to specific programs					1,195,279	-	1,195,279
Unrestricted investment earnings					336,526	2,332	338,858
Miscellaneous					4,876	-	4,876
Transfers					613,363	(613,363)	-
Total general revenues and transfers					13,872,512	(154,538)	13,717,974
<b>CHANGE IN NET ASSETS</b>					3,244,031	1,200,180	4,444,211
<b>NET ASSETS - BEGINNING</b>					52,569,154	10,325,327	62,894,481
<b>NET ASSETS - ENDING</b>					<u>\$ 55,813,185</u>	<u>\$ 11,525,507</u>	<u>\$ 67,338,692</u>

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, 2003**

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,559,163	\$ -	\$ 1,176,595	\$ 696,955	\$ 1,053,056	\$ 11,485,769
Receivables, net:						
Property taxes	6,465,008	2,013,117	446,879	27,277	1,106,183	10,058,464
Tax certificates and deeds	1,179,669	-	-	-	-	1,179,669
Assessments	63,152	-	-	-	-	63,152
Accounts	195,265	-	5,543	39,172	177,295	417,275
Due from other governments	477,717	23,000	258,274	17,801	69,280	846,072
Due from other funds	290,325	-	-	-	-	290,325
Prepaid items	124,140	-	-	25,915	95,216	245,271
Restricted assets:						
Cash and cash equivalents	77,077	-	-	-	-	77,077
<b>TOTAL ASSETS</b>	<u>\$ 17,431,516</u>	<u>\$ 2,036,117</u>	<u>\$ 1,887,291</u>	<u>\$ 807,120</u>	<u>\$ 2,501,030</u>	<u>\$ 24,663,074</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 293,178	\$ -	\$ 193,750	\$ 166,784	\$ 67,170	\$ 720,882
Accrued liabilities	187,145	-	35,166	31,479	21,019	274,809
Deposits and advances	185,767	-	30,838	29,074	-	245,679
Due to other funds	-	71,623	-	-	214,911	286,534
Due to other governments	155,869	-	11,035	33,928	1,891	202,723
Deferred revenue	6,737,278	2,013,117	446,879	27,277	1,164,665	10,389,216
<b>Total liabilities</b>	<u>7,559,237</u>	<u>2,084,740</u>	<u>717,668</u>	<u>288,542</u>	<u>1,469,656</u>	<u>12,119,843</u>
<b>Fund balances</b>						
Reserved for:						
Capital improvement projects	25,372	-	-	-	-	25,372
Prepaid items	124,140	-	-	25,915	12,771	162,826
Insurance deposits	77,077	-	-	-	-	77,077
Delinquent property taxes	865,527	-	-	-	-	865,527
Grant and program fees	154,843	-	67,300	-	128,676	350,819
Jail assessment	-	-	-	-	204,449	204,449
Unreserved, reported in:						
General fund	8,625,320	-	-	-	-	8,625,320
Special revenue funds	-	(48,623)	1,102,323	492,663	314,974	1,861,337
Debt service funds	-	-	-	-	370,504	370,504
<b>Total fund balances</b>	<u>9,872,279</u>	<u>(48,623)</u>	<u>1,169,623</u>	<u>518,578</u>	<u>1,031,374</u>	<u>12,543,231</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 17,431,516</u>	<u>\$ 2,036,117</u>	<u>\$ 1,887,291</u>	<u>\$ 807,120</u>	<u>\$ 2,501,030</u>	<u>\$ 24,663,074</u>

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

**LINCOLN COUNTY WISCONSIN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2003**

Total fund balances for governmental funds \$ 12,543,231

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

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

Land	\$	435,085	
Construction in progress		3,190,555	
Land improvements, net of \$4,014 accumulated depreciation		6,737	
Buildings, net of \$5,701,071 accumulated depreciation		3,801,462	
Machinery and equipment, net of \$1,523,726 accumulated depreciation		362,135	
Intangible assets, net of \$73,860 accumulated depreciation		29,723	
Infrastructure, net of \$15,325,129 accumulated depreciation		<u>30,095,740</u>	
Total capital assets			37,921,437

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

Health insurance fund	\$	2,895,362	
Highway fund		<u>5,891,541</u>	
Total internal service funds			8,786,903

Interest receivable had accrued on 12/31/03 but was not available. Consequently this revenue was not accrued in governmental funds, but is recorded as a receivable on the statement of net assets.

36,258

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (current and long-term) are reported in the statement of net assets. Balances on 12/31/03 are:

Accrued interest on notes	\$	(132,574)	
Notes payable		(2,575,774)	
Capital lease payable		(15,779)	
Vacation payable		(465,920)	
Vested sick leave		(202,240)	
Accrued sick		(222,117)	
Comp time		<u>(13,962)</u>	
Total long-term liabilities			(3,628,366)

On 12/31/03 a deferred revenue was recorded in a governmental fund for citation revenue that was not considered a current financial resource, but is an economic resource. Consequently, this revenue is recognized.

153,722

Total net assets of governmental activities \$ 55,813,185

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, 2003**

	<u>General</u>	<u>County Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 8,174,638	\$ 2,048,018	\$ 405,666	\$ 33,177	\$ 1,060,969	\$ 11,722,468
Intergovernmental revenues	2,655,153	1,096,968	2,826,500	2,748,917	497,153	9,824,691
Licenses and permits	148,710	-	-	-	34,754	183,464
Fines, forfeits, and penalties	150,318	-	-	-	45,696	196,014
Public charges for service	736,921	-	16,770	345,371	654,077	1,753,139
Intergovernmental charges for service	81,437	-	-	3,236	271,272	355,945
Miscellaneous revenues	545,334	-	827	2	15,001	561,164
Total revenues	12,492,511	3,144,986	3,249,763	3,130,703	2,578,922	24,596,885
<b>EXPENDITURES</b>						
Current:						
General government	4,354,137	-	-	-	-	4,354,137
Public safety	4,315,669	-	-	-	1,078,003	5,393,672
Public works	49,351	3,314,630	-	-	-	3,363,981
Health and human services	937,905	-	3,116,115	3,151,007	1,358,103	8,563,130
Culture, recreation, and education	773,708	-	-	-	-	773,708
Conservation and development	764,048	-	-	-	-	764,048
Capital outlay	443,096	-	-	165,609	42,109	650,814
Debt service:						
Principal	-	-	-	-	105,317	105,317
Interest and other charges	-	-	-	-	160,451	160,451
Total expenditures	11,637,914	3,314,630	3,116,115	3,316,616	2,743,983	24,129,258
Excess (deficiency) of revenues over (under) expenditures	854,597	(169,644)	133,648	(185,913)	(165,061)	467,627
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	840,013	-	-	-	132,953	972,966
Transfers out	(139,705)	-	(430,288)	(125,669)	(110,571)	(806,233)
Total other financing sources and uses	700,308	-	(430,288)	(125,669)	22,382	166,733
Net change in fund balances	1,554,905	(169,644)	(296,640)	(311,582)	(142,679)	634,360
<b>FUND BALANCES - JANUARY 1</b>	8,317,374	121,021	1,466,263	830,160	1,174,053	11,908,871
<b>FUND BALANCES - DECEMBER 31</b>	\$ 9,872,279	\$ (48,623)	\$ 1,169,623	\$ 518,578	\$ 1,031,374	\$ 12,543,231

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, 2003**

Net change in fund balances - total governmental funds \$ 634,360

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

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

Capital outlay	\$ 2,861,262	
Sale of capital assets	(18,561)	
Depreciation expense	<u>(1,816,084)</u>	
Excess of capital outlay over depreciation expense		1,026,617

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount consisted of: 108,779

Internal service funds are used by the County to charge the costs of health insurance and County road work to individual funds. The net revenue of the internal service funds is reported with governmental activities as follows:

Health insurance fund	1,267,255	
Highway fund	<u>76,473</u>	
Total internal service funds		1,343,728

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	(4,653)	
Vacation	44,001	
Vested sick leave	67,796	
Accrued sick	6,268	
Comp time	<u>1,698</u>	
Combined adjustment		115,110

Revenue had accrued on 12/31/03 but was not available. Consequently this revenue was either deferred or not accrued in governmental funds, but is recorded as a receivable on the statement of net assets and recognized as revenue on the statement of activities.

The net revenue consists of:

Interest	3,235	
Citations	<u>12,202</u>	
Combined adjustment		<u>15,437</u>

Change in net assets of governmental activities \$ 3,244,031

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

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2003**

	<b>Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b><u>PineCrest Nursing Home</u></b>	<b><u>Solid Waste Landfill</u></b>	<b><u>Forestry</u></b>	<b><u>Total</u></b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,379,085	\$ 1,457,554	\$ 883,642	\$ 3,720,281	\$ 3,715,275
Receivables, net:					
Property taxes	248,094	-	-	248,094	-
Accounts	1,497,814	74,296	115,428	1,687,538	446
Due from other governments	-	22,111	4,806	26,917	519,719
Inventories, at cost	30,551	472,225	-	502,776	500,176
Prepaid items	37,718	375	-	38,093	37,773
Deferred debits	-	-	-	-	3,632
Total current assets	<u>3,193,262</u>	<u>2,026,561</u>	<u>1,003,876</u>	<u>6,223,699</u>	<u>4,777,021</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	<u>9,753</u>	<u>2,627,438</u>	<u>-</u>	<u>2,637,191</u>	<u>-</u>
Unamortized debt issue costs	<u>74,179</u>	<u>-</u>	<u>-</u>	<u>74,179</u>	<u>-</u>
Capital assets:					
Land	13,833	84,605	2,281,695	2,380,133	35,540
Improvements other than buildings	377,655	4,876,857	-	5,254,512	174,484
Buildings	7,238,105	270,692	224,548	7,733,345	1,272,188
Machinery and equipment	1,181,734	639,338	410,813	2,231,885	9,508,854
Work in progress	-	-	-	-	155,520
Less accumulated depreciation and depletion	<u>(3,957,096)</u>	<u>(2,976,273)</u>	<u>(405,115)</u>	<u>(7,338,484)</u>	<u>(5,958,231)</u>
Total capital assets	<u>4,854,231</u>	<u>2,895,219</u>	<u>2,511,941</u>	<u>10,261,391</u>	<u>5,188,355</u>
Total noncurrent assets	<u>4,938,163</u>	<u>5,522,657</u>	<u>2,511,941</u>	<u>12,972,761</u>	<u>5,188,355</u>
Total assets	<u>8,131,425</u>	<u>7,549,218</u>	<u>3,515,817</u>	<u>19,196,460</u>	<u>9,965,376</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	183,644	23,281	4,433	211,358	169,766
Accrued expenses	180,854	5,577	13,833	200,264	62,643
Compensated absences payable	217,944	11,653	35,735	265,332	138,713
Accrued claims	-	-	-	-	494,067
Due to other governments	-	61,099	105,588	166,687	-
Deferred revenue	248,094	-	-	248,094	22,322
Current maturities of long-term debt	280,000	-	200,000	480,000	158,355
Deposits and advances	<u>27,240</u>	<u>-</u>	<u>129,058</u>	<u>156,298</u>	<u>-</u>
Total current liabilities	<u>1,137,776</u>	<u>101,610</u>	<u>488,647</u>	<u>1,728,033</u>	<u>1,045,866</u>
Noncurrent liabilities:					
General obligation bonds payable	4,090,000	-	403,199	4,493,199	-
Compensated absences payable	-	17,937	45,192	63,129	130,864
Future closure payable	<u>-</u>	<u>1,386,592</u>	<u>-</u>	<u>1,386,592</u>	<u>-</u>
Total noncurrent liabilities	<u>4,090,000</u>	<u>1,404,529</u>	<u>448,391</u>	<u>5,942,920</u>	<u>130,864</u>
Total liabilities	<u>5,227,776</u>	<u>1,506,139</u>	<u>937,038</u>	<u>7,670,953</u>	<u>1,176,730</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	484,231	2,895,219	1,908,742	5,288,192	5,030,000
Restricted	9,753	1,240,846	59,160	1,309,759	-
Unrestricted	<u>2,409,665</u>	<u>1,907,014</u>	<u>610,877</u>	<u>4,927,556</u>	<u>3,758,646</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,903,649</u>	<u>\$ 6,043,079</u>	<u>\$ 2,578,779</u>	<u>\$ 11,525,507</u>	<u>\$ 8,788,646</u>

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

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2003**

	<b>Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b><u>PineCrest Nursing Home</u></b>	<b><u>Solid Waste Landfill</u></b>	<b><u>Forestry</u></b>	<b><u>Total</u></b>	
<b>OPERATING REVENUES</b>					
Public charges for service	\$ 8,957,770	\$ 685,973	\$ 845,152	\$ 10,488,895	\$ -
Interdepartmental charges for service	-	903	-	903	7,577,061
Intergovernmental charges for service	-	187,012	4,250	191,262	2,232,682
Other	<u>22,224</u>	<u>6,357</u>	<u>-</u>	<u>28,581</u>	<u>15,102</u>
Total operating revenues	<u>8,979,994</u>	<u>880,245</u>	<u>849,402</u>	<u>10,709,641</u>	<u>9,824,845</u>
<b>OPERATING EXPENSES</b>					
Claims paid	-	-	-	-	2,595,356
Nursing services	3,949,018	-	-	3,949,018	-
Other professional services	441,031	-	-	441,031	-
General services	1,474,999	533,444	799,509	2,807,952	4,622,243
Administrative and fiscal services	2,319,229	-	-	2,319,229	699,116
Provider assessment tax	111,400	-	-	111,400	-
Provision for bad debts	43,749	-	-	43,749	-
Future closing costs	-	128,468	-	128,468	-
Depreciation and amortization	<u>300,446</u>	<u>390,846</u>	<u>39,755</u>	<u>731,047</u>	<u>603,480</u>
Total operating expenses	<u>8,639,872</u>	<u>1,052,758</u>	<u>839,264</u>	<u>10,531,894</u>	<u>8,520,195</u>
Operating income (loss)	<u>340,122</u>	<u>(172,513)</u>	<u>10,138</u>	<u>177,747</u>	<u>1,304,650</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Taxes	456,493	-	-	456,493	-
Change in usage estimate	-	748,704	-	748,704	-
Insurance recoveries	-	-	-	-	5,630
Interest income	2,332	11,032	-	13,364	26,659
Rental income	-	-	-	-	50
Grant revenue	-	-	217,637	217,637	-
Donations	3,158	-	-	3,158	-
Interest expense	(241,723)	-	-	(241,723)	-
Gain on sale of supplies	-	-	-	-	3,421
Gain (loss) on disposal of capital assets	(4,467)	-	-	(4,467)	891
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170</u>
Total nonoperating revenues (expenses)	<u>215,793</u>	<u>759,736</u>	<u>217,637</u>	<u>1,193,166</u>	<u>36,821</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>555,915</u>	<u>587,223</u>	<u>227,775</u>	<u>1,370,913</u>	<u>1,341,471</u>
Transfer in	-	-	90,000	90,000	4,000
Transfer out	<u>(51,278)</u>	<u>(50,000)</u>	<u>(159,455)</u>	<u>(260,733)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>504,637</u>	<u>537,223</u>	<u>158,320</u>	<u>1,200,180</u>	<u>1,345,471</u>
<b>TOTAL NET ASSETS - JANUARY 1</b>	<u>2,399,012</u>	<u>5,505,856</u>	<u>2,420,459</u>	<u>10,325,327</u>	<u>7,443,175</u>
<b>TOTAL NET ASSETS - DECEMBER 31</b>	<u>\$ 2,903,649</u>	<u>\$ 6,043,079</u>	<u>\$ 2,578,779</u>	<u>\$ 11,525,507</u>	<u>\$ 8,788,646</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, 2003**

	<b>Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b><u>PineCrest Nursing Home</u></b>	<b><u>Solid Waste Landfill</u></b>	<b><u>Forestry</u></b>	<b><u>Total</u></b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
From patients and third party payers	\$ 8,565,125	\$ -	-	\$ 8,565,125	\$ -
From other County departments	-	903	4,250	5,153	7,577,061
From government and other parties for sales	-	832,764	792,598	1,625,362	1,935,439
To employees for compensation and fringe benefits	(6,068,628)	(244,277)	(634,867)	(6,947,772)	(2,761,678)
To vendors for goods and services	(2,174,167)	(781,317)	(224,175)	(3,179,659)	(5,181,086)
Other cash received	<u>22,224</u>	<u>6,357</u>	<u>-</u>	<u>28,581</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>344,554</u>	<u>(185,570)</u>	<u>(62,194)</u>	<u>96,790</u>	<u>1,569,736</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant revenue	-	-	212,831	212,831	-
Transfer in	-	-	90,000	90,000	4,000
Transfer out	(51,278)	(50,000)	(159,455)	(260,733)	-
Tax levy appropriations	<u>456,493</u>	<u>-</u>	<u>-</u>	<u>456,493</u>	<u>-</u>
Net cash provided by (used in) noncapital and related financing activities	<u>405,215</u>	<u>(50,000)</u>	<u>143,376</u>	<u>498,591</u>	<u>4,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Donations	3,158	-	-	3,158	-
Purchase of capital assets	(27,706)	(145,026)	(41,207)	(213,939)	(316,543)
Proceeds from sale of assets	-	-	-	-	51,690
Principal payments on long-term debt	(260,000)	-	(260,623)	(520,623)	(63,857)
Interest paid on long-term debt	<u>(242,860)</u>	<u>-</u>	<u>-</u>	<u>(242,860)</u>	<u>(6,143)</u>
Net cash used in capital and related financing activities	<u>(527,408)</u>	<u>(145,026)</u>	<u>(301,830)</u>	<u>(974,264)</u>	<u>(334,853)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>2,332</u>	<u>11,891</u>	<u>-</u>	<u>14,223</u>	<u>26,659</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>224,693</u>	<u>(368,705)</u>	<u>(220,648)</u>	<u>(364,660)</u>	<u>1,265,542</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,164,145</u>	<u>4,453,697</u>	<u>1,104,290</u>	<u>6,722,132</u>	<u>2,449,733</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,388,838</u>	<u>\$ 4,084,992</u>	<u>\$ 883,642</u>	<u>\$ 6,357,472</u>	<u>\$ 3,715,275</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>					
Unrestricted	\$ 1,379,085	\$ 1,457,554	\$ 883,642	\$ 3,720,281	\$ 3,715,275
Restricted	<u>9,753</u>	<u>2,627,438</u>	<u>-</u>	<u>2,637,191</u>	<u>-</u>
	<u>\$ 1,388,838</u>	<u>\$ 4,084,992</u>	<u>\$ 883,642</u>	<u>\$ 6,357,472</u>	<u>\$ 3,715,275</u>

**LINCOLN COUNTY, WISCONSIN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2003**

	<u>Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>	<u>Total</u>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 340,122	\$ (172,513)	\$ 10,138	\$ 177,747	\$ 1,304,650
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Provision for bad debts	43,749	-	-	43,749	-
Depreciation and amortization	300,446	390,846	39,755	731,047	603,480
Future closing costs	-	128,468	-	128,468	-
Change in assets and liabilities:					
Accounts receivable	(184,247)	(36,061)	(52,554)	(272,862)	(446)
Due from other governments	-	(4,160)	-	(4,160)	(295,779)
Deferred debits	-	-	-	-	59,270
Inventories	(3,918)	(409,766)	-	(413,684)	61,992
Prepaid items	4,233	(44)	-	4,189	(37,744)
Accounts payable	21,352	(28,781)	1,815	(5,614)	(241,792)
Due to other governments	-	61,099	(14,443)	46,656	-
Accrued expenses	17,136	(114,658)	1,943	(95,579)	9,328
Deferred revenue	(208,398)	-	-	(208,398)	(16,122)
Compensated absences payable	21,507	-	9,343	30,850	550
Deposits and advances	(7,428)	-	(58,191)	(65,619)	-
Claims paid	-	-	-	-	122,349
Total adjustments	4,432	(13,057)	(72,332)	(80,957)	265,086
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 344,554</u>	<u>\$ (185,570)</u>	<u>\$ (62,194)</u>	<u>\$ 96,790</u>	<u>\$ 1,569,736</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>					
Capital asset additions included in accounts payable	\$ -	\$ 52,902	\$ -	\$ 52,902	\$ -
Inventory used in capital assets construction	\$ -	\$ 23,926	\$ -	\$ 23,926	\$ 17,977
Acquisition of capital assets through capital lease	\$ -	\$ -	\$ -	\$ -	\$ 222,212

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

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2003**

	<b>Agency Funds</b>		
	<b>Employee Benefit <u>Cafeteria Plan</u></b>	<b>Clerk of Court <u>Collection Fund</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,621	\$ -	\$ 9,621
Accounts receivable	<u>144</u>	<u>697,015</u>	<u>697,159</u>
Total assets	<u>\$ 9,765</u>	<u>\$ 697,015</u>	<u>\$ 706,780</u>
<b>LIABILITIES</b>			
Accounts payable	389	-	389
Deposits and advances	5,585	-	5,585
Due other governments	-	697,015	697,015
Due to other funds	<u>3,791</u>	<u>-</u>	<u>3,791</u>
Total liabilities	<u>\$ 9,765</u>	<u>\$ 697,015</u>	<u>\$ 706,780</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, 2003**

**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.

**CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY**

For the year ended December 31, 2003, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements and Managements Discussion for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34 creates new basic financial statements for reporting on the County’s financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the County’s programs between governmental activities and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior year and the reclassification of the Forestry Fund from a governmental fund to an enterprise fund.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis. GASB Statement No. 38 establishes and modifies certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise in interpretation and practice.

The following schedule details the effect on fund equity of the County's major and nonmajor funds as they were previously reported due to the restatement arising from the implementation of the above statements and interpretation.

	<u><b>Governmental</b></u>	<u><b>Business-Type</b></u>
General Fund	\$ 8,317,374	\$ -
Special Revenue Funds	3,974,464	-
Debt Service Fund	439,730	-
Expendable Trust Fund	1,311	-
Enterprise Funds	-	7,904,868
Internal Service Funds	7,443,175	-
General Fixed Assets	<u>14,332,369</u>	<u>-</u>
<b>Fund Balance, 12/31/02</b>	<b>34,508,423</b>	<b>7,904,868</b>
Reclass Forestry Fund	(823,697)	823,697
Add infrastructure and other fixed assets	43,666,195	2,905,848
Depreciate fixed assets	(20,526,963)	(395,360)
Long-term debt	(4,182,273)	(913,726)
Accrued interest	(127,921)	-
Other	<u>55,390</u>	<u>-</u>
<b>Fund Balance, restated</b>	<b><u>\$ 52,569,154</u></b>	<b><u>\$ 10,325,327</u></b>

**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 statements 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, 2003**

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

**Fund Financial Statements**

Financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category type, and
- The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- In addition, any other governmental or proprietary fund that the County believes is particularly important to the financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

**County Roads and Bridges Fund** - Accounts for State transportation aid received by the County and all maintenance and construction for highways and bridges provided by the Highway Department to the County.

**Social Services Fund** - Evaluates eligibility for and administers a variety of social service and financial support programs (Federal, State, and local) to persons within the County and makes appropriate referrals to other service providers. These services are provided to meet the basic economic needs of dependent persons, alleviate dependency, enhance family functioning, assess/provide services to children and adults in need of protection, and to coordinate supportive care of elderly and disabled persons.

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

The County reports the following major enterprise funds:

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

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

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

In addition, the County reports the following fund types:

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

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

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

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been satisfied.

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

Fund Financial Statements

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

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

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

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

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

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

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

**PROPERTY TAXES**

Property taxes are levied prior to December 31 and are due and collectible in the following year. The 2003 tax levy is recorded as receivable with offsetting deferred revenue at December 31, 2003; it will be recognized as revenue in 2004 when used to finance the County's services.

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

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2003**

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

The property tax calendar for the 2003 tax roll follows:

Lien date and date levy	December 2003
Tax bills mailed	December 2003
Real estate taxes first installment due	January 31, 2004
Personal property taxes due in full	January 31, 2004
Real estate taxes second installment due	July 31, 2004
Tax sale - 2003 delinquent real estate taxes	October 2007

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are combined on the balance sheet. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Cash equivalents are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with a maturity of three months or less (including restricted assets) are considered to be cash equivalents.

**INTERFUND RECEIVABLES AND PAYABLES**

The current portion of lending/borrowing arrangements between funds are 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.

**UNAMORTIZED DEBT ISSUE COSTS**

These costs are being amortized over the life of the related borrowings using the straight-line method, which approximates the effective interest method. Amortization expense was \$ 6,182 for the year ended December 31, 2003, and accumulated amortization is \$ 74,179 at December 31, 2003.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

**CAPITAL ASSETS**

In the government-wide financial statements, fixed assets are accounted for as 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 works 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)	<u>250,000</u>
Buildings and improvements	<u>50,000</u>
Equipment and vehicles	2,000-5,000
Intangible assets	<u>5,000</u>

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	<u>10 - 50</u>
Buildings and improvements	10 - 25
Equipment and vehicles	3 - 15
Intangible assets	3

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

**DEFERRED REVENUE**

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

**COMPENSATED ABSENCES**

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

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

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

**LONG-TERM OBLIGATIONS**

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

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

**INTERFUND TRANSACTIONS**

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All interfund transfers are reported as operating transfers.

**NET ASSETS**

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

**GOVERNMENTAL FUND BALANCE RESERVES**

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

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2003**

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

**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.

For the year ending December 31, 2003, the legally adopted budget line items with actual expenditures over the final budget were as follows:

	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>
General fund:		
General government:		
Insurance	\$ 97,153	\$ 101,735
Public safety:		
Civil service commission	6,333	6,391
Health and human services:		
Community organizations	20,600	20,615
County roads and bridges fund:		
Public works	3,269,190	3,314,630

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

**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".

**Investments**

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 \$21,645,214 on December 31, 2003, as summarized below:

Petty cash funds	\$ 1,995
Deposits with financial institutions	11,036,923
Investments:	
Wisconsin local government investment pool	7,901,781
Landfill long-term care trust	2,627,438
Insurance deposits	<u>77,077</u>
	<u>\$ 21,645,214</u>

Presented in the Combined Balance Sheet as follows:

Unrestricted cash and cash equivalents	\$ 18,921,325
Restricted cash and cash equivalents	2,714,268
Fiduciary Fund cash and cash equivalents	<u>9,621</u>
	<u>\$ 21,645,214</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

**Deposits**

At year-end, the bank balance of the County's deposits was \$11,632,015. Of the bank balance, \$551,274 was covered by Federal Depository Insurance and National Credit Union Association and \$10,833,593 was collateralized by bank security agreements. The remaining \$247,148 of uninsured and uncollateralized deposits were covered by the Wisconsin Deposit Guarantee Fund. However, although the Wisconsin Deposit Guarantee Fund had reserves available at December 31, 2003, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished.

**Investments**

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Investments in the local government investment pool, open-end mutual funds, insurance deposit, and joint operation do not represent securities and, therefore, are not subject to credit risk categorization. Market value of investments approximates carrying amount.

	<u>Category 3</u>	<u>Uncategorized</u>	<u>Carrying Amount</u>
Insurance deposits	\$ -	\$ 77,077	\$ 77,077
Local government investment pool	-	7,901,781	7,901,781
U.S. Government securities	<u>2,627,438</u>	<u>-</u>	<u>2,627,438</u>
<b>Total</b>	<u>\$ 2,627,438</u>	<u>\$ 7,978,858</u>	<u>\$10,606,296</u>

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets on December 31, 2003, totaled \$2,714,268 consisting of cash and investments as follows:

General fund	
Insurance deposits	\$ 77,077
Enterprise fund	
Solid waste landfill	
Long-term care deposits	2,627,438
PineCrest Nursing Home	
Donation and special fund	<u>9,753</u>
	<u>\$2,714,268</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

**NOTE 4 – RECEIVABLES AND DEFERRED REVENUE**

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

	General	County Roads and Bridges	Social Services	Developmental Disabilities	PineCrest Nursing Home	Solid Waste Landfill	Forestry	Nonmajor and Other Funds	Total
Receivables									
Property taxes	\$6,465,008	\$2,013,117	\$446,879	\$ 27,277	\$248,094	\$ -	\$ -	\$1,106,183	\$10,306,558
Tax certificates, deeds, and assessments	1,242,821	-	-	-	-	-	-	-	1,242,821
Accounts	195,265	-	5,543	39,172	1,542,814	74,296	115,428	265,528	2,238,046
Due from other governments	<u>477,717</u>	<u>23,000</u>	<u>258,274</u>	<u>17,801</u>	<u>-</u>	<u>22,111</u>	<u>4,806</u>	<u>588,999</u>	<u>1,392,708</u>
Gross receivables	8,380,811	2,036,117	710,696	84,250	1,790,908	96,407	120,234	1,960,710	15,180,133
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>(47,738)</u>	<u>(92,738)</u>
Net total receivables	<u>\$8,380,811</u>	<u>\$ 2,036,117</u>	<u>\$710,696</u>	<u>\$ 84,250</u>	<u>\$1,745,908</u>	<u>\$ 96,407</u>	<u>\$120,234</u>	<u>\$ 1,912,972</u>	<u>\$ 15,087,395</u>

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

On December 31, 2003, the County's general fund showed an investment of \$1,179,669 in delinquent taxes as follows:

Tax certificates	\$1,175,242
Tax deeds	<u>4,427</u>
<b>Total</b>	<u><b>\$1,179,669</b></u>

An aging of the delinquent tax certificate taxes of \$1,175,242 on December 31, 2003, follows:

**Year Acquired**

Prior to 1999	\$ 20,157
1999	3,393
2000	7,107
2001	38,857
2002	335,840
2003	<u>769,888</u>
	<u><b>\$1,175,242</b></u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

Of the total of \$1,175,242 for delinquent tax certificate taxes, \$314,142 was collected by the County within 90 days after December 31, 2003. The remaining unpaid balance of \$861,100 and tax deeds of \$4,427 are recorded as reserved fund balance of \$865,527 for the general fund.

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	\$10,306,558	\$ -	\$10,306,558
State and Federal grant advances	-	151,068	151,068
Other	-	48,284	48,284
<b>Total deferred/unearned revenue</b>	<u>\$10,306,558</u>	<u>\$ 199,352</u>	<u>\$10,505,910</u>

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

At December 31, 2003, interfund receivables and payables were as follows:

	<u>Receivable From Other Funds</u>	<u>Payable To Other Funds</u>
General Fund	\$ 290,325	\$ -
Special Revenue Funds:		
County Roads and Bridges	-	71,623
Emergency Medical	-	214,911
Fiduciary Fund:		
Employee Benefit Cafeteria Plan	-	3,791
	<u>\$ 290,325</u>	<u>\$ 290,325</u>

Transfers were made in the primary government as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer</u>	<u>Out</u>
<b>Net Transfers</b>			
General Fund	\$ 840,013	\$ 139,705	\$ 700,308
Social Services	-	430,288	(430,288)
Developmental Disabilities	-	125,669	(125,669)
Health	-	110,571	(110,571)
Emergency Medical	48,205	-	48,205
Debt Service	84,748	-	84,748
Solid Waste Landfill	-	50,000	(50,000)
PineCrest Nursing Home	-	51,278	(51,278)
Forestry	90,000	159,455	(69,455)
Highway	4,000	-	4,000
<b>Total</b>	<u>\$ 1,066,966</u>	<u>\$ 1,066,966</u>	<u>\$ -</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

**NOTE 6 - CAPITAL ASSETS**

Changes in capital assets were as follows:

	<b>Balance 1-1-03</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-03</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 442,225	\$ 28,400	\$ -	\$ 470,625
Work in progress	<u>2,415,330</u>	<u>1,238,821</u>	<u>308,076</u>	<u>3,346,075</u>
Total capital assets not depreciated	<u>2,857,555</u>	<u>1,267,221</u>	<u>308,076</u>	<u>3,816,700</u>
Capital assets being depreciated:				
Land improvements	186,606	-	1,369	185,237
Infrastructure	44,752,718	1,275,533	607,382	45,420,869
Buildings and improvements	10,442,075	332,645	-	10,774,720
Equipment and vehicles	11,082,748	915,028	604,060	11,393,716
Intangible assets	<u>103,583</u>	<u>-</u>	<u>-</u>	<u>103,583</u>
Total capital assets depreciated	<u>66,567,730</u>	<u>2,523,206</u>	<u>1,212,811</u>	<u>67,878,125</u>
Less accumulated depreciation:				
Land improvements	40,431	2,524	1,123	41,832
Infrastructure	<u>14,742,816</u>	1,190,060	607,747	15,325,129
Buildings and improvements	5,888,811	415,249	-	6,304,060
Equipment and vehicles	<u>6,546,485</u>	790,661	496,994	6,840,152
Intangible assets	<u>41,435</u>	<u>32,425</u>	<u>-</u>	<u>73,860</u>
Total accumulated depreciation	<u>27,259,978</u>	<u>2,430,919</u>	<u>1,105,864</u>	<u>28,585,033</u>
Total capital assets depreciated, net	<u>39,307,752</u>	<u>92,287</u>	<u>106,947</u>	<u>39,293,092</u>
Total governmental activity capital assets, net	<u>\$ 42,165,307</u>	<u>\$ 1,359,508</u>	<u>\$ 415,023</u>	<u>\$ 43,109,792</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$ 2,374,925</u>	<u>\$ 5,208</u>	<u>\$ -</u>	<u>\$ 2,380,133</u>
Capital assets being depreciated:				
Land improvements	5,162,248	92,264	-	5,254,512
Buildings and improvements	7,733,345	-	-	7,733,345
Equipment and vehicles	<u>2,224,868</u>	<u>61,813</u>	<u>54,796</u>	<u>2,231,885</u>
Total capital assets depreciated	<u>15,120,461</u>	<u>154,077</u>	<u>54,796</u>	<u>15,219,742</u>
Less accumulated depreciation:				
Land improvements	2,772,788	42,081	194,681	2,620,188
Buildings and improvements	<u>3,159,123</u>	234,416	-	3,393,539
Equipment and vehicles	<u>1,201,773</u>	<u>175,205</u>	<u>52,221</u>	<u>1,324,757</u>
Total accumulated depreciation	<u>7,133,684</u>	<u>451,702</u>	<u>246,902</u>	<u>7,338,484</u>
Total capital assets depreciated, net	<u>7,986,777</u>	<u>(297,625)</u>	<u>(192,106)</u>	<u>7,881,258</u>
Total business-type capital assets, net	<u>\$ 10,361,702</u>	<u>\$ (292,417)</u>	<u>\$ (192,106)</u>	<u>\$ 10,261,391</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

Depreciation expense was charged to the functions as follows:

**Governmental activities**

General government	\$ 352,908
Public safety	173,450
Public works	1,804,895
Health and human services	88,660
Culture, recreation, and education	1,547
Conservation and development	<u>9,459</u>

Total depreciation expense - governmental activities	<u>\$2,430,919</u>
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**Business-type activities**

Nursing home	\$ 294,264
Forestry	39,755
Solid Waste Landfill	<u>117,683</u>

Total depreciation expense - business-type activities	<u>\$ 451,702</u>
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The County has active construction projects as of December 31, 2003. The projects include street construction in areas with newly developed housing and the widening and construction of existing streets and bridges. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Residential street construction	\$2,860,849	\$ 280,656
Bridge and approach expansion	<u>329,705</u>	<u>142,812</u>
Equipment set up	<u>155,521</u>	<u>138,749</u>
<b>Total</b>	<u>\$3,346,075</u>	<u>\$ 562,217</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

**NOTE 7 - LONG-TERM OBLIGATIONS**

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

	<u>Balance 1-1-03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12-31-03</u>	<u>Amount Due in One Year</u>
<b>General Obligation Debt</b>					
Bonds	\$ 4,630,000	\$ -	\$ 260,000	\$ 4,370,000	\$ 280,000
Notes	<u>2,681,091</u>	<u>-</u>	<u>105,317</u>	<u>2,575,774</u>	<u>111,154</u>
Total general obligation debt	7,311,091	-	365,317	6,945,774	391,154
Capital lease	19,240	222,212	67,318	174,134	161,968
Forestry loans	842,142	-	238,943	603,199	200,000
Compensated absences	<u>1,583,527</u>	<u>834,844</u>	<u>916,094</u>	<u>1,502,277</u>	<u>883,927</u>
<b>Total long-term obligations</b>	<u>\$ 9,756,000</u>	<u>\$ 1,057,056</u>	<u>\$ 1,587,672</u>	<u>\$ 9,225,384</u>	<u>\$ 1,637,049</u>

Detail of the above outstanding general obligations debt follows:

Bonds:		
\$5,310,000	issued April 1, 2000; \$499,000 to \$504,000 due annually through 2015; interest 4.2% to 4.5%.	<u>\$4,370,000</u>
Notes:		
\$2,574,540	issued January 30, 2001; \$59,308 to \$221,333 due annually through 2020; interest at 6.00%.	2,433,848
225,000	issued October 14, 1998; \$21,401 to \$31,645 due annually through 2008; interest at 5.75%.	<u>141,926</u>
		<u>2,575,774</u>
		<u>\$6,945,774</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2003, are allocated to activities as detailed below:

<b>Due</b>	<b>Business-Type Activities</b>		<b>Governmental Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2004	\$ 280,000	\$ 229,210	\$ 111,154	\$ 154,614	\$ 391,154	\$ 383,824
2005	285,000	214,930	118,182	147,586	403,182	362,516
2006	300,000	200,680	125,206	140,562	425,206	341,242
2007	315,000	185,530	132,648	133,119	447,648	318,649
2008	330,000	169,465	140,189	125,578	470,189	295,043
2009-2013	1,935,000	570,173	650,213	511,277	2,585,213	1,081,450
2014-2018	925,000	76,550	870,227	291,263	1,795,227	367,813
2019-2020	-	-	427,955	38,993	427,955	38,993
<b>Total</b>	<b>\$4,370,000</b>	<b>\$1,646,538</b>	<b>\$2,575,774</b>	<b>\$1,542,992</b>	<b>\$6,945,774</b>	<b>\$3,189,530</b>

General obligation bonds will be paid from resident service revenues at the Pine Crest Nursing Home.

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

Equalized value	\$ 1,887,115,900
Legal debt margin percentage	<u>5%</u>
Legal debt limit	94,355,795
Outstanding general obligation debt	<u>6,945,774</u>
<b>Legal debt margin</b>	<b><u>\$ 87,410,021</u></b>

The County has entered into a lease agreement as lessee for financing the acquisition of a postage machine and a piece of construction equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are recorded in the Governmental Activities accounts with an original cost of \$278,974 and \$18,813 of accumulated depreciation at December 31, 2003.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2003**

**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, 2003, were as follows:

<b><u>Year Ending December 31</u></b>	<b><u>Governmental Activities</u></b>
2004	\$ 166,224
2005	4,224
2006	4,224
2007	4,224
2008	<u>352</u>
Total minimum lease payments	179,248
Less amount representing interest	<u>(5,114)</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 174,134</u></b>

Other long-term debt consists of compensated absences. Compensated absence expenses follow employee payroll expenses, which are expensed to the appropriate funds as incurred. Forestry loans are repaid based on a percentage of annual timber and land sales. Future minimum payments by year are not determinable.

**NOTE 8 - EMPLOYEE RETIREMENT PLAN**

All eligible Lincoln County employees participate in the Wisconsin Retirement System (System), a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.2 percent of their salary (3.1 percent for Executive and Elected Officials, 4.0 percent for Protective Occupations with Social Security, and 3.0 percent for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

The payroll for Lincoln County employees covered by the System for the year ended December 31, 2003, was \$12,890,716; the employer's total payroll was \$13,390,771. The total required contribution for the year ended December 31, 2003, was \$1,235,518, which consisted of \$562,113 or 4.4 percent of payroll from the employer and \$673,405, or 5.2 percent of payroll from employees. Total contributions for years ended December 31, 2002 and 2001, were \$1,154,553 and \$1,125,965, respectively, equal to the required contributions for each year.

Employees who retire at or after the age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6 percent (2.0 percent for Executive, Elected Officials and Protective Occupations with Social Security and 2.5 percent for Protective Occupations without Social Security) of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years of earnings. Employees terminating covered employment before becoming eligible for retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

The System 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 System issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931.

**NOTE 9 - RISK MANAGEMENT**

*Health Insurance*

The County is exposed to various risks of losses related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; natural disasters, and employee health claims.

The County also operates a self-insurance program administered by a third party administrator for employee health care benefits. The program is supplemented by stop loss protection, which limits the County's liability to \$80,000 per individual claim or an aggregate limit of \$4,349,968 during the period of January 1, 2003 to December 31, 2003.

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.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

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

An analysis of claim activities is presented below:

	<b>Claims Liability at <u>January 1</u></b>	<b>Provision Current Year <u>Claims</u></b>	<b>Claims <u>Paid</u></b>	<b>Claims Liability at <u>December 31</u></b>
2003	\$ 643,680	\$ 2,595,356	\$ 2,620,784	\$ 618,252
2002	630,635	2,587,767	2,574,722	643,680
2001	598,544	2,554,633	2,522,542	630,635

**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 \$77,077. 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, 2003, is not available for presentation.

**NOTE 10 - TRI-COUNTY HUMAN SERVICES BOARD**

Lincoln County is a participating member of a Tri-County Human Services Board along with Marathon and Langlade Counties. The Board is funded through State grant-in-aid, federal grants, fees for services rendered, and County appropriations. The net appropriation for 2003 was \$8,822,748 with Lincoln County's share totaling \$536,311 (6.1%). 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, 2003, and for the year then ended.

Assets	\$ 29,229,944
Liabilities	7,655,952
Equity	21,573,992
Revenues	58,634,688
Expenses	57,891,028
Non-operating gain	212,801

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

**NOTE 10 - TRI-COUNTY HUMAN SERVICES BOARD (CONTINUED)**

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

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

**NOTE 11 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require that Lincoln County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill sites only for forty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. A survey done in February 2003 caused the recognition of an additional 56,982 cubic yards of net airspace. At December 31, 2003, the County has utilized approximately 37.5% of its landfill's capacity, a net decrease of 2.5% compared to December 31, 2002. The landfill is estimated to be fully utilized in 2018.

The estimated liability for landfill closure and postclosure care costs and total future estimated costs as of December 31, 2003, is as follows:

Total estimated costs for construction, closure, and postclosure care	\$ 3,701,366
Estimated costs expensed through December 31, 2003	<u>(1,386,592)</u>

<b>Estimated costs of construction, closure, and postclosure care to be recognized in future years</b>	<b><u>\$ 2,314,774</u></b>
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The estimated total current cost of the landfill construction, closure, and postclosure care of \$3,701,366 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, 2003. 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, 2003, investments of \$2,627,438 are held for these purposes. These investments are held and managed by the County and are presented on the County's balance sheet 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.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2003**

**NOTE 12 - CONTINGENCIES**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management and the Corporation Counsel that the resolution of these matters will not have a material adverse affect on the financial condition of the County.

**NOTE 13 - FUND EQUITY**

Deficit fund balance

The County Roads and Bridges Fund had a deficit balance of \$48,623 at December 31, 2003. This deficit will be covered by future operations or a transfer from the General Fund.

Unreserved - designated fund balances

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

	<u>General</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Non-major Funds</u>
<b>Designated as carryover in 2004 budget:</b>				
Courthouse - courtroom remodeling	\$ 3,226	\$ -	\$ -	\$ -
Maintenance - plowtruck and tractor	32,598	-	-	-
ADA compliance	7,123	-	-	-
Veterans services relief	3,909	-	-	-
Land conservation - tree planter	4,736	-	-	-
Zoning - recodification printing	3,000	-	-	-
Zoning - recodification project	34,810	-	-	-
Zoning - density allotment	10,000	-	-	-
Designated for subsequent year	-	1,102,323	492,663	685,478
<b>Designated for capital improvement in 2004 budget:</b>				
Courthouse driveway	10,000	-	-	-
Courthouse painting	15,750	-	-	-
Office renovations	46,817	-	-	-
9-1-1 Communications	301,168	-	-	-
Forestry loan repayment	190,066	-	-	-
Remonumentation	97,127	-	-	-
<b>Designated for capital improvements in future years</b>	<u>1,828,751</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,589,081</u>	<u>\$ 1,102,323</u>	<u>\$ 492,663</u>	<u>\$ 685,478</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes				
General property	\$ 6,326,124	\$ 6,302,235	\$ 6,302,235	\$ -
Forest crop	20,000	20,000	8,407	(11,593)
Managed forest land	19,000	19,000	18,449	(551)
County sales tax	1,400,000	1,400,000	1,483,288	83,288
Real estate transfer fees	40,000	40,000	52,159	12,159
Interest on taxes	150,000	150,000	248,599	98,599
Payment in lieu of taxes	60,000	60,000	61,501	1,501
Total taxes	8,015,124	7,991,235	8,174,638	183,403
Intergovernmental				
State shared revenues	1,398,842	1,398,842	1,301,858	(96,984)
Exempt computer aid	34,946	34,946	34,941	(5)
Clerk of courts	87,870	87,870	88,704	834
Circuit court	77,920	77,920	78,314	394
Land information	22,739	52,504	52,504	-
Sheriff department	50,020	52,457	48,115	(4,342)
Emergency management	22,357	125,171	133,539	8,368
Victim witness	32,931	32,931	28,672	(4,259)
Zoning grants	37,163	56,351	52,908	(3,443)
Veterans service	10,000	10,000	10,000	-
Family court commissioner	2,000	2,000	779	(1,221)
Corporation counsel	81,371	81,371	80,355	(1,016)
Child support	245,605	245,605	243,079	(2,526)
Public libraries	6,225	6,225	5,955	(270)
UW extension	-	-	5,621	5,621
State acreage payment	75,000	75,000	81,183	6,183
Land conservation	208,520	253,134	203,367	(49,767)
Maintenance	-	203,483	203,483	-
Computer Service	-	805	805	-
Register of Deeds	-	971	971	-
Total intergovernmental	2,393,509	2,797,586	2,655,153	(142,433)
Licenses and permits				
County clerk	4,350	4,350	4,400	50
Family court commissioner	3,500	3,500	3,480	(20)
Zoning fees	163,000	160,360	140,830	(19,530)
Total licenses and permits	170,850	168,210	148,710	(19,500)
Fines, forfeits, and penalties				
Clerk of courts	110,000	110,000	123,129	13,129
Circuit court	1,945	1,945	952	(993)
District attorney	12,000	12,000	4,940	(7,060)
Sheriff department	51,000	51,000	21,297	(29,703)
Total fines, forfeits, and penalties	174,945	174,945	150,318	(24,627)

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Public charges for service				
Clerk of courts	\$ 54,000	\$ 54,000	\$ 72,172	\$ 18,172
Circuit court	10,717	10,717	17,018	6,301
Family court commissioner	3,000	3,000	3,135	135
Register of deeds	120,060	123,598	180,851	57,253
Land information	47,900	74,555	78,141	3,586
County clerk	150	150	397	247
Treasurer	800	800	1,171	371
District attorney	2,300	2,300	1,423	(877)
Sheriff department	138,000	143,302	155,489	12,187
Maintenance	6,000	6,000	2,548	(3,452)
Zoning	2,000	2,000	3,680	1,680
Land conservation	500	500	1,129	629
Administration/personnel	-	-	301	301
Corporation counsel	-	-	12	12
Finance	-	-	140	140
Child support	6,300	6,300	5,129	(1,171)
UW extension	1,000	1,000	1,086	86
Forest land revenue	180,000	180,000	211,070	31,070
Other charges for service	275	275	2,029	1,754
Total public charges for services	573,002	608,497	736,921	128,424
Intergovernmental charges for service				
Sheriff department	43,800	41,550	78,379	36,829
Land information	1,400	1,400	1,140	(260)
Clerk of courts	250	250	445	195
County clerk	1,000	1,000	1,253	253
UW extension	-	-	220	220
Total intergovernmental charges for services	46,450	44,200	81,437	37,237
Miscellaneous				
Interest	313,000	313,000	333,461	20,461
Rent	110,720	110,720	124,642	13,922
Sale of county property	20,000	31,152	51,847	20,695
Insurance recovery	30,000	45,200	32,219	(12,981)
Miscellaneous	1,000	1,000	1,515	515
Private organization donations	-	325	1,650	1,325
Total miscellaneous	474,720	501,397	545,334	43,937
Total revenues	11,848,600	12,286,070	12,492,511	206,441

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>EXPENDITURES</b>				
General government				
County board chairman	\$ 52,130	\$ 52,130	\$ 43,864	\$ 8,266
County board committees	117,020	117,020	115,238	1,782
Clerk of courts	484,607	484,607	450,635	33,972
Circuit court	216,592	226,822	226,197	625
Family court commissioner	31,000	31,000	27,908	3,092
Coroner	42,891	45,542	44,446	1,096
Law library	9,540	9,540	3,459	6,081
District attorney	175,204	176,062	158,781	17,281
Corporation counsel	263,243	263,243	255,254	7,989
Victim witness	50,579	50,579	47,802	2,777
County clerk	112,793	117,193	116,141	1,052
Administration/personnel	136,827	141,827	132,578	9,249
Computer services	531,001	553,522	512,663	40,859
General administration	21,386	22,000	9,755	12,245
Treasurer	149,101	149,101	148,875	226
Finance department	308,494	308,494	304,839	3,655
Maintenance	709,627	1,115,197	882,000	233,197
Surveyor	185,441	212,741	192,381	20,360
Tax description	146,126	146,126	119,285	26,841
Register of deeds	207,667	219,426	217,377	2,049
Land records	180,596	227,818	159,934	67,884
Tax assessment	65,972	65,972	61,771	4,201
Insurance	107,979	97,153	101,735	(4,582)
Elections	26,830	26,830	21,219	5,611
Contingency fund	330,000	216,387	-	216,387
Budgeted excess	-	790,013	-	790,013
Total general government	4,662,646	5,866,345	4,354,137	1,512,208
Public safety				
Sheriff department:				
Law enforcement	2,316,421	2,413,278	2,284,751	128,527
Emergency communication (911)	626,812	618,312	533,209	85,103
Correction and detention	1,651,927	1,659,903	1,326,949	332,954
Emergency management	85,519	167,286	164,369	2,917
Civil service commission	3,000	6,333	6,391	(58)
Total public safety	4,683,679	4,865,112	4,315,669	549,443
Public works				
Zoning-sanitation	30,163	49,351	49,351	-
Health and human services				
Community organizations	20,600	20,600	20,615	(15)
Health care center	536,311	536,311	536,311	-
Child support agency	278,240	278,240	265,483	12,757
Veterans services	118,933	121,789	114,182	7,607
Cemetery	1,314	1,314	1,314	-
Total health and human services	955,398	958,254	937,905	20,349
Culture, recreation, and education				
Public libraries	494,297	518,687	518,417	270
UW extension	278,147	283,322	255,291	28,031
Total culture, recreation, and education	772,444	802,009	773,708	28,301

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Conservation and development				
Economic development	\$ 32,500	\$ 32,500	\$ 32,500	\$ -
Zoning	504,651	512,437	402,151	110,286
Land conservation	<u>344,876</u>	<u>389,966</u>	<u>329,397</u>	<u>60,569</u>
Total conservation and development	<u>882,027</u>	<u>934,903</u>	<u>764,048</u>	<u>170,855</u>
Capital outlay				
Maintenance	162,730	162,730	162,730	-
Land records	-	21,581	1,697	19,884
Computer services	66,675	75,746	75,746	-
Zoning	30,000	30,000	10,519	19,481
Register of deeds	-	19,105	19,105	-
Sheriff	223,300	189,842	139,629	50,213
Emergency management	-	21,372	21,372	-
County clerk	2,200	2,200	2,098	102
Surveyor	<u>-</u>	<u>10,200</u>	<u>10,200</u>	<u>-</u>
Total capital outlay	<u>484,905</u>	<u>532,776</u>	<u>443,096</u>	<u>89,680</u>
Total expenditures	<u>12,471,262</u>	<u>14,008,750</u>	<u>11,637,914</u>	<u>2,370,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(622,662)</u>	<u>(1,722,680)</u>	<u>854,597</u>	<u>2,577,277</u>
Other financing sources (uses)				
Funds applied	710,867	1,022,372	1,022,372	-
Transfer in	50,000	840,013	840,013	-
Transfer out	<u>(138,205)</u>	<u>(139,705)</u>	<u>(139,705)</u>	<u>-</u>
Total other financing sources (uses)	<u>622,662</u>	<u>1,722,680</u>	<u>1,722,680</u>	<u>-</u>
Net change in fund balance	-	-	2,577,277	2,577,277
<b>FUND BALANCE - BEGINNING</b>	<u>7,606,507</u>	<u>7,295,002</u>	<u>7,295,002</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,606,507</u>	<u>\$ 7,295,002</u>	<u>\$ 9,872,279</u>	<u>\$ 2,577,277</u>

**RECONCILIATION FROM BUDGET TO GAAP:**

Net change in fund balance - budget	\$ 2,577,277
Fund balance applied is reported as an other financing source for budget purposes, but fund balance applied is not reported as an other financing source for GAAP purposes.	<u>(1,022,372)</u>
Net change in fund balance - GAAP	<u>\$ 1,554,905</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES**  
**Year Ended December 31, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 2,048,018	\$ 2,048,018	\$ 2,048,018	\$ -
Intergovernmental	<u>1,016,487</u>	<u>1,104,052</u>	<u>1,096,968</u>	<u>(7,084)</u>
Total revenues	3,064,505	3,152,070	3,144,986	(7,084)
 <b>EXPENDITURES</b>				
Public works	<u>3,069,185</u>	<u>3,269,190</u>	<u>3,314,630</u>	<u>(45,440)</u>
Deficiency of revenues over (under) expenditures	(4,680)	(117,120)	(169,644)	(52,524)
 <b>OTHER FINANCING SOURCES</b>				
Fund balance applied	<u>4,680</u>	<u>117,120</u>	<u>117,120</u>	<u>-</u>
Net change in fund balance	-	-	(52,524)	(52,524)
 <b>FUND BALANCES - BEGINNING</b>	<u>116,341</u>	<u>3,901</u>	<u>3,901</u>	<u>-</u>
 <b>FUND BALANCES - ENDING</b>	<u>\$ 116,341</u>	<u>\$ 3,901</u>	<u>\$ (48,623)</u>	<u>\$ (52,524)</u>
 <b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
Net change in fund balance - budget	\$ (52,524)			
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>(117,120)</u>			
Net change in fund balance - GAAP	<u>\$ (169,644)</u>			

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND**  
**Year Ended December 31, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 405,666	\$ 405,666	\$ 405,666	\$ -
Intergovernmental	2,928,705	2,826,501	2,826,500	(1)
Public charges for service	-	16,770	16,770	-
Miscellaneous revenues	-	827	827	-
Total revenues	3,334,371	3,249,764	3,249,763	(1)
<b>EXPENDITURES</b>				
Health and human services	3,364,914	3,249,764	3,116,115	133,649
Excess (deficiency) of revenues over (under) expenditures	(30,543)	-	133,648	133,648
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	30,543	430,288	430,288	-
Transfer out	-	(430,288)	(430,288)	-
Total other financing sources (uses)	30,543	-	-	-
Net change in fund balance	-	-	133,648	133,648
<b>FUND BALANCE - JANUARY 1</b>	<u>1,435,720</u>	<u>1,035,975</u>	<u>1,035,975</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 1,435,720</u>	<u>\$ 1,035,975</u>	<u>\$ 1,169,623</u>	<u>\$ 133,648</u>
<b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
Net change in fund balance - budget	\$ 133,648			
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.	(430,288)			
Net change in fund balance - GAAP	<u>\$ (296,640)</u>			

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - DEVELOPMENTAL DISABILITIES FUND**  
**Year Ended December 31, 2003**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 33,177	\$ 33,177	\$ 33,177	\$ -
Intergovernmental	2,741,679	2,741,679	2,748,917	7,238
Public charges for service	336,250	336,250	345,371	9,121
Intergovernmental charges for service	-	-	3,236	3,236
Miscellaneous revenues	6,010	6,010	2	(6,008)
Total revenues	<u>3,117,116</u>	<u>3,117,116</u>	<u>3,130,703</u>	<u>13,587</u>
<b>EXPENDITURES</b>				
Health and human services	3,187,171	3,187,171	3,151,007	36,164
Capital outlay	<u>-</u>	<u>165,609</u>	<u>165,609</u>	<u>-</u>
Total expenditures	<u>3,187,171</u>	<u>3,352,780</u>	<u>3,316,616</u>	<u>36,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(70,055)</u>	<u>(235,664)</u>	<u>(185,913)</u>	<u>49,751</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	103,525	361,333	361,333	-
Transfer out	<u>(33,470)</u>	<u>(125,669)</u>	<u>(125,669)</u>	<u>-</u>
Total other financing sources (uses)	<u>70,055</u>	<u>235,664</u>	<u>235,664</u>	<u>-</u>
Net change in fund balance	-	-	49,751	49,751
<b>FUND BALANCE - JANUARY 1</b>	<u>726,635</u>	<u>468,827</u>	<u>468,827</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 726,635</u>	<u>\$ 468,827</u>	<u>\$ 518,578</u>	<u>\$ 49,751</u>
<b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
Net change in fund balance - budget	\$ 49,751			
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>(361,333)</u>			
Net change in fund balance - GAAP	<u>\$ (311,582)</u>			

**LINCOLN COUNTY, WISCONSIN**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2003**

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

For the year ending December 31, 2003, the legally adopted budget line items with actual expenditures over the final budget were as follows:

	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>
General fund:		
General government:		
Insurance	\$ 97,153	\$ 101,735
Public safety:		
Civil service commission	6,333	6,391
Health and human services:		
Community organizations	20,600	20,615
County roads and bridges fund:		
Public works	3,269,190	3,314,630

**COMBINING FUND STATEMENTS**

LINCOLN COUNTY, WISCONSIN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2003

	Special Revenue							Total Nonmajor Governmental Funds
	County Health	Commission on Aging	Dog License	Emergency Medical	Jail Assessment	Total	Debt Service	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 294,450	\$ 151,503	\$ 33,385	\$ 35	\$ 203,179	\$ 682,552	\$ 370,504	\$ 1,053,056
Receivables (net of allowances):								
Property taxes	503,273	98,661	-	504,249	-	1,106,183	-	1,106,183
Accounts	3,587	4,365	752	168,591	-	177,295	-	177,295
Due from other governments	29,572	18,086	-	20,352	1,270	69,280	-	69,280
Prepaid items	-	50	-	95,166	-	95,216	-	95,216
<b>TOTAL ASSETS</b>	<u>\$ 830,882</u>	<u>\$ 272,665</u>	<u>\$ 34,137</u>	<u>\$ 788,393</u>	<u>\$ 204,449</u>	<u>\$ 2,130,526</u>	<u>\$ 370,504</u>	<u>\$ 2,501,030</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 11,128	\$ 23,778	\$ 32,152	\$ 112	\$ -	\$ 67,170	\$ -	\$ 67,170
Accrued liabilities	14,793	5,802	-	424	-	21,019	-	21,019
Due to other funds	-	-	-	214,911	-	214,911	-	214,911
Due to other governments	906	-	985	-	-	1,891	-	1,891
Deferred revenue	<u>503,273</u>	<u>101,167</u>	<u>-</u>	<u>560,225</u>	<u>-</u>	<u>1,164,665</u>	<u>-</u>	<u>1,164,665</u>
Total liabilities	<u>530,100</u>	<u>130,747</u>	<u>33,137</u>	<u>775,672</u>	<u>-</u>	<u>1,469,656</u>	<u>-</u>	<u>1,469,656</u>
<b>Fund balance</b>								
Fund balances:								
Reserved:								
Prepaid items	-	50	-	12,721	-	12,771	-	12,771
Grants and program fees	-	128,676	-	-	-	128,676	-	128,676
Jail assessment	-	-	-	-	204,449	204,449	-	204,449
Unreserved, designated:								
Subsequent years' expenditures	<u>300,782</u>	<u>13,192</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>314,974</u>	<u>370,504</u>	<u>685,478</u>
Total fund balance	<u>300,782</u>	<u>141,918</u>	<u>1,000</u>	<u>12,721</u>	<u>204,449</u>	<u>660,870</u>	<u>370,504</u>	<u>1,031,374</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 830,882</u>	<u>\$ 272,665</u>	<u>\$ 34,137</u>	<u>\$ 788,393</u>	<u>\$ 204,449</u>	<u>\$ 2,130,526</u>	<u>\$ 370,504</u>	<u>\$ 2,501,030</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2003**

	<u>Special Revenue</u>						<u>Debt</u>	<u>Total</u>
	<u>County</u>	<u>Commission</u>	<u>Dog</u>	<u>Emergency</u>	<u>Jail</u>	<u>Total</u>	<u>Service</u>	<u>Nonmajor</u>
	<u>Health</u>	<u>on Aging</u>	<u>License</u>	<u>Medical</u>	<u>Assessment</u>			<u>Governmental</u>
								<u>Funds</u>
<b>REVENUES</b>								
Taxes	\$ 532,150	\$ 105,247	\$ -	\$ 423,572	\$ -	\$ 1,060,969	\$ -	\$ 1,060,969
Intergovernmental revenues	98,802	338,766	-	59,585	-	497,153	-	497,153
Licenses and permits	2,227	-	32,527	-	-	34,754	-	34,754
Fines, forfeits, and penalties	-	-	-	-	45,696	45,696	-	45,696
Public charges for service	32,629	139,831	-	481,617	-	654,077	-	654,077
Intergovernmental charges for service	134,078	13,060	-	12,340	-	159,478	111,794	271,272
Miscellaneous revenues	1,170	13,831	-	-	-	15,001	-	15,001
Total revenues	801,056	610,735	32,527	977,114	45,696	2,467,128	111,794	2,578,922
<b>EXPENDITURES</b>								
Current:								
Public safety	-	-	-	1,056,679	21,324	1,078,003	-	1,078,003
Health and human services	736,025	589,551	32,527	-	-	1,358,103	-	1,358,103
Capital outlay	-	-	-	2,098	40,011	42,109	-	42,109
Debt service:								
Principal	-	-	-	-	-	-	105,317	105,317
Interest	-	-	-	-	-	-	160,451	160,451
Total expenditures	736,025	589,551	32,527	1,058,777	61,335	2,478,215	265,768	2,743,983
Excess (deficiency) of revenues over (under) expenditures	65,031	21,184	-	(81,663)	(15,639)	(11,087)	(153,974)	(165,061)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	48,205	-	48,205	84,748	132,953
Transfers out	(110,571)	-	-	-	-	(110,571)	-	(110,571)
Total other financing sources and uses	(110,571)	-	-	48,205	-	(62,366)	84,748	22,382
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(45,540)	21,184	-	(33,458)	(15,639)	(73,453)	(69,226)	(142,679)
<b>FUND BALANCES - JANUARY 1</b>	346,322	120,734	1,000	46,179	220,088	734,323	439,730	1,174,053
<b>FUND BALANCES - DECEMBER 31</b>	\$ 300,782	\$ 141,918	\$ 1,000	\$ 12,721	\$ 204,449	\$ 660,870	\$ 370,504	\$ 1,031,374

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2003**

	<b>Internal Service Funds</b>		
	<b><u>Highway</u></b>	<b><u>Health Insurance</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 238,720	\$ 3,476,555	\$ 3,715,275
Accounts receivable	446	-	446
Due from other governments	519,719	-	519,719
Inventories, at cost	500,176	-	500,176
Prepaid expenses	305	37,468	37,773
Deferred debits	<u>3,632</u>	<u>-</u>	<u>3,632</u>
Total current assets	<u>1,262,998</u>	<u>3,514,023</u>	<u>4,777,021</u>
Noncurrent assets:			
Capital assets:			
Land	35,540	-	35,540
Improvements other than buildings	174,484	-	174,484
Buildings	1,272,188	-	1,272,188
Machinery and equipment	9,508,854	-	9,508,854
Work in progress	155,520	-	155,520
Less accumulated depreciation	<u>(5,958,231)</u>	<u>-</u>	<u>(5,958,231)</u>
Total capital assets	<u>5,188,355</u>	<u>-</u>	<u>5,188,355</u>
Total assets	<u>6,451,353</u>	<u>3,514,023</u>	<u>9,965,376</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	45,581	124,185	169,766
Accrued expenses	62,234	409	62,643
Compensated absences payable	138,713	-	138,713
Accrued claims	-	494,067	494,067
Current portion of long-term debt	158,355	-	158,355
Deferred revenue	<u>22,322</u>	<u>-</u>	<u>22,322</u>
Total current liabilities	427,205	618,661	1,045,866
Noncurrent liabilities:			
Compensated absences payable	<u>130,864</u>	<u>-</u>	<u>130,864</u>
Total liabilities	<u>558,069</u>	<u>618,661</u>	<u>1,176,730</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,030,000	-	5,030,000
Unrestricted	<u>863,284</u>	<u>2,895,362</u>	<u>3,758,646</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,893,284</u>	<u>\$ 2,895,362</u>	<u>\$ 8,788,646</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2003**

	<b>Internal Service Funds</b>		
	<b><u>Highway</u></b>	<b><u>Health Insurance</u></b>	<b><u>Total</u></b>
<b>OPERATING REVENUES</b>			
Interdepartmental charges for service	\$ 3,329,817	\$ 4,247,244	\$ 7,577,061
Intergovernmental charges for service	2,232,682	-	2,232,682
Other operating revenue	<u>15,102</u>	<u>-</u>	<u>15,102</u>
Total operating revenues	<u>5,577,601</u>	<u>4,247,244</u>	<u>9,824,845</u>
<b>OPERATING EXPENSES</b>			
Claims paid	-	2,595,356	2,595,356
General services	4,622,243	-	4,622,243
Administrative and fiscal services	287,824	411,292	699,116
Depreciation and amortization	<u>603,480</u>	<u>-</u>	<u>603,480</u>
Total operating expenses	<u>5,513,547</u>	<u>3,006,648</u>	<u>8,520,195</u>
Operating income	<u>64,054</u>	<u>1,240,596</u>	<u>1,304,650</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Rent revenue	50	-	50
Gain on sale of supplies	3,421	-	3,421
Gain of disposal of capital assets	891	-	891
Insurance recoveries	5,630	-	5,630
Interest income	-	26,659	26,659
Miscellaneous	<u>170</u>	<u>-</u>	<u>170</u>
Total nonoperating revenues (expenses)	<u>10,162</u>	<u>26,659</u>	<u>36,821</u>
<b>INCOME BEFORE TRANSFERS</b>	74,216	1,267,255	1,341,471
Transfer in	<u>4,000</u>	<u>-</u>	<u>4,000</u>
<b>CHANGE IN NET ASSETS</b>	78,216	1,267,255	1,345,471
<b>TOTAL NET ASSETS - JANUARY 1</b>	<u>5,815,068</u>	<u>1,628,107</u>	<u>7,443,175</u>
<b>TOTAL NET ASSETS - DECEMBER 31</b>	<u><u>\$ 5,893,284</u></u>	<u><u>\$ 2,895,362</u></u>	<u><u>\$ 8,788,646</u></u>

**LINCOLN COUNTY, WISCONSIN  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
Year Ended December 31, 2003**

	<b>Internal Service Funds</b>		
	<b>Highway</b>	<b>Health Insurance</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
From other County departments	\$ 3,329,817	\$ 4,247,244	\$ 7,577,061
From government and other parties for sales	1,935,439	-	1,935,439
To employees for compensation and fringe benefits	(2,735,049)	(26,629)	(2,761,678)
To vendors for goods and services	(2,138,201)	(3,042,885)	(5,181,086)
Net cash provided by operating activities	392,006	1,177,730	1,569,736
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in	4,000	-	4,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(316,543)	-	(316,543)
Principal payments on long-term debt	(63,857)	-	(63,857)
Interest paid on long-term debt	(6,143)	-	(6,143)
Proceeds from sale of assets	51,690	-	51,690
Net cash used for capital and related financing activities	(334,853)	-	(334,853)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	26,659	26,659
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	61,153	1,204,389	1,265,542
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	177,567	2,272,166	2,449,733
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 238,720	\$ 3,476,555	\$ 3,715,275
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 64,054	\$ 1,240,596	\$ 1,304,650
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	603,480	-	603,480
Changes in operating assets and liabilities:			
Accounts receivable	(446)	-	(446)
Due from other governments	(295,779)	-	(295,779)
Prepaid expenses	(276)	(37,468)	(37,744)
Inventories	61,992	-	61,992
Deferred debits	59,270	-	59,270
Accounts payable	(94,015)	(147,777)	(241,792)
Accrued expenses	9,298	30	9,328
Compensated absences	550	-	550
Deferred revenue	(16,122)	-	(16,122)
Accrued claims	-	122,349	122,349
Total adjustments	327,952	(62,866)	265,086
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 392,006	\$ 1,177,730	\$ 1,569,736
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Inventory used in capital assets construction	\$ 17,977	\$ -	\$ 17,977
Acquisition of capital assets through capital lease	\$ 222,212	\$ -	\$ 222,212