

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

**BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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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, 2004, which collectively comprise the Lincoln County, Wisconsin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County, Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of PineCrest Nursing Home, an enterprise fund, which statements reflect total assets of \$8,560,193 as of December 31, 2004, and total revenues of \$9,585,561 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for PineCrest Nursing Home, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County, Wisconsin, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2005, on our consideration of Lincoln County, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Stevens Point, Wisconsin  
April 28, 2005

## **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, 2004.

### **Financial Highlights**

- The assets of Lincoln County exceeded liabilities at the close of the most recent fiscal year by \$70,143,250 (net assets). Of this amount, \$20,212,223 (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 \$2,804,558.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$13,755,535, an increase of \$1,212,304 in comparison with the prior year. Eighty-seven percent of this total amount, \$12,015,131, 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 \$7,025,049, or 62% of total general fund expenditures.
- Lincoln County's total general long-term obligations decreased by \$692,922.

### **Overview of the Basic Financial Statements**

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

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

The *statement of net assets* reports what a government owns (assets) and owes (liabilities), as well as the net difference between the two (net assets). This statement reports the financial position of Lincoln County at December 31, 2004. 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 eleven 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 seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these seven nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for all of its governmental funds except the jail assessment special revenue fund. 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 2004, the County's assets exceeded liabilities by \$70,143,250.

By far the largest portion of the County's net assets (69%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lincoln County's Net Assets						
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 31,832,911	\$ 29,188,076	\$ 10,379,028	\$ 8,935,069	\$ 42,211,939	\$ 38,123,145
Capital assets	<u>42,954,017</u>	<u>43,109,792</u>	<u>9,834,201</u>	<u>10,261,391</u>	<u>52,788,218</u>	<u>53,371,183</u>
Total assets	<u>72,786,928</u>	<u>72,297,868</u>	<u>20,213,229</u>	<u>19,196,460</u>	<u>95,000,157</u>	<u>91,494,328</u>
Long-term liabilities outstanding	3,016,852	3,032,007	5,675,467	5,942,920	8,692,319	8,974,927
Other liabilities	<u>14,242,251</u>	<u>13,452,676</u>	<u>1,922,337</u>	<u>1,728,033</u>	<u>16,164,588</u>	<u>15,180,709</u>
Total liabilities	<u>17,259,103</u>	<u>16,484,683</u>	<u>7,597,804</u>	<u>7,670,953</u>	<u>24,856,907</u>	<u>24,155,636</u>
Net assets:						
Invested in capital assets, net of related debt	42,825,212	42,793,732	5,506,881	5,288,192	48,232,093	48,081,924
Restricted	670,546	496,748	1,028,388	1,309,759	1,698,934	1,806,507
Unrestricted	<u>14,032,067</u>	<u>4,927,556</u>	<u>6,180,156</u>	<u>4,927,556</u>	<u>20,212,223</u>	<u>17,450,261</u>
Total net assets	\$ 57,527,825	\$ 55,813,185	12,615,425	\$ 11,525,507	\$ 70,143,250	\$ 67,338,692

An additional portion of the County's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$20,212,223) 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 \$1,714,640, thereby accounting for 61% 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 Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 5,103,196	\$ 5,021,006	\$ 11,612,874	\$ 11,479,500	\$ 16,716,070	\$ 16,500,506
Operating grants and contributions	8,399,888	8,142,705	367,318	217,637	8,767,206	8,360,342
Capital grants and contributions	124,212	912,639	-	-	124,212	912,639
General revenues:						
Property taxes	10,058,464	9,850,065	248,094	456,493	10,306,558	10,306,558
Other taxes	2,003,720	1,562,303	-	-	2,003,720	1,562,303
Grants and contributions not restricted to						
specific programs	1,252,886	1,195,279	-	-	1,252,886	1,195,279
Other	<u>442,809</u>	<u>651,502</u>	<u>1,994</u>	<u>2,332</u>	<u>444,803</u>	<u>653,834</u>
Total revenues	<u>27,385,175</u>	<u>27,335,499</u>	<u>12,230,280</u>	<u>12,155,962</u>	<u>39,615,455</u>	<u>39,491,461</u>
Expenses:						
General government	4,382,018	4,531,987	-	-	4,382,018	4,531,987
Public safety	5,561,915	5,349,406	-	-	5,561,915	5,379,406
Public works	5,389,061	4,807,206	-	-	5,389,061	4,807,206
Health and human services	8,553,609	8,360,335	-	-	8,553,609	8,360,335
Culture and recreation	718,324	766,441	-	-	718,324	766,441
Conservation and development	924,201	687,446	-	-	924,201	687,446
Interest on long-term debt	121,739	172,010	-	-	121,739	172,010
Nursing home	-	-	8,923,880	8,516,467	8,923,880	8,516,467
Forestry	-	-	916,270	791,427	916,270	791,427
Landfill	<u>-</u>	<u>-</u>	<u>1,310,880</u>	<u>1,034,525</u>	<u>1,310,880</u>	<u>1,034,525</u>
Total expenses	<u>25,650,867</u>	<u>24,704,831</u>	<u>11,160,030</u>	<u>10,342,419</u>	<u>36,810,897</u>	<u>35,047,250</u>
Increase in net assets before transfers	1,734,308	2,630,668	1,070,250	1,813,543	1,841,333	4,444,211
Transfers	<u>(19,668)</u>	<u>613,363</u>	<u>19,668</u>	<u>(613,363)</u>	<u>-</u>	<u>-</u>
Increase in net assets	1,714,640	3,244,031	1,089,918	1,200,180	2,804,558	4,444,211
Net assets - January 1, 2003	<u>55,813,185</u>	<u>52,569,154</u>	<u>11,525,507</u>	<u>10,325,327</u>	<u>67,338,692</u>	<u>62,894,481</u>
Net assets - December 31, 2004	\$ 57,527,825	\$55,813,185	\$ 12,615,425	\$ 11,525,507	\$ 70,143,250	\$ 67,338,692

Property taxes were \$10,306,558 for the year, which was a zero percent increase over the previous year.

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 \$352,409.

**Business-type Activities** Business-type activities increased Lincoln County's net assets by \$1,089,918, accounting for 39 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 \$502,651. Intergovernmental transfer payment revenue exceeded the amount budgeted by \$472,591.
- Net assets for Forestry increased by \$661,420. This was a result of timber sales exceeding budget expectations and spending restraint.

#### **Financial Analysis of the Government's Funds**

As noted earlier, Lincoln County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Lincoln County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Lincoln County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$13,755,535, an increase of \$1,212,304 in comparison with the prior year. Approximately 87 percent of this total amount, \$12,015,131 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) \$238,119 for prepaid items that benefit periods beyond the end of the current year, 2) \$63,584 for insurance deposits, 3) \$831,739 for non-liquid delinquent taxes, 4) \$431,392 for grant and program fees, and 5) \$175,570 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 \$10,072,837, while the total fund balance was \$11,287,435. Of the \$10,072,837 unreserved fund balance, \$3,047,788 has been designated by the County for the 2005 budget or for future capital improvement projects leaving \$7,025,049 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 89% of total general fund expenditures, undesignated unreserved fund balance represents 62% of total general fund expenditures, while total fund balance represents 99% of that same amount.

The fund balance of Lincoln County's general fund increased by \$1,415,156 during the current fiscal year. Key factors in this increase are as follows:

- Salary and fringe expenditures in the Sheriff's Department were less than budgeted resulting in a budget surplus of \$247,763. This was primarily due to vacant positions and worker compensation absences. The County did not purchase \$80,000 of patrol vehicles in 2004 because delivery was delayed. These funds were carried over into 2005. The County's 911 project was also delayed causing a carryover of \$354,171 into 2005.
- Transfers were made from special revenue funds to the general fund in accordance with Chapter 3.07 of the Lincoln County Ordinance, which limited maximum unreserved fund balances in special revenue funds to 15 percent of expenditures. Transfers were as follows: Social Services \$544,158 and Health Department \$104,478 for a total of \$648,636.
- County investments outperformed the budget by \$224,467. This was due to the higher interest rates that were obtained in 2004 compared to previous years.
- Computer Services carried over \$82,880 for software licensing agreements.

The County Roads and Bridges Fund has a fund balance of \$181,785 at December 31, 2004 an increase of \$230,408 when compared to the previous year. \$169,461 of this increase or 74 percent was due to a transfer from the Highway Fund for prior year over billing.

The Social Services fund has a total fund balance of \$956,113. Of this fund balance, \$886,277 is unreserved and \$67,836 is reserved for other restricted purposes. Unreserved fund balance represents 31 percent of total social services fund expenditures, while total fund balance represents 33 percent of that same amount.

The fund balance of the Social Services fund decreased by \$213,510 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 \$544,158.
- Expenditures were \$187,505 less than budgeted.

Developmental Disabilities fund has a total fund balance of \$427,380 at December 31, 2004. Of this fund balance, \$393,070 is unreserved and \$34,310 is reserved for prepaid items. Unreserved fund balance represents 12 percent of total developmental disabilities fund expenditures, while total fund balance represents 13 percent of that same amount.

The fund balance of the Developmental Disabilities fund decreased by \$91,198 during the current year. Key factors in this decrease are as follows:

- Developmental Disabilities took on an increased client load and consequently experienced an increase in request for services.
- The original budget for 2004 included applying \$12,409 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 \$2,738,350, those of Solid Waste Landfill amounted to \$2,612,352, and those of Forestry amounted to \$829,454. 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 three main categories. The first category included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts that we estimated during the budget process in October 2003). The second category included several increases in appropriations to prevent budget overruns. The third included grants or purchases that were not anticipated and budgeted for originally. Other budget amendments were not made for variances in revenue lines unless it was for a grant.

During the year, the budget for expenditures was *increased* by \$371,499. Those amendments are briefly summarized below:

- \$38,705 - The actual amount of grant and designated funds not spent down in 2003 exceeded the amount estimated as designated for non-lapsing appropriations when the budget was prepared.
- \$80,980 - A federal grant was received to restore the County Courthouse; this was not finalized at the time the budget was prepared.
- \$120,719 - Emergency Management received Homeland Security and Domestic Preparedness Grants; these were anticipated at budget time, but the amounts were not determinable.

Of this \$371,499 increase, \$201,699 was funded by additional grants, and \$113,613 came from the contingency fund. The County intended the remaining \$56,187 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 \$1,560,831 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$207,239 - Cost of maintenance projects and utilities were less than anticipated.
- \$78,560 - Land Conservation projects were delayed into 2005.
- \$25,199 - This amount was unspent at the end of the 2003 for grant projects or other restricted funds 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 2005 budget.

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

- \$120,719 - Emergency Management received Homeland Security Grant and Domestic Preparedness Grant. The amount could not be estimated at budget preparation.
- \$80,980 - County received federal grant to restore Courthouse. Amount could not be estimated at budget time.

Actual revenues were \$81,148 *greater* than budgeted. Significant variances are as follows:

- Forest land revenue exceeded the budget by \$62,117.
- Interest revenue exceeded the budget by \$221,060.
- State shared revenue was \$76,964 less than budgeted.
- Land Conservation intergovernmental revenue was \$68,696 less than budgeted.

### **Capital Asset and Debt Administration**

**Capital assets.** Lincoln County's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounted to \$52,788,218 (net of accumulated depreciation) compared to \$53,371,183 in 2003. This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, equipment and vehicles, intangible assets, and work in progress. The net decrease in the County's investment in capital assets for the current fiscal year was \$582,965 or 1.1 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 \$1,400,568 compared to \$1,275,533 in 2003.
- Highway construction and maintenance projects recorded as work in progress at year-end in the County Roads and Bridges Fund amounted to \$811,789.
- These amounts were offset, in part, by the amount of the projects completed in the previous year and removal of depreciation for roads reconstructed.

Lincoln County's Capital Assets (net of accumulated depreciation)						
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	I Activities	Activities	Activities		
	2004	2003	2004	2003	2004	2003
Land	\$ 470,625	\$ 470,625	\$ 2,530,677	\$ 2,380,133	\$ 3,001,302	\$ 2,850,758
Land improvements	238,419	143,405	2,217,730	2,634,324	2,456,149	2,777,729
Infrastructure	30,302,287	30,095,740	-	-	30,302,287	30,095,740
Buildings and improvements	4,058,149	4,470,660	4,143,829	4,339,806	8,201,978	8,810,466
Equipment and vehicles	4,416,713	4,553,564	941,965	907,128	5,358,678	5,460,692
Work in progress	3,467,824	3,346,075	-	-	3,467,824	3,346,075
Intangible assets	-	<u>29,723</u>	-	-	-	<u>-29,723</u>
Total	\$ 42,957,017	\$ 43,109,792	\$ 9,834,201	\$ 10,261,391	\$ 52,788,218	\$ 53,371,183

**Additional information on Lincoln County's capital assets can be found in Note 6 on page 43.**

**Long-term debt.** At the end of the current fiscal year, Lincoln County had a total general obligation debt outstanding of \$6,606,639 which is a decrease of 339,135 or 4.9 percent. In 2003 the total general obligation debt outstanding was \$6,945,774. This is made up of \$111,154 in payments for notes to the Wisconsin State Trust Fund and a payment for \$280,000 for Lincoln County General Obligation Refunding Bonds for Pine Crest Nursing Home. The County refunded \$2,347,981 in State Trust Fund Notes dated January 30, 2001 and issued Taxable General Obligation Refunding Bonds in the amount of \$2,400,000 dated March 15, 2004. The County projects a net present value savings of \$144,775 over the life of the refunding bonds. All of this debt is backed by the full faith and credit of the County. Lincoln County maintains a Moody's Rating of A3 for general obligation debt.

Lincoln County's Outstanding Long-Term Obligations						
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
	2004	2003	2004	2003	2004	2003
Bonds	\$ 2,400,000	\$ -	\$ 4,090,000	\$ 4,370,000	\$ 6,490,000	\$ 4,370,000
Notes	<u>116,639</u>	<u>2,575,774</u>	-	-	<u>116,639</u>	<u>2,575,774</u>
Total general obligation debt	2,516,639	2,575,774	4,090,000	4,370,000	6,606,639	6,945,774
Capital lease	12,116	174,134	-	-	12,116	174,134
Forestry loans	-	-	337,320	603,199	337,320	603,199
Compensated absences	<u>1,233,762</u>	<u>1,173,816</u>	<u>342,575</u>	<u>328,461</u>	<u>1,576,337</u>	<u>1,502,277</u>
Total general long-term obligations	\$ 3,762,517	\$ 3,923,724	\$ 4,769,895	\$ 5,301,660	\$ 8,532,412	\$ 9,225,384

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 \$90,850,126, 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 45 - 47 of this report.

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

- The unemployment rate for Lincoln County in April 2005 was 6.1 percent as compared to 4.7 percent for the State of Wisconsin. The April 2005 rate for Lincoln County was lower than both its April 2004 and April 2003 rates.
- The general economic condition and outlook for the County is guarded with many employers not planning to hire additional employees.
- Inflationary trends in our region compare favorably to national indices.

These factors were considered in preparing the County's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$10,072,837. Lincoln County has designated \$1,860,256, 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, 2004**

	<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	\$ 17,885,774	\$ 5,353,786	\$ 23,239,560
Receivables, net:			
Property taxes	10,336,898	336,325	10,673,223
Tax certificates and deeds	1,136,347	-	1,136,347
Assessments	40,029	-	40,029
Accounts	519,068	1,373,679	1,892,747
Loans	187,074	-	187,074
Due from other governments	741,822	71,393	813,215
Inventories, at cost	636,721	501,333	1,138,054
Prepaid expenses	239,449	50,076	289,525
Restricted assets:			
Cash and cash equivalents	63,584	-	63,584
Total current assets	<u>31,786,766</u>	<u>7,686,592</u>	<u>39,473,358</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	-	2,624,439	2,624,439
Unamortized debt issue costs	<u>46,145</u>	<u>67,997</u>	<u>114,142</u>
Capital assets:			
Land and construction in progress	3,938,449	2,530,677	6,469,126
Other capital assets, net of depreciation	<u>39,015,568</u>	<u>7,303,524</u>	<u>46,319,092</u>
Total capital assets	<u>42,954,017</u>	<u>9,834,201</u>	<u>52,788,218</u>
Total noncurrent assets	<u>43,000,162</u>	<u>12,526,637</u>	<u>55,526,799</u>
Total assets	<u>74,786,928</u>	<u>20,213,229</u>	<u>95,000,157</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,371,443	316,648	1,688,091
Accrued expenses	789,593	239,684	1,029,277
Compensated absences payable	675,182	283,151	958,333
Accrued claims	475,699	-	475,699
Deposits and advances	300,980	134,406	435,386
Due to other governments	153,456	127,123	280,579
Current portion of long-term obligations	70,534	485,000	555,534
Deferred revenue	<u>10,405,364</u>	<u>336,325</u>	<u>10,741,689</u>
Total current liabilities	<u>14,242,251</u>	<u>1,922,337</u>	<u>16,164,588</u>
Noncurrent liabilities:			
Future closure payable	-	1,673,723	1,673,723
Compensated absences payable	558,580	59,424	618,004
Noncurrent portion of long-term obligations	<u>2,458,272</u>	<u>3,942,320</u>	<u>6,400,592</u>
Total noncurrent liabilities	<u>3,016,852</u>	<u>5,675,467</u>	<u>8,692,319</u>
Total liabilities	<u>17,259,103</u>	<u>7,597,804</u>	<u>24,856,907</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	42,825,212	5,406,881	48,232,093
Restricted	670,546	1,028,388	1,698,934
Unrestricted	<u>14,032,067</u>	<u>6,180,156</u>	<u>20,212,223</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 57,527,825</u>	<u>\$ 12,615,425</u>	<u>\$ 70,143,250</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, 2004**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES:							
General government	\$ 4,382,018	\$ 323,534	\$ 263,359	\$ -	\$ (3,795,125)	\$ -	\$ (3,795,125)
Public safety	5,561,915	1,079,752	398,195	-	(4,083,968)	-	(4,083,968)
Public works	5,389,061	2,379,515	895,071	124,212	(1,990,263)	-	(1,990,263)
Health and human services	8,553,609	720,678	6,389,616	-	(1,443,315)	-	(1,443,315)
Culture, recreation, and education	718,324	4,090	12,519	-	(701,715)	-	(701,715)
Conservation and development	924,201	595,627	441,128	-	112,554	-	112,554
Interest on long-term debt	121,739	-	-	-	(121,739)	-	(121,739)
Total governmental activities	25,650,867	5,103,196	8,399,888	124,212	(12,023,571)	-	(12,023,571)
BUSINESS-TYPE ACTIVITIES:							
Nursing home	8,932,880	9,335,473	-	-	-	402,593	402,593
Forestry	916,270	1,035,809	367,318	-	-	486,857	486,857
Solid waste landfill	1,310,880	1,241,592	-	-	-	(69,288)	(69,288)
Total business-type activities	11,160,030	11,612,874	367,318	-	-	820,162	820,162
TOTAL PRIMARY GOVERNMENT	\$ 36,810,897	\$ 16,716,070	\$ 8,767,206	\$ 124,212	(12,023,571)	820,162	(11,203,409)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					10,058,464	248,094	10,306,558
TIF close-out payment					57,435	-	57,435
Private forest cropland/managed forest land taxes					42,184	-	42,184
County sales tax					1,535,860	-	1,535,860
Real estate transfer taxes					61,930	-	61,930
Payment in lieu of taxes					63,438	-	63,438
Interest and penalties on taxes					242,873	-	242,873
Grants and contributions not restricted to specific programs					1,252,886	-	1,252,886
Unrestricted investment earnings					441,812	1,994	443,806
Miscellaneous					997	-	997
Transfers					(19,668)	19,668	-
Total general revenues and transfers					13,738,211	269,756	14,007,967
CHANGE IN NET ASSETS					1,714,640	1,089,918	2,804,558
NET ASSETS - BEGINNING					55,813,185	11,525,507	67,338,692
NET ASSETS - ENDING					\$ 57,527,825	\$ 12,615,425	\$ 70,143,250

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, 2004**

	<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	\$ 10,686,637	\$ 155,682	\$ 975,913	\$ 621,788	\$ 897,571	\$ 13,337,591
Receivables, net:						
Property taxes	6,614,036	2,037,422	446,879	33,101	1,205,460	10,336,898
Tax certificates and deeds	1,136,347	-	-	-	-	1,136,347
Assessments	40,029	-	-	-	-	40,029
Accounts	51,222	-	2,201	57,024	202,480	312,927
Loans	-	-	-	-	187,074	187,074
Due from other governments	168,242	26,103	199,894	18,168	70,285	482,692
Due from other funds	133,002	-	-	-	-	133,002
Prepaid items	200,779	-	2,536	34,310	494	238,119
Restricted assets:						
Cash and cash equivalents	63,584	-	-	-	-	63,584
<b>TOTAL ASSETS</b>	<u>\$ 19,093,878</u>	<u>\$ 2,219,207</u>	<u>\$ 1,627,423</u>	<u>\$ 764,391</u>	<u>\$ 2,563,364</u>	<u>\$ 26,268,263</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 379,103	\$ -	\$ 143,600	\$ 212,730	\$ 58,387	\$ 793,820
Accrued liabilities	413,184	-	45,376	53,715	33,648	545,923
Deposits and advances	228,271	-	35,455	37,254	-	300,980
Due to other funds	-	-	-	-	127,024	127,024
Due to other governments	152,246	-	-	211	999	153,456
Deferred revenue	6,633,639	2,037,422	446,879	33,101	1,440,484	10,591,525
<b>Total liabilities</b>	<u>7,806,443</u>	<u>2,037,422</u>	<u>671,310</u>	<u>337,011</u>	<u>1,660,542</u>	<u>12,512,728</u>
<b>Fund balances</b>						
Reserved for:						
Capital improvement projects	-	-	-	-	-	-
Prepaid items	200,779	-	2,536	34,310	494	238,119
Insurance deposits	63,584	-	-	-	-	63,584
Delinquent property taxes	831,739	-	-	-	-	831,739
Grant and program fees	118,496	-	67,300	-	245,596	431,392
Jail assessment	-	-	-	-	175,570	175,570
Unreserved, reported in:						
General fund	10,072,837	-	-	-	-	10,072,837
Special revenue funds	-	181,785	886,277	393,070	173,894	1,635,026
Debt service funds	-	-	-	-	307,268	307,268
<b>Total fund balances</b>	<u>11,287,435</u>	<u>181,785</u>	<u>956,113</u>	<u>427,380</u>	<u>902,822</u>	<u>13,755,535</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 19,093,878</u>	<u>\$ 2,219,207</u>	<u>\$ 1,627,423</u>	<u>\$ 764,391</u>	<u>\$ 2,563,364</u>	<u>\$ 26,268,263</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, 2004**

Total fund balances for governmental funds \$ 13,755,535

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	3,289,649	
Land improvements, net of \$60,188 accumulated depreciation	19,061	
Buildings, net of \$6,726,067 accumulated depreciation	3,418,422	
Machinery and equipment, net of \$7,115,853 accumulated depreciation	312,532	
Intangible assets, net of \$103,583 accumulated depreciation	-	
Infrastructure, net of \$16,063,389 accumulated depreciation	<u>30,302,287</u>	
Total capital assets		37,777,036

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

Health insurance fund	\$ 3,247,771	
Highway fund	<u>5,942,573</u>	
Total internal service funds		9,190,344

A loan 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.

187,074

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	\$ (98,155)	
Notes payable	(2,516,639)	
Capital lease payable	(12,166)	
Vacation payable	(508,147)	
Banked sick	(7,934)	
Vested sick leave	(221,312)	
Accrued sick	(217,518)	
Comp time	<u>(16,529)</u>	
Total long-term liabilities		(3,598,400)

Debt issue costs are recorded as expenditures in the current period in governmental funds. Debt issue costs are recored as unamortized debt issue costs on the statement of net assets and are amortized over the life of the bond. Unamortized debt issue costs on 12/31/04 are:

46,145

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.

170,091

Total net assets of governmental activities \$ 57,527,825

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, 2004**

	<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	\$ 8,277,879	\$ 2,218,273	\$ 446,879	\$ 27,277	\$ 1,091,875	\$ 12,062,183
Intergovernmental revenues	2,381,951	952,400	2,720,437	2,976,163	746,035	9,776,986
Licenses and permits	155,372	-	-	-	33,156	188,528
Fines, forfeits, and penalties	148,498	-	-	-	48,481	196,979
Public charges for service	724,047	-	18,164	350,716	734,305	1,827,232
Intergovernmental charges for service	43,500	-	-	-	259,793	303,293
Miscellaneous revenues	544,745	-	1,063	-	18,860	564,668
Total revenues	<u>12,275,992</u>	<u>3,170,673</u>	<u>3,186,543</u>	<u>3,354,156</u>	<u>2,932,505</u>	<u>24,919,869</u>
<b>EXPENDITURES</b>						
Current:						
General government	3,946,220	-	-	-	-	3,946,220
Public safety	4,387,416	-	-	-	1,088,948	5,476,364
Public works	66,883	3,109,726	-	-	-	3,176,609
Health and human services	920,194	-	2,855,895	3,405,781	1,348,368	8,530,238
Culture, recreation, and education	718,232	-	-	-	-	718,232
Conservation and development	734,544	-	-	-	196,042	930,586
Capital outlay	545,917	-	-	6,103	145,240	697,260
Debt service:						
Principal	-	-	-	-	2,459,135	2,459,135
Interest and other charges	-	-	-	-	205,217	205,217
Total expenditures	<u>11,319,406</u>	<u>3,109,726</u>	<u>2,855,895</u>	<u>3,411,884</u>	<u>5,442,950</u>	<u>26,139,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>956,586</u>	<u>60,947</u>	<u>330,648</u>	<u>(57,728)</u>	<u>(2,510,445)</u>	<u>(1,219,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from long-term debt	-	-	-	-	2,400,000	2,400,000
Transfers in	648,636	169,461	-	-	86,371	904,468
Transfers out	(190,066)	-	(544,158)	(33,470)	(104,478)	(872,172)
Total other financing sources and uses	<u>458,570</u>	<u>169,461</u>	<u>(544,158)</u>	<u>(33,470)</u>	<u>2,381,893</u>	<u>2,432,296</u>
Net change in fund balances	1,415,156	230,408	(213,510)	(91,198)	(128,552)	1,212,304
<b>FUND BALANCES - JANUARY 1</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>FUND BALANCES - DECEMBER 31</b>	<u>\$ 11,287,435</u>	<u>\$ 181,785</u>	<u>\$ 956,113</u>	<u>\$ 427,380</u>	<u>\$ 902,822</u>	<u>\$ 13,755,535</u>

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

**LINCOLN COUNTY, WISCONSIN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2004**

Net change in fund balances - total governmental funds \$ 1,212,304

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	\$ 2,220,034	
Sale of capital assets	(573,327)	
Depreciation expense	<u>(1,791,108)</u>	
Excess of capital outlay over depreciation expense		(144,401)

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: 2,462,747

Proceeds from long-term debt is reported as a revenue in governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. In the current year, this amount consisted of: (2,400,000)

Bond issue costs are reported as expenditures in governmental funds, but are amortized over the life of the bond issue in the statement of net assets. In the current year this consisted of: 46,145

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	352,409	
Highway fund	<u>51,032</u>	
Total internal service funds		403,441

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	34,419	
Vacation	(42,227)	
Banked sick leave	(7,934)	
Vested sick leave	(19,071)	
Accrued sick	4,599	
Comp time	<u>(2,567)</u>	
Combined adjustment		(32,781)

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:

Notes	187,074	
Citations	<u>(19,889)</u>	
Combined adjustment		<u>167,185</u>

Change in net assets of governmental activities \$ 1,714,640

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, 2004**

	<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	\$ 2,132,370	\$ 2,042,758	\$ 1,178,658	\$ 5,353,786	\$ 4,548,183
Receivables, net:					
Property taxes	336,325	-	-	336,325	-
Accounts	1,186,542	149,309	37,828	1,373,679	30,072
Due from other governments	-	16,082	55,311	71,393	259,130
Inventories, at cost	29,108	472,225	-	501,333	636,721
Prepaid items	49,901	175	-	50,076	1,330
Total current assets	<u>3,734,246</u>	<u>2,680,549</u>	<u>1,271,797</u>	<u>7,686,592</u>	<u>5,475,436</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	<u>13,220</u>	<u>2,611,219</u>	<u>-</u>	<u>2,624,439</u>	<u>-</u>
Unamortized debt issue costs	<u>67,997</u>	<u>-</u>	<u>-</u>	<u>67,997</u>	<u>-</u>
Capital assets:					
Land	13,833	84,605	2,432,239	2,530,677	35,540
Improvements other than buildings	377,655	4,877,648	9,603	5,264,906	274,940
Buildings	7,266,934	270,692	235,651	7,773,277	1,291,723
Machinery and equipment	1,278,938	646,833	419,930	2,345,701	9,609,914
Work in progress	-	-	-	-	178,175
Less accumulated depreciation and depletion	<u>(4,192,630)</u>	<u>(3,460,700)</u>	<u>(427,030)</u>	<u>(8,080,360)</u>	<u>(6,213,311)</u>
Total capital assets	<u>4,744,730</u>	<u>2,419,078</u>	<u>2,670,393</u>	<u>9,834,201</u>	<u>5,176,981</u>
Total noncurrent assets	<u>4,825,947</u>	<u>5,030,297</u>	<u>2,670,393</u>	<u>12,526,637</u>	<u>5,176,981</u>
Total assets	<u>8,560,193</u>	<u>7,710,846</u>	<u>3,942,190</u>	<u>20,213,229</u>	<u>10,652,417</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	249,410	29,955	37,283	316,648	577,623
Accrued expenses	206,212	10,475	22,997	239,684	145,515
Compensated absences payable	238,727	14,649	29,775	283,151	147,612
Accrued claims	-	-	-	-	475,699
Due to other governments	-	-	127,123	127,123	-
Deferred revenue	336,325	-	-	336,325	913
Current maturities of long-term debt	285,000	-	200,000	485,000	-
Deposits and advances	<u>33,219</u>	<u>-</u>	<u>101,187</u>	<u>134,406</u>	<u>-</u>
Total current liabilities	<u>1,348,893</u>	<u>55,079</u>	<u>518,365</u>	<u>1,922,337</u>	<u>1,347,362</u>
Noncurrent liabilities:					
General obligation bonds payable	3,805,000	-	137,320	3,942,320	-
Compensated absences payable	-	13,118	46,306	59,424	114,711
Future closure payable	<u>-</u>	<u>1,673,723</u>	<u>-</u>	<u>1,673,723</u>	<u>-</u>
Total noncurrent liabilities	<u>3,805,000</u>	<u>1,686,841</u>	<u>183,626</u>	<u>5,675,467</u>	<u>114,711</u>
Total liabilities	<u>5,153,893</u>	<u>1,741,920</u>	<u>701,991</u>	<u>7,597,804</u>	<u>1,462,073</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	654,730	2,419,078	2,333,073	5,406,881	5,176,981
Restricted	13,220	937,496	77,672	1,028,388	-
Unrestricted	<u>2,738,350</u>	<u>2,612,352</u>	<u>829,454</u>	<u>6,180,156</u>	<u>4,013,363</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,406,300</u>	<u>\$ 5,968,926</u>	<u>\$ 3,240,199</u>	<u>\$ 12,615,425</u>	<u>\$ 9,190,344</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, 2004**

	<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	\$ 9,287,575	\$ 1,028,322	\$ 1,029,409	\$ 11,345,306	\$ -
Interdepartmental charges for service	-	344	-	344	6,725,326
Intergovernmental charges for service	-	159,100	4,150	163,250	2,316,689
Other	47,467	33,750	-	81,217	36,653
Total operating revenues	9,335,042	1,221,516	1,033,559	11,590,117	9,078,668
<b>OPERATING EXPENSES</b>					
Claims paid	-	-	-	-	2,859,774
Nursing services	4,068,397	-	-	4,068,397	-
Other professional services	432,741	-	-	432,741	-
General services	1,580,461	543,278	892,365	3,016,104	4,397,374
Administrative and fiscal services	2,231,951	-	-	2,231,951	665,030
Provider assessment tax	175,500	-	-	175,500	-
Provision for bad debts	5,187	-	-	5,187	-
Future closing costs	-	287,131	-	287,131	-
Depreciation and amortization	307,752	485,336	39,408	832,496	643,947
Total operating expenses	8,801,989	1,315,745	931,773	11,049,507	8,566,125
Operating income (loss)	533,053	(94,229)	101,786	540,610	512,543
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property taxes	248,094	-	-	248,094	-
Insurance recoveries	-	-	-	-	5,877
Interest income	1,994	20,076	-	22,070	35,293
Rental income	-	-	-	-	50
Grant revenue	-	-	367,318	367,318	12,000
Interest expense	(228,020)	-	-	(228,020)	-
Gain on sale of supplies	-	-	-	-	4,233
Gain (loss) on disposal of capital assets	431	-	2,250	2,681	-
Miscellaneous	-	-	-	-	1,163
Total nonoperating revenues (expenses)	22,499	20,076	369,568	412,143	58,616
<b>INCOME BEFORE TRANSFERS</b>	555,552	(74,153)	471,354	952,753	571,159
Transfer in	-	-	190,066	190,066	-
Transfer out	(52,901)	-	-	(52,901)	(169,461)
<b>CHANGE IN NET ASSETS</b>	502,651	(74,153)	661,420	1,089,918	401,698
<b>TOTAL NET ASSETS - JANUARY 1</b>	2,903,649	6,043,079	2,578,779	11,525,507	8,788,646
<b>TOTAL NET ASSETS - DECEMBER 31</b>	\$ 3,406,300	\$ 5,968,926	\$ 3,240,199	\$ 12,615,425	\$ 9,190,344

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, 2004**

	<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	\$ 9,593,660	\$ 956,767	-	\$ 10,550,427	\$ -
From other County departments	-	344	4,150	4,494	6,725,326
From government and other parties for sales	-	165,129	1,107,009	1,272,138	2,578,841
To employees for compensation and fringe benefits	(6,041,198)	(219,297)	(597,655)	(6,858,150)	(2,756,337)
To vendors for goods and services	(2,339,413)	(357,226)	(263,875)	(2,960,514)	(4,930,087)
Other cash received	<u>47,364</u>	<u>30,202</u>	<u>-</u>	<u>77,566</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>1,260,413</u>	<u>575,919</u>	<u>249,629</u>	<u>2,085,961</u>	<u>1,617,743</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant revenue	-	-	316,813	316,813	-
Transfer in	-	-	190,066	190,066	-
Transfer out	(52,901)	-	-	(52,901)	(169,461)
Tax levy appropriations	<u>248,095</u>	<u>-</u>	<u>-</u>	<u>248,095</u>	<u>-</u>
Net cash provided by (used in) noncapital and related financing activities	<u>195,194</u>	<u>-</u>	<u>506,879</u>	<u>702,073</u>	<u>(169,461)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(192,134)	(8,286)	(197,863)	(398,283)	(499,227)
Proceeds from sale of assets	495	-	2,250	2,745	25,755
Principal payments on long-term debt	(280,000)	-	(265,879)	(545,879)	(158,355)
Interest paid on long-term debt	<u>(229,210)</u>	<u>-</u>	<u>-</u>	<u>(229,210)</u>	<u>(3,645)</u>
Net cash used in capital and related financing activities	<u>(700,849)</u>	<u>(8,286)</u>	<u>(461,492)</u>	<u>(1,170,627)</u>	<u>(635,472)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>1,994</u>	<u>1,352</u>	<u>-</u>	<u>3,346</u>	<u>20,098</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>756,752</u>	<u>568,985</u>	<u>295,016</u>	<u>1,620,753</u>	<u>832,908</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING 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, END OF YEAR</b>	<u>\$ 2,145,590</u>	<u>\$ 4,653,977</u>	<u>\$ 1,178,658</u>	<u>\$ 7,978,225</u>	<u>\$ 4,548,183</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>					
Unrestricted	\$ 2,132,370	\$ 2,042,758	\$ 1,178,658	\$ 5,353,786	\$ 4,548,183
Restricted	<u>13,220</u>	<u>2,611,219</u>	<u>-</u>	<u>2,624,439</u>	<u>-</u>
	<u>\$ 2,145,590</u>	<u>\$ 4,653,977</u>	<u>\$ 1,178,658</u>	<u>\$ 7,978,225</u>	<u>\$ 4,548,183</u>

**LINCOLN COUNTY, WISCONSIN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2004**

	<u>Enterprise Funds</u>				<u>Governmental</u>
	<u>PineCrest</u>	<u>Solid Waste</u>	<u>Forestry</u>	<u>Total</u>	<u>Activities -</u>
	<u>Nursing Home</u>	<u>Landfill</u>			<u>Internal</u>
					<u>Service Funds</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>					
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 533,053	\$ (94,229)	\$ 101,786	\$ 540,610	\$ 512,543
Adjustments to reconcile operating income (loss) to net cash					
provided by (used in) operating activities:					
Amortization of investment premium	-	18,818	-	18,818	-
Depreciation and amortization	307,752	484,423	39,408	831,583	643,947
Future closing costs	-	287,131	-	287,131	-
Change in assets and liabilities:					
Accounts receivable	311,272	(75,103)	77,600	313,769	(15,181)
Due from other governments	-	6,029	-	6,029	261,339
Deferred debits	-	-	-	-	3,632
Inventories	1,443	-	-	1,443	(136,545)
Prepaid items	(12,183)	200	-	(11,983)	36,443
Accounts payable	65,766	6,674	32,850	105,290	259,571
Due to other governments	-	(61,099)	21,535	(39,564)	-
Accrued expenses	26,548	4,898	9,164	40,610	82,872
Deferred revenue	-	-	-	-	(21,409)
Compensated absences payable	20,783	(1,823)	(4,843)	14,117	8,899
Deposits and advances	5,979	-	(27,871)	(21,892)	-
Claims paid	-	-	-	-	(18,368)
Total adjustments	727,360	670,148	147,843	1,545,351	1,105,200
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 1,260,413</u>	<u>\$ 575,919</u>	<u>\$ 249,629</u>	<u>\$ 2,085,961</u>	<u>\$ 1,617,743</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>					
Capital asset additions included in accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 148,286.00

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, 2004**

	<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	\$ 15,126	\$ -	\$ 15,126
Accounts receivable	<u>-</u>	<u>170,091</u>	<u>170,091</u>
Total assets	<u>\$ 15,126</u>	<u>\$ 170,091</u>	<u>\$ 185,217</u>
<b>LIABILITIES</b>			
Accounts payable	402	-	402
Deposits and advances	8,746	-	8,746
Due other governments	-	170,091	170,091
Due to other funds	<u>5,978</u>	<u>-</u>	<u>5,978</u>
Total liabilities	<u>\$ 15,126</u>	<u>\$ 170,091</u>	<u>\$ 185,217</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, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Lincoln County, Wisconsin, have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the County are described below:

**REPORTING ENTITY**

Lincoln County was incorporated under the laws of the State of Wisconsin and is governed by an elected 22-member board. The County provides a full range of services, including public safety, public works, health and human services, conservation, culture, recreation, education, and general administrative services. As required by generally accepted accounting principles, these financial statements present the County government and all associated departments. The County has evaluated the following criteria in defining the reporting entity:

- Selection of government authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters
- Scope of public service
- Financial relationships

Based on these criteria, no additional component units were determined to be reportable.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the reporting government as a whole except for fiduciary funds. Fiduciary funds are reported only in the 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, 2004**

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

Fund Financial Statements

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

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

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise funds:

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

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

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

In addition, the County reports the following fund types:

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

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

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

**Government-Wide Financial Statements**

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

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

Fund Financial Statements

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

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

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

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

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

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

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

**PROPERTY TAXES**

Property taxes are levied prior to December 31 and are due and collectible in the following year. The 2004 tax levy is recorded as receivable with offsetting deferred revenue at December 31, 2004; it will be recognized as revenue in 2005 when used to finance the County's services.

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

The property tax calendar for the 2004 tax roll follows:

Lien date and date levy	December 2004
Tax bills mailed	December 2004
Real estate taxes first installment due	January 31, 2005
Personal property taxes due in full	January 31, 2005
Real estate taxes second installment due	July 31, 2005
Tax sale - 2004 delinquent real estate taxes	October 2008

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

**INVENTORIES**

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



**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

**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 \$9,096 for the year ended December 31, 2004, and accumulated amortization is \$114,142 at December 31, 2004.

**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 work in progress as well as assets with an initial cost of more than the following:

<b><u>Type of Asset</u></b>	<b><u>Amount</u></b>
Land improvements	\$ 25,000
Infrastructure (per subsystem)	250,000
Buildings and improvements	50,000
Equipment and vehicles	2,000-5,000
Intangible assets	5,000

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

<b><u>Type of Asset</u></b>	<b><u>Life in Years</u></b>
Land improvements	25
Infrastructure	10 - 50
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.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

**DEFERRED REVENUE**

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

**COMPENSATED ABSENCES**

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

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

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

**LONG-TERM OBLIGATIONS**

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

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

**INTERFUND TRANSACTIONS**

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

All 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.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

**NET ASSETS**

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

**GOVERNMENTAL FUND BALANCE RESERVES**

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

**BUDGETARY ACCOUNTING**

The County follows these procedures in establishing the annual budget:

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 2 - CASH AND CASH EQUIVALENTS**

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

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

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

The carrying amount of the County's cash and cash equivalents totaled \$25,942,709 on December 31, 2004, as summarized below:

Petty cash funds	\$ 1,995
Deposits with financial institutions	12,524,730
Investments:	
Wisconsin local government investment pool	8,002,644
Landfill long-term care trust	2,611,219
Health Insurance Trust Fund	2,738,537
Insurance deposits	<u>63,584</u>
	<u>\$ 25,942,709</u>
Presented in the Statement of Net Assets as follows:	
Unrestricted cash and cash equivalents	\$ 23,239,560
Restricted cash and cash equivalents	2,688,023
Fiduciary Fund cash and cash equivalents	<u>15,126</u>
	<u>\$ 25,942,709</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

**Deposits**

At year-end, the bank balance of the County's deposits was \$12,726,695. Of the bank balance, \$506,490 was covered by Federal Depository Insurance and National Credit Union Association and \$12,064,992 was collateralized by bank security agreements. The remaining \$155,213 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, 2004, 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	\$ -	\$ 63,584	\$ 63,584
Local government investment pool	-	8,002,644	8,002,644
U.S. Government securities	<u>5,349,756</u>	<u>-</u>	<u>5,349,756</u>
<b>Total</b>	<u>\$ 5,349,756</u>	<u>\$ 8,066,228</u>	<u>\$13,415,984</u>

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets on December 31, 2004, totaled \$2,688,023 consisting of cash and investments as follows:

General fund	
Insurance deposits	\$ 63,584
Enterprise fund	
Solid waste landfill	
Long-term care deposits	2,611,219
Pine Crest Nursing Home	
Donation and special fund	<u>13,220</u>
	<u>\$2,688,023</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

**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	Development al Disabilities	PineCrest Nursing Home	Solid Waste Landfill	Forestr y	Nonmajor and Internal Service Funds	Total
Receivables									
Property taxes	\$6,614,036	\$ 2,063,525	\$446,879	\$ 33,101	\$336,325	\$ -	\$ -	\$1,205,460	\$10,673,223
Tax certificates, deeds, and assessments	1,176,376	-	-	-	-	-	-	-	1,176,376
Accounts	51,222	-	2,201	57,024	1,231,542	149,309	37,828	441,256	1,970,382
Loans	-	-	-	-	-	-	-	187,074	187,074
Due from other governments	<u>168,242</u>	<u>26,103</u>	<u>199,894</u>	<u>18,168</u>	<u>-</u>	<u>16,082</u>	<u>55,311</u>	<u>329,415</u>	<u>813,215</u>
Gross receivables	8,009,876	2,063,525	648,974	108,293	1,567,867	165,391	93,139	2,163,205	14,820,270
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>(32,635)</u>	<u>(77,635)</u>
Net total receivables	<u>\$ 8,009,876</u>	<u>\$ 2,063,525</u>	<u>\$648,974</u>	<u>\$ 108,293</u>	<u>\$1,522,867</u>	<u>\$165,391</u>	<u>\$ 93,139</u>	<u>\$ 2,130,570</u>	<u>\$ 14,742,635</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, 2004, the County's general fund showed an investment of \$1,136,356 in delinquent taxes as follows:

Tax certificates	\$1,123,926
Tax deeds	<u>12,421</u>
<b>Total</b>	<b><u>\$1,136,347</u></b>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

An aging of the delinquent tax certificate taxes of \$1,123,926 on December 31, 2004, follows:

**Year Acquired**

Prior to 2000	\$ 21,780
2000	3,936
2001	6,831
2002	36,129
2003	317,636
2004	<u>737,614</u>
	<u>\$1,123,926</u>

Of the total of \$1,123,926 for delinquent tax certificate taxes, \$304,607 was collected by the County within 90 days after December 31, 2004. The remaining unpaid balance of \$819,319 and tax deeds of \$12,421 are recorded as reserved fund balance of \$831,740 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	\$10,673,223	\$ -	\$10,673,223
State and Federal grant advances	-	63,788	63,788
Other	<u>-</u>	<u>4,678</u>	<u>4,678</u>
<b>Total deferred/unearned revenue</b>	<u>\$10,673,223</u>	<u>\$ 68,466</u>	<u>\$10,741,689</u>

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

At December 31, 2004, interfund receivables and payables were as follows:

	<u>Receivable From Other Funds</u>	<u>Payable To Other Funds</u>
General Fund	\$ 133,002	\$ -
Special Revenue Fund:		
Emergency Medical	-	127,024
Fiduciary Fund:		
Employee Benefit Cafeteria Plan	<u>-</u>	<u>5,978</u>
	<u>\$ 133,002</u>	<u>\$ 133,002</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

The General Fund's receivable from other funds represents \$5,978 from the Employee Benefit Cafeteria Plan Fiduciary Fund and \$127,024 from the Emergency Medical Fund for operational cash flow purposes.

Transfers were made in the primary government as follows:

<b><u>Fund</u></b>	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>	<b><u>Net Transfers</u></b>
General Fund	\$ 648,636	\$ 190,066	\$ 458,570
Social Services	-	544,158	(544,158)
Developmental Disabilities	-	33,470	(33,470)
County Roads and Bridges	169,461	-	169,461
Health	-	104,478	(104,478)
Debt Service	86,371	-	86,371
PineCrest Nursing Home	-	52,901	(52,901)
Forestry	190,066	-	190,066
Highway	-	169,461	(169,461)
<b>Total</b>	<b><u>\$ 1,094,534</u></b>	<b><u>\$ 1,094,534</u></b>	<b><u>\$ -</u></b>

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



**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 6 - CAPITAL ASSETS**

Changes in capital assets were as follows:

	<b>Balance 1-1-04</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-04</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 470,625	\$ -	\$ -	\$ 470,625
Construction in progress	<u>3,346,075</u>	<u>811,789</u>	<u>690,039</u>	<u>3,467,824</u>
Total capital assets not depreciated	<u>3,816,700</u>	<u>811,789</u>	<u>690,039</u>	<u>3,938,449</u>
Capital assets being depreciated:				
Land improvements	185,237	113,371	-	298,607
Infrastructure	45,420,869	1,400,568	455,761	46,365,676
Buildings and improvements	10,774,720	51,075	41,580	10,784,216
Equipment and vehicles	11,393,716	1,017,475	878,625	11,532,566
Intangible assets	<u>103,583</u>	<u>-</u>	<u>-</u>	<u>103,583</u>
Total capital assets depreciated	<u>67,878,125</u>	<u>2,582,489</u>	<u>1,375,966</u>	<u>69,084,648</u>
Less accumulated depreciation:				
Land improvements	41,832	18,357	-	60,188
Infrastructure	15,325,129	1,194,021	455,761	16,063,389
Buildings and improvements	6,304,060	424,779	2,772	6,726,067
Equipment and vehicles	6,840,152	798,306	522,605	7,115,853
Intangible assets	<u>73,860</u>	<u>29,723</u>	<u>-</u>	<u>103,583</u>
Total accumulated depreciation	<u>28,585,033</u>	<u>2,465,186</u>	<u>981,138</u>	<u>30,069,080</u>
Total capital assets depreciated, net	<u>39,293,092</u>	<u>117,303</u>	<u>394,828</u>	<u>39,015,568</u>
Total governmental activity capital assets, net	<u>\$ 43,109,792</u>	<u>\$ 929,092</u>	<u>\$ 1,084,867</u>	<u>\$ 42,954,017</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,380,133	\$ 150,545	\$ -	\$ 2,530,677
Capital assets being depreciated:				
Land improvements	5,254,512	10,394	-	5,264,906
Buildings and improvements	7,733,345	40,106	175	7,773,276
Equipment and vehicles	<u>2,231,885</u>	<u>203,370</u>	<u>89,553</u>	<u>2,345,702</u>
Total capital assets depreciated	<u>15,219,742</u>	<u>253,870</u>	<u>89,728</u>	<u>15,383,884</u>
Less accumulated depreciation:				
Land improvements	2,620,188	426,988	-	3,047,176
Buildings and improvements	3,393,539	235,908	-	3,629,447
Equipment and vehicles	<u>1,324,757</u>	<u>162,508</u>	<u>83,529</u>	<u>1,403,737</u>
Total accumulated depreciation	<u>7,338,484</u>	<u>825,404</u>	<u>83,529</u>	<u>8,080,360</u>
Total capital assets depreciated, net	<u>7,881,258</u>	<u>(571,534)</u>	<u>6,199</u>	<u>7,303,524</u>
Total business-type capital assets, net	<u>\$ 10,261,391</u>	<u>\$ (420,989)</u>	<u>\$ 6,199</u>	<u>\$ 9,834,201</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

Depreciation expense was charged to the functions as follows:

**Governmental activities**

General government	\$ 360,939
Public safety	147,238
Public works	1,837,968
Health and human services	85,510
Conservation and development	<u>3,400</u>

Total depreciation expense - governmental activities	<u><u>\$2,435,055</u></u>
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**Business-type activities**

Nursing home	\$ 301,570
Forestry	39,408
Solid Waste Landfill	<u>75,658</u>

Total depreciation expense - business-type activities	<u><u>\$ 416,636</u></u>
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The County has active construction projects as of December 31, 2004. 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:

<b><u>Project</u></b>	<b><u>Spent-to-Date</u></b>	<b><u>Remaining Commitment</u></b>
Residential street construction	\$2,459,277	\$1,031,485
Bridge and approach expansion	400,925	128,567
Equipment set up	<u>178,175</u>	<u>51,200</u>
<b>Total</b>	<u><u>\$3,038,377</u></u>	<u><u>\$1,211,252</u></u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

**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 1-1-04</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12-31-04</u>	<u>Amount Due in One Year</u>
<b>General Obligation Debt</b>					
Bonds	\$ 4,370,000	\$ 2,400,000	\$ 280,000	\$ 6,490,000	\$ 325,000
Notes	<u>2,575,774</u>	<u>-</u>	<u>2,459,135</u>	<u>116,639</u>	<u>26,763</u>
Total general obligation debt	6,945,774	2,400,000	2,739,135	6,606,639	351,763
Capital lease	174,134	-	3,612	12,166	3,771
Forestry loans	603,199	-	265,879	337,320	200,000
Compensated absences	<u>1,502,277</u>	<u>1,041,327</u>	<u>967,267</u>	<u>1,576,337</u>	<u>544,365</u>
<b>Total long-term obligations</b>	<u>\$ 9,225,384</u>	<u>\$ 1,041,327</u>	<u>\$ 1,236,758</u>	<u>\$ 1,925,823</u>	<u>\$ 748,136</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%.	\$4,090,000
2,400,000	issued March 15, 2004; \$115,000 to \$215,000 due annually through 2020; interest 2.2% to 5.23%	<u>2,400,000</u>
		<u>6,490,000</u>

**Notes:**

225,000	issued October 14, 1998; \$21,401 to \$31,645 due annually through 2008; interest at 5.75%.	<u>116,639</u>
		<u>\$6,606,639</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

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

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2004, are allocated to activities as detailed below:

<b>Due</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	\$ 66,763	\$ 193,115	\$ 285,000	\$ 214,930	\$ 351,763	\$ 408,045
2006	143,302	113,226	300,000	200,680	443,302	313,906
2007	149,929	108,725	315,000	185,530	464,929	294,255
2008	156,645	103,385	330,000	169,465	486,645	272,850
2009	130,000	97,160	350,000	152,470	480,000	249,630
2010-2014	730,000	400,069	2,035,000	468,128	2,765,000	868,197
2015-2019	925,000	206,027	475,000	26,125	1,400,000	232,152
2020	<u>215,000</u>	<u>11,438</u>	<u>-</u>	<u>-</u>	<u>215,000</u>	<u>11,438</u>
<b>Total</b>	<b><u>\$2,516,639</u></b>	<b><u>\$1,233,145</u></b>	<b><u>\$4,090,000</u></b>	<b><u>\$1,417,328</u></b>	<b><u>\$6,606,639</u></b>	<b><u>\$2,650,473</u></b>

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

Equalized value	\$ 1,949,135,300
Legal debt margin percentage	<u>5%</u>
Legal debt limit	97,456,765
Outstanding general obligation debt	\$ 6,606,639
Less amount available in debt service	<u>(307,268)</u>
<b>Legal debt margin</b>	<b><u>\$ 91,157,394</u></b>

The County has entered into a lease agreement as lessee for financing the acquisition of a postage machine. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The asset acquired through a capital lease is recorded in the Governmental Activities accounts with an original cost of \$20,638 and \$16,625 of accumulated depreciation at December 31, 2004.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

**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, 2004, were as follows:

<b><u>Year Ending December 31</u></b>	<b><u>Governmental Activities</u></b>
2005	\$ 4,224
2006	4,224
2007	4,224
2008	<u>352</u>
Total minimum lease payments	13,024
Less amount representing interest	<u>(858)</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 12,166</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.

The payroll for Lincoln County employees covered by the System for the year ended December 31, 2004, was \$13,176,849; the employer's total payroll was \$13,700,954. The total required contribution for the year ended December 31, 2004, was \$1,322,309, which consisted of \$603,966 or 4.6 percent of payroll from the employer and \$718,342, or 5.5 percent of payroll from employees. Total contributions for years ended December 31, 2003 and 2002, were \$1,235,518 and \$1,154,553, respectively, equal to the required contributions for each year.

**LINCOLN COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2004**

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

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 \$3,445,670 during the period of January 1, 2004 to December 31, 2004.

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, 2004**

**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>
2004	\$ 618,252	\$ 2,859,773	\$ 2,758,490	\$ 719,535
2003	643,680	2,595,356	2,620,784	618,252

*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 \$63,584. 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, 2004, 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 2004 was \$9,162,710 with Lincoln County's share totaling \$510,810 (5.6%). Operations of the Tri-County Human Services Board are not reflected in the financial statements of Lincoln County.

The following audited summary financial information for North Central Health Care Tri-County facilities is as of December 31, 2004, and for the year then ended.

Assets	\$ 29,694,567
Liabilities	8,910,897
Equity	20,783,670
Revenues	59,922,875
Expenses	60,387,630
Non-operating gain	286,974
Change in net assets	(790,322)

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2004**

**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. At December 31, 2004, the County has utilized approximately 43.4% of its landfill's capacity, a net increase of 5.9% compared to December 31, 2003. The landfill is estimated to be fully utilized in 2017.

The estimated liability for landfill closure and postclosure care costs and total future estimated costs as of December 31, 2004, is as follows:

Total estimated costs for construction, closure, and postclosure care	\$ 3,855,879
Estimated costs expensed through December 31, 2004	<u>(1,673,723)</u>

<b>Estimated costs of construction, closure, and postclosure care to be recognized in future years</b>	<b><u>\$ 2,182,156</u></b>
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The estimated total current cost of the landfill construction, closure, and postclosure care of \$3,855,879 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, 2004. 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, 2004, investments of \$2,611,219 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, 2004**

**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**

*Unreserved - designated fund balances*

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

	<u>General</u>	<u>Roads and Bridges</u>	<u>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Non-major Funds</u>
<b>Designated as carryover in 2005 budget:</b>					
Sound system	\$ 8,130	\$ -	\$ -	\$ -	\$ -
Maintenance - plowtruck and tractor	32,598	-	-	-	-
Computer Software	82,880	-	-	-	-
HVAC	8,010	-	-	-	-
Parcel mapping	12,048	-	-	-	-
UW postage	1,513	-	-	-	-
Veterans services relief	3,761	-	-	-	-
Land conservation - tree planter	4,340	-	-	-	-
Zoning - recodification printing	3,000	-	-	-	-
Zoning - data conversion	7,500	-	-	-	-
Zoning - Postcards	490	-	-	-	-
Zoning - recodification project	125	-	-	-	-
Zoning - density allotment	10,000	-	-	-	-
Patrol vehicles	76,362	-	-	-	-
Designated for subsequent year	16,150	181,785	886,277	393,070	481,162
<b>Designated for capital improvement in 2005 budget:</b>					
Courthouse painting	13,950	-	-	-	-
Office renovations	30,000	-	-	-	-
9-1-1 Communications	354,171	-	-	-	-
Ambulance	97,504	-	-	-	-
Forestry loan repayment	200,000	-	-	-	-
Rural Addressing	225,000	-	-	-	-
<b>Designated for capital improvements in future years</b>	<u>1,860,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$3,047,788</u>	<u>\$ 181,785</u>	<u>\$ 886,277</u>	<u>\$ 393,070</u>	<u>\$ 481,162</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, 2004**

	<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	\$ 6,465,008	\$ 6,274,160	\$ 6,274,160	\$ -
TIF close-out	-	-	57,435	57,435
Forest crop	22,000	22,000	16,393	(5,607)
Managed forest land	21,000	21,000	25,790	4,790
County sales tax	1,500,000	1,500,000	1,535,860	35,860
Real estate transfer fees	40,000	40,000	61,930	21,930
Interest on taxes	225,000	225,000	242,873	17,873
Payment in lieu of taxes	61,500	61,500	63,438	1,938
Total taxes	8,334,508	8,143,660	8,277,879	134,219
Intergovernmental				
State shared revenues	1,297,564	1,297,564	1,220,600	(76,964)
Exempt computer aid	35,500	35,500	32,286	(3,214)
Clerk of courts	89,538	89,538	89,212	(326)
Circuit court	78,708	78,708	78,518	(190)
Land information	300	300	3,970	3,670
Sheriff department	50,300	55,858	36,444	(19,414)
Emergency management	25,255	247,289	256,302	9,013
Victim witness	31,526	31,526	28,204	(3,322)
Zoning grants	43,000	66,883	66,883	-
Veterans service	10,000	10,000	10,000	-
Family court commissioner	1,000	1,000	1,153	153
Corporation counsel	81,250	81,250	62,303	(18,947)
Child support	260,588	260,588	238,451	(22,137)
Public libraries	5,090	5,090	5,090	-
UW extension	9,945	9,945	7,429	(2,516)
State acreage payment	75,000	75,000	73,713	(1,287)
Land conservation	209,596	240,089	171,393	(68,696)
Maintenance	-	55,608	-	(55,608)
Total intergovernmental	2,304,160	2,641,736	2,381,951	(259,785)
Licenses and permits				
County clerk	2,850	2,850	4,223	1,373
Family court commissioner	4,000	4,000	4,120	120
Zoning fees	145,400	144,800	147,029	2,229
Total licenses and permits	152,250	151,650	155,372	3,722
Fines, forfeits, and penalties				
Clerk of courts	115,000	122,874	135,008	12,134
Circuit court	1,180	1,180	1,708	528
District attorney	-	-	94	94
Sheriff department	16,500	16,500	11,688	(4,812)
Total fines, forfeits, and penalties	132,680	140,554	148,498	7,944

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2004**

	<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	\$ 68,000	\$ 68,000	\$ 67,945	\$ (55)
Circuit court	11,781	11,781	11,396	(385)
Family court commissioner	3,000	3,000	3,565	565
Register of deeds	130,060	130,060	129,308	(752)
Land information	47,450	47,450	50,914	3,464
County clerk	175	175	154	(21)
Treasurer	800	800	936	136
District attorney	2,300	2,300	1,433	(867)
Sheriff department	165,400	175,688	187,880	12,192
Maintenance	6,000	6,000	2,756	(3,244)
Zoning	2,250	2,250	3,377	1,127
Land conservation	200	200	945	745
Administration/personnel	-	-	108	108
Finance	-	-	220	220
Child support	6,300	6,300	5,517	(783)
UW extension	1,000	1,000	1,276	276
Forest land revenue	192,000	192,000	254,117	62,117
Other charges for service	50,275	50,275	2,200	(48,075)
Total public charges for services	686,991	697,279	724,047	26,768
Intergovernmental charges for service				
Sheriff department	63,045	63,045	40,040	(23,005)
Emergency Management	-	-	20	20
Land information	1,400	1,400	1,170	(230)
Clerk of courts	250	250	517	267
County clerk	-	-	1,133	1,133
UW extension	-	-	620	620
Total intergovernmental charges for services	64,695	64,695	43,500	(21,195)
Miscellaneous				
Interest	184,550	184,550	405,610	221,060
Rent	110,720	110,720	123,364	12,644
Sale of county property	30,000	30,000	5,083	(24,917)
Insurance recovery	30,000	30,000	8,443	(21,557)
Private organization donations	-	-	2,245	2,245
Total miscellaneous	355,270	355,270	544,745	189,475
Total revenues	12,030,554	12,194,844	12,275,992	81,148

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2004**

	<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	\$ 45,530	\$ 45,530	\$ 41,150	\$ 4,380
County board committees	109,226	109,226	111,549	(2,323)
Clerk of courts	475,648	483,600	484,893	(1,293)
Circuit court	231,532	259,847	258,337	1,510
Family court commissioner	29,900	29,900	28,844	1,056
Coroner	42,615	42,693	40,644	2,049
Law library	5,523	5,523	3,827	1,696
District attorney	163,566	169,658	164,842	4,816
Corporation counsel	264,079	264,079	227,999	36,080
Victim witness	49,096	49,096	47,412	1,684
County clerk	111,726	114,724	114,773	(49)
Administration/personnel	139,468	160,525	160,554	(29)
Computer services	468,962	562,641	454,119	108,522
General administration	19,399	19,399	9,706	9,693
Treasurer	153,367	153,445	138,221	15,224
Finance department	311,647	319,847	319,193	654
Maintenance	635,722	623,545	508,853	114,692
Surveyor	186,973	188,573	173,073	15,500
Tax description	76,868	91,176	91,924	(748)
Register of deeds	206,746	228,324	224,160	4,164
Land records	157,214	201,138	130,188	70,950
Tax assessment	65,765	65,765	62,372	3,393
Insurance	82,529	103,448	102,118	1,330
Elections	42,600	47,715	47,469	246
Contingency fund	360,000	18,578	-	18,578
Budgeted excess				-
Total general government	4,435,701	4,357,995	3,946,220	411,775
Public safety				
Sheriff department:				
Law enforcement	2,376,978	2,359,269	2,180,815	178,454
Emergency communication (911)	578,774	578,774	513,865	64,909
Correction and detention	1,487,942	1,500,151	1,389,632	110,519
Emergency management	85,723	307,757	301,404	6,353
Civil service commission	4,870	4,870	1,700	3,170
Total public safety	4,534,287	4,750,821	4,387,416	363,405
Public works				
Zoning-sanitation	43,000	66,883	66,883	-
Health and human services				
Community organizations	14,500	41,000	41,015	(15)
Health care center	510,810	510,810	510,810	-
Child support agency	279,885	279,885	254,369	25,516
Veterans services	119,667	120,576	112,686	7,890
Cemetery	1,314	1,314	1,314	-
Total health and human services	926,176	953,585	920,194	33,391

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Culture, recreation, and education				
Public libraries	488,748	488,748	488,748	-
UW extension	263,989	270,078	229,484	40,594
Total culture, recreation, and education	752,737	758,826	718,232	40,594
Conservation and development				
Economic development	\$ 32,500	\$ 32,500	\$ 32,500	\$ -
Zoning	437,809	451,668	418,780	32,888
Land conservation	345,265	374,066	283,264	90,802
Total conservation and development	815,574	858,234	734,544	123,690
Capital outlay				
Maintenance	85,000	186,463	93,916	92,547
County Board	-	8,130	-	8,130
Land records	29,300	29,300	11,885	17,415
Computer services	143,229	30,000	7,587	22,413
Zoning	12,000	12,000	-	12,000
Sheriff	868,000	868,000	432,529	435,471
Total capital outlay	1,137,529	1,133,893	545,917	587,976
Total expenditures	12,645,004	12,880,237	11,319,406	1,560,831
Excess (deficiency) of revenues over (under) expenditures	(614,450)	(685,393)	956,586	1,641,979
Other financing sources (uses)				
Funds applied	804,516	875,459	875,459	-
Transfer in	-	-	648,636	(648,636)
Transfer out	(190,066)	(190,066)	(190,066)	-
Total other financing sources (uses)	614,450	685,393	1,334,029	(648,636)
Net change in fund balance	-	-	2,290,615	993,343
<b>FUND BALANCE - BEGINNING</b>	7,606,507	7,295,002	9,872,279	2,577,277
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,606,507</u>	<u>\$ 7,295,002</u>	<u>\$ 12,162,894</u>	<u>\$ 3,570,620</u>

**RECONCILIATION FROM BUDGET TO GAAP:**

Net change in fund balance - budget	\$ 2,290,615
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>(875,459)</u>
Net change in fund balance - GAAP	<u>\$ 1,415,156</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES**  
**Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 2,013,117	\$ 2,218,273	\$ 2,218,273	\$ -
Intergovernmental	<u>971,798</u>	<u>971,798</u>	<u>952,400</u>	<u>(19,398)</u>
Total revenues	2,984,915	3,190,071	3,170,673	(19,398)
 <b>EXPENDITURES</b>				
Public works	<u>3,098,795</u>	<u>3,359,532</u>	<u>3,109,726</u>	<u>249,806</u>
Deficiency of revenues over (under) expenditures	<u>(113,880)</u>	<u>(169,461)</u>	<u>60,947</u>	<u>230,408</u>
 <b>OTHER FINANCING SOURCES</b>				
Transfers in	-	169,461	169,461	230,408
Fund balance applied	<u>113,880</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>113,880</u>	<u>169,461</u>	<u>169,461</u>	<u>230,408</u>
Net change in fund balance	-	-	230,408	230,408
 <b>FUND BALANCES - BEGINNING</b>	<u>116,341</u>	<u>3,901</u>	<u>(48,623)</u>	<u>(52,524)</u>
 <b>FUND BALANCES - ENDING</b>	<u>\$ 116,341</u>	<u>\$ 3,901</u>	<u>\$ 181,785</u>	<u>\$ 177,884</u>
 <b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
Net change in fund balance - budget	\$ 230,408			
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>-</u>			
Net change in fund balance - GAAP	<u>\$ 230,408</u>			

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND**  
**Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 446,879	\$ 446,879	\$ 446,879	\$ -
Intergovernmental	2,517,122	2,517,122	2,720,437	203,315
Public charges for service	-	-	18,164	18,164
Miscellaneous revenues	-	-	1,063	1,063
Total revenues	2,964,001	2,964,001	3,186,543	222,542
<b>EXPENDITURES</b>				
Health and human services	3,037,400	3,037,400	2,855,895	181,505
Outlay	6,000	6,000	-	6,000
Total expenditures	3,043,400	3,043,400	2,855,895	187,505
Excess (deficiency) of revenues over (under) expenditures	(79,399)	(79,399)	330,648	35,037
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	79,399	623,557	623,557	-
Transfer out	-	(544,158)	(544,158)	-
Total other financing sources (uses)	79,399	79,399	79,399	-
Net change in fund balance	-	-	410,047	35,037
<b>FUND BALANCE - JANUARY 1</b>	<u>1,435,720</u>	<u>1,035,975</u>	<u>1,169,623</u>	<u>133,648</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u><u>\$ 1,435,720</u></u>	<u><u>\$ 1,035,975</u></u>	<u><u>\$ 1,579,670</u></u>	<u><u>\$ 543,695</u></u>

**RECONCILIATION FROM BUDGET TO GAAP:**

Net change in fund balance - budget	\$ 410,047
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>(623,557)</u>
Net change in fund balance - GAAP	<u><u>\$ (213,510)</u></u>



**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - DEVELOPMENTAL DISABILITIES FUND**  
**Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
General property	\$ 27,277	\$ 27,277	\$ 27,277	\$ -
Intergovernmental	3,563,835	3,563,835	2,976,163	(587,672)
Public charges for service	356,120	356,120	350,716	(5,404)
Miscellaneous revenues	10	10	-	(10)
Total revenues	<u>3,947,242</u>	<u>3,947,242</u>	<u>3,354,156</u>	<u>(593,086)</u>
<b>EXPENDITURES</b>				
Health and human services	3,926,181	3,926,181	3,405,781	520,400
Capital outlay	-	-	6,103	(6,103)
Total expenditures	<u>3,926,181</u>	<u>3,926,181</u>	<u>3,411,884</u>	<u>514,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,061</u>	<u>21,061</u>	<u>(57,728)</u>	<u>(78,789)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	12,409	12,409	12,409	-
Transfer out	<u>(33,470)</u>	<u>(33,470)</u>	<u>(33,470)</u>	<u>-</u>
Total other financing sources (uses)	<u>(21,061)</u>	<u>(21,061)</u>	<u>(21,061)</u>	<u>-</u>
Net change in fund balance	-	-	(78,789)	(78,789)
<b>FUND BALANCE - JANUARY 1</b>	<u>726,635</u>	<u>468,827</u>	<u>518,578</u>	<u>(49,751)</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 726,635</u>	<u>\$ 468,827</u>	<u>\$ 439,789</u>	<u>\$ (128,540)</u>
<b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
Net change in fund balance - budget	\$ (78,789)			
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>(12,409)</u>			
Net change in fund balance - GAAP	<u>\$ (91,198)</u>			

**LINCOLN COUNTY, WISCONSIN**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2004**

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

For the year ending December 31, 2004, 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:		
County Board Committees	\$ 109,226	\$ 111,549
Clerk of Courts	483,600	484,893
County Clerk	114,724	114,773
Admin/Personnel	160,525	160,554
Tax Description	91,176	91,924
Health and Human Services:		
Community Organizations	41,000	41,015
Health and human services:		
Community organizations		
Developmental Disabilities Fund:		
Capital Outlay	-	6,103

## **COMBINING FUND STATEMENTS**

**LINCOLN COUNTY, WISCONSIN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2004**

	<u>Special Revenue</u>							<b>Total Nonmajor Debt Service</b>	<b>Governmental Funds</b>
	<b>County Health</b>	<b>Commission on Aging</b>	<b>Dog License</b>	<b>Community Development</b>	<b>Emergency Medical</b>	<b>Jail Assessment</b>	<b>Total</b>		
<b>ASSETS</b>									
Cash and cash equivalents	\$ 247,488	\$ 129,476	\$ 32,922	5914	\$ 35	\$ 174,468	\$ 590,303	\$ 307,268	\$ 897,571
Receivables (net of allowances):									
Property taxes	528,137	100,672	-	-	576,651	-	1,205,460	-	1,205,460
Accounts	1,504	3,837	-	-	189,910	7,229	202,480	-	202,480
Loans	-	-	-	187,074	-	-	187,074	-	187,074
Due from other governments	12,649	39,058	-	-	17,476	1,102	70,285	-	70,285
Prepaid items	39	455	-	-	-	-	494	-	494
<b>TOTAL ASSETS</b>	<u>\$ 789,817</u>	<u>\$ 273,498</u>	<u>\$ 32,922</u>	<u>\$ 192,988</u>	<u>\$ 784,072</u>	<u>\$ 182,799</u>	<u>\$ 2,256,096</u>	<u>\$ 307,268</u>	<u>\$ 2,563,364</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable	\$ 3,692	\$ 16,543	\$ 30,923	\$ -	\$ -	\$ 7,229	\$ 58,387	\$ -	\$ 58,387
Accrued liabilities	22,375	10,324	-	-	949	-	33,648	-	33,648
Due to other funds	-	-	-	-	127,024	-	127,024	-	127,024
Due to other governments	-	-	999	-	-	-	999	-	999
Deferred revenue	528,137	100,672	-	187,074	624,601	-	1,440,484	-	1,440,484
Total liabilities	554,204	127,539	31,922	187,074	752,574	7,229	1,660,542	-	1,660,542
<b>Fund balance</b>									
Fund balances:									
Reserved:									
Prepaid items	39	455	-	-	-	-	494	-	494
Grants and program fees	106,316	139,280	-	-	-	-	245,596	-	245,596
Jail assessment	-	-	-	-	-	175,570	175,570	-	175,570
Unreserved, designated:									
Subsequent years' expenditures	129,258	6,224	1,000	5,914	31,498	-	173,894	307,268	481,162
Total fund balance	235,613	145,959	1,000	5,914	31,498	175,570	595,554	307,268	902,822
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 789,817</u>	<u>\$ 273,498</u>	<u>\$ 32,922</u>	<u>\$ 192,988</u>	<u>\$ 784,072</u>	<u>\$ 182,799</u>	<u>\$ 2,256,096</u>	<u>\$ 307,268</u>	<u>\$ 2,563,364</u>

LINCOLN COUNTY, WISCONSIN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended December 31, 2004

	Special Revenue							Total Nonmajor Debt Service	Governmental Funds
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment	Total		
<b>REVENUES</b>									
Taxes	\$ 503,273	\$ 98,661	\$ -	\$ -	\$ 489,941	\$ -	\$ 1,091,875	\$ -	\$ 1,091,875
Intergovernmental revenues	101,997	342,568	-	196,021	105,449	-	746,035	-	746,035
Licenses and permits	1,948	-	31,208	-	-	-	33,156	-	33,156
Fines, forfeits, and penalties	-	-	-	-	-	48,481	48,481	-	48,481
Public charges for service	25,288	137,967	-	2,928	568,122	-	734,305	-	734,305
Intergovernmental charges for service	129,768	4,095	-	-	12,093	-	145,956	113,837	259,793
Miscellaneous revenues	-	14,945	-	3,007	-	-	17,952	908	18,860
Total revenues	762,274	598,236	31,208	201,956	1,175,605	48,481	2,817,760	114,745	2,932,505
<b>EXPENDITURES</b>									
Current:									
Public safety	-	-	-	-	1,061,662	27,286	1,088,948	-	1,088,948
Health and human services	722,965	594,195	31,208	-	-	-	1,348,368	-	1,348,368
Conservation and development	-	-	-	196,042	-	-	196,042	-	196,042
Capital outlay	-	-	-	-	95,166	50,074	145,240	-	145,240
Debt service:									
Principal	-	-	-	-	-	-	-	2,459,135	2,459,135
Interest	-	-	-	-	-	-	-	205,217	205,217
Total expenditures	722,965	594,195	31,208	196,042	1,156,828	77,360	2,778,598	2,664,352	5,442,950
Excess (deficiency) of revenues over (under) expenditures	39,309	4,041	-	5,914	18,777	(28,879)	39,162	(2,549,607)	(2,510,445)
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from long-term debt	-	-	-	-	-	-	-	2,400,000	2,400,000
Transfers in	-	-	-	-	-	-	-	86,371	86,371
Transfers out	(104,478)	-	-	-	-	-	(104,478)	-	(104,478)
Total other financing sources and uses	(104,478)	-	-	-	-	-	(104,478)	2,486,371	2,381,893
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(65,169)	4,041	-	5,914	18,777	(28,879)	(65,316)	(63,236)	(128,552)
<b>FUND BALANCES - JANUARY 1</b>	300,782	141,918	1,000	-	12,721	204,449	660,870	370,504	1,031,374
<b>FUND BALANCES - DECEMBER 31</b>	\$ 235,613	\$ 145,959	\$ 1,000	\$ 5,914	\$ 31,498	\$ 175,570	\$ 595,554	\$ 307,268	\$ 902,822

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2004**

	<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	\$ 596,339	\$ 3,951,844	\$ 4,548,183
Accounts receivable	14,877	15,195	30,072
Due from other governments	258,380	750	259,130
Inventories, at cost	636,721	-	636,721
Prepaid expenses	1,330	-	1,330
Deferred debits	-	-	-
	<u>1,507,647</u>	<u>3,967,789</u>	<u>5,475,436</u>
Total current assets			
Noncurrent assets:			
Capital assets:			
Land	35,540	-	35,540
Improvements other than buildings	274,940	-	274,940
Buildings	1,291,723	-	1,291,723
Machinery and equipment	9,609,914	-	9,609,914
Work in progress	178,175	-	178,175
Less accumulated depreciation	(6,213,311)	-	(6,213,311)
	<u>5,176,981</u>	<u>-</u>	<u>5,176,981</u>
Total capital assets			
Total assets	<u>6,684,628</u>	<u>3,967,789</u>	<u>10,652,417</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	333,787	243,836	577,623
Accrued expenses	145,032	483	145,515
Compensated absences payable	147,612	-	147,612
Accrued claims	-	475,699	475,699
Current portion of long-term debt	-	-	-
Deferred revenue	913	-	913
	<u>627,344</u>	<u>720,018</u>	<u>1,347,362</u>
Total current liabilities			
Noncurrent liabilities:			
Compensated absences payable	114,711	-	114,711
	<u>114,711</u>	<u>-</u>	<u>114,711</u>
Total liabilities	<u>742,055</u>	<u>720,018</u>	<u>1,462,073</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,176,981	-	5,176,981
Unrestricted	<u>765,592</u>	<u>3,247,771</u>	<u>4,013,363</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,942,573</u>	<u>\$ 3,247,771</u>	<u>\$ 9,190,344</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2004**

	<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	\$ 3,155,329	\$ 3,569,997	\$ 6,725,326
Intergovernmental charges for service	2,316,689	-	2,316,689
Other operating revenue	<u>36,653</u>	<u>-</u>	<u>36,653</u>
Total operating revenues	<u>5,508,671</u>	<u>3,569,997</u>	<u>9,078,668</u>
<b>OPERATING EXPENSES</b>			
Claims paid	-	2,859,774	2,859,774
General services	4,397,374	-	4,397,374
Administrative and fiscal services	271,923	393,107	665,030
Depreciation and amortization	<u>643,947</u>	<u>-</u>	<u>643,947</u>
Total operating expenses	<u>5,313,244</u>	<u>3,252,881</u>	<u>8,566,125</u>
Operating income	<u>195,427</u>	<u>317,116</u>	<u>512,543</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Rent revenue	50	-	50
Grant Revenue	12,000	-	12,000
Gain on sale of supplies	4,233	-	4,233
Insurance recoveries	5,877	-	5,877
Interest income	-	35,293	35,293
Miscellaneous	<u>1,163</u>	<u>-</u>	<u>1,163</u>
Total nonoperating revenues (expenses)	<u>23,323</u>	<u>35,293</u>	<u>58,616</u>
<b>INCOME BEFORE TRANSFERS</b>	218,750	352,409	571,159
Transfer out	<u>(169,461)</u>	<u>-</u>	<u>(169,461)</u>
<b>CHANGE IN NET ASSETS</b>	49,289	352,409	401,698
<b>TOTAL NET ASSETS - JANUARY 1</b>	<u>5,893,284</u>	<u>2,895,362</u>	<u>8,788,646</u>
<b>TOTAL NET ASSETS - DECEMBER 31</b>	<u><u>\$ 5,942,573</u></u>	<u><u>\$ 3,247,771</u></u>	<u><u>\$ 9,190,344</u></u>

**LINCOLN COUNTY, WISCONSIN  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
Year Ended December 31, 2004**

	<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	\$ 3,155,329	\$ 3,569,997	\$ 6,725,326
From government and other parties for sales	2,578,841	-	2,578,841
To employees for compensation and fringe benefits	(2,736,709)	(19,628)	(2,756,337)
To vendors for goods and services	(1,834,909)	(3,095,178)	(4,930,087)
Net cash provided by operating activities	<u>1,162,552</u>	<u>455,191</u>	<u>1,617,743</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer out	<u>(169,461)</u>	<u>-</u>	<u>(169,461)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(499,227)	-	(499,227)
Principal payments on long-term debt	(158,355)	-	(158,355)
Interest paid on long-term debt	(3,645)	-	(3,645)
Proceeds from sale of assets	<u>25,755</u>	<u>-</u>	<u>25,755</u>
Net cash used for capital and related financing activities	(635,472)	-	(635,472)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>-</u>	<u>20,098</u>	<u>20,098</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	357,619	475,289	832,908
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>238,720</u>	<u>3,476,555</u>	<u>3,715,275</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 596,339</u>	<u>\$ 3,951,844</u>	<u>\$ 4,548,183</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ <u>195,427</u>	\$ <u>317,116</u>	\$ <u>512,543</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	643,947	-	643,947
Changes in operating assets and liabilities:			
Accounts receivable	(14,431)	(750)	(15,181)
Due from other governments	261,339		261,339
Prepaid expenses	(1,025)	37,468	36,443
Inventories	(136,545)	-	(136,545)
Deferred debits	3,632	-	3,632
Accounts payable	139,920	119,651	259,571
Accrued expenses	82,798	74	82,872
Compensated absences	8,899	-	8,899
Deferred revenue	(21,409)	-	(21,409)
Accrued claims	-	(18,368)	(18,368)
Total adjustments	<u>967,125</u>	<u>138,075</u>	<u>1,105,200</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,162,552</u>	<u>\$ 455,191</u>	<u>\$ 1,617,743</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital asset additions included in accounts payable	<u>\$ 148,286</u>	<u>\$ -</u>	<u>\$ 148,286</u>



**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2004**

	<b>Agency Funds</b>		
	<b>Employee Benefit Cafeteria Plan</b>	<b>Clerk of Court Collection Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,126	\$ -	\$ 15,126
Accounts receivable	-	170,091	170,091
Total assets	<u>\$ 15,126</u>	<u>\$ 170,091</u>	<u>\$ 185,217</u>
<b>LIABILITIES</b>			
Accounts payable	402	-	402
Deposits and advances	8,746	-	8,746
Due other governments	-	170,091	170,091
Due to other funds	<u>5,978</u>	<u>-</u>	<u>5,978</u>
Total liabilities	<u>\$ 15,126</u>	<u>\$ 170,091</u>	<u>\$ 185,217</u>