

**LINCOLN COUNTY, WISCONSIN**  
Merrill, Wisconsin

**BASIC FINANCIAL STATEMENTS**  
December 31, 2005

## TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS .....</b>	<b>14</b>
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	15
Statement of Activities .....	16
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds .....	17
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Assets .....	18
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Net Assets - Proprietary Funds .....	21
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds .....	22
Statement of Cash Flows - Proprietary Funds .....	23
Statement of Fiduciary Net Assets - Fiduciary Funds .....	25
Notes to Basic Financial Statements .....	26
<b>REQUIRED SUPPLEMENTARY INFORMATION .....</b>	<b>49</b>
Budgetary Comparison Schedule - General Fund .....	50
Budgetary Comparison Schedule - County Roads and Bridges .....	56
Budgetary Comparison Schedule - Social Services Fund .....	57
Budgetary Comparison Schedule - Developmental Disabilities Fund .....	58
Note to Required Supplementary Information .....	59
<b>COMBINING FUND STATEMENTS .....</b>	<b>60</b>
Combining Balance Sheet - Nonmajor Governmental Funds .....	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Nonmajor Governmental Funds .....	62
Combining Statement of Net Assets - Internal Service Funds .....	63
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets -	
Internal Service Funds .....	64
Combining Statement of Cash Flows - Internal Service Funds .....	65
Combining Statement of Fiduciary Net Assets - Fiduciary Funds .....	66

## 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, 2005, 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 \$8,717,573 as of December 31, 2005, and total revenues of \$9,997,961 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, 2005, 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 May 1, 2006, 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 50 through 59 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.

*Clifton Gunderson LLP*

Stevens Point, Wisconsin  
May 1, 2006



## 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, 2005.

### Financial Highlights

- The assets of Lincoln County exceeded liabilities at the close of the most recent fiscal year by \$71,953,305 (net assets). Of this amount, \$20,868,263 (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 \$1,810,055.
- As of the close of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of \$13,767,089, an increase of \$11,554 in comparison with the prior year. Sixty-six percent of this total amount, \$9,127,589, is available for spending at the government's discretions (unreserved fund balance).
- At the end of the current fiscal year, fund balance designated for cash flow for the general fund was \$4,769,580, or 38% of total general fund expenditures.
- Lincoln County's total general long-term obligations decreased by \$419,794.

### 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, 2005. 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.

**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 2005, the County's assets exceeded liabilities by \$71,953,305.

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
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 32,072,982	\$ 31,832,911	\$ 11,519,222	\$ 10,379,028	\$ 43,592,204	\$ 42,211,939
Capital assets	<u>44,196,496</u>	<u>42,954,017</u>	<u>9,438,033</u>	<u>9,834,201</u>	<u>53,634,529</u>	<u>52,788,218</u>
Total assets	<u>76,269,478</u>	<u>74,786,928</u>	<u>20,957,255</u>	<u>20,213,229</u>	<u>97,226,733</u>	<u>95,000,157</u>
Long-term liabilities outstanding	2,972,810	3,016,852	5,383,286	5,675,467	8,356,096	8,692,319
Other liabilities	<u>14,825,235</u>	<u>14,242,251</u>	<u>2,092,097</u>	<u>1,922,337</u>	<u>16,917,332</u>	<u>16,164,588</u>
Total liabilities	<u>17,798,045</u>	<u>17,259,103</u>	<u>7,475,383</u>	<u>7,597,804</u>	<u>25,273,428</u>	<u>24,856,907</u>
Net assets:						
Invested in capital assets, net of related debt	44,081,002	42,825,212	5,440,292	5,406,881	49,521,294	48,232,093
Restricted	708,792	670,546	854,956	1,028,388	1,563,748	1,698,934
Unrestricted	<u>13,681,639</u>	<u>14,032,067</u>	<u>7,186,624</u>	<u>6,180,156</u>	<u>20,868,263</u>	<u>20,212,223</u>
Total net assets	\$ 58,471,433	\$ 57,527,825	\$ 13,481,872	\$ 12,615,425	\$ 71,953,305	\$ 70,143,250

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* (\$20,868,263) 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 \$943,608, thereby accounting for 52% 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
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 5,246,232	\$ 5,103,196	\$ 11,712,269	\$ 11,612,874	\$ 16,958,501	\$ 16,716,070
Operating grants and contributions	8,888,974	8,399,888	292,208	367,318	9,181,182	8,767,206
Capital grants and contributions	48,233	124,212	-	-	48,233	124,212
General revenues:						
Property taxes	10,336,898	10,058,464	336,325	248,094	10,673,223	10,306,558
Other taxes	1,990,217	2,003,720	-	-	1,990,217	2,003,720
Grants and contributions not restricted to specific programs	1,297,449	1,252,886	-	-	1,297,449	1,252,886
Other	846,404	442,809	67,300	1,994	913,704	444,803
Total revenues	<u>28,654,407</u>	<u>27,385,175</u>	<u>12,408,102</u>	<u>12,230,280</u>	<u>41,062,509</u>	<u>39,615,455</u>
Expenses:						
General government	4,604,490	4,382,018	-	-	4,604,490	4,382,018
Public safety	6,182,081	5,561,915	-	-	6,182,081	5,561,915
Public works	4,793,220	5,389,061	-	-	4,793,220	5,389,061
Health and human services	10,028,727	8,553,609	-	-	10,028,727	8,553,609
Culture and recreation	812,593	718,324	-	-	812,593	718,324
Conservation and development	850,047	924,201	-	-	850,047	924,201
Interest on long-term debt	171,791	121,739	-	-	171,791	121,739
Nursing home	-	-	9,611,306	8,923,880	9,611,306	8,923,880
Forestry	-	-	936,546	916,270	936,546	916,270
Landfill	-	-	1,261,653	1,310,880	1,261,653	1,310,880
Total expenses	<u>27,442,949</u>	<u>25,650,867</u>	<u>11,809,505</u>	<u>11,160,030</u>	<u>39,252,454</u>	<u>36,810,897</u>
Increase in net assets before transfers	1,211,458	1,734,308	598,597	1,070,250	1,810,055	2,804,558
Transfers	(267,850)	(19,668)	267,850	19,668	-	-
Increase in net assets	943,608	1,714,640	866,447	1,089,918	1,810,055	2,804,558
Net assets - January 1, 2003	<u>57,527,825</u>	<u>55,813,185</u>	<u>12,615,425</u>	<u>11,525,507</u>	<u>70,143,250</u>	<u>67,338,692</u>
Net assets - December 31, 2004	\$ 58,471,433	\$ 57,527,828	\$ 13,481,872	\$ 12,615,425	\$ 71,953,305	\$ 70,143,250

Property taxes were \$10,673,223 for the year, which was a 4.1% 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. In addition, the Emergency Medical fund increased revenues due to upgrading staff to paramedic level and seeing an increase in ambulance calls.

**Business-type Activities** Business-type activities increased Lincoln County's net assets by \$866,447, accounting for 48 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 \$447,633. Intergovernmental transfer payment revenue exceeded the amount budgeted by \$307,628.
- Net assets for Forestry increased by \$507,142. This was a result of timber sales exceeding budget expectations, a gain on a sale of land of \$64,938, 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 \$13,767,089, an increase of \$11,554 in comparison with the prior year. Approximately 66 percent of this total amount, \$9,127,589 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) \$179,518 for prepaid items that benefit periods beyond the end of the current year, 2) \$92,481 for insurance deposits, 3) \$902,895 for non-liquid delinquent taxes, 4) \$486,683 for grant and program fees, 5) \$129,628 for jail assessment and 6) \$2,848,395 for contract commitments.

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 \$7,541,419, while the total fund balance was \$11,654,095. Of the unreserved fund balance, \$2,771,839 has been designated by the County for the 2006 budget or for future capital improvement projects and \$4,469,419 has been designated for future cash flow. 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 61% of total general fund expenditures, while total fund balance represents 87% of that same amount.

The fund balance of Lincoln County's general fund increased by \$366,660 during the current fiscal year. Key factors in this increase are as follows:

- 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 \$446,544 and Health Department \$20,814 for a total of \$467,358.
- County investments outperformed the budget by \$218,466. This was due to the higher interest rates that were obtained in 2005 compared to previous years.
- Intergovernmental revenues fell short of anticipated amounts by \$155,710.

The County Roads and Bridges Fund has a deficit fund balance of \$41,000 at December 31, 2005, a decrease of \$222,785 when compared to the previous year. \$181,785 of this decrease or 82 percent was due to budgeting funds applied from 2004. An additional \$73,735 was due to unanticipated bridge construction. The deficit balance will be covered by the 2006 budget which includes funds for a project that was done in 2005.

The Social Services fund has a total fund balance of \$676,260. Of this fund balance, \$608,960 is unreserved and \$67,300 is reserved for other restricted purposes. Unreserved fund balance represents 19 percent of total social services fund expenditures, while total fund balance represents 21 percent of that same amount.

The fund balance of the Social Services fund decreased by \$279,853 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 \$446,544.
- Intergovernmental revenues exceeded budgeted amounts by \$202,585.

Developmental Disabilities fund has a total fund balance of \$340,337 at December 31, 2005. Of this fund balance, \$304,981 is unreserved and \$35,356 is reserved for prepaid items. Unreserved fund balance represents 7 percent of total developmental disabilities fund expenditures, while total fund balance represents 8 percent of that same amount.

The fund balance of the Developmental Disabilities fund decreased by \$87,043 during the current year. Key factors in this decrease are as follows:

- Developmental Disabilities took on an increased client load with a higher level of care and consequently experienced an increase in expenditures.
- The original budget for 2005 included applying \$66,096 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 \$3,143,679, those of Solid Waste Landfill amounted to \$2,871,311, and those of Forestry amounted to \$1,171,634. 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 2005). 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 \$623,423. Those amendments are briefly summarized below:

- \$538,616 - The actual amount of grant and designated funds not spent down in 2004 exceeded the amount estimated as designated for non-lapsing appropriations when the budget was prepared.
- \$94,340 - Multiple grants were anticipated but the amounts were not determinable.

Actual expenditures were \$1,018,132 *less* than the amended budget. Explanations not already provided elsewhere in this report are summarized below:

- \$187,062 - Cost of upgrading and maintaining the computer network was less than anticipated.
- \$118,471 - Cost of maintenance was less than anticipated.
- \$209,190 - Land Records projects that have not been completed.
- \$92,738 - Salary and fringe expenditures in the Sheriff's department were less than budgeted due to less overtime hours than anticipated.

On the revenue side, the original budget was *increased* by \$82,807 with budget amendments. Significant amendments are summarized as follows:

- \$22,125 - Emergency Management received Homeland Security Grant. The amount could not be estimated at budget preparation.
- \$59,114 - County received a Land Water Resource Management Planning Grant. This amount could not be estimated at budget time.

Actual revenues were \$141,079 *greater* than budgeted. Significant variances are as follows:

- Child Support intergovernmental revenue was \$42,751 less than expected.
- Interest revenue exceeded the budget by \$218,466.
- State shared revenue was \$56,203 less than budgeted.
- Forest Crop and Managed Forest Land revenue exceeded budget by \$57,405.

### **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, 2005, amounted to \$53,634,529 (net of accumulated depreciation) compared to \$52,788,218 in 2004. This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, equipment and vehicles, intangible assets, and work in progress. The net increase in the County's investment in capital assets for the current fiscal year was \$846,310 or 1.6 percent.

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

- Highway construction projects recorded in the County Roads and Bridges Fund completed during the year increased infrastructure by \$1,038,783 compared to \$1,400,568 in 2004.
- Highway construction and maintenance projects recorded as work in progress at year-end in the County Roads and Bridges Fund amounted to \$1,030,698.
- Completion of the County 911 project for \$747,588.

Lincoln County's Capital Assets (net of accumulated depreciation)						
	Governmental Activities	Governmental Activities	Business- Type Activities	Business-Type Activities	Total	Total
	2005	2004	2005	2004	2005	2004
Land	\$ 470,625	\$ 470,625	\$ 2,530,477	\$ 2,530,677	\$ 3,001,102	\$ 3,001,302
Land improvements	282,959	238,419	1,896,720	2,217,730	2,179,679	2,456,149
Infrastructure	30,133,605	30,302,287	-	-	30,133,605	30,302,287
Buildings and improvements	3,724,201	4,058,149	3,976,200	4,143,829	7,700,401	8,201,978
Equipment and vehicles	5,755,700	4,416,713	1,034,636	941,965	6,790,336	5,358,678
Work in progress	3,829,406	3,467,824	-	-	3,829,406	3,467,824
Intangible assets	-	-	-	-	-	-
Total	\$ 44,196,496	\$ 42,957,017	\$ 9,438,033	\$ 9,834,201	\$ 53,634,529	\$ 52,788,218

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

**Long-term debt.** At the end of the current fiscal year, Lincoln County had a total general obligation debt outstanding of \$6,244,876 which is a decrease of 361,763 or 5.5 percent. In 2004 the total general obligation debt outstanding was \$6,606,639. The decrease is made up of \$26,763 in payments for notes to the Wisconsin State Trust Fund, payments for \$335,000 for Lincoln County General Obligation Refunding Bonds. The County issued an advance refunding bond of \$2,145,000 dated July 15, 2005. The County projects a net present value savings of \$48,192 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 A2 for general obligation debt.

Lincoln County's Outstanding Long-Term Obligations						
	Governmental Activities	Governmental Activities	Business- Type Activities	Business-Type Activities	Total	Total
	2005	2004	2005	2004	2005	2004
Bonds	\$ 2,360,000	\$ 2,400,000	\$ 3,795,000	\$ 4,090,000	\$ 6,155,000	\$ 6,490,000
Notes	<u>89,876</u>	<u>116,639</u>	-	-	<u>89,876</u>	<u>116,639</u>
Total general obligation debt	2,449,876	2,516,639	3,795,000	4,090,000	6,244,876	6,606,639
Capital lease	25,618	12,116	-	-	25,618	12,116
Forestry loans	-	-	174,923	337,320	174,923	337,320
Compensated absences	<u>1,324,304</u>	<u>1,233,762</u>	<u>342,948</u>	<u>342,575</u>	<u>1,667,252</u>	<u>1,576,337</u>
Total general long-term obligations	\$ 3,534,112	\$ 3,762,517	\$ 4,312,871	\$ 4,769,895	\$ 8,112,669	\$ 8,532,412

Wisconsin statutes limit the amount of general obligation debt a government entity may issue to 5 percent of its total equalized valuation. Lincoln County's available debt capacity is \$103,634,680, which is significantly in excess of Lincoln County's outstanding general obligation debt.

Additional information on Lincoln County's long-term debt can be found in Note 7.

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

- The unemployment rate for Lincoln County in April 2006 was 6.4 percent as compared to 5.0 percent for the State of Wisconsin. The April 2006 rate for Lincoln County was lower than its April 2003 but slightly higher than the April 2004 rate.
- The general economic condition and outlook for the County is guarded with many employers not planning to hire additional employees or expand in the next year.
- Inflationary trends in our region compare favorably to national indices.

These factors were considered in preparing the County's budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$10,389,814. Lincoln County has designated \$2,255,633, 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, 2005**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 17,369,267	\$ 6,424,401	\$ 23,793,668
Receivables, net:			
Property taxes	10,480,095	406,592	10,886,687
Tax certificates and deeds	1,166,787	-	1,166,787
Assessments	34,346	-	34,346
Accounts	703,197	1,439,956	2,143,153
Loans	172,901	-	172,901
Due from other governments	1,199,419	14,266	1,213,685
Inventories, at cost	631,840	499,407	1,131,247
Prepaid expenses	179,418	45,784	225,202
Total current assets	<u>31,937,270</u>	<u>8,830,406</u>	<u>40,767,676</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	92,481	2,688,816	2,781,297
Unamortized debt issue costs	43,231	-	43,231
Capital assets:			
Land and construction in progress	4,300,031	2,530,477	6,830,508
Other capital assets, net of depreciation	39,896,465	6,907,556	46,804,021
Total capital assets	<u>44,196,496</u>	<u>9,438,033</u>	<u>53,634,529</u>
Total noncurrent assets	<u>44,332,208</u>	<u>12,126,849</u>	<u>56,459,057</u>
Total assets	<u>76,269,478</u>	<u>20,957,255</u>	<u>97,226,733</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,261,636	327,250	1,588,886
Accrued expenses	670,253	245,966	916,219
Compensated absences payable	676,542	292,179	968,721
Accrued claims	660,594	-	660,594
Deposits and advances	747,298	239,011	986,309
Due to other governments	130,194	106,176	236,370
Current portion of long-term obligations	150,446	474,923	625,369
Unearned revenue	10,528,272	406,592	10,934,864
Total current liabilities	<u>14,825,235</u>	<u>2,092,097</u>	<u>16,917,332</u>
Noncurrent liabilities:			
Future closure payable	-	1,893,020	1,893,020
Compensated absences payable	647,762	50,769	698,531
Noncurrent portion of long-term obligations	2,325,048	3,439,497	5,764,545
Total noncurrent liabilities	<u>2,972,810</u>	<u>5,383,286</u>	<u>8,356,096</u>
Total liabilities	<u>17,798,045</u>	<u>7,475,383</u>	<u>25,273,428</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	44,081,002	5,440,292	49,521,294
Restricted	708,792	854,956	1,563,748
Unrestricted	13,681,639	7,186,624	20,868,263
<b>TOTAL NET ASSETS</b>	<u>\$ 58,471,433</u>	<u>\$ 13,481,872</u>	<u>\$ 71,953,305</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, 2005

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 4,604,490	\$ 320,669	\$ 233,277	\$ -	\$ (4,050,544)	\$ -	\$ (4,050,544)
Public safety	6,182,081	1,338,313	163,700	22,125	(4,657,943)	-	(4,657,943)
Public works	4,793,220	2,141,827	968,557	26,108	(1,656,728)	-	(1,656,728)
Health and human services	10,028,727	1,080,985	7,189,652	-	(1,758,090)	-	(1,758,090)
Culture, recreation, and education	812,593	8,230	8,919	-	(795,444)	-	(795,444)
Conservation and development	850,047	356,208	324,869	-	(168,970)	-	(168,970)
Interest on long-term debt	171,791	-	-	-	(171,791)	-	(171,791)
Total governmental activities	27,442,949	5,246,232	8,888,974	48,233	(13,259,510)	-	(13,259,510)
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Nursing home	9,611,306	9,659,274	-	-	-	47,968	47,968
Forestry	936,546	880,517	292,208	-	-	236,179	236,179
Solid waste landfill	1,261,653	1,172,478	-	-	-	(89,175)	(89,175)
Total business-type activities	11,809,505	11,712,269	292,208	-	-	194,972	194,972
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 39,252,454</b>	<b>\$ 16,958,501</b>	<b>\$ 9,181,182</b>	<b>\$ 48,233</b>	<b>(13,259,510)</b>	<b>194,972</b>	<b>(13,064,538)</b>

**GENERAL REVENUES**

Taxes:

Property taxes, levied for general purposes	10,336,898	336,325	10,673,223
County sales tax	1,541,447	-	1,541,447
Other taxes and interest and penalties on taxes	448,770	-	448,770
Grants and contributions not restricted to specific programs	1,297,449	-	1,297,449
Unrestricted investment earnings	745,596	2,362	747,958
Gain on sale of land	94,752	64,938	159,690
Miscellaneous	6,056	-	6,056
<b>TRANSFERS</b>	(267,850)	267,850	-
Total general revenues and transfers	14,203,118	671,475	14,874,593

**CHANGE IN NET ASSETS**

<b>NET ASSETS - BEGINNING</b>	943,608	866,447	1,810,055
<b>NET ASSETS - ENDING</b>	57,527,825	12,615,425	70,143,250
	\$ 58,471,433	\$ 13,481,872	\$ 71,953,305

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, 2005

	<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	\$ 11,417,090	\$ -	\$ 741,176	\$ 352,020	\$ 885,364	\$ 13,395,650
Receivables, net:						
Property taxes	6,663,575	2,108,170	576,171	33,138	1,099,041	10,480,095
Tax certificates and deeds	1,166,787	-	-	-	-	1,166,787
Assessments	34,346	-	-	-	-	34,346
Accounts	256,626	-	1,421	136,387	303,552	697,986
Loans	-	-	-	-	172,901	172,901
Due from other governments	199,919	-	193,110	267,885	68,340	729,254
Due from other funds	45,363	-	-	-	-	45,363
Prepaid items	143,743	-	-	35,356	319	179,418
Restricted assets:						
Cash and cash equivalents	92,481	-	-	-	-	92,481
<b>TOTAL ASSETS</b>	<b>\$ 20,019,930</b>	<b>\$ 2,108,170</b>	<b>\$ 1,511,878</b>	<b>\$ 824,786</b>	<b>\$ 2,529,517</b>	<b>\$ 26,994,281</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 319,511	\$ -	\$ 193,733	\$ 355,153	\$ 58,037	\$ 926,434
Accrued liabilities	379,556	-	42,160	43,781	29,102	494,599
Deposits and advances	668,745	-	23,554	52,377	2,622	747,298
Due to other funds	-	41,000	-	-	285	41,285
Due to other governments	129,262	-	-	-	932	130,194
Deferred revenue	6,868,761	2,108,170	576,171	33,138	1,301,142	10,887,382
<b>Total liabilities</b>	<b>8,365,835</b>	<b>2,149,170</b>	<b>835,618</b>	<b>484,449</b>	<b>1,392,120</b>	<b>13,227,192</b>
<b>Fund balances</b>						
Reserved for:						
Prepaid items	143,743	-	-	35,356	319	179,418
Insurance deposits	92,481	-	-	-	-	92,481
Delinquent property taxes	902,895	-	-	-	-	902,895
Grant and program fees	125,162	-	67,300	-	294,221	486,683
Jail assessment	-	-	-	-	129,628	129,628
Contract commitments	2,848,395	-	-	-	-	2,848,395
Unreserved, reported in:						
General fund	7,541,419	-	-	-	-	7,541,419
Special revenue funds	-	(41,000)	608,960	304,981	456,346	1,329,287
Debt service funds	-	-	-	-	256,883	256,883
<b>Total fund balances</b>	<b>11,654,095</b>	<b>(41,000)</b>	<b>676,260</b>	<b>340,337</b>	<b>1,137,397</b>	<b>13,767,089</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 20,019,930</b>	<b>\$ 2,108,170</b>	<b>\$ 1,511,878</b>	<b>\$ 824,786</b>	<b>\$ 2,529,517</b>	<b>\$ 26,994,281</b>

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

LINCOLN COUNTY, WISCONSIN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2005

Total fund balances for governmental funds \$ 13,767,089

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	3,799,048	
Land improvements, net of \$6,244 accumulated depreciation	69,988	
Buildings, net of \$6,359,012 accumulated depreciation	3,133,481	
Machinery and equipment, net of \$1,572,731 accumulated depreciation	1,459,644	
Infrastructure, net of \$16,660,561 accumulated depreciation	<u>30,133,605</u>	
Total capital assets		39,030,851

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

Health insurance fund	2,971,350	
Highway fund	<u>5,910,520</u>	
Total internal service funds		8,881,870

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 12/31/05 are:

Accrued interest on notes	(76,832)	
Notes payable	(2,449,876)	
Capital lease payable	(25,618)	
Vacation payable	(522,894)	
Banked sick	(2,894)	
Vested sick leave	(241,134)	
Accrued sick	(276,867)	
Comp time	<u>(14,828)</u>	
Total long-term liabilities		(3,610,943)

Debt issue costs are recorded as expenditures in the current period in governmental funds. Debt issue costs are recorded as unamortized debt issue costs on the statement of net assets and are amortized over the life of the bond. Unamortized debt issue costs on 12/31/05 are:

43,231

On 12/31/05 deferred revenue was recorded in the governmental funds for citation revenue and loan receivable that was not considered a current financial resource, but is an economic resource. Consequently, this revenue is recognized.

Citation revenue	186,434	
Loan receivable	<u>172,901</u>	
Total deferred revenue		<u>359,335</u>

Total net assets of governmental activities \$ 58,471,433

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, 2005**

	<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	\$ 8,463,911	\$ 2,147,764	\$ 476,879	\$ 33,101	\$ 1,205,460	\$ 12,327,115
Intergovernmental revenues	2,241,593	956,420	2,924,307	3,550,861	561,475	10,234,656
Licenses and permits	145,646	-	-	-	33,401	179,047
Fines, forfeits, and penalties	128,456	-	-	-	48,133	176,589
Public charges for service	661,405	-	51,797	648,715	1,003,901	2,365,818
Intergovernmental charges for service	55,564	-	-	-	277,074	332,638
Miscellaneous revenues	896,265	-	1,640	18	25,342	923,265
Total revenues	<u>12,592,840</u>	<u>3,104,184</u>	<u>3,454,623</u>	<u>4,232,695</u>	<u>3,154,786</u>	<u>26,539,128</u>
<b>EXPENDITURES</b>						
Current:						
General government	4,302,908	-	-	-	-	4,302,908
Public safety	4,564,619	-	-	-	1,301,036	5,865,655
Public works	38,245	3,326,969	-	-	-	3,365,214
Health and human services	938,408	-	3,287,932	4,286,268	1,390,969	9,903,577
Culture, recreation, and education	807,430	-	-	-	-	807,430
Conservation and development	845,892	-	-	-	979	846,871
Capital outlay	898,532	-	-	-	133,694	1,032,226
Debt service:						
Principal	-	-	-	-	66,763	66,763
Interest and other charges	-	-	-	-	193,114	193,114
Total expenditures	<u>12,396,034</u>	<u>3,326,969</u>	<u>3,287,932</u>	<u>4,286,268</u>	<u>3,086,555</u>	<u>26,383,758</u>
Excess (deficiency) of revenues over expenditures	<u>196,806</u>	<u>(222,785)</u>	<u>166,691</u>	<u>(53,573)</u>	<u>68,231</u>	<u>155,370</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	467,358	-	-	-	187,158	654,516
Transfers out	(297,504)	-	(446,544)	(33,470)	(20,814)	(798,332)
Total other financing sources and uses	<u>169,854</u>	<u>-</u>	<u>(446,544)</u>	<u>(33,470)</u>	<u>166,344</u>	<u>(143,816)</u>
Net change in fund balances	<u>366,660</u>	<u>(222,785)</u>	<u>(279,853)</u>	<u>(87,043)</u>	<u>234,575</u>	<u>11,554</u>
<b>FUND BALANCES - BEGINNING</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>FUND BALANCES - ENDING</b>	<u>\$ 11,654,095</u>	<u>\$ (41,000)</u>	<u>\$ 676,260</u>	<u>\$ 340,337</u>	<u>\$ 1,137,397</u>	<u>\$ 13,767,089</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, 2005**

Net change in fund balances - total governmental funds \$ 11,554

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	\$ 2,948,419	
Depreciation expense	(1,712,597)	
Excess of capital outlay over depreciation expense		1,235,822

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.		71,305
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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.		(2,914)
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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	(276,421)	
Highway fund	(32,053)	
Total internal service funds		(308,474)

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	21,323	
Vacation	(14,747)	
Banked sick leave	5,040	
Vested sick leave	(19,822)	
Accrued sick	(59,349)	
Comp time	1,700	
Combined adjustment		(65,855)

Revenue had accrued on 12/31/05 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	(14,173)	
Citations	16,343	
Combined adjustment		2,170

Change in net assets of governmental activities		\$ 943,608
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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, 2005**

	<u>Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>	<u>Total</u>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,409,909	\$ 2,442,962	\$ 1,571,530	\$ 6,424,401	\$ 3,973,617
Receivables, net:					
Property taxes	406,592	-	-	406,592	-
Accounts	1,295,209	78,848	65,899	1,439,956	30,064
Due from other governments	-	14,266	-	14,266	441,234
Inventories, at cost	27,182	472,225	-	499,407	631,840
Prepaid items	45,609	175	-	45,784	-
Total current assets	<u>4,184,501</u>	<u>3,008,476</u>	<u>1,637,429</u>	<u>8,830,406</u>	<u>5,076,755</u>
Noncurrent assets:					
Restricted assets - cash and cash equivalents	14,791	2,674,025	-	2,688,816	-
Capital assets:					
Land	13,833	84,605	2,432,039	2,530,477	35,540
Improvements other than buildings	377,655	4,954,775	9,603	5,342,033	274,940
Buildings	7,307,221	300,049	235,650	7,842,920	1,291,723
Machinery and equipment	1,269,765	805,593	489,711	2,565,069	9,859,439
Construction in progress	-	-	-	-	30,358
Less accumulated depreciation and depletion	(4,450,193)	(3,916,740)	(475,533)	(8,842,466)	(6,326,355)
Total capital assets	<u>4,518,281</u>	<u>2,228,282</u>	<u>2,691,470</u>	<u>9,438,033</u>	<u>5,165,645</u>
Total noncurrent assets	<u>4,533,072</u>	<u>4,902,307</u>	<u>2,691,470</u>	<u>12,126,849</u>	<u>5,165,645</u>
Total assets	<u>8,717,573</u>	<u>7,910,783</u>	<u>4,328,899</u>	<u>20,957,255</u>	<u>10,242,400</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	215,606	97,707	13,937	327,250	335,202
Accrued expenses	220,467	7,462	18,037	245,966	98,822
Compensated absences payable	244,507	15,024	32,648	292,179	135,925
Accrued claims	-	-	-	-	660,594
Due to other governments	-	-	106,176	106,176	-
Deferred revenue	406,592	-	-	406,592	225
Current maturities of long-term debt	300,000	-	174,923	474,923	-
Deposits and advances	36,971	-	202,040	239,011	-
Total current liabilities	<u>1,424,143</u>	<u>120,193</u>	<u>547,761</u>	<u>2,092,097</u>	<u>1,230,768</u>
Noncurrent liabilities:					
General obligation bonds payable	3,439,497	-	-	3,439,497	-
Compensated absences payable	-	16,972	33,797	50,769	129,762
Future closure payable	-	1,893,020	-	1,893,020	-
Total noncurrent liabilities	<u>3,439,497</u>	<u>1,909,992</u>	<u>33,797</u>	<u>5,383,286</u>	<u>129,762</u>
Total liabilities	<u>4,863,640</u>	<u>2,030,185</u>	<u>581,558</u>	<u>7,475,383</u>	<u>1,360,530</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	695,463	2,228,282	2,516,547	5,440,292	5,165,645
Restricted	14,791	781,005	59,160	854,956	-
Unrestricted	<u>3,143,679</u>	<u>2,871,311</u>	<u>1,171,634</u>	<u>7,186,624</u>	<u>3,716,225</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,853,933</u>	<u>\$ 5,880,598</u>	<u>\$ 3,747,341</u>	<u>\$ 13,481,872</u>	<u>\$ 8,881,870</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, 2005**

	<u>Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>	<u>Total</u>	
<b>OPERATING REVENUES</b>					
Public charges for service	\$ 9,625,395	\$ 889,619	\$ 878,717	\$ 11,393,731	\$ -
Interdepartmental charges for service	-	702	1,800	2,502	7,245,822
Intergovernmental charges for service	-	165,352	-	165,352	2,116,766
Other	33,879	14,580	-	48,459	16,649
Total operating revenues	9,659,274	1,070,253	880,517	11,610,044	9,379,237
<b>OPERATING EXPENSES</b>					
Claims paid	-	-	-	-	3,817,671
Nursing services	4,268,057	-	-	4,268,057	-
Other professional services	476,001	-	-	476,001	-
General services	1,641,098	549,760	882,017	3,072,875	4,754,853
Administrative and fiscal services	2,416,893	-	-	2,416,893	715,788
Provider assessment tax	148,500	-	-	148,500	-
Provision for bad debts	21,572	-	-	21,572	-
Future closing costs	-	219,297	-	219,297	-
Depreciation and amortization	315,930	491,749	48,504	856,183	498,930
Total operating expenses	9,288,051	1,260,806	930,521	11,479,378	9,787,242
Operating income (loss)	371,223	(190,553)	(50,004)	130,666	(408,005)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property taxes	336,325	-	-	336,325	-
Investment income	2,362	102,225	-	104,587	92,919
Rental income	-	-	-	-	50
Grant revenue	-	-	292,208	292,208	-
Interest expense	(201,903)	-	-	(201,903)	-
Gain on sale of supplies	-	-	-	-	-
Gain on disposal of capital assets	(4,190)	-	64,938	60,748	6,562
Miscellaneous	-	-	-	-	-
Total nonoperating revenues (expenses)	132,594	102,225	357,146	591,965	99,531
<b>Income before transfers</b>	503,817	(88,328)	307,142	722,631	(308,474)
Transfer in	-	-	200,000	200,000	-
Transfer out	(56,184)	-	-	(56,184)	-
<b>Change in net assets</b>	447,633	(88,328)	507,142	866,447	(308,474)
<b>NET ASSETS - BEGINNING</b>	3,406,300	5,968,926	3,240,199	12,615,425	9,190,344
<b>NET ASSETS - ENDING</b>	\$ 3,853,933	\$ 5,880,598	\$ 3,747,341	\$ 13,481,872	\$ 8,881,870

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, 2005**

	<b>Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>PineCrest Nursing Home</b>	<b>Solid Waste Landfill</b>	<b>Forestry</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from patients and third party payers	\$ 9,516,726	\$ -	\$ -	\$ 9,516,726	\$ -
Receipts from other County departments	-	702	1,800	2,502	7,245,822
Receipts from government and other parties for sales	-	1,130,958	905,957	2,036,915	1,965,805
Payments to employees for compensation and fringe benefits	(6,493,458)	(236,708)	(647,334)	(7,377,500)	(2,902,606)
Payments to vendors for goods and services	(2,481,130)	(244,084)	(192,718)	(2,917,932)	(6,481,037)
Other cash received	33,879	14,580	-	48,459	-
Net cash provided by operating activities	576,017	665,448	67,705	1,309,170	(172,016)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grant revenue	-	-	292,208	292,208	-
Transfer in	-	-	200,000	200,000	-
Transfer out	(56,184)	-	-	(56,184)	-
Tax levy appropriations	336,325	-	-	336,325	-
Net cash provided by (used in) noncapital financing activities	280,141	-	492,208	772,349	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(86,460)	(265,244)	(69,781)	(421,485)	(737,007)
Proceeds from sale of assets	515	-	65,138	65,653	104,100
Deposit to escrow account for advance refunding	(2,333,704)	-	-	(2,333,704)	-
Deferred financing costs	(46,208)	-	-	(46,208)	(480,983)
Proceeds from issuance of long-term debt	2,145,000	-	-	2,145,000	-
Interest premium on long-term debt	236,764	-	-	236,764	-
Principal payments on long-term debt	(295,000)	-	(162,398)	(457,398)	151,924
Interest paid on long-term debt	(200,317)	-	-	(200,317)	-
Net cash used in capital and related financing activities	(579,410)	(265,244)	(167,041)	(1,011,695)	(961,966)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income received	2,362	62,806	-	65,168	78,433
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	279,110	463,010	392,872	1,134,992	(1,055,549)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	2,145,590	4,653,977	1,178,658	7,978,225	4,548,183
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 2,424,700</u>	<u>\$ 5,116,987</u>	<u>\$ 1,571,530</u>	<u>\$ 9,113,217</u>	<u>\$ 3,492,634</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>					
Unrestricted	\$ 2,409,909	\$ 2,442,962	\$ 1,571,530	\$ 6,424,401	\$ 3,492,634
Restricted	14,791	2,674,025	-	2,688,816	-
	<u>\$ 2,424,700</u>	<u>\$ 5,116,987</u>	<u>\$ 1,571,530</u>	<u>\$ 9,113,217</u>	<u>\$ 3,492,634</u>

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



LINCOLN COUNTY, WISCONSIN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2005

	Enterprise Funds				Governmental Activities - Internal Service Funds
	<u>PineCrest Nursing Home</u>	<u>Solid Waste Landfill</u>	<u>Forestry</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 371,223	\$ (190,553)	\$ (50,004)	\$ 130,666	\$ (408,005)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Amortization of investment premium	-	35,709	-	35,709	-
Depreciation and amortization	315,930	456,040	48,504	820,474	498,930
Future closing costs	-	219,297	-	219,297	-
Change in assets and liabilities:					
Accounts receivable	(178,934)	74,171	(28,071)	(132,834)	14,494
Due from other governments	-	1,816	55,311	57,127	(182,104)
Deferred debits	-	-	-	-	-
Inventories	1,926	-	-	1,926	4,881
Prepaid items	4,292	-	-	4,292	1,330
Accounts payable	(33,804)	67,752	(23,345)	10,603	(242,420)
Due to other governments	-	-	(20,947)	(20,947)	-
Accrued expenses	15,587	(3,013)	(4,960)	7,614	(46,693)
Deferred revenue	70,265	-	-	70,265	(688)
Compensated absences payable	5,780	4,229	(9,636)	373	3,364
Deposits and advances	3,752	-	100,853	104,605	-
Claims payable	-	-	-	-	184,895
Total adjustments	204,794	856,001	117,709	1,178,504	235,989
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 576,017	\$ 665,448	\$ 67,705	\$ 1,309,170	\$ (172,016)

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, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 20,555
Accounts receivable	<u>186,434</u>
Total assets	<u>\$ 206,989</u>
<b>LIABILITIES</b>	
Accounts payable	4,754
Deposits and advances	11,723
Due other governments	186,434
Due to other funds	<u>4,078</u>
Total liabilities	<u>\$ 206,989</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, 2005**

**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, 2005**

**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, 2005**

**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. The County accounts for its highway department and health insurance in internal service funds.

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, 2005**

**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 sixty 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, 2005**

**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 2005 tax levy is recorded as receivable with offsetting deferred revenue at December 31, 2005; it will be recognized as revenue in 2006 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 2005 tax roll follows:

Lien date and date levy	December 2005
Tax bills mailed	December 2005
Real estate taxes first installment due	January 31, 2006
Personal property taxes due in full	January 31, 2006
Real estate taxes second installment due	July 31, 2006
Tax deed	December 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.



**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

**INVENTORIES**

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

**PREPAID ITEMS**

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

**CAPITAL ASSETS**

Capital assets are recorded at cost, when available, or estimated historical cost, when historical records could not be obtained. Donated capital assets are valued at their estimated fair value on the date donated. The County capitalizes all land and work in progress as well as assets with an initial cost of more than the following:

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

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

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

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**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 are reported as transfers.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**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, 2005**

**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 Local Government Investment Pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

The carrying amount of the County's cash and cash equivalents totaled \$26,595,520 on December 31, 2005, as summarized below:

Petty cash funds	\$ 1,920
Deposits with financial institutions	12,433,552
Investments:	
Wisconsin local government investment pool	8,257,135
Landfill long-term care trust – US Treasury securities	2,674,025
Health Insurance Trust Fund – US Treasury securities	3,136,407
Insurance deposits – held by insurance company	<u>92,481</u>
	<u>\$ 26,595,520</u>

Presented in the Statement of Net Assets as follows:

Unrestricted cash and cash equivalents	\$ 23,793,668
Restricted cash and cash equivalents	2,781,297
Fiduciary Fund cash and cash equivalents	<u>20,555</u>
	<u>\$ 26,595,520</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

**Deposits**

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

At year-end, the bank balance of the County's deposits was \$12,433,552. Of the bank balance, \$544,535 was covered by Federal Depository and National Credit Union Association Insurance and \$11,279,995 was collateralized by bank security agreements. Of The remaining \$609,022, \$209,022 was uninsured and uncollateralized, and the remaining \$400,000 of uninsured and uncollateralized deposits was covered by the Wisconsin Deposit Guarantee Fund. However, although the Wisconsin Deposit Guarantee Fund had reserves available at December 31, 2005, 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**

*Custodial Credit Risk for Investments*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has a formal policy addressing this type of investment risk.

The Local Government Investment Pool is part of the Wisconsin State Investment Fund. The Investment Fund is administered by the State of Wisconsin Investment Board and includes investments made from the excess cash of the State's operating funds, the State's public investments made from the excess cash of the State's operating funds, the State's public retirement funds and the voluntary deposits made by participants of the Local Government Investment Pool.

*Credit Risk*

Credit risk is the risk that, an issuer of other counterparty to an investment will not fulfill its obligations to the County. The County has a formal policy addressing this type of investment risk.

**Interest Rate Risk**

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2005 the County had the following investments and maturities:

Type of Investment	Fair Value	Average Maturities
U.S. Government securities	\$ 5,810,432	1 to 2.5 years

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

The Local Government Investment Pool (LGIP) is a State of Wisconsin run and operated investment fund. Governmental entities including counties, municipalities and school districts may deposit money in the LGIP, which holds investments in U.S. Government securities, certificate of deposits, commercial papers, corporate notes and repurchase agreements. Participants in the fund may withdraw or add to their account balances at par at any time. The fair value of this fund is different from the accounting basis that is reflected in the monthly statements sent to participants. To translate participant's holdings to a fair value amount, a conversion factor must be applied to the County's account balance. The State Investment Fund publishes this conversion factor monthly and as of December 31, 2005, the factor was 99.9956%. As of December 31, 2005, the carrying amount of these investments was \$7,739,424 and the fair value was \$7,739,083. The annualized interest rate on the LGIP was 4.06% for the month of December 2005.

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets on December 31, 2005, totaled \$2,781,297 consisting of cash and investments as follows:

General fund	
Insurance deposits	\$ 92,481
Enterprise fund	
Solid waste landfill	
Long-term care deposits	2,674,025
Pine Crest Nursing Home	
Donation and special fund	<u>14,791</u>
	<u>\$2,781,297</u>

**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	Forestry	Nonmajor and Internal Service Funds	Total
Receivables									
Property taxes	\$6,663,575	\$2,108,170	\$576,171	\$ 33,138	\$406,592	\$ -	\$ -	\$1,099,041	\$10,886,687
Tax certificates, deeds, and assessments	1,201,133	-	-	-	-	-	-	-	1,201,133
Accounts	70,192	-	1,421	136,387	1,340,209	78,848	65,899	347,497	2,040,453
Loans	-	-	-	-	-	-	-	172,901	172,901
Due from other governments	<u>199,919</u>	<u>-</u>	<u>193,110</u>	<u>267,885</u>	<u>-</u>	<u>14,266</u>	<u>-</u>	<u>68,340</u>	<u>743,520</u>
Gross receivables	8,134,819	2,108,170	770,702	437,410	1,746,801	93,114	65,899	1,687,779	15,044,694
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>(43,945)</u>	<u>(88,945)</u>
Net total receivables	<u>\$ 8,134,819</u>	<u>\$ 2,108,170</u>	<u>\$770,702</u>	<u>\$ 437,410</u>	<u>\$1,701,801</u>	<u>\$93,114</u>	<u>\$ 65,899</u>	<u>\$ 1,643,834</u>	<u>\$ 14,955,749</u>



**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

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, 2005, the County's general fund showed an investment of \$1,166,787 in delinquent taxes as follows:

Tax certificates	\$1,155,678
Tax deeds	<u>11,109</u>
<b>Total</b>	<b><u>\$1,166,787</u></b>

An aging of the delinquent tax certificate taxes of \$1,155,678 on December 31, 2005, follows:

**Year Acquired**

Prior to 2001	\$ 25,716
2001	5,106
2002	10,660
2003	31,994
2004	335,019
2005	<u>747,183</u>
	<b><u>\$1,155,678</u></b>

Of the total of \$1,155,678 for delinquent tax certificate taxes, \$263,892 was collected by the County within 90 days after December 31, 2005. The remaining unpaid balance of \$891,786 and tax deeds of \$11,109 are recorded as reserved fund balance of \$902,895 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	\$ -	\$10,886,687	\$10,886,687
Loans	172,901	-	172,901
Citations	186,434	-	186,434
State and Federal grant advances	-	44,516	44,516
Other	<u>-</u>	<u>3,661</u>	<u>3,661</u>
<b>Total deferred/unearned revenue</b>	<b><u>\$ 359,335</u></b>	<b><u>\$10,934,864</u></b>	<b><u>\$11,294,199</u></b>



**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

At December 31, 2005, interfund receivables and payables were as follows:

	<u>Receivable From Other Funds</u>	<u>Payable To Other Funds</u>
General Fund	\$ 45,363	\$ -
Special Revenue Fund:		
County Roads and Bridges		41,000
Emergency Medical	-	285
Fiduciary Fund:		
Employee Benefit Cafeteria Plan	-	4,078
	<u>\$ 45,363</u>	<u>\$ 45,363</u>

The General Fund's receivable from other funds represents \$41,000 from the County Roads and Bridges Fund, \$285 from the Emergency Medical Fund and \$4,078 from the Employee Benefit Cafeteria Plan Fiduciary Fund for operational cash flow purposes.

Transfers were made in the primary government as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Net Transfers</u>
General Fund	\$ 467,358	\$ 297,504	\$ 169,854
Social Services	-	446,544	(446,544)
Developmental Disabilities	-	33,470	(33,470)
Emergency Medical	97,504	-	97,504
Health	-	20,814	(20,814)
Debt Service	89,654	-	89,654
PineCrest Nursing Home	-	56,184	(56,184)
Forestry	200,000	-	200,000
<b>Total</b>	<u>\$ 854,516</u>	<u>\$ 854,516</u>	<u>\$ -</u>

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 6 - CAPITAL ASSETS**

Changes in capital assets were as follows:

	<u>Balance 1-1-05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-05</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 470,625	\$ -	\$ -	\$ 470,625
Construction in progress	3,467,824	1,030,698	669,116	3,829,406
Total capital assets not depreciated	3,938,449	1,030,698	669,116	4,300,031
Capital assets being depreciated:				
Land improvements	298,607	52,565	-	351,172
Infrastructure	46,365,676	1,038,783	610,293	46,794,166
Buildings and improvements	10,784,216	-	-	10,784,216
Equipment and vehicles	11,532,566	2,286,679	927,431	12,891,814
Intangible assets	103,583	-	6,308	97,275
Total capital assets depreciated	69,084,648	3,378,027	1,544,032	70,918,643
Less accumulated depreciation:				
Land improvements	60,188	8,025	-	68,213
Infrastructure	16,063,389	1,207,465	610,293	16,660,561
Buildings and improvements	6,726,067	333,948	-	7,060,015
Equipment and vehicles	7,115,853	796,601	776,340	7,136,114
Intangible assets	103,583	-	6,308	97,275
Total accumulated depreciation	30,069,080	2,346,039	1,392,941	31,022,178
Total capital assets depreciated, net	39,015,568	1,031,988	151,091	39,896,465
Total governmental activity capital assets, net	\$ 42,954,017	\$ 2,062,686	\$ 820,207	\$ 44,196,496
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,530,677	\$ -	\$ 200	\$ 2,530,477
Capital assets being depreciated:				
Land improvements	5,264,906	77,127	-	5,342,033
Buildings and improvements	7,773,277	69,644	-	7,842,921
Equipment and vehicles	2,345,701	274,713	55,346	2,565,068
Total capital assets depreciated	15,383,884	421,484	55,346	15,750,022
Less accumulated depreciation:				
Land improvements	3,047,176	398,137	-	3,445,313
Buildings and improvements	3,629,447	237,274	-	3,866,721
Equipment and vehicles	1,403,737	177,336	50,641	1,530,432
Total accumulated depreciation	8,080,360	812,747	50,641	8,842,466
Total capital assets depreciated, net	7,303,524	(391,263)	4,705	6,907,556
Total business-type capital assets, net	\$ 9,834,201	\$ (391,263)	\$ 4,905	\$ 9,438,033

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

Depreciation expense was charged to the functions as follows:

**Governmental activities**

General government	\$ 241,782
Public safety	174,805
Public works	1,840,908
Health and human services	81,645
Culture, Recreation, and Education	3499
Conservation and development	<u>3,400</u>

Total depreciation expense - governmental activities	<u>\$2,346,039</u>
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**Business-type activities**

Nursing home	\$ 308,204
Forestry	48,503
Solid Waste Landfill	<u>456,040</u>

Total depreciation expense - business-type activities	<u>\$ 812,747</u>
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The County has active construction projects as of December 31, 2005. The projects include street construction in areas with newly developed housing and the widening and construction of existing streets and bridges. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Residential street construction	\$2,718,550	\$1,988,632
Bridge and approach expansion	1,080,499	815,763
Equipment set up	<u>30,358</u>	<u>44,000</u>
<b>Total</b>	<u><b>\$3,829,407</b></u>	<u><b>\$2,848,395</b></u>

The contract commitment will be financed by the 2006 budget of the County Roads and Bridges fund.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**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 1-1-05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12-31-05</u>	<u>Amount Due in One Year</u>
General Obligation Debt					
Bonds	\$ 2,400,000	\$ -	\$ 40,000	\$ 2,360,000	\$ 115,000
Notes	<u>116,639</u>	<u>-</u>	<u>26,763</u>	<u>89,876</u>	<u>28,302</u>
Total general obligation debt	2,516,639	-	66,763	2,449,876	143,302
Capital lease	12,167	17,994	4,543	25,618	7,144
Compensated absences	<u>1,233,761</u>	<u>689,385</u>	<u>598,842</u>	<u>1,324,304</u>	<u>676,542</u>
<b>Total long-term obligations -     Governmental activities</b>	<u>\$ 3,762,567</u>	<u>\$ 707,379</u>	<u>\$ 670,148</u>	<u>\$ 3,799,798</u>	<u>\$ 826,988</u>

	<u>Balance 1-1-05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12-31-05</u>	<u>Amount Due in One Year</u>
General Obligation Debt					
Bonds	\$ 4,090,000	\$ 2,145,000	\$ 2,440,000	\$ 3,795,000	\$ 300,000
Less unamortized refunding loss	(67,997)	(24,008)	(36,502)	(55,503)	-
Forestry loans	337,320	-	162,397	174,923	174,923
Compensated absences	<u>342,576</u>	<u>576,407</u>	<u>576,035</u>	<u>342,948</u>	<u>292,179</u>
<b>Total long-term obligations     Business-type activities</b>	<u>\$ 4,701,899</u>	<u>\$ 2,697,399</u>	<u>\$ 3,141,930</u>	<u>\$ 4,257,368</u>	<u>\$ 767,102</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%.	\$1,660,000
2,400,000	issued March 15, 2004; \$115,000 to \$215,000 due annually through 2020; interest 2.2% to 5.23%	2,360,000
2,145,000	issued July 15, 2005; \$10,000 due in 2005 and \$385,000 to \$445,000 due annually from 2011 through 2015; interest 3.45% to 3.7%	<u>2,135,000</u>
		6,155,000

**Notes:**

225,000	issued October 14, 1998; \$21,401 to \$31,645 due annually through 2008; interest at 5.75%.	<u>89,876</u>
		<u>\$6,244,876</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

During 2005, Lincoln County issued \$2,145,000 of General Obligation Refunding Bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments related to the 2000 General Obligation Bonds maturing in December 2015. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The advance refunding was undertaken to reduce total debt service payments through December 2015 by \$63,004 and resulted in an estimated economic gain of \$48,192. The amount placed in escrow exceeded the net carrying amount of the old debt by \$188,704. This amount was combined with a pro rata amount of unamortized issuance costs relative to the old debt, resulting in a deferred loss on refunding of \$214,564. The deferred loss, together with reoffering premium and debt issuance costs amounting to a net of \$24,008 are being amortized over the remaining life of the refunded debt.

Annual principal and interest maturities of the outstanding general obligation debt on December 31, 2005, are allocated to activities as detailed below:

<u>Due</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 143,302	\$ 113,226	\$ 300,000	\$ 198,961	\$ 443,302	\$ 312,187
2007	149,929	108,725	315,000	183,811	464,929	292,536
2008	156,645	103,385	330,000	167,746	486,645	271,131
2009	130,000	97,160	350,000	150,751	480,000	247,911
2010	135,000	92,312	365,000	132,551	500,000	224,863
2011-2015	760,000	366,552	2,135,000	320,187	2,895,000	686,739
2016-2020	975,000	158,670	-	-	975,000	158,670
<b>Total</b>	<b><u>\$2,449,876</u></b>	<b><u>\$1,040,030</u></b>	<b><u>\$3,795,000</u></b>	<b><u>\$1,154,007</u></b>	<b><u>\$6,244,876</u></b>	<b><u>\$2,194,037</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	\$ 2,072,693,600
Legal debt margin percentage	<u>5%</u>
Legal debt limit	103,634,680
Outstanding general obligation debt	\$ 6,244,876
Less amount available in debt service	<u>(256,883)</u>
<b>Legal debt margin</b>	<b><u>\$ 97,646,687</u></b>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

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

The assets acquired through a capital lease are recorded in the Governmental Activities accounts with an original cost of \$38,632 and \$24,137 of accumulated depreciation at December 31, 2005.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2006	\$ 8,435
2007	8,435
2008	4,562
2009	4,211
2010	<u>3,157</u>
Total minimum lease payments	28,800
Less amount representing interest	<u>(3,182)</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 25,618</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 5.8 percent of their salary (2.8 percent for Executive and Elected Officials, 4.9 percent for Protective Occupations with Social Security, and 3.3 percent for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.



**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

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

The payroll for Lincoln County employees covered by the System for the year ended December 31, 2005, was \$13,911,162; the employer's total payroll was \$14,643,906. The total required contribution for the year ended December 31, 2005, was \$1,457,236, which consisted of \$668,291 or 4.8 percent of payroll from the employer and \$788,945, or 5.7 percent of payroll from employees. Total contributions for years ended December 31, 2004 and 2003, were \$1,322,309 and \$1,235,518, respectively, equal to the required contributions for each year.

Employees who retire at or after the age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of credible service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the Wisconsin Statutes. The WRS issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931.

**NOTE 9 - RISK MANAGEMENT**

*Health Insurance*

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

The County operates a self-insurance program administered by a third party administrator for employee health care benefits. The program is supplemented by stop loss protection, which limits the County's liability to \$80,000 per individual claim or an aggregate limit of \$ 4,086,340 during the period of January 1, 2005 to December 31, 2005.

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, 2005**

**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>
2005	\$ 719,535	\$ 3,817,671	\$ 3,629,012	\$ 908,194
2004	618,252	2,859,773	2,758,490	719,535

*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 \$92,481. 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, 2005, 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 2005 was \$10,629,479 with Lincoln County's share totaling \$510,810 (4.8%). 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, 2005, and for the year then ended.

Assets	\$ 26,695,588
Liabilities	7,482,926
Equity	19,212,662
Revenues	61,542,632
Expenses	63,268,052
Non-operating gain	407,503
Change in net assets	(1,571,008)

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.

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**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, 2005, the County has utilized approximately 48.7% of its landfill's capacity, a net increase of 5.3% compared to December 31, 2004. The landfill is estimated to be fully utilized in 2018.

The estimated liability for landfill closure and postclosure care costs and total future estimated costs as of December 31, 2005, is as follows:

Total estimated costs for construction, closure, and postclosure care	\$ 3,887,104
Estimated costs expensed through December 31, 2005	<u>(1,893,020)</u>

<b>Estimated costs of construction, closure, and postclosure care to be recognized in future years</b>	<b><u>\$ 1,994,084</u></b>
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The estimated total current cost of the landfill construction, closure, and postclosure care of \$3,887,104 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, 2005. However, the actual cost of closure and postclosure care may be significantly different 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, 2005, investments of \$2,674,025 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.

**NOTE 12 - CONTINGENCIES**

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

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 13 - FUND EQUITY / NET ASSETS**

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>Social Services</u>	<u>Developmental Disabilities</u>	<u>Other Non-major Funds</u>
<b>Designated as carryover in 2006 budget:</b>				
Workplace Planning	\$ 10,690	\$ -	\$ -	\$ -
Maintenance – plow truck and tractor	16,615	-	-	-
Office Relocation	17,887	-	-	-
Courthouse Painting	9,718	-	-	-
Office Work Station	1,343	-	-	-
Digital Orthos	14,728	-	-	-
Parcel Mapping	100,687	-	-	-
Parcel mapping	11,075	-	-	-
UW – pest application	330	-	-	-
Veterans Fuel Assistance	2,000	-	-	-
Land conservation - tree planter	4,396	-	-	-
Zoning – Web Page	9,886	-	-	-
Zoning – data conversion	3,647	-	-	-
Zoning – rural addressing	386	-	-	-
Zoning - density allotment	10,000	-	-	-
Sheriff – Card scan	33,340	-	-	-
Sheriff – 911	24,089	-	-	-
Sheriff – training	2,251	-	-	-
Sheriff – Time system contract	2,500	-	-	-
Cash flow purposes	4,769,580	-	-	-
Designated for subsequent year	-	608,960	304,981	713,229
<b>Designated for capital improvement in 2006 budget:</b>				
Forestry loan repayment	164,638	-	-	-
Parcel Mapping	76,000	-	-	-
<b>Designated for capital improvements in future years</b>	<u>2,255,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$7,541,419</u>	<u>\$ 608,960</u>	<u>\$ 304,981</u>	<u>\$ 713,229</u>

**LINCOLN COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 13 - FUND EQUITY / NET ASSETS (CONTINUED)**

Restricted net assets

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

	<b>Governmental</b>	<b>Business-type</b>
	<u>Activities</u>	<u>Activities</u>
Insurance deposit	\$ 92,481	\$ -
Grant and program fees	486,683	-
Jail assessments	129,628	-
Landfill closure	-	781,005
Nursing home funds	-	14,791
Forestry grants	-	59,160
	<u>\$ 708,792</u>	<u>\$ 854,956</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, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes				
General property	\$ 6,614,036	\$ 6,473,694	\$ 6,473,694	\$ -
Forest crop	9,500	9,500	36,264	26,764
Managed forest land	20,000	20,000	50,461	30,461
County sales tax	1,550,000	1,550,000	1,541,447	(8,553)
Real estate transfer fees	40,000	40,000	63,475	23,475
Interest on taxes	225,000	225,000	228,083	3,083
Payment in lieu of taxes	61,500	61,500	70,487	8,987
Total taxes	<u>8,520,036</u>	<u>8,379,694</u>	<u>8,463,911</u>	<u>84,217</u>
Intergovernmental				
State shared revenues	1,317,307	1,317,307	1,261,104	(56,203)
Exempt computer aid	36,341	36,341	36,345	4
Clerk of courts	88,885	88,885	88,549	(336)
Circuit court	78,326	78,326	78,166	(160)
Land information	300	300	300	-
Sheriff department	50,300	74,160	54,453	(19,707)
Emergency management	25,214	25,214	46,659	21,445
Victim witness	29,462	29,462	27,867	(1,595)
Zoning grants	43,000	38,245	38,245	-
Veterans service	10,000	10,000	10,000	-
Family court commissioner	1,530	1,530	1,103	(427)
Corporation counsel	80,043	80,043	37,292	(42,751)
Child support	255,676	255,676	228,701	(26,975)
Public libraries	5,090	5,090	-	(5,090)
UW extension	7,500	8,809	8,919	110
State acreage payment	80,000	80,000	71,387	(8,613)
Land conservation	215,008	267,915	252,503	(15,412)
Total intergovernmental	<u>2,323,982</u>	<u>2,397,303</u>	<u>2,241,593</u>	<u>(155,710)</u>
Licenses and permits				
County clerk	2,700	2,700	4,185	1,485
Family court commissioner	4,000	4,000	3,740	(260)
Zoning fees	133,500	133,500	137,721	4,221
Total licenses and permits	<u>140,200</u>	<u>140,200</u>	<u>145,646</u>	<u>5,446</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fines, forfeits, and penalties				
Clerk of courts	\$ 130,000	\$ 130,000	\$ 124,183	\$ (5,817)
Circuit court	1,410	1,410	1,610	200
District attorney				-
Sheriff department	13,500	13,500	2,663	(10,837)
Total fines, forfeits, and penalties	<u>144,910</u>	<u>144,910</u>	<u>128,456</u>	<u>(16,454)</u>
Public charges for service				
Clerk of courts	68,000	68,000	66,391	(1,609)
Circuit court	11,856	11,856	11,451	(405)
Family court commissioner	3,200	3,200	3,800	600
Register of deeds	130,060	130,060	125,556	(4,504)
Land information	39,900	39,900	48,517	8,617
County clerk	175	175	640	465
Treasurer	700	700	824	124
District attorney	1,500	3,212	3,212	-
Sheriff department	197,000	215,665	167,318	(48,347)
Maintenance	2,900	2,900	2,160	(740)
Zoning	2,300	2,300	2,223	(77)
Land conservation	600	600	764	164
Administration/personnel	-	-	32	32
Finance	-	-	167	167
Child support	7,400	7,400	8,692	1,292
UW extension	225	2,198	1,955	(243)
Forest land revenue	200,000	200,000	212,255	12,255
Other charges for service	100	100	5,448	5,348
Total public charges for services	<u>665,916</u>	<u>688,266</u>	<u>661,405</u>	<u>(26,861)</u>
Intergovernmental charges for service				
Sheriff department	78,800	78,800	46,227	(32,573)
Emergency Management				-
Land information	1,200	1,200	1,094	(106)
Clerk of courts	350	350	556	206
County clerk	800	800	1,717	917
UW extension	-	2,784	5,970	3,186
Total intergovernmental charges for services	<u>81,150</u>	<u>83,934</u>	<u>55,564</u>	<u>(28,370)</u>



**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Miscellaneous				
Interest	\$ 309,500	\$ 434,194	\$ 652,660	\$ 218,466
Rent	122,160	122,160	122,289	129
Tax deed	-	-	94,751	94,751
Sale of county property	30,000	30,000	17,802	(12,198)
Misc	500	500	-	(500)
Insurance recovery	30,000	30,000	8,358	(21,642)
Private organization donations	600	600	405	(195)
	<u>492,760</u>	<u>617,454</u>	<u>896,265</u>	<u>278,811</u>
Total miscellaneous				
	<u>492,760</u>	<u>617,454</u>	<u>896,265</u>	<u>278,811</u>
Total revenues	<u>12,368,954</u>	<u>12,451,761</u>	<u>12,592,840</u>	<u>141,079</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES</b>				
General government				
County board chairman	\$ 46,000	\$ 46,000	\$ 46,705	\$ (705)
County board committees	108,659	133,659	118,295	15,364
Clerk of courts	485,139	517,309	517,309	-
Circuit court	237,201	237,201	235,269	1,932
Family court commissioner	28,900	29,448	29,448	-
Coroner	43,290	50,655	50,655	-
Law library	4,285	4,285	2,585	1,700
District attorney	172,022	167,337	167,335	2
Corporation counsel	272,218	272,218	245,023	27,195
Victim witness	50,557	50,557	49,200	1,357
County clerk	115,525	127,022	127,022	-
Administration/personnel	143,648	249,254	249,254	-
Computer services	598,922	681,802	494,740	187,062
General administration	16,099	138,694	115,261	23,433
Treasurer	139,868	139,868	131,880	7,988
Finance department	338,060	338,060	311,638	26,422
Maintenance	659,480	665,568	547,097	118,471
Surveyor	193,470	193,470	190,884	2,586
Tax description	98,224	92,136	83,718	8,418
Register of deeds	235,637	235,637	227,743	7,894
Land records	270,551	297,414	203,639	93,775
Tax assessment	67,782	67,362	63,676	3,686
Insurance	105,723	107,822	75,627	32,195
Elections	23,200	18,905	18,905	-
Contingency fund	360,000	8,313	-	8,313
Total general government	<u>4,814,460</u>	<u>4,869,996</u>	<u>4,302,908</u>	<u>567,088</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety				
Sheriff department:				
Law enforcement	\$ 2,449,787	\$ 2,419,610	\$ 2,297,418	\$ 122,192
Emergency communication (911)	691,932	688,811	595,901	92,910
Correction and detention	1,550,896	1,609,147	1,574,450	34,697
Emergency management	87,698	87,698	96,323	(8,625)
Civil service commission	4,870	4,870	527	4,343
Total public safety	<u>4,785,183</u>	<u>4,810,136</u>	<u>4,564,619</u>	<u>245,517</u>
Public works				
Zoning-sanitation	<u>43,000</u>	<u>38,245</u>	<u>38,245</u>	<u>-</u>
Health and human services				
Community organizations	14,500	39,500	39,500	-
Health care center	510,810	510,810	510,810	-
Child support agency	279,226	279,226	268,742	10,484
Veterans services	125,187	124,448	118,042	6,406
Cemetery	<u>1,314</u>	<u>1,314</u>	<u>1,314</u>	<u>-</u>
Total health and human services	<u>931,037</u>	<u>955,298</u>	<u>938,408</u>	<u>16,890</u>
Culture, recreation, and education				
Public libraries	544,007	544,007	544,597	(590)
UW extension	<u>273,324</u>	<u>283,686</u>	<u>262,833</u>	<u>20,853</u>
Total culture, recreation, and education	<u>817,331</u>	<u>827,693</u>	<u>807,430</u>	<u>20,263</u>
Conservation and development				
Economic development	43,000	43,000	43,000	-
Zoning	445,220	447,235	402,716	44,519
Land conservation	<u>372,552</u>	<u>425,145</u>	<u>400,176</u>	<u>24,969</u>
Total conservation and development	<u>860,772</u>	<u>915,380</u>	<u>845,892</u>	<u>69,488</u>

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Capital outlay				
Maintenance	\$ 51,960	\$ 51,960	\$ 70,749	\$ (18,789)
County Board	-	8,130	8,130	-
Land records	325,000	325,000	209,585	115,415
District Attorney	-	8,850	8,850	-
Zoning				-
Sheriff	<u>162,000</u>	<u>603,478</u>	<u>601,218</u>	<u>2,260</u>
Total capital outlay	<u>538,960</u>	<u>997,418</u>	<u>898,532</u>	<u>98,886</u>
Total expenditures	<u>12,790,743</u>	<u>13,414,166</u>	<u>12,396,034</u>	<u>1,018,132</u>
Excess (deficiency) of revenues over expenditures	<u>(421,789)</u>	<u>(962,405)</u>	<u>196,806</u>	<u>1,159,211</u>
Other financing sources (uses)				
Funds applied	719,293	1,259,909	1,259,909	-
Transfer in	-	-	467,358	467,358
Transfer out	<u>(297,504)</u>	<u>(297,504)</u>	<u>(297,504)</u>	<u>-</u>
Total other financing sources (uses)	<u>421,789</u>	<u>962,405</u>	<u>1,429,763</u>	<u>467,358</u>
Net change in fund balance - budget basis	<u>\$ -</u>	<u>\$ -</u>	<u>1,626,569</u>	<u>\$ 1,626,569</u>
<b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
Fund balance applied is reported as an other financing source for budget purposes, but fund balance applied is not reported as an other financing source for GAAP purposes			<u>(1,259,909)</u>	
Net change in fund balance			366,660	
<b>FUND BALANCE - BEGINNING</b>			<u>11,287,435</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 11,654,095</u>	

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - COUNTY ROADS AND BRIDGES**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
General property	\$ 2,037,422	\$ 2,147,764	\$ 2,147,764	\$ -
Intergovernmental	<u>984,298</u>	<u>965,311</u>	<u>956,420</u>	<u>(8,891)</u>
Total revenues	3,021,720	3,113,075	3,104,184	(8,891)
<b>EXPENDITURES</b>				
Public works	<u>3,255,200</u>	<u>3,294,860</u>	<u>3,326,969</u>	<u>(32,109)</u>
Deficiency of revenues over (under) expenditures	<u>(233,480)</u>	<u>(181,785)</u>	<u>(222,785)</u>	<u>(41,000)</u>
<b>OTHER FINANCING SOURCES</b>				
Fund balance applied	<u>233,480</u>	<u>181,785</u>	<u>181,785</u>	<u>-</u>
Net change in fund balance - budget basis	<u>\$ -</u>	<u>\$ -</u>	<u>(41,000)</u>	<u>\$ (41,000)</u>
<b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
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>(181,785)</u>	
Net change in fund balance			(222,785)	
<b>FUND BALANCE - BEGINNING</b>			<u>181,785</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ (41,000)</u>	

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SOCIAL SERVICES FUND**  
**Year Ended December 31, 2005**

	<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	\$ 476,879	\$ 476,879	\$ -
Intergovernmental	2,721,722	2,721,722	2,924,307	202,585
Public charges for service	-	-	51,797	51,797
Miscellaneous revenues	-	-	1,640	1,640
Total revenues	3,168,601	3,198,601	3,454,623	256,022
<b>EXPENDITURES</b>				
Health and human services	3,179,950	3,209,950	3,287,932	(77,982)
Total expenditures	3,179,950	3,209,950	3,287,932	(77,982)
Excess (deficiency) of revenues over expenditures	(11,349)	(11,349)	166,691	178,040
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	11,349	11,349	11,349	-
Transfer out	-	-	(446,544)	446,544
Total other financing sources (uses)	11,349	11,349	(435,195)	446,544
Net change in fund balance - budget basis	\$ -	\$ -	(268,504)	\$ 624,584
<b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
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			(11,349)	
Net change in fund balance			(279,853)	
<b>FUND BALANCE - BEGINNING</b>			956,113	
<b>FUND BALANCE - ENDING</b>			\$ 676,260	

**LINCOLN COUNTY, WISCONSIN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - DEVELOPMENTAL DISABILITIES FUND**  
**Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
General property	\$ 33,101	\$ 33,101	\$ 33,101	\$ -
Intergovernmental	3,518,103	3,518,103	3,550,861	32,758
Public charges for service	347,501	347,501	648,715	301,214
Miscellaneous revenues	-	-	18	18
Total revenues	3,898,705	3,898,705	4,232,695	333,990
<b>EXPENDITURES</b>				
Health and human services	3,931,331	3,931,331	4,286,268	(354,937)
Total expenditures	3,931,331	3,931,331	4,286,268	(354,937)
Excess (deficiency) of revenues over (under) expenditures	(32,626)	(32,626)	(53,573)	(20,947)
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance applied	66,096	66,096	66,096	-
Transfer out	(33,470)	(33,470)	(33,470)	-
Total other financing sources (uses)	32,626	32,626	32,626	-
Net change in fund balance	\$ -	\$ -	(20,947)	\$ (20,947)
<b>RECONCILIATION FROM BUDGET TO GAAP:</b>				
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			(66,096)	
Net change in fund balance - budget basis			(87,043)	
<b>FUND BALANCE - BEGINNING</b>			427,380	
<b>FUND BALANCE - ENDING</b>			<u>\$ 340,337</u>	



**LINCOLN COUNTY, WISCONSIN**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2005**

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

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.

For the year ending December 31, 2005, 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 Chairman	\$ 46,000	\$ 46,705
Public Safety:		
Emergency Management	87,698	96,323
Culture, recreation, and education		
Public Libraries	544,007	544,597
Capital outlay:		
Maintenance	51,960	70,749
County Roads and Bridges Fund:		
Public Works	3,294,860	3,326,969
Social Services Fund:		
Health and human services	3,209,950	3,287,932
Developmental Disabilities Fund:		
Health and human services	3,931,331	4,286,268

## **COMBINING FUND STATEMENTS**

LINCOLN COUNTY, WISCONSIN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2005

	Special Revenue							Total Nonmajor Governmental Funds
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment	Total	Debt Service
<b>ASSETS</b>								
Cash and cash equivalents	\$ 286,437	\$ 155,688	\$ 31,181	\$ 25,132	\$ 35	\$ 130,008	\$ 628,481	\$ 256,883
Receivables (net of allowances):								\$ 885,364
Property taxes	538,256	102,401	-	-	458,384	-	1,099,041	-
Accounts	5,414	5,443	706	-	291,989	-	303,552	-
Loans	-	-	-	172,901	-	-	172,901	-
Due from other governments	18,566	27,351	-	-	21,393	1,030	68,340	-
Prepaid items	-	-	-	-	319	-	319	-
<b>TOTAL ASSETS</b>	<b>\$ 848,673</b>	<b>\$ 290,883</b>	<b>\$ 31,887</b>	<b>\$ 198,033</b>	<b>\$ 772,120</b>	<b>\$ 131,038</b>	<b>\$ 2,272,634</b>	<b>\$ 2,529,517</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 7,433	\$ 18,972	\$ 29,955	\$ -	\$ 267	\$ 1,410	\$ 58,037	\$ -
Accrued liabilities	20,024	7,948	-	-	1,130	-	29,102	-
Deposits	-	-	-	-	2,622	-	2,622	-
Due to other funds	-	-	-	-	285	-	285	-
Due to other governments	-	-	932	-	-	-	932	-
Deferred revenue	538,256	102,401	-	172,901	487,584	-	1,301,142	-
Total liabilities	565,713	129,321	30,887	172,901	491,888	1,410	1,392,120	-
<b>Fund balance</b>								
Fund balances:								
Reserved:								
Prepaid items	-	-	-	-	319	-	319	-
Grants and program fees	137,421	156,800	-	-	-	-	294,221	-
Jail assessment	-	-	-	-	-	129,628	129,628	-
Unreserved, designated:								
Subsequent years' expenditures	145,539	4,762	1,000	25,132	279,913	-	456,346	256,883
Total fund balance	282,960	161,562	1,000	25,132	280,232	129,628	880,514	256,883
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 848,673</b>	<b>\$ 290,883</b>	<b>\$ 31,887</b>	<b>\$ 198,033</b>	<b>\$ 772,120</b>	<b>\$ 131,038</b>	<b>\$ 2,272,634</b>	<b>\$ 2,529,517</b>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2005**

	Special Revenue							Total Nonmajor Governmental Funds
	County Health	Commission on Aging	Dog License	Community Development	Emergency Medical	Jail Assessment	Total	Debit Service
<b>REVENUES</b>								
Taxes	\$ 528,137	\$ 100,672	\$ -	\$ -	\$ 576,651	\$ -	\$ 1,205,460	\$ -
Intergovernmental revenues	121,661	354,122	-	979	84,713	-	561,475	-
Licenses and permits	2,877	-	30,524	-	-	-	33,401	-
Fines, forfeits, and penalties	-	-	-	-	-	48,133	48,133	-
Public charges for service	33,627	140,576	-	14,173	815,525	-	1,003,901	-
Intergovernmental charges for service	137,985	4,255	-	-	14,996	-	157,236	-
Miscellaneous revenues	5,719	14,578	-	5,045	-	-	25,342	119,838
								25,342
Total revenues	830,006	614,203	30,524	20,197	1,491,885	48,133	3,034,948	119,838
								3,154,786
<b>EXPENDITURES</b>								
Current:								
Public safety	-	-	-	-	-	-	-	-
Health and human services	761,845	598,600	30,524	-	1,246,805	54,231	1,301,036	1,301,036
Conservation and development	-	-	-	979	-	-	979	1,390,969
Capital outlay	-	-	-	-	93,850	39,844	133,694	979
Debt service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	66,763
Interest	-	-	-	-	-	-	-	193,114
Total expenditures	761,845	598,600	30,524	979	1,340,655	94,075	2,826,678	259,877
Excess (deficiency) of revenues over expenditures	68,161	15,603	-	19,218	151,230	(45,942)	208,270	(140,039)
								68,231
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	97,504	-	97,504	187,158
Transfers out	(20,814)	-	-	-	-	-	(20,814)	(20,814)
Total other financing sources and uses	(20,814)	-	-	-	97,504	-	76,690	166,344
Net change in fund balances	47,347	15,603	-	19,218	248,734	(45,942)	284,960	234,575
<b>FUND BALANCES - BEGINNING</b>	235,613	145,959	1,000	5,914	31,498	175,570	595,554	902,822
<b>FUND BALANCES - ENDING</b>	\$ 282,960	\$ 161,562	\$ 1,000	\$ 25,132	\$ 280,232	\$ 129,628	\$ 880,514	\$ 1,137,397

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2005**

	<u>Internal Service Funds</u>		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 120,794	\$ 3,852,823	\$ 3,973,617
Accounts receivable	383	29,681	30,064
Due from other governments	440,484	750	441,234
Inventories, at cost	631,840	-	631,840
	<u>1,193,501</u>	<u>3,883,254</u>	<u>5,076,755</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	9,859,439	-	9,859,439
Work in progress	30,358	-	30,358
Less accumulated depreciation	(6,326,355)	-	(6,326,355)
	<u>5,165,645</u>	<u>-</u>	<u>5,165,645</u>
Total capital assets			
Total assets	<u>6,359,146</u>	<u>3,883,254</u>	<u>10,242,400</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	84,722	250,480	335,202
Accrued expenses	97,992	830	98,822
Compensated absences payable	135,925	-	135,925
Accrued claims	-	660,594	660,594
Deferred revenue	225	-	225
	<u>318,864</u>	<u>911,904</u>	<u>1,230,768</u>
Total current liabilities			
Noncurrent liabilities:			
Compensated absences payable	129,762	-	129,762
	<u>448,626</u>	<u>911,904</u>	<u>1,360,530</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,165,645	-	5,165,645
Unrestricted	744,875	2,971,350	3,716,225
	<u>5,910,520</u>	<u>2,971,350</u>	<u>8,881,870</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,910,520</u>	<u>\$ 2,971,350</u>	<u>\$ 8,881,870</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2005**

	Internal Service Funds		
	<u>Highway</u>	<u>Health Insurance</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Interdepartmental charges for service	\$ 3,385,686	\$ 3,860,136	\$ 7,245,822
Intergovernmental charges for service	2,116,766	-	2,116,766
Other operating revenue	16,649	-	16,649
Total operating revenues	<u>5,519,101</u>	<u>3,860,136</u>	<u>9,379,237</u>
<b>OPERATING EXPENSES</b>			
Claims expense	-	3,817,671	3,817,671
General services	4,754,853	-	4,754,853
Administrative and fiscal services	303,983	411,805	715,788
Depreciation and amortization	498,930	-	498,930
Total operating expenses	<u>5,557,766</u>	<u>4,229,476</u>	<u>9,787,242</u>
Operating income	<u>(38,665)</u>	<u>(369,340)</u>	<u>(408,005)</u>
<b>NONOPERATING REVENUES</b>			
Rent revenue	50	-	50
Miscellaneous	6,562	-	6,562
Interest income	-	92,919	92,919
Total nonoperating revenues	<u>6,612</u>	<u>92,919</u>	<u>99,531</u>
<b>Change in net assets</b>	<u>(32,053)</u>	<u>(276,421)</u>	<u>(308,474)</u>
<b>NET ASSETS - BEGINNING</b>	<u>5,942,573</u>	<u>3,247,771</u>	<u>9,190,344</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 5,910,520</u>	<u>\$ 2,971,350</u>	<u>\$ 8,881,870</u>

**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2005**

	<b>Internal Service Funds</b>		
	<b>Highway</b>	<b>Health Insurance</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from other County departments	\$ 3,385,686	\$ 3,860,136	\$ 7,245,822
Receipts from government and other parties for sales	1,965,805	-	1,965,805
Payments to employees for compensation and fringe benefits	(2,881,115)	(21,491)	(2,902,606)
Payments to vendors for goods and services	(2,464,938)	(4,016,099)	(6,481,037)
Net cash provided by (used in) operating activities	5,438	(177,454)	(172,016)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(737,007)	-	(737,007)
Insurance recovery for damaged equipment	151,924	-	151,924
Proceeds from sale of assets	104,100	-	104,100
Net cash used for capital and related financing activities	(480,983)	-	(480,983)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	78,433	78,433
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(475,545)	(99,021)	(574,566)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	596,339	3,951,844	4,548,183
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 120,794	\$ 3,852,823	\$ 3,973,617
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (38,665)	\$ (369,340)	\$ (408,005)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	498,930	-	498,930
Changes in operating assets and liabilities:			
Accounts receivable	14,494	-	14,494
Due from other governments	(182,104)	-	(182,104)
Prepaid expenses	1,330	-	1,330
Inventories	4,881	-	4,881
Accounts payable	(249,064)	6,644	(242,420)
Accrued expenses	(47,040)	347	(46,693)
Compensated absences	3,364	-	3,364
Deferred revenue	(688)	-	(688)
Accrued claims	-	184,895	184,895
Total adjustments	44,103	191,886	235,989
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	\$ 5,438	\$ (177,454)	\$ (172,016)



**LINCOLN COUNTY, WISCONSIN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2005**

	Agency Funds		
	Employee Benefit <u>Cafeteria Plan</u>	Clerk of Court <u>Collection Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,555	\$ -	\$ 20,555
Accounts receivable	-	186,434	186,434
Total assets	<u>\$ 20,555</u>	<u>\$ 186,434</u>	<u>\$ 206,989</u>
<b>LIABILITIES</b>			
Accounts payable	4,754	-	4,754
Deposits and advances	11,723	-	11,723
Due other governments	-	186,434	186,434
Due to other funds	4,078	-	4,078
Total liabilities	<u>\$ 20,555</u>	<u>\$ 186,434</u>	<u>\$ 206,989</u>