



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### Lincoln County

**For the period January 1, 2015 through December 31, 2015**

**Published July 28, 2016**

**Report No. 1017142**





## Washington State Auditor's Office

July 28, 2016

Board of Commissioners  
Lincoln County  
Davenport, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on Lincoln County's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Lincoln County January 1, 2015 through December 31, 2015

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Lincoln County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

##### Financial Statements

We issued an unmodified opinion on the fair presentation of the County’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

##### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The County did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Lincoln County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Lincoln County  
Davenport, Washington

We have audited, 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, the financial statements of Lincoln County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated July 8, 2016.

We issued an unmodified opinion on the fair presentation of the County's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the County using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

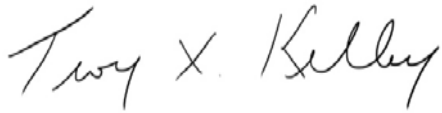
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

July 8, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Lincoln County**  
**January 1, 2015 through December 31, 2015**

Board of Commissioners  
Lincoln County  
Davenport, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of Lincoln County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

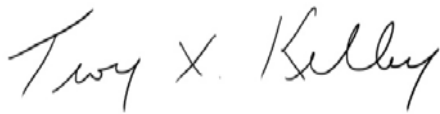
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

July 8, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Lincoln County January 1, 2015 through December 31, 2015

Board of Commissioners  
Lincoln County  
Davenport, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Lincoln County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 15.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, Lincoln County has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Lincoln County, for the year ended December 31, 2015, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the County used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Lincoln County, as of December 31, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

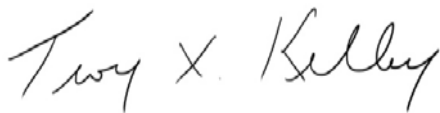
## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Schedule of Liabilities is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

July 8, 2016

## **FINANCIAL SECTION**

### **Lincoln County January 1, 2015 through December 31, 2015**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2015  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2015

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2015  
Schedule of Expenditures of Federal Awards – 2015  
Notes to the Schedule of Expenditures of Federal Awards – 2015

**Lincoln County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>102 Public Health</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	1,525,270	437,129	-
30880	Unreserved	5,046,428	2,531,161	77,869
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	5,171,969	2,594,189	137,790
320	Licenses and Permits	155,757	96,911	50,071
330	Intergovernmental Revenues	10,047,348	1,471,925	313,259
340	Charges for Goods and Services	2,802,076	1,868,210	48,378
350	Fines and Penalties	414,312	408,606	-
360	Miscellaneous Revenues	3,801,219	318,949	9,010
Total Operating Revenues:		22,392,680	6,758,790	558,508
<b>Operating Expenditures</b>				
510	General Government	5,387,399	4,176,162	-
520	Public Safety	3,412,052	2,657,464	-
530	Utilities	376,846	-	-
540	Transportation	8,366,172	-	-
550	Natural and Economic Environment	632,140	209,126	-
560	Social Services	1,078,649	12,432	580,497
570	Culture and Recreation	205,617	85,673	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		19,458,875	7,140,856	580,497
Net Operating Increase (Decrease):		2,933,805	(382,067)	(21,989)
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	287,371	174,853	-
391-393	Debt Proceeds	3,466,498	-	-
397	Transfers-In	1,178,013	840,821	-
Total Nonoperating Revenues:		4,931,882	1,015,674	-
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	138,890	102,222	-
591-593	Debt Service	165,720	2,415	-
594-595	Capital Expenditures	7,636,611	414,543	158
597	Transfers-Out	1,178,013	600,949	-
Total Nonoperating Expenditures:		9,119,234	1,120,129	158
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(1,253,547)</b>	<b>(486,522)</b>	<b>(22,147)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	1,339,771	456,858	-
5088000	Unreserved	3,978,383	2,024,913	55,721
<b>Total Ending Cash and Investments</b>		<b>5,318,154</b>	<b>2,481,771</b>	<b>55,721</b>

*The accompanying notes are an integral part of this statement.*



<b>104 Developmental Dis</b>	<b>105 County Fair</b>	<b>106 Veteran's Assist</b>	<b>107 County Road</b>	<b>108 Treasurer's M&amp;O</b>	<b>109 Auditor's M&amp;O</b>
4,076	-	22,962	-	44,855	128,554
19,062	8,873	-	572,207	-	-
-	-	-	-	-	-
26,916	25,225	13,844	1,434,581	-	-
-	-	-	8,775	-	-
82,286	30,141	18	6,906,874	-	40,688
-	23,871	-	13,521	27,813	7,998
-	-	-	-	-	-
141	46,490	14	60,066	61	-
109,343	125,726	13,876	8,423,817	27,873	48,686
-	-	-	50,116	25,978	57,914
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,094,135	-	-
-	-	-	-	-	-
116,616	-	8,302	-	-	-
-	119,944	-	-	-	-
-	-	-	-	-	-
116,616	119,944	8,302	6,144,251	25,978	57,914
(7,273)	5,782	5,574	2,279,566	1,895	(9,228)
-	7,432	-	1,321	-	-
-	-	-	-	-	-
-	-	-	250,000	-	-
-	7,432	-	251,321	-	-
-	9,257	-	624	-	-
-	212	-	-	-	-
409	-	-	2,837,204	-	16,544
-	-	-	-	-	-
409	9,469	-	2,837,828	-	16,544
(7,682)	3,745	5,574	(306,941)	1,895	(25,772)
4,076	-	28,537	-	46,751	102,783
11,380	12,618	-	265,268	-	-
15,456	12,618	28,537	265,268	46,751	102,783

*The accompanying notes are an integral part of this statement.*

<b>113 Alcohol/Drug Serv</b>	<b>114 Affordable Housing</b>	<b>117 LC Tourism</b>	<b>122 Homeless Housing</b>	<b>125 Traffic Policing</b>	<b>129 Marine Enforce</b>
-	25,309	33,505	68,529	-	-
14,856	-	-	-	-	3,084
-	-	-	-	-	-
-	-	14,749	-	504,819	-
-	-	-	-	-	-
246,579	-	-	-	786	17,895
9,441	12,141	-	54,932	-	-
-	-	-	-	-	-
2,422	-	18	-	-	-
<u>258,442</u>	<u>12,141</u>	<u>14,767</u>	<u>54,932</u>	<u>505,606</u>	<u>17,895</u>
-	-	-	-	-	-
-	-	-	-	-	1,299
-	-	-	-	-	-
-	-	-	-	-	-
-	-	21,200	-	-	-
260,802	-	-	70,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>260,802</u>	<u>-</u>	<u>21,200</u>	<u>70,000</u>	<u>-</u>	<u>1,299</u>
<u>(2,360)</u>	<u>12,141</u>	<u>(6,433)</u>	<u>(15,068)</u>	<u>505,606</u>	<u>16,596</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,623	25,000	-	-	-	-
-	-	-	-	505,606	-
<u>4,623</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>505,606</u>	<u>-</u>
<u>(6,983)</u>	<u>(12,859)</u>	<u>(6,433)</u>	<u>(15,068)</u>	<u>(0)</u>	<u>16,596</u>
-	12,450	27,071	53,461	-	-
7,873	-	-	-	-	19,680
<u>7,873</u>	<u>12,450</u>	<u>27,071</u>	<u>53,461</u>	<u>-</u>	<u>19,680</u>

*The accompanying notes are an integral part of this statement.*

<b>132 Enhanced 911</b>	<b>133 Emergency Comm</b>	<b>134 Dom Violence</b>	<b>136 Public Defense</b>	<b>138 Watershed Mgmt</b>	<b>150 Weed Board</b>
-	-	34,260	20,957	-	-
82,706	125,527	-	-	-	42,851
-	-	-	-	-	-
103,746	126,794	-	-	-	-
-	-	-	-	-	-
586,305	-	-	19,384	18,978	-
-	-	15,532	-	-	-
-	-	-	-	-	-
362	-	-	-	-	198,539
690,413	126,794	15,532	19,384	18,978	198,539
-	-	-	14,953	-	-
642,628	110,661	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	18,978	205,394
-	-	30,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
642,628	110,661	30,000	14,953	18,978	205,394
47,785	16,133	(14,468)	4,431	(0)	(6,855)
-	-	-	-	-	168
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	168
-	-	-	-	-	-
-	-	-	-	-	-
26,379	35,963	-	-	-	3,840
-	-	-	-	-	-
26,379	35,963	-	-	-	3,840
21,406	(19,830)	(14,468)	4,431	(0)	(10,527)
-	-	19,791	25,388	-	-
104,112	105,697	-	-	-	32,324
104,112	105,697	19,791	25,388	-	32,324

*The accompanying notes are an integral part of this statement.*

151 Court Facilitator	208 PW LTGO Ban	230 Martin Hall Debt	250 Hanson Harb RID	251 Sunny Hills RID	265 Consolidated RID
-	-	-	-	7,547	35,094
1,864	-	12	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56,429	-	-	-	-	-
-	-	-	22	585	5,098
-	-	-	91	7,940	136,285
56,429	-	-	114	8,525	141,384
38,625	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38,625	-	-	-	-	-
17,804	-	-	114	8,525	141,384
-	-	-	-	-	-
-	-	-	-	-	-
-	5,296	9,000	-	-	-
-	5,296	9,000	-	-	-
-	-	-	81	7,374	-
-	5,296	8,987	33	949	147,196
-	-	-	-	-	-
-	-	-	-	-	-
-	5,296	8,987	114	8,323	147,196
17,804	0	13	(0)	202	(5,812)
-	-	-	-	7,750	29,281
19,667	-	25	-	-	-
19,667	-	25	-	7,750	29,281

*The accompanying notes are an integral part of this statement.*

<b>305 Capital Improve</b>	<b>307 Maint Facility Proj</b>	<b>315 Rural Co Dev</b>	<b>405 Professional Bldg</b>	<b>410 Solid Waste Mgmt</b>	<b>510 Equip Rental &amp; Rev</b>
488,587	-	173,905	-	-	-
-	-	-	2,293	62,377	427,390
-	-	-	-	-	-
74,283	-	115,033	-	-	-
-	-	-	-	-	-
5,809	-	5,000	-	301,421	-
-	-	-	-	275,325	-
-	-	-	-	-	-
75	-	3,807	5,000	1,407	2,089,723
80,167	-	123,840	5,000	578,153	2,089,723
17,735	-	-	2,259	-	-
-	-	-	-	-	-
-	-	-	-	376,846	-
-	12,495	-	-	-	1,628,335
-	-	177,443	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,735	12,495	177,443	2,259	376,846	1,628,335
62,432	(12,495)	(53,603)	2,741	201,307	461,388
-	-	-	-	5,648	11,606
-	3,466,498	-	-	-	-
-	-	-	-	72,897	-
-	3,466,498	-	-	78,545	11,606
-	-	-	-	17,595	-
-	-	-	-	632	-
79,585	3,419,611	-	-	291,875	472,755
66,163	5,296	-	-	-	-
145,748	3,424,907	-	-	310,102	472,755
<b>(83,316)</b>	<b>29,096</b>	<b>(53,603)</b>	<b>2,741</b>	<b>(30,250)</b>	<b>240</b>
405,271	-	120,302	-	-	-
-	29,096	-	5,034	32,127	427,630
<b>405,271</b>	<b>29,096</b>	<b>120,302</b>	<b>5,034</b>	<b>32,127</b>	<b>427,630</b>

*The accompanying notes are an integral part of this statement.*

<b>520 Pits &amp; Quarries</b>	<b>540 Employee Self-Ins</b>
-	-
475,171	599,126
-	-
-	-
-	-
-	-
388,485	-
-	-
12,248	908,571
<u>400,732</u>	<u>908,571</u>
-	1,003,657
-	-
-	-
631,208	-
-	-
-	-
-	-
-	-
<u>631,208</u>	<u>1,003,657</u>
<u>(230,476)</u>	<u>(95,086)</u>
27,776	58,567
-	-
-	-
<u>27,776</u>	<u>58,567</u>
1,738	-
-	-
8,123	-
-	-
<u>9,861</u>	<u>-</u>
<u>(212,561)</u>	<u>(36,519)</u>
-	-
262,610	562,608
<u>262,610</u>	<u>562,608</u>

*The accompanying notes are an integral part of this statement.*

**Lincoln County**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<b>Total for All Funds (Memo Only)</b>	<b>625 Foreclosure Surplus</b>	<b>691 Treasurer's Suspense</b>	<b>696 Auditor's Trust</b>
308	Beginning Cash and Investments	58,334	55,853	-	2,481
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	3	-	3	-
380-390	Other Increases and Financing Sources	122,305	20,296	85,968	16,040
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	136,512	34,961	85,220	16,330
Net Increase (Decrease) in Cash and Investments:		(14,204)	(14,665)	751	(290)
508	Ending Cash and Investments	44,130	41,188	751	2,191

*The accompanying notes are an integral part of this statement.*

LINCOLN COUNTY, WASHINGTON  
NOTES TO FINANCIAL STATEMENTS

January 1, 2015 through December 31, 2015

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

Lincoln County was incorporated on December 18, 1883, and operates under the laws of the State of Washington applicable to a second class county with a commissioner form of government. The County is a general purpose government and provides public safety, fire protection, road improvement, park and recreation, judicial administration, and health and social services. The County uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The County reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

a. Fund Accounting

Financial transactions of the County are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The County's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

General (Current Expense) Fund

This fund is the primary operating fund of the County. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the County.



### Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

### Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

## **PROPRIETARY FUND TYPES:**

### Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the County on a cost-reimbursement basis.

## **FIDUCIARY FUND TYPES:**

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

### Agency Funds

These funds are used to account assets that the County holds on behalf of others in a custodial capacity.

#### **b. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, the County also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

#### **c. Budgets**

The County adopts annual appropriated budgets are adopted for all funds. These budgets are appropriated at the fund level (except in the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

## 2015 BUDGET APPROPRIATIONS

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Assessor	373,273	361,583	11,690
Auditor	407,413	398,749	8,664
Board of Equalization	3,354	2,489	865
Civil Service	4,193	2,706	1,487
Clerk	396,425	396,424	1
Commissioners	387,365	379,742	7,623
Planning	272,995	210,218	62,777
Cooperative Extension	99,827	79,059	20,768
Coop Ext-Bulletin	350	76	274
Coroner	10,000	9,346	654
Courthouse	329,464	324,896	4,568
Data Processing	246,341	246,341	0
Information Services	269,205	265,911	3,294
District Court	334,107	333,566	541
Probation	74,045	72,900	1,145
Jail	672,766	578,713	94,053
Juvenile Services	244,132	204,220	39,912
Consolidated Juv Serv	97,533	70,309	27,224
CDDA	-	-	-
CJAA	23,910	3,389	20,522
JAIBG	11,200	6,200	5,000
Community Litter Cleanup	17,078	6,611	10,467
BECCA Bill Grant	15,291	13,026	2,265
Non-Departmental	409,900	398,270	11,630
Personnel Enhancement Training	1,000	318	682
Prosecuting Attorney	448,264	442,826	5,438
Stop Grant - Prosecuting Attorney	15,232	12,580	2,652
Sheriff Administration	402,810	395,544	7,266
Sheriff Operations	1,282,927	1,175,087	107,840
Stop Grant - Sheriff	15,278	11,464	3,814
Marijuana Eradication	1,120	-	1,120
Davenport Law Enforcement	304,866	304,865	1
Superior Court	234,694	234,694	0
Treasurer	374,820	370,610	4,210
Welfare	700	-	700
Other Financing Uses	355,267	337,947	17,320
Non Expenditures	1,025	129	896
Election	84,173	68,055	16,118
Counseling Services	26,357	3,086	23,271
Special Funded Services	490,000	388,259	101,741
Law Library	78,420	78,420	0
Special Reserve Fund	6,151	2,002	4,149
REET Technology Fund	14,048	14,048	0
Trial Court Improvement	57,150	16,613	40,537
Youth Programs	3,856	843	3,013

Education & Grant Fund	17,070	3,297	13,773
Criminal Antiprofitteering	2,454	-	2,454
Crime Victims	18,500	15,060	3,440
Drug Enforcement	13,149	645	12,504
Seized/Forfeited Property	9,000	-	9,000
DARE	4,310	777	3,533
Sex Offender Registration	25,763	14,715	11,048
Unemployment Insurance	10,000	2,223	7,777
Housing Rehab Project	150	136	14
Total General Fund			739,736
			-
Public Health	594,826	580,656	14,170
Developmental Disabilities	117,026	117,025	1
County Fair	129,413	129,413	0
Veterans Assistance	13,800	8,302	5,498
County Road	8,981,579	8,981,578	1
Treasurer's M&O	25,978	25,978	0
Auditor's M&O	149,576	74,457	75,119
Alcohol/Drug Services	348,504	265,425	83,079
Affordable Housing Trust	25,000	25,000	-
Lincoln County Tourism	21,200	21,200	0
Homeless Housing	70,000	70,000	-
Traffic Policing	505,606	505,606	0
Marine Enforcement/Education	8,070	1,299	6,771
Enhanced 911	669,007	669,006	1
Emergency Communications	191,060	146,624	44,436
Domestic Violence Prevention	30,000	30,000	-
Public Defense Service	16,000	14,953	1,047
Watershed Management	18,978	18,978	0
Noxious Weed Control Board	248,281	209,234	39,047
Court Facilitator	73,476	38,625	34,851
PW LTGO Ban Note Debt	10,000	5,296	4,704
Martin Hall Debt Service	17,254	8,987	8,267
Hanson Harbor RID #01-02	114	114	-
Sunny Hills RID #04-01	18,240	8,323	9,917
Consolidated RID No. 09-01 Bond	454,248	147,196	307,053
Capital Improvements	341,463	163,483	177,980
Maintenance Facility Project	3,996,104	3,437,402	558,702
Rural County Development	177,444	177,443	1
Emergency Response Center	-	-	-
Professional Building Fund	4,800	2,259	2,541
Solid Waste Management	686,950	686,948	2
Equipment Rental & Revolving	2,580,650	2,101,089	479,561
Pits & Quarries	679,300	641,068	38,232
Employee Self-Insurance	1,003,658	1,003,657	1
Foreclosure Surplus	34,962	34,961	1

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions for employment must be approved by the County Commissioners.

d. Cash

It is the County's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to the Current Expense Fund.

e. Capital Assets

Capital assets are assets with an initial individual cost of more than \$100 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

f. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate up to 1200 hours and is payable upon termination after 5 years of service up to 480 hours or one-half of accumulated balance, whichever is less.

Payments are recognized as expenditures when paid.

The County's liability (including OASI and PERS 1 Retirement) for accumulated unused vacation leave on December 31, 2015 was \$520,430.53, for accumulated unused sick leave was \$423,519.10 and for Public Works accumulated unused comp time was \$5,411.22 for a total of \$949,360.85.

g. Long-Term Debt

See Note # 6.

h. Other Financing Sources or Uses

The County's "Other Financing Sources or Uses" consist of Operating Transfers In, Operating Transfers Out, Interfund Loan Interest and Disposition of Fixed Assets. Operating Transfers:

Transfers Out		Transfers In	
Current Expense	\$337,947	Current Expense	\$768,608
Elections	\$11,000	County Road	\$250,000
Special Funded Services	\$250,000	Special Funded Services	\$55,267
Special Reserve	\$2,002	Trial Court Improvement	\$16,946
Traffic Policing	\$505,606	PW LTGO Ban Note	\$5,296
Capital Improvements	\$66,163	Martin Hall Debt Service	\$9,000
Maintenance Facility Proj	\$5,296	Solid Waste	\$72,897
TOTAL OUT	\$1,178,013	TOTAL IN	\$1,178,013

i. Risk Management

The County is a member of the Washington Rural Counties Insurance Pool. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1998 when 3

counties in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Five counties have joined the pool.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverage is on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$25,000. Members are responsible for the first \$1,000 - \$5,000 of the deductible amount of each claim depending upon the county, while the pool is responsible for the remaining portion of the deductible. Insurance carriers cover insured losses over \$25,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$19,000 - \$24,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$180,000 to eliminate any risk to members and, in addition, fully funds the Stop Loss in the budget.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 - \$5,000 of the deductible amount of each claim depending on the county, while the pool is responsible for the remaining \$5,000 - \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for a minimum of one year, and must give notice before December 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Members file claims with Canfield & Associates, Inc., which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day-to-day administration of the pool. This pool has no employees.

The County is a direct reimbursable entity with the Employment Security Department for unemployment.

The Unemployment Insurance fund is responsible for collecting interfund payments from insured funds and departments for reimbursement of claims paid to the Employment Security Department. The estimated liability for unemployment charges, based upon the previous quarter's charges is approximately \$7500.

According to Resolution # 11-05, Lincoln County implemented a Self-Insurance Program for employee medical insurance. The resolution was signed during the January 24, 2011 meeting with an effective date of February 1, 2011. EMSpring is the broker of record for Lincoln County's health insurance program. RCW 48.62.031 provides local governments the authority to contract with third parties to provide risk management, claims and administrative service. Current Lincoln County fund balances are adequate to fully fund all reserve accounts for a self-funded program.

Claims Liability – Beginning of Year - \$0.00  
 Claims Incurred during the year - \$641,147.66  
 Payments on Claims - \$641,147.66  
 Claims Liability – End of Year - \$0.00

All claims are billed to Lincoln County on a weekly basis and we process the claims at each Board of County Commissioners meeting. Therefore, at the end of the year, we do not have any known outstanding claims. There are additional expenditures of \$362,509.40 from the Employee Self-Insurance Fund for Professional Services (not related to claims).

j. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investment is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of County Commissioners. When expenditures that meet restrictions are incurred, the County intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Counseling Services	\$ 3,053	Statutory requirement - mental health services
Developmental Disabilities	\$ 4,076	Statutory requirement - mental health services
Veteran's Assistance	\$ 28,537	Statutory requirement - honorable discharge veterans
Treasurer's M&O	\$ 46,751	Statutory requirement - foreclosure fees
Auditor's M&O	\$ 102,783	Statutory requirement - document surcharge
Special Funded Services	\$ -	Internal restrictions-retained earnings, insurance & building reserve
Affordable Housing	\$ 12,450	Statutory requirement limiting expenditures - document surcharge
Special Reserve Fund	\$ 64,212	External restrictions - Davenport contract with Sheriff's Office
Lincoln County Tourism	\$ 27,071	Statutory requirement - hotel/motel tax
REET Technology	\$ 95,353	Statutory requirement - electronic technology fee
Trial Court Improvement	\$ 56,523	Statutory requirement - judicial salary
Homeless Housing	\$ 53,461	Statutory requirement - document surcharge
Criminal Anti-Profitteering	\$ 2,455	Statutory requirement - statewide apportionment
Crime Victims	\$ 139,981	Statutory requirement - crime victim and witness fees
Domestic Violence	\$ 19,791	Statutory requirement - document surcharge
Public Defense	\$ 25,388	Statutory requirement - state entitlement/public defense
Housing Rehab Project	\$ 95,300	Statutory requirement-434 CDBG grant/low income housing improvement
Hanson Harbor RID	\$ -	External restrictions - road improvement district bond repayment
Sunny Hills RID	\$ 7,750	External restrictions - road improvement district bond repayment
Consolidated RID	\$ 29,281	External restrictions - road improvement district bond repayment
Capital Improvements Rural County Development	\$ 405,271	Statutory requirement - real estate excise tax
Solid Waste	\$ 120,302	Statutory requirement - rural county sales and use tax
	\$ -	External restrictions - grant funding
<b>TOTAL RESERVED FUNDS</b>	<b>\$ 1,339,789</b>	

## **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

### **A. Pending Legal Matters.**

#### **Notices of Claim**

(1) On October 25, 2012, the Lincoln County Hospital District filed a Notice of Claim with Lincoln County, alleging that a fraudulent check had been improperly honored by the Lincoln County Treasurer. There has been no further action on this claim.

(2) On September 10, 2013, Lincoln County received a notice of claim form signed by Ronald Costlow. Mr. Costlow alleges in his claim that Lincoln County jail aggravated a pre-existing back condition. Subsequent emails from Mr. Costlow indicates he does not intend to further assert this claim, however, it is still subject to a potential lawsuit considering a three year statute of limitations.

(3) On April 10, 2013, Lincoln County received a notice of claim on behalf of Susan Randal by Attorney Amy Miller. The notice of claim asserts Ms. Randal slipped on ice at the Wilbur Senior Citizens Center. Although it does not appear that Lincoln County had anything to do with this incident, it still remains an open claim.

(4) On June 25, 2014, Lincoln County received a notice of claim on behalf of David Wilson by Attorney Michael Riccelli. This claim alleges a fall by Mr. Wilson at the Lincoln County Hospital. Although it does not appear Lincoln County had anything to do with this incident, it remains an open claim.

#### **Bid Process for Asphalt Project**

On August 6, 2013, Lincoln County awarded a bid for an asphalt project in Lincoln County to Specialty Asphalt of Spokane, WA. Thereafter, it was discovered that the bid proposal sent out by Lincoln County stated mistakenly that no bid bond or performance bond was required. RCW 39.08.101 requires a contractor to obtain a performance bond on a public works contract. Lincoln County then requested that Specialty Asphalt obtain a performance bond in order that the process comply with state law. Specialty Asphalt obtained an attorney and has refused or has been unable to obtain a performance bond. Threatening letters were received from Specialty Asphalt's attorneys. Specialty Asphalt filed a complaint for injunctive relief against Lincoln County. Lincoln County answered and subsequently filed a motion for summary judgment. Thereafter, Specialty Asphalt filed a motion to amend its Complaint by adding causes of action for negligence and gender discrimination. At that point, Lincoln County reconveyed the claim to its insurance carrier, Canfield, who has substituted in as counsel and is defending this matter under a reservation of rights. Litigation continues in this matter.

#### **AT&T Mobility v. Lincoln County, et al**

On July 2, 2014, Lincoln County was served with a Summons and Complaint by Plaintiff AT&T Mobility LLC, alleging that it was due a refund for property taxes. It should be noted all 39 counties in the state of Washington were served with the same lawsuit. Plaintiff's attorney is from Hawley Troxell Ennis and Hawley, LLP. Defense of this matter was tendered to Chuck Zalesky with the Attorney General's Office. The Attorney General accepted the tender and is now defending Lincoln County, along with most of the other counties sued. Litigation is ongoing.

### **B. Appropriation and Fund Balances**

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the County.



### **NOTE 3 – INVESTMENTS**

It is the County's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by Lincoln County or its agent in the County and District's

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

Type of Investment	Lincoln County Investments	Investments held by Lincoln County as an agent for other governments, individuals or private organizations	Total
L.G.I.P.	\$139,000	\$15,699,080	\$15,838,080
US Government Securities	\$0	\$7,223,955	\$7,223,955
Other: MMA	\$0	\$2,500,603	\$2,500,603
<hr/>			
Total	\$139,000	\$25,423,638	\$25,562,638

### **NOTE 4 – PROPERTY TAXES**

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the County. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

#### **Property Tax Calendar**

January 1	Taxes are levied and become an enforceable lien against the properties.
February 14	Tax bills are mailed.
April 30 May 31	First of two equal installment payments is due. Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

The County may levy up to \$1.80 per \$1,000 on assessed valuation for general governmental services, subject to two limitations:

- a. Washington State Law in RCW 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increased by more than 6 percent due to revaluation, the levy rate will be decreased.
- b. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.



The County's regular levy for 2015 was \$1.47712 per \$1,000 on assessed valuation of \$1,335,073,507 for a total regular levy of \$1,972,064.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in the unincorporated areas for road construction and maintenance. This levy is subject to the limitations of the levy for general governmental services. The County's road levy for 2015 of \$1.74103 per \$1,000 on assessed valuation of \$1,105,933,572 totaled \$1,925,464. The levy was split between the County Road fund at \$1.28893 per thousand of the assessed valuation in the amount of \$1,425,471; and the Traffic Policing fund at \$0.45210 per thousand in the amount of \$499,993.

#### **NOTE 5 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund loan activity during 2015.

<b>Borrowing</b>	<b>Lending</b>	<b>Balance</b>	<b>New</b>		<b>Balance</b>
<b>Fund</b>	<b>Fund</b>	<b>1/1/2015</b>	<b>Loans</b>	<b>Payments</b>	<b>12/31/2015</b>
Hanson Harbor RID	Special Funded Svc	80	0	80	0
Sunny Hills RID	Special Funded Svc	9,344	0	7,374	1,970
Current Expense	Special Funded Svc	95,296	128,449	146,758	76,987
Solid Waste	Pits and Quarries	11,500	0	11,500	0
Current Expense	Capital Improvements	100,000	0	100,000	0
				(rescinded CO 15-11)	
Enhanced 911	Capital Improvements	0	0	0	0
County Fair	Special Funded Svc	25,000	0	8,457	16,543
<b>TOTALS</b>		<b>241,220</b>	<b>128,449</b>	<b>274,168</b>	<b>95,501</b>

#### **NOTE 6 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the County and summarizes the County's debt transactions for the year ended December 31, 2015. The payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	<b>Total Debt</b>	<b>County Fair</b>	<b>Martin Hall</b>	<b>Maintenance Facility</b>
2015	<b>8,987</b>	<b>0</b>	<b>8,987</b>	<b>0</b>
2016	<b>9,065</b>	<b>0</b>	<b>9,065</b>	<b>0</b>
2017	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2018	<b>3,466,498</b>	<b>0</b>	<b>0</b>	<b>3,466,498</b>
2019	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2020	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2021-2025	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2026-2030	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>3,484,550</b>	<b>0</b>	<b>18,052</b>	<b>3,466,498</b>

The amounts shown above for Martin Hall is Lincoln County's share only.  
The following table is the total debt for the bond on Martin Hall for all counties involved.

2015	440,325
2016	444,125
2017	0
2018	0
2019	0
2020	0
2021-2025	0
2026-2030	0
<b>TOTAL</b>	<b>884,450</b>

The Deer Meadows and Deer Heights RID loan was originally a bond anticipation note. It was used for the Public Works department to initiate the RID process to construct the county roads before the bond is assessed. The RID's were finalized in March and February respectively, payment period ending May 11, 2009. The two RID's were combined to create the Consolidated RID in 2009. The bond anticipation note was paid off and the assessment bond was issued based on the remaining balance of the RID. The total amount of assessment was \$1,754,971.20. The amount prepaid was \$662,639.31. The remaining amount of unpaid assessments was \$1,092,331.89. The payment is made through assessment charges to property owners within the district. See accompanying Schedule 9, Schedule for Long Term Debt for additional information. Principal and Interest are determined at year end by the bank. According to Schedule 9, the ending balance as of December 31, 2015 is \$285,132.53.

#### **NOTE 7 - PENSION PLANS**

Substantially all County full-time and qualifying part-time employees participate in the PERS, LEOFF or PSERS retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2015 (the measurement date of the plans), the Lincoln County proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	DRS-Schedule of Employer and Nonemployer Allocations		DRS-Schedule of Collective Pension Amounts	Ending Balance 12/31/2015
	Employer Contributions	Allocation Percentage		
PERS 1 - 541	\$ 5,596	0.001217%	5,230,930,000	63,660
PERS 1 - 542	\$ 92	0.000020%	5,230,930,000	1,046
PERS 1 UAAL-541	\$ 108,065	0.023513%	5,230,930,000	1,229,949
PERS 1 UAAL-542	\$ 145,871	0.031739%	5,230,930,000	1,660,245
PERS 2 and 3-541	\$ 135,350	0.030385%	3,573,057,000	1,085,673
PERS 2 and 3-542	\$ 142,043	0.031887%	3,573,057,000	1,139,341
Public Safety ERS 2	\$ 51,646	0.277147%	18,252,000	50,585
SERS 2 and 3			406,151,000	-
TRS 1			3,168,142,000	-
TRS 2 and 3			843,802,000	-
	588,662.76	Total Net Pension Liability (Schedule 09)		5,230,499
LEOFF 1		0.005896%	(1,205,221,000)	(71,060)
LEOFF 2	56,141.10	0.038303%	(1,027,800,000)	(393,678)
		Net Pension Assets (do not net with the liabilities)		

#### LEOFF Plan 1

The county also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

#### LEOFF Plan 2

The county also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

#### **OTHER DISCLOSURES:**

Special Revenue Funds – Lincoln County has several Special Revenue funds set up for accounting for specific revenue sources. However, the BARS manual states a substantial portion of the inflows must be at least 20 percent of restricted or committed revenues to create the special revenue fund. Lincoln County would like to keep those funds separated in our financial system, but some have been combined with Current Expense for reporting purposes. Each year, the funds are re-evaluated and some funds may be included with Current Expense one year but qualifies to stand on their own for the next year.

**Lincoln County**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2015**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligations</b>						
251.11	Martin Hall	12/1/2016	16,940	-	8,266	8,674
263.61	PW LTGO Ban Note	5/31/2016	-	3,466,498	-	3,466,498
	<b>Total General Obligations:</b>		<b>16,940</b>	<b>3,466,498</b>	<b>8,266</b>	<b>3,475,172</b>
<b>Revenue Obligations</b>						
259.12	Compensated Absences		925,598	23,763	-	949,361
264.30	Net Pension Liability		-	5,230,499	-	5,230,499
	<b>Total Revenue Obligations:</b>		<b>925,598</b>	<b>5,254,262</b>	<b>-</b>	<b>6,179,860</b>
<b>Assessment Obligations</b>						
253.11	CRID 09-01 Bond	6/1/2021	408,669	-	123,536	285,133
	<b>Total Assessment Obligations:</b>		<b>408,669</b>	<b>-</b>	<b>123,536</b>	<b>285,133</b>
	<b>Total Liabilities:</b>		<b>1,351,207</b>	<b>8,720,760</b>	<b>131,802</b>	<b>9,940,165</b>

**Lincoln County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17117	56,881	-	56,881	-
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17117	14,093	-	14,093	-
<b>Total CFDA 10.557:</b>				<b>70,974</b>	<b>-</b>	<b>70,974</b>	<b>-</b>
<b>Child Nutrition Cluster</b>							
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	Summer Food Service Program for Children	10.559	20150362	163	-	163	-
<b>Total Child Nutrition Cluster:</b>				<b>163</b>	<b>-</b>	<b>163</b>	<b>-</b>
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17117	125	-	125	-
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via WA Dept of Social & Health Serv)	Juvenile Accountability Block Grants	16.523	1463-17259	6,200	-	6,200	-
Bureau Of Justice Statistics, Department Of Justice (via Washington State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	K10485	8,700	-	8,700	-
Violence Against Women Office, Department Of Justice (via WA Dept of Community Trade & Economic Development)	Violence Against Women Formula Grants	16.588	F14-31103-023	14,049	-	14,049	-
Violence Against Women Office, Department Of Justice (via WA Dept of Community Trade & Economic Development)	Violence Against Women Formula Grants	16.588	2014-WF-AX- 0053	15,278	-	15,278	-
<b>Total CFDA 16.588:</b>				<b>29,327</b>	<b>-</b>	<b>29,327</b>	<b>-</b>

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Bureau Of Justice Assistance, Department Of Justice (via WA State Military Department)	Bulletproof Vest Partnership Program	16.607	n/a	3,560	-	3,560	-
<b>Highway Planning and Construction Cluster</b>							
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1018	58,902	-	58,902	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1019	131,091	-	131,091	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1020	23,405	-	23,405	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1021	631,649	-	631,649	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1023	695	-	695	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1024	1,025,728	-	1,025,728	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1025	48,398	-	48,398	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1026	5,725	-	5,725	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1027	1,313	-	1,313	-

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1028	5,290	-	5,290	-
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,932,196</b>	-	<b>1,932,196</b>	-
<b>Highway Safety Cluster</b>							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	Letter	5,327	-	5,327	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	Letter	845	-	845	-
<b>Total Highway Safety Cluster:</b>				<b>6,172</b>	-	<b>6,172</b>	-
Office Of Special Education And Rehabilitative Services, Department Of Education (via WA State Dept of Health (Early Learning))	Special Education-Grants for Infants and Families	84.181	14-1272	10,848	-	10,848	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Public Health Emergency Preparedness	93.069	C17117	20,964	-	20,964	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Health)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-90023	6,187	-	6,187	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Health)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-90023	54,388	-	54,388	-
<b>Total CFDA 93.243:</b>				<b>60,575</b>	-	<b>60,575</b>	-

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass-Through Agency)	Expenditures					Note
	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards		
				From Direct Awards	Total	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C17117	-	940	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C17117	-	1,067	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C17117	-	4,334	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C17117	-	961	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C14955	-	7,918	-
Total CFDA 93.268:				-	15,220	-
Administration For Children And Families, Department Of Health And Human Services (via WA State Dept of Social & Health Services)	Child Support Enforcement	93.563	2110-80330	-	175,232	-
Medicaid Cluster						
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA State Dept of Health)	Medical Assistance Program	93.778	300-441-940	-	1,831	-
Total Medicaid Cluster:				-	1,831	-
Office Of The Secretary, Department Of Health And Human Services (via WA State Dept of Health)	National Bioterrorism Hospital Preparedness Program	93.889	800-882-494	-	14,703	-

The accompanying notes are an integral part of this schedule.



Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-43867/1163- 27317	11,298	-	11,298	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42484/1163- 27317	79,434	-	79,434	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27317	1,385	-	1,385	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27317/1563- 43867	28,599	-	28,599	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27317/1563- 43867	3,728	-	3,728	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Dept of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27317/1563- 43867	37,955	-	37,955	-
<b>Total CFDA 93.959:</b>				<b>162,399</b>	<b>-</b>	<b>162,399</b>	<b>-</b>
Health Resources And Services Administration, Department Of Health And Human Services (via WA State Dept of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17117	1,600	-	1,600	-

The accompanying notes are an integral part of this schedule.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
				43,955	-	43,955		
Health Resources And Services Administration, Department Of Health And Human Services (via WA State Dept of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17117					
			<b>Total CFDA 93.994:</b>	<b>45,555</b>	-	<b>45,555</b>	-	
Department Of Homeland Security (via WA State Parks & Recreation)	Boating Safety Financial Assistance	97.012	3314FA5140153	9,398	-	9,398	-	
Department Of Homeland Security (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E15-175	16,700	-	16,700	-	
Department Of Homeland Security (via WA State Emergency Management)	Fire Management Assistance Grant	97.046	D15-020	1,331	-	1,331	-	
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E14-152/DEM- 1316	3,223	-	3,223	-	
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E15-112	9,103	-	9,103	-	
			<b>Total CFDA 97.067:</b>	<b>12,326</b>	-	<b>12,326</b>	-	
			<b>Total Federal Awards Expended:</b>	<b>2,604,499</b>	-	<b>2,604,499</b>	-	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Year Ended December 31, 2015

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the County's financial statements. The County uses the cash basis of accounting.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant portions of the program costs. Entire program costs, including the County's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – NONCASH AWARDS – VACCINATIONS

The amount of vaccine reported on the schedule is the value of vaccine and syringes distributed by the County during the current year and priced as prescribed by the Department of Health.

NOTE 4 – INDIRECT COST RATE

The amount expended may include an indirect cost recovery amount using an approved indirect cost rate of 20.88% (as approved by the Lincoln County Board of County Commissioners on November 17, 2014). For 2015, Public Health uses an indirect cost rate of 34.35%.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>