



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
Lincoln County

For the period January 1, 2016 through December 31, 2016

Published August 14, 2017

Report No. 1019577





Office of the Washington State Auditor
Pat McCarthy

August 14, 2017

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,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lincoln County January 1, 2016 through December 31, 2016

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 Cluster – Highway Planning and Construction (Federal –Aid Highway Program)

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, 2016 through December 31, 2016**

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, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated July 10, 2017.

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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

July 10, 2017

**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, 2016 through December 31, 2016**

Board of Commissioners
Lincoln County
Davenport, Washington

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

We have audited the compliance of Lincoln County, 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, 2016. 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, 2016.

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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

July 10, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lincoln County **January 1, 2016 through December 31, 2016**

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, 2016, 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, 2016, 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, 2016, 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 10, 2017 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.



Pat McCarthy

State Auditor

Olympia, WA

July 10, 2017

FINANCIAL SECTION

Lincoln County January 1, 2016 through December 31, 2016

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016

Lincoln County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 Current Expense	102 Public Health
Beginning Cash and Investments				
30810	Reserved	1,339,790	510,803	-
30880	Unreserved	3,978,364	1,983,532	55,721
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	5,265,297	2,694,963	96,013
320	Licenses and Permits	183,102	111,624	63,478
330	Intergovernmental Revenues	11,192,393	1,442,789	289,461
340	Charges for Goods and Services	3,965,134	1,938,786	52,136
350	Fines and Penalties	446,777	442,079	-
360	Miscellaneous Revenues	3,262,774	397,861	1,669
Total Revenues:		24,315,477	7,028,103	502,757
Expenditures				
510	General Government	4,973,368	3,741,832	-
520	Public Safety	3,406,645	2,750,833	-
530	Utilities	427,367	-	-
540	Transportation	8,881,074	-	-
550	Natural and Economic Environment	479,638	195,256	-
560	Social Services	1,007,871	25,885	495,444
570	Culture and Recreation	268,615	96,211	-
Total Expenditures:		19,444,578	6,810,016	495,444
Excess (Deficiency) Revenues over Expenditures:		4,870,899	218,085	7,313
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	678,293	-	-
397	Transfers-In	570,868	510,255	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	99,223	31,062	-
381, 395, 398	Other Resources	124,407	83,996	-
Total Other Increases in Fund Resources:		1,472,791	625,312	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	3,507,241	341,835	2,938
591-593, 599	Debt Service	148,426	1,509	-
597	Transfers-Out	570,868	22,005	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	53,350	1,055	-
581	Other Uses	76,782	67,201	-
Total Other Decreases in Fund Resources:		4,356,668	433,605	2,938
Increase (Decrease) in Cash and Investments:		1,987,023	409,793	4,375
Ending Cash and Investments				
5081000	Reserved	1,291,447	412,153	-
5088000	Unreserved	6,013,729	2,491,976	60,095
Total Ending Cash and Investments		7,305,175	2,904,129	60,095

The accompanying notes are an integral part of this statement.

104 Developmental Dis	105 County Fair	107 County Road	108 Treasurer's M&O	109 Auditor's M&O	113 Alcohol/Drug
4,076	-	-	46,751	102,783	-
11,380	12,618	265,268	-	-	7,873
-	-	-	-	-	-
23,967	665	1,498,165	-	-	2,938
-	-	8,000	-	-	-
92,327	69,823	8,291,417	-	43,496	348,359
-	25,980	152,261	24,604	8,241	9,974
-	-	-	-	-	-
61	43,310	40,473	165	26	2,479
116,356	139,778	9,990,317	24,768	51,763	363,750
-	-	191,972	38,373	94,757	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	6,324,932	-	-	-
-	-	-	-	-	-
121,455	-	-	-	-	300,087
-	172,405	-	-	-	-
121,455	172,405	6,516,905	38,373	94,757	300,087
(5,100)	(32,627)	3,473,412	(13,604)	(42,994)	63,663
8,983	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	33,108	10,122	-	-	-
-	1,063	-	-	-	765
8,983	34,170	10,122	-	-	765
353	795	2,540,350	-	13,319	374
-	480	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	450	-	-	-	-
-	8,457	-	-	-	-
353	10,181	2,540,350	-	13,319	374
3,530	(8,638)	943,184	(13,604)	(56,313)	64,054
13,059	-	-	33,146	46,470	-
5,928	3,981	1,208,452	-	-	71,927
18,987	3,981	1,208,452	33,146	46,470	71,927

The accompanying notes are an integral part of this statement

132 Enhanced 911	133 Emergency Comm	134 Domestic Violence	138 Watershed Mgmt	150 Weed Board	151 Court Facilitator
-	-	19,791	-	-	-
104,112	105,697	-	-	32,324	19,667
-	-	-	-	-	-
105,457	121,569	-	-	-	-
-	-	-	-	-	-
466,093	-	-	-	-	-
-	-	14,788	-	991	53,444
-	-	-	-	-	-
246	-	-	-	193,194	-
571,796	121,569	14,788	-	194,185	53,444
-	-	-	-	-	68,461
547,168	95,244	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	205,127	-
-	-	15,000	-	-	-
-	-	-	-	-	-
547,168	95,244	15,000	-	205,127	68,461
24,628	26,325	(212)	-	(10,942)	(15,017)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,517	-
-	-	-	-	-	-
-	-	-	-	3,517	-
-	20,752	-	-	3,913	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	20,752	-	-	3,913	-
24,628	5,573	(212)	-	(11,338)	(15,017)
-	-	19,579	-	-	-
128,741	111,270	-	-	20,986	4,650
128,741	111,270	19,579	-	20,986	4,650

The accompanying notes are an integral part of this statement

208 PW LTGO Ban Not	230 Martin Hall Debt	250 Hanson Harb RID	251 Sunny Hills RID	265 Consolidated RID	305 Capital Improve
-	-	-	7,750	29,281	405,271
-	25	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	103,416
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	239	4,458	-
-	-	-	1,097	106,740	70
-	-	-	1,336	111,198	103,486
-	-	-	-	-	350
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	350
-	-	-	1,336	111,198	103,136
-	-	-	-	-	-
51,574	9,039	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
51,574	9,039	-	-	-	-
-	-	-	-	-	55,036
51,574	9,065	-	304	85,494	-
-	-	-	-	-	8,674
-	-	-	-	-	-
-	-	-	7,657	33,379	41
-	-	-	1,125	-	-
51,574	9,065	-	9,086	118,873	63,751
0	(26)	-	(7,750)	(7,675)	39,385
-	-	-	-	21,607	444,656
-	-	-	-	-	-
-	-	-	-	21,607	444,656

The accompanying notes are an integral part of this statement

307 Maint Facility Proj	315 Rural Co Develop	405 Professional Bldg	410 Solid Waste	510 Equip Rental & Rev	520 Pits & Quarries
-	120,302	-	-	-	-
29,096	-	5,034	32,127	427,630	262,610
-	-	-	-	-	-
-	109,965	-	-	-	-
-	-	-	-	-	-
-	10,000	-	90,548	-	-
-	-	-	319,619	-	416,262
-	-	-	-	-	-
-	-	5,000	11,997	2,458,387	-
-	119,965	5,000	422,164	2,458,387	416,262
-	-	2,609	-	-	-
-	-	-	-	-	-
-	-	-	427,367	-	-
465,656	-	-	-	1,501,800	588,686
-	56,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
465,656	56,000	2,609	427,367	1,501,800	588,686
(465,656)	63,965	2,391	(5,203)	956,587	(172,424)
669,310	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,602	13,793	19
-	-	-	1,500	10,561	560
669,310	-	-	9,102	24,353	579
179,848	-	-	1,324	337,453	5,620
-	-	-	-	-	-
51,574	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,769	-	-
-	-	-	-	-	-
231,422	-	-	12,093	337,453	5,620
(27,768)	63,965	2,391	(8,194)	643,488	(177,465)
-	184,266	-	-	-	-
1,328	-	7,425	23,933	1,071,116	85,145
1,328	184,266	7,425	23,933	1,071,116	85,145

The accompanying notes are an integral part of this statement

540 Employee Self-
Ins

	-
562,608	-
	-
	-
	-
867,476	-
	-
	-
867,476	
835,014	-
	-
	-
	-
	-
	-
835,014	
32,462	
	-
	-
	-
	-
25,963	
25,963	
	-
	-
	-
	-
	-
	-
	-
58,425	
	-
621,033	
621,033	

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, 2016

		Total for All Funds (Memo Only)	625 Foreclosure Surplus	691 Treasurer's Suspense	696 Auditor's Trust
308	Beginning Cash and Investments	44,130	41,188	751	2,191
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	256,564	10,859	232,405	13,300
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	191,801	18,650	159,379	13,773
Net Increase (Decrease) in Cash and Investments:		64,763	(7,791)	73,026	(473)
508	Ending Cash and Investments	108,893	33,398	73,777	1,718

The accompanying notes are an integral part of this statement.

LINCOLN COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS

January 1, 2016 through December 31, 2016

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:

2016 BUDGET APPROPRIATIONS

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Assessor	329,326	322,882	6,444
Auditor	243,329	237,428	5,901
Board of Equalization	4,234	2,460	1,774
Civil Service	4,408	2,709	1,699
Clerk	278,209	274,860	3,349
Commissioners	375,432	375,432	0
Planning	220,322	196,871	23,451
Cooperative Extension	89,306	87,719	1,587
Coop Ext-Bulletin	250	52	198
Coroner	16,802	16,802	0
Courthouse	322,965	320,690	2,275
Data Processing	238,258	157,887	80,371
Information Services	274,973	272,196	2,777
District Court	260,524	254,869	5,655
Probation	75,697	74,504	1,193
Jail	767,128	767,127	1
Juvenile Services	197,856	183,523	14,333
Consolidated Juv Serv	59,246	33,318	25,928
CDDA	-	-	-
CJAA	5,200	-	5,200
JAIBG	-	-	-
Community Litter Cleanup	6,434	6,433	1
BECCA Bill Grant	10,146	10,143	3
Non-Departmental	407,550	372,092	35,458
Personnel Enhancement Training	-	-	-
Prosecuting Attorney	437,058	426,588	10,470
Stop Grant - Prosecuting Attorney	15,232	8,800	6,432
Sheriff Administration	418,035	408,017	10,018
Sheriff Operations	1,120,632	1,087,884	32,748
Stop Grant - Sheriff	15,232	9,017	6,215
Marijuana Eradication	100	-	100
Davenport Law Enforcement	332,051	296,586	35,465
Superior Court	227,395	227,392	3
Treasurer	319,130	288,353	30,777
Welfare	700	-	700
Other Financing Uses	18,196	17,140	1,056
Non Expenditures	1,025	246	779
Election	143,167	125,789	17,378
Counseling Services	26,357	6,248	20,109
Veterans Assistance	13,800	6,036	7,764
Special Funded Services	65,000	61,327	3,673
Law Library	90,738	90,734	4
Special Reserve Fund	43,905	43,905	0
REET Technology Fund	14,000	13,013	987
Trial Court Improvement	76,544	43,709	32,835
Youth Programs	3,931	1,368	2,563

Education & Grant Fund	17,570	2,523	15,047
Criminal Antiprofitteering	2,454	-	2,454
Crime Victims	18,500	12,215	6,285
Drug Enforcement	19,700	17,970	1,730
Seized/Forfeited Property	5,975	-	5,975
DARE	3,810	2,031	1,779
Unemployment Insurance	16,860	16,860	0
Public Defense Service	17,000	13,874	3,126
Housing Rehab Project	46,000	46,000	-
Total General Fund			474,071
			-
Public Health	538,075	498,383	39,692
Developmental Disabilities	121,809	121,808	1
County Fair	196,146	182,586	13,560
County Road	11,985,472	9,057,255	2,928,217
Treasurer's M&O	41,011	38,373	2,638
Auditor's M&O	151,299	108,076	43,223
Alcohol/Drug Services	300,462	300,461	1
Affordable Housing Trust	11,000	-	11,000
Lincoln County Tourism	23,255	23,255	0
Homeless Housing	50,000	50,000	-
Traffic Policing	500,000	488,614	11,386
Marine Enforcement/Education	10,520	10,516	4
Sex Offender Registration	27,763	6,217	21,546
Enhanced 911	610,635	547,168	63,467
Emergency Communications	178,160	115,995	62,165
Domestic Violence Prevention	20,000	15,000	5,000
Watershed Management	-	-	-
Noxious Weed Control Board	253,866	209,040	44,826
Court Facilitator	69,374	68,461	913
PW LTGO Ban Note Debt	51,575	51,574	1
Martin Hall Debt Service	9,065	9,065	0
Hanson Harbor RID #01-02	-	-	-
Sunny Hills RID #04-01	9,086	9,086	0
Consolidated RID No. 09-01 Bond	314,616	118,873	195,743
Capital Improvements	175,300	64,101	111,199
Maintenance Facility Project	800,000	697,078	102,922
Rural County Development	200,000	56,000	144,000
Emergency Response Center	-	-	-
Professional Building Fund	4,800	2,609	2,191
Solid Waste Management	439,500	439,460	40
Equipment Rental & Revolving	2,730,000	1,839,253	890,747
Pits & Quarries	594,600	594,306	294
Employee Self-Insurance	950,000	835,014	114,986
Foreclosure Surplus	41,188	18,650	22,538

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, 2016 was \$532,699.35, for accumulated unused sick leave was \$423,519.85 and for Public Works accumulated unused comp time was \$4,042.43 for a total of \$960,261.63.

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:

<u>Transfers Out</u>		<u>Transfers In</u>	
Current Expense	\$17,140	Current Expense	\$493,480
Special Reserve	\$4,865	Trial Court Improvement	\$16,775
Traffic Policing	\$488,614	PW LTGO Ban Note	\$51,574
Capital Improvements	\$8,674	Martin Hall Debt Service	\$9,039
Maintenance Facility Proj	\$51,574	Solid Waste	\$0
TOTAL OUT	\$570,868	TOTAL IN	\$570,868

i. Risk Management

The County is a member of the Washington Rural Counties Insurance Pool (WRCIP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1998 when three counties in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2016, there are eight counties in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires insurance through their Administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$45,000,000 with a self-insured retention of \$50,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the %50,000 self-insured retention. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$50,000 self-insured retention in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$541,079.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for the a \$1,000 - \$10,000 per occurrence deductible. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 (\$5,000 for sewer plants). Members are responsible for the full deductible amount of each claim. There is no program self-insured retention on this coverage.

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

The program is governed by an eight-member board of directors elected by each member's designated voting representative. It is felt the individual counties are best able to select their own representatives to manage their insurance association.

The program is funded by its member participants and has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the policy year beginning December 1, 2015 and ending December 1, 2016 were \$506,550.64.

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 year's charges is approximately \$19,140.

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 - \$504,666.46

Payments on Claims - \$504,666.46

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 \$330,347.53 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	\$ 13,059	Statutory requirement - mental health services
Veteran's Assistance	\$ 22,881	Statutory requirement - honorable discharge veterans
Treasurer's M&O	\$ 33,146	Statutory requirement - foreclosure fees
Auditor's M&O	\$ 46,470	Statutory requirement - document surcharge
Special Funded Services	\$ -	Internal restrictions-retained earnings, insurance & building reserve
Affordable Housing	\$ 25,093	Statutory requirement limiting expenditures - document surcharge
Special Reserve Fund	\$ 21,297	External restrictions - Davenport contract with Sheriff's Office
Lincoln County Tourism	\$ 20,220	Statutory requirement - hotel/motel tax
REET Technology	\$ 94,206	Statutory requirement - electronic technology fee
Trial Court Improvement	\$ 51,620	Statutory requirement - judicial salary
Homeless Housing	\$ 71,198	Statutory requirement - document surcharge
Criminal Anti-Profitteering	\$ 2,455	Statutory requirement - statewide apportionment
Crime Victims	\$ 151,001	Statutory requirement - crime victim and witness fees
Domestic Violence	\$ 19,579	Statutory requirement - document surcharge
Public Defense	\$ 11,514	Statutory requirement - state entitlement/public defense
		Statutory requirement-434 CDBG grant/low income housing improvement
Housing Rehab Project	\$ 54,127	
Hanson Harbor RID	\$ -	External restrictions - road improvement district bond repayment
Sunny Hills RID	\$ -	External restrictions - road improvement district bond repayment
Consolidated RID	\$ 21,607	External restrictions - road improvement district bond repayment
Capital Improvements	\$ 444,656	Statutory requirement - real estate excise tax

Rural County Development	\$ 184,266	Statutory requirement - rural county sales and use tax
Solid Waste	\$ -	External restrictions - grant funding
TOTAL RESERVED FUNDS	\$ 1,291,448	

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY/OTHER DISCLOSURES

A. Pending Legal Matters.

Notice of Claim

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.

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. The Superior Court granted summary judgment in favor of Lincoln County. (all claims were dismissed). Plaintiff appealed that ruling and that appeal is still pending.

Kodiak, LLC v. Lincoln County, Spokane County cause # 16-2038311

On September 30, 2016, Kodiak, LLC, owned by a property developer, filed a Summons and Complaint against Lincoln County alleging Lincoln County improperly denied Kodiak a conditional use permit regarding its development of a recreational vehicle subdivision on Hawk Creek Road. The Complaint additionally alleged tort interference, civil rights violations and improper constitutional taking by a governmental entity. Lincoln County filed its Answer to the Complaint on October 7, 2016. Mediation was conducted by mediator James Craven on November 9, 2016. This mediation resulted in a settlement between the parties. Pursuant to that settlement, Kodiak was to be granted a conditional use permit based upon numerous conditions contained in the settlement agreement. Lincoln County agreed to pay reasonable expenses and fees incurred by Kodiak for legal, engineering and mediation services. All conditions of that settlement agreement have been complied with and the Spokane County Superior court entered an order of dismissal. This matter is concluded.

Various Unlawful Labor Practice Complaints

- 1) An unlawful labor practice complaint was filed by Teamsters Local 690 against Lincoln County, alleging employer interference with employee rights by questioning Morgan Scharff about his decision to get assistance from union representative and making statements that could reasonable by perceived as a threat of reprisal or force, or promise of benefit, associated with the employee's protected union activity. Lincoln County answered that unlawful labor practice complaint (ULP). Ultimately, this matter was settled outside of litigation, with neither party actually prevailing. This matter is closed.
- 2) On June 21, 2016, Teamsters Local 690 filed an unlawful labor practice complaint against Lincoln County alleging employer interference with employee rights by questioning Steve Steadman about whether or not Steadman like the employer's camera policy, in a manner that could reasonable by perceived as a threat of reprisal or force, or promise of benefit, associated with the employees' union activity. Lincoln County filed an answer to this complaint. While in negotiations, this matter was settled, with no prevailing party. This matter is concluded.
- 3) On or about September 29, 2016, Teamsters Local 690 filed two separate unfair practice complaints (one for commissioned employees and one non-commissioned employees) alleging that by passing resolution 16-22 (a resolution indicating that Lincoln County Commissioners intended to conduct union contract negotiations in open public meetings) constituted a refusal to bargain, discriminated and retaliated against union employees and violated the collected bargaining agreements. The public employment relations commission ruled that those ULP's failed to state any claims upon which public employment relations commission could decide the issue. The ULP's were denied by the public employment relations commission (PERC). Thereafter, one initial negotiation was held with Teamsters Local 690 pertaining to contract negotiation. (in open meeting) At the second scheduled meeting, an Attorney for the Teamsters appeared at the meeting and demanded that the meetings not be held in public. Lincoln County Commissioners informed this Attorney that, pursuant to the resolution, all meetings will be held in open meeting. Thereafter, the Teamsters refused to continue to bargain and left the meeting. At that point, the decision was made that Lincoln County would file its own unfair labor practice complaint (one for commissioned officers and one for non-commissioned officers). Those ULP's were filed with PERC. At the same time, Teamsters Local 690 filed its own ULP alleging refusal to bargain. Thereafter, PERC responded that Lincoln County's ULP's did state a claim and gave notice to Teamsters Local 690 to file its answer. With respect to Teamsters Local 690's ULP, PERC again dismissed any portion pertaining to negotiations to be held in open meeting and maintained a portion of their cause of action as to Lincoln County's alleged refusal to bargain. This matter is currently in litigation.

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 – DEPOSITS AND 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 Districts.

Investments are reported at original cost. Investments by type at December 31, 2016 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.	\$124,000	\$26,876,650	\$27,000,650
US Government Securities	\$0	\$9,325,208	\$9,325,208
Other: MMA	\$0	\$2,006,186	\$2,006,186
Total	\$124,000	\$38,208,045	\$38,332,045

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 2016 was \$1.47098 per \$1,000 on assessed valuation of \$1,382,391,229 for a total regular levy of \$2,033,470.

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 2016 of \$1.73037 per \$1,000 on assessed valuation of \$1,149,699,394 totaled \$1,989,405. The levy was split between the County Road fund at \$1.29547 per thousand of the assessed valuation in the amount of \$1,489,401; and the Traffic Policing fund at \$0.43490 per thousand in the amount of \$500,004.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2016.

Borrowing Fund	Lending Fund	Balance 1/1/2016	New Loans	Payments	Balance 12/31/2016
Sunny Hills RID	Special Funded Svc	1,970	0	1,125	845
Current Expense	Special Funded Svc	76,988	61,527	67,201	71,314
County Fair	Special Funded Svc	16,543	0	8,457	8,087
TOTALS		95,502	61,527	76,782	80,246

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, 2016. The payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	Total Debt	County Fair	Martin Hall	Maintenance Facility
2017	0	0	0	0
2018	4,187,382	0	0	4,187,382
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022-2026	0	0	0	0
2027-2031	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	4,187,382	0	0	4,187,382

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, 2016 is \$216,104.73.

On May 1, 2015, Lincoln County signed a Limited Tax General Obligation Bond Anticipation Note (BAN Note). The monies borrowed were used for the construction of a Public Works maintenance facility. The note indicates a one-time payment of principal, due April 18, 2018. Interest will be paid on semi-annual basis due May 1 and November 1.

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.

At June 30, 2016 (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 12/31/2016
	Employer Contributions	Allocation Percentage		
PERS 1 - 0541	\$ 4,590	0.000809%	5,370,471,000	43,447
PERS 1 - 0542	\$ -	0.000000%	-	-
PERS 1 UAAL- 0541	\$ 151,993	0.026802%	5,370,471,000	1,439,394
PERS 1 UAAL- 0542	\$ 183,175	0.032301%	5,370,471,000	1,734,716
PERS 2 and 3- 0541	\$ 198,016	0.034301%	5,034,921,000	1,727,028
PERS 2 and 3- 0542	\$ 184,326	0.031930%	5,034,921,000	1,607,650
Public Safety ERS 2	\$ 58,208	0.272856%	42,498,000	115,958
SERS 2 and 3			656,767,000	-
TRS 1			3,414,237,000	-
TRS 2 and 3			137,329,700	-
			<i>Total Net Pension Liability</i>	
	780,307.17		<i>(Schedule 09)</i>	6,668,193
LEOFF 1	0.00	0.005960%	(1,030,286,000)	(61,405)
LEOFF 2	61,464.32	0.040177%	(581,630,000)	(233,681)
			<i>Net Pension Assets (do not net with the liabilities)</i>	
			<i>Not reported on Schedule 09</i>	

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, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Martin Hall	12/1/2016	8,674	-	8,674	-
263.61	PW LTGO BAN	5/1/2016	3,466,498	669,310	-	4,135,808
Total General Obligation Debt/Liabilities:			3,475,172	669,310	8,674	4,135,808
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		949,361	10,901	-	960,262
264.30	Net Pension Liability		5,230,499	1,437,694	-	6,668,193
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,179,860	1,448,595	-	7,628,455
Assessment Debt/Liabilities (with commitments)						
253.11	CRID 09-01 Bond	6/1/2021	285,133	-	69,028	216,105
Total Assessment Debt/Liabilities (with commitments):			285,133	-	69,028	216,105
Total Liabilities:			9,940,165	2,117,905	77,702	11,980,367

Lincoln County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

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		
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C171117	58,570	-	58,570	-	4
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C171117	11,221	-	11,221	-	4
Total CFDA 10.557:				69,791	-	69,791	-	
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	Summer Food Service Program for Children	10.559	20160428	200	-	200	-	4
Total Child Nutrition Cluster:				200	-	200	-	
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C171117	125	-	125	-	4
Office For Victims Of Crime, Department Of Justice (via WA Dept of Commerce)	Crime Victim Assistance	16.575	S17-31102-520	24,818	-	24,818	-	
Violence Against Women Office, Department Of Justice (via WA Dept of Community Trade & Economic Development)	Violence Against Women Formula Grants	16.588	F15-31103-019	11,001	-	11,001	-	
Violence Against Women Office, Department Of Justice (via WA Dept of Community Trade & Economic Development)	Violence Against Women Formula Grants	16.588	F15-31103-020	15,278	-	15,278	-	
Total CFDA 16.588:				26,279	-	26,279	-	
Bureau Of Justice Assistance, Department Of Justice (via WA State Military Department)	Bulletproof Vest Partnership Program	16.607	n/a	2,104	-	2,104	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1020	25,303	-	25,303	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1023	3,586	-	3,586	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1024	128,569	-	128,569	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1025	1,557,251	-	1,557,251	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1026	3,968	-	3,968	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1027	2,453	-	2,453	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Dept of Transportation)	Highway Planning and Construction	20.205	G-1028	421,636	-	421,636	-	
Total Highway Planning and Construction Cluster:				2,142,766	-	2,142,766	-	
Highway Safety Cluster								
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	1,000	-	1,000	-	

The accompanying notes are an integral part of this schedule.

		Total Highway Safety Cluster:		1,000	-	1,000	-	
U.s. Election Assistance Commission (via Office of the Secretary of State)	Help America Vote Act Requirements Payments	90.401	CG008211	7,462	-	7,462	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Public Health Emergency Preparedness	93.069	C171117	17,782	-	17,782	-	4
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	1563-42484	3,600	-	3,600	-	
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	1563-42484	39,602	-	39,602	-	
		Total CFDA 93.243:		43,202	-	43,202	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C171117	855	-	855	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C171117	552	-	552	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C171117	3,173	-	3,173	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Immunization Cooperative Agreements	93.268	C171117	933	-	933	-	4
		Total CFDA 93.268:		5,513	-	5,513	-	
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	154,757	-	154,757	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C171117	858	-	858	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Dept of Health)	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	300-441-940	6,000	-	6,000	-	4
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	1563- 43867/16DH0192 0	136,551	-	136,551	-	
		Total Medicaid Cluster:		136,551	-	136,551	-	
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	7,443	-	7,443	-	4
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	1563-43867/1563- 42484	3,591	-	3,591	-	
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	25,646	-	25,646	-	

The accompanying notes are an integral part of this schedule.

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	1563-43867/16BH01920	58,023	-	58,023	-	
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	1563-43867/16BH01920	2,095	-	2,095	-	
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	1563-43867/16BH01920	47,868	-	47,868	-	
Total CFDA 93.959:				137,223	-	137,223	-	
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	C171117	20,377	-	20,377	-	4
United States Coast Guard (uscg), Department Of Homeland Security (via WA State Parks & Recreation)	Boating Safety Financial Assistance	97.012	3316FA5160153	13,057	-	13,057	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E16-212	18,290	-	18,290	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E15-115	4,881	-	4,881	-	
Total Federal Awards Expended:				2,840,479	-	2,840,479	-	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2016

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. Lincoln County is no longer vaccinating clients.

NOTE 4 – INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The amount expended may include an indirect cost recovery amount using an approved indirect cost rate of 21.90% (as approved by the Lincoln County Board of County Commissioners on February 16, 2016). For 2016, Public Health uses an indirect cost rate of 33.49%.

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.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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