

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006

Lincoln County
Oregon





COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006

Prepared by:
Michael Rich, Director, Finance and Administration

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LINCOLN COUNTY

Year Ended June 30, 2006

Board of Commissioners

<u>Name</u>	<u>Term Expires</u>
Donald Lindly, Chair (2006) 629 NE 20 th Place Newport, Oregon 97365	January 1, 2007
Terry N. Thompson, Chair (2005) 5123 NW Agate Way Newport, OR 97365	January 1, 2007
Bill Hall PO Box 465 Newport, OR 97365	January 5, 2009

Administrative Staff

Wayne Belmont, County Counsel

Michael Rich, Director, Finance and Administration

LINCOLN COUNTY

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INTRODUCTORY SECTION



To the Board of Commissioners and the Citizens of
LINCOLN COUNTY, OREGON (Continued)

Finance & Accounting



County of Lincoln

210 SW 2nd Street
Newport, Oregon 97365
(541) 265-4141
FAX (541) 265-4101

October 19, 2006

To the Board of Commissioners and the
Citizens of LINCOLN COUNTY, OREGON

FORMAL TRANSMITTAL OF THE CAFR

The Finance Department is pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Lincoln County for the fiscal year ended June 30, 2006. This report presents the financial position of the County as of June 30, 2006, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

LEGAL REQUIREMENTS

Under Oregon Revised Statutes (ORS) 297.465 the County's auditor is required to submit a copy of the signed audit report to each member of the governing body at the end of the fiscal year as well as each member of the governing body at the time of the reports release. The County is required to submit a copy of its audit report to the Secretary of State which shall also include the names, addresses and titles of each officer and member of the of the governing board of the County.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Responsibility for both the accuracy of the data and the completeness and fairness of the CAFR presentation, including all disclosures, rests with the County, not with the outside auditors.

INTERNAL CONTROL

Lincoln County's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management.

We believe the enclosed data, as presented in the financial statements, is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position, results of operations and cash flows of the various funds of the County.

**To the Board of Commissioners and the Citizens of
LINCOLN COUNTY, OREGON (Continued)**

INDEPENDENT AUDIT

As a recipient of federal and state awards, Lincoln County also is responsible for ensuring that an adequate internal control structure (reviewed annually) is in place to ensure compliance with applicable laws in ORS 297.425 and in conformity with the provisions of the Single Audit Act and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, Lincoln County is required to undergo an annual audit. As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2006, disclosed no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

REPORT CONTENTS

The CAFR is presented in five sections: Introductory, Financial, Statistical, Audit Comments and Disclosures and Grant Compliance – Single Audit.

The Introductory Section includes this transmittal letter, our organization chart, and a list of principal officials.

The Financial Section includes the basic financial statements and schedules, required supplemental information (including Management's Discussion and Analysis), as well as the auditor's report on the financial statements and schedules. Lincoln County has implemented the GASB 34 reporting requirements, which includes two new government-wide financial statements that provide both long-term and short-term information about the County's overall financial status. In addition, the Financial Section provides information on each individual fund and component unit for which data are not provided separately within the basic financial statements.

The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The Audit Comments and Disclosure Section contains financially-related comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations.

REPORTING ENTITY – GOVERNMENT PROFILE

This CAFR includes all funds of Lincoln County. Lincoln County provides a full range of services. These services include sheriff patrol and jail services; human services to the elderly and economically disadvantaged; public and mental health services; planning and economic development; the construction and maintenance of highways, streets, and parks. Also included are the activities of the remaining elected officials, including the County Clerk who conducts elections and maintains official records; the County Surveyor who oversees public land corners and reviews proposals for land partitions and subdivisions; the County Assessor, who is responsible for the valuation of property for taxation and the subsequent application of all levies in the County to those properties; the County Treasurer, who is responsible for revenue receipting, trust and agency accounting, property tax collections, and investment of public funds; and the

**To the Board of Commissioners and the Citizens of
LINCOLN COUNTY, OREGON (Continued)**

Board of Commissioners, who are responsible for setting policy, general administration of the County and holding public hearings on certain issues required by law.

COMPONENT UNITS

The Lincoln County Extension Agency is included in the County's financial statements, reflecting voter approval of an operating tax levy in November 1988 and the Board of County Commissioners control and approval of the budget and tax levy. This agency, primarily funded through the State of Oregon, Division of Higher Education, as part of Oregon State University, provides a wide variety of services to the residents of Lincoln County. The purpose of the Extension Service is to help people solve problems through education in the areas of home economics, 4-H, agriculture, forestry, marine and community resource development. Areas covered include homemaking and cooking classes, pest identification, crop analysis, the traditional rural functions including information on animal husbandry, as well as fishing, mollusk gathering and preparation, and other related marine life.

The Lincoln County Solid Waste District also is included because the Board of County Commissioners serve as the governing body, making appointments, hiring, and approving the budget. This agency, which became operational during the 1993-94 fiscal year, is funded through intergovernmental agreements with agencies throughout the County and a State Department of Environmental Quality grant. The agency is responsible for Countywide solid waste management planning; the recycling education and coordination function; illegal dumping cleanup and prevention, as well as enforcement coordination.

The Lincoln County Transportation District is included because the Board of County Commissioners serves as the governing body, making appointments, hiring, and approving the budget. This district, which was formed in 1996, is funded by a property tax levy, various intergovernmental revenues and grants and transit fees. The district provides a comprehensive transportation program for Lincoln County, including a scheduled stop bus system, the "Central Coast Connection," along the Highway 101 corridor, outlying cities and communities, and ancillary feeder lines available to all residents of the County. The district also provides a "dial-a-ride" service for disadvantaged, and senior and disabled citizens.

BUDGETS

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget adopted and appropriated by the County's Board of Commissioners.

Activities of the general fund, special revenue funds, debt service fund, capital projects fund, and internal service fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by program within the General Fund and by expenditure category within the other individual funds.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management. All fund balances are carefully monitored and are adequate to meet the needs of the respective funds.

**To the Board of Commissioners and the Citizens of
LINCOLN COUNTY, OREGON (Continued)**

ECONOMIC CONDITION AND OUTLOOK

LOCAL ECONOMY

Lincoln County's unemployment rate decreased from 6.9% to 6.0% during 2005-06. Most of this decrease reflects the continued impact of the federal economic stimulus acts passed in 2003. Due to Lincoln County's stronger dependence on the service and tourism industry, rather than its dependence on timber and fishing, the County is finally seeing a return to pre-September 11, 2001 tourist travel levels which will help to reduce the severe impacts on county employment levels. That notwithstanding, the 2006 closure of the commercial ocean salmon fishery has had a negative effect on the county's economy this year.

Since 1990, Oregon and Lincoln County have been experiencing in-migration from other states, which has caused housing prices to rise dramatically in the past year. This rise has dampened the effects of the slower property tax growth imposed by the Property Tax Limitation Measure of 1990, which capped the rate per thousand dollars of value at \$10.00 for general government and phased in a limit of \$5.00 per thousand for schools. However, even though Lincoln County has been minimally affected in most years, the lost revenue due to compression for the current year is approximately \$101,000. A property tax limitation measure, Ballot Measure 50, passed in May 1997, also has had an impact on County revenues. The estimated revenue impact since the property tax limitation passed in 1997 has been a reduction of more than \$2.0 million per year. For future years, property tax revenue growth per property is limited to 3% per year but may be further reduced by compression. New construction now results in new revenues rather than an adjustment in tax rates.

FINANCIAL PLANNING

Economic issues for fiscal year 2006-07 remain largely the same as in the recent past. Higher than normal unemployment from the lingering economic downturn on the coast in the past few years and current high fuel prices are major concerns. Legislation, placing the marbled murrelet on the Endangered Species List as a threatened species in 1992, continues to have an additional negative impact on timber receipts and logging activities. At the same time, any long-term effects of the Property Tax Limitation Measure of 1990 also may reduce property tax revenues. Because Ballot Measure 50 passed in May 1997, the impact from the 1990 Property Tax Limitation has been less severe than originally anticipated. Lincoln County officials have been taking steps to consolidate services, eliminate duplications, and reject new mandates from the State, to the extent possible, to meet the demands imposed by declining sources of revenue.

FINANCIAL POLICIES

Lincoln County's financial policies are explained in detail in the Notes to the Basic Financial Statements. To improve our ability to provide services to our citizens in unanticipated, emergency situations or periods of declining revenue sources, Budget Committee accepted a management recommendation four years ago to start increasing the General Fund budgeted ending balance each. As part of the County's long-range planning and budgeting process each year, we have steadily attempted to increase our unreserved fund balance in each fund to equal the minimum suggested level of 15% of budgeted revenues as recommended by the GFOA. As a result of this effort, the General Fund adopted ending fund balance achieved this target for the first time in the FY 2005-2006 budget.

Temporarily idle cash is invested in various instruments including obligations of the United States Government and its agencies, bank repurchase agreements, and the State Treasurer's investment pool.

**To the Board of Commissioners and the Citizens of
LINCOLN COUNTY, OREGON (Continued)**

Investments made by the County are made under the provisions of Oregon Law. Investment risk is categorized in the notes to the General Purpose Financial Statements. As of June 30, 2006 the County had investments and deposits of \$33,917 of which \$12,741 was in the State Treasurer's Investment Pool, \$3,643 was invested in short term commercial paper and \$17,533 was on deposit with financial institutions.

The County contracts with NLC Mutual through City/County Insurance Services to provide workers compensation coverage, and with a number of other insurance companies to provide liability and fire insurance. The Insurance Reserve fund is used to provide excess liability insurance over the minimum payments. In addition, this fund is used to cover auto damage claims and repairs, pension related fiduciary expenditures, unemployment insurance on a reimbursement basis to the State, and other related costs.

MAJOR INITIATIVES

During December 2003, the County completed a current refinancing of its Series 1993 General Obligation Jail Bonds. The refunding will generate more than \$306,000 of interest savings to the taxpayers over the remaining six-year life of the bonds. The final maturity for this bond issue is in February 2010. In addition, the county loan approved in 1999 for the purchase of a new computer network had a final payment in October 2004.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to Lincoln County for its CAFR for the fiscal year ended June 30, 2005. This is the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of the CAFR on a timely basis was made possible by contributions from the County Treasurer, the County Assessor, and especially the Financial and Accounting department staff. Each member of the respective departments has our sincere appreciation for the contributions made in the preparation of this report.

Acknowledgement is also due to the Board of County Commissioners, whose leadership and support made the preparation of this report possible.

Sincerely,

Michael Rich, Director
Finance and Administration

Don Lindly
Chair, Board of Commissioners

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lincoln County,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Enos

Executive Director

LINCOLN COUNTY

PRINCIPAL OFFICIALS

June 30, 2006

BOARD OF COUNTY COMMISSIONERS

<i>Title</i>	<i>Name</i>
Commissioner, Chair (2006)	Donald Lindly
Commissioner, Chair (2005)	Terry N. Thompson
Commissioner	Bill Hall

OTHER ELECTED OFFICIALS

<i>Title</i>	<i>Name</i>
Assessor	Rob Thomas
County Clerk	Dana Jenkins
District Attorney	Bernice Barnett
Sheriff	Dennis Dotson
Surveyor	Thomas Hamilton
Treasurer	Linda Pitzer

MANAGEMENT OFFICIALS

<i>Title</i>	<i>Name</i>
County Counsel	Wayne Belmont
Director, Community Corrections	Suzanne Gonzales
Director, Finance and Administration	Michael Rich
Director, Health and Human Services	Jan Kaplan
Director, Human Services	Jane McCollister
Director, Juvenile	Alan Peterson
Director, Planning and Development	Matt Spangler
Director, Road	Jim Buisman

Lincoln County Organization Chart

Citizens

Board of Commissioners
 Don Lindly
 Terry N. Thompson
 Bill Hall

Elected Officials

County Sheriff
 Dennis Dotson

- Patrol
- Jail
- Civil
- Boat Patrol
- Animal Shelter

District Attorney
 Bernice Barnett

- Prosecution
- Support Enforcement
- Victim Assist.
- Anti-Drug Program

County Surveyor
 Tom Hamilton

County Assessor
 Rob Thomas

- Addressing

County Treasurer
 Linda Pitzer

- Tax Collection

County Clerk
 Dana Jenkins

- Elections
- Recording
- BOPTA

Community Services

Public Health
 Environ. Health

Mental Health
 Addiction
 MR/DD

Veterans Services

Senior Outreach

Children/Family Commission

Detention Health

Transportation

Roads

Special Transportation

Parks

Administration

Finance & Accounting

Human Resources

Central Administration

Computer Services

Planning

Other Requirements

Public Safety

Community Corrections

Juvenile

Emergency Services

Children's Advocacy Center

Other Funds

Debt Service Fund

Self Insurance Fund

County Fair Fund

County School Fund

Law Library Fund

Miscellaneous Funds

FINANCIAL SECTION





BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
LINCOLN COUNTY
Newport, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **LINCOLN COUNTY** as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **LINCOLN COUNTY**, as of June 30, 2006, the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, General Road, and Human Services Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A

www.bcslc.com

Established - 1968

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as listed in the Grant Compliance – Single Audit section of the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **LINCOLN COUNTY**. The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
September 22, 2006

By: 
Douglas C. Parham, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

LINCOLN COUNTY, OREGON MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lincoln County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the County's Financial Statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

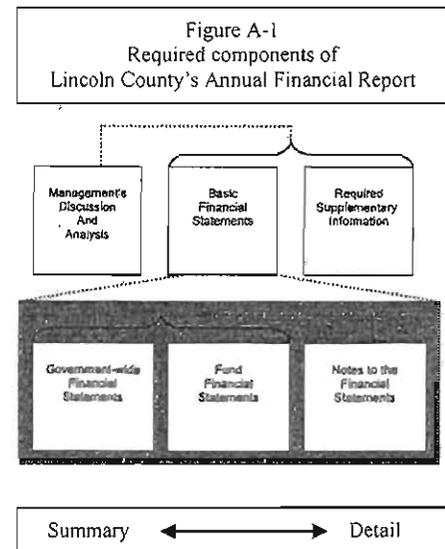
FINANCIAL HIGHLIGHTS

- The County's total net assets increased \$6,797 or 4.7% over the course of this year's operations. Part of this increase was in total assets, which increased \$6,831 or 4.5% while liabilities were essentially unchanged.
- During the year, the County's total revenues increased \$2,136 or 9.8%, which was partially offset by an expense increase of \$2,882 or 6.8%.
- The net cost of the County's governmental programs (revenues minus expenses) showed a slight decrease of 2.4%.
- The general fund reported a balance of \$9,517 this year, which is a \$1,505 or 18.8% increase over last year. This increase reflects \$759 higher property taxes, higher forestry income of \$280, an increase of interest income of \$280 and \$272 of fee income from the Corrections Department new "Healthy Family" program. This program is a private study of felons living with underage children and the effects on the family structure.
- Net Capital Assets increased \$4,344 or 3.7%. This was almost entirely made up of an increase in infrastructure of \$4,182.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – independent auditor's report, management's discussion and analysis (this part), basic financial Statements, and the combining and individual non major fund statements and schedules. The basic financial Statements include two kinds of Statements that present different views of the County:

- Government-wide financial Statements that provide both long-term and short-term information about the County's overall financial status.
- Fund specific financial Statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide Statements.



- The *governmental funds* Statements tell how general government services like administration, public safety and community services were financed in the short-term as well as what remains for future spending.
- *Proprietary fund* Statements offer short and long-term financial information about the activities the government uses to accumulate and allocate costs internally among the County’s various functions, such as the Internal Service Fund, which covers self-insurance activities.
- *Fiduciary fund* Statements provide information about assets that are held by the County as a trustee or Agent for the benefit of someone or something other than the county itself, such as the Property Tax and Other Agency Fund.

The financial Statements also include notes that explain some of the information in the financial Statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provides details about our non-major governmental funds and internal service fund, which are then added together and presented in a single column labeled Other Governmental Funds in the basic financial Statements.

Figure A-2 summarizes the major features of the County’s financial Statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the Statements.

**Figure A-2
Major Features of Lincoln County’s Government-wide and Fund Financial Statements**

	Fund Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County’s blended component units	The Activities of the County that are not proprietary or fiduciary, such as the General Fund, the Road Fund and the Health and Human Services Fund	Activities the County operates to accumulate and allocate costs internally among the County’s various functions, such as the Insurance Internal Service Fund	Instances in which the County is the trustee or agent for someone else’s resources, such as the Property Tax and Other Agency Fund
Required financial Statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities both short-term and long-term; the County’s funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide Statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide Statements report the County's net assets and how they have changed. Net assets represents the difference between the County's assets and liabilities and over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lincoln County is improving or deteriorating, respectively. The Statement of Activities presents information showing how Lincoln County's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Some revenues and expenses reported in this statement may result in cash flows in future periods, e.g. uncollected property taxes and earned but unused vacation leave. To assess the overall health of the County, you also need to consider additional non-financial factors such as changes in the County's property tax base and the condition of the County's infrastructure such as roads.

Fund Financial Statements

The fund financial Statements provide more detailed information about the County's most significant funds – not the County as a whole. A fund is an accounting device that the County uses to keep track of specific sources of funding and spending for specific objectives or purposes.

- Some funds are required by State law and by bond covenants (such as the General Fund and the Jail Debt Service Fund, respectively).
- The County Board of Commissioners establishes other funds to control and manage money for particular purposes (like the Law Library Fund) or to show that it is properly using certain State and federal grants (like the grants that support the Health and Human Services Fund).

The County has three kinds of funds:

- **Governmental funds** – Most of the County's basic services are included in governmental funds, which focus on:
 - (1) how *cash and other financial assets*, that can readily be converted to cash, flow in and out and,
 - (2) the balances left at year-end that are available for spending. Consequently, the governmental funds Statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future for the County's programs. Because this information does not encompass the additional long-term focus of the government-wide Statements, we provide a reconciliation at the bottom of the governmental funds Statement, or on the subsequent page, to facilitate the comparison between governmental funds and governmental activities.
- **Proprietary funds** – Lincoln County has an Internal Service fund to accumulate and allocate costs among the County's various departments and funds. Lincoln County uses its Internal Service fund to self-manage its insurance programs such as retrospective workers compensation, property, fire, auto and liability insurance. Since this is Lincoln County's only Internal Service fund, it has been included in governmental activities in the government-wide financial statements.

- **Fiduciary funds** – Fiduciary (or agency) funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources are not fully available to support the operations of Lincoln County. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. An example is the Property Tax fund, which the Lincoln County Treasurer collects for many different entities within Lincoln County and then redistributes in accordance with tax rates certified by the County Assessor.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets. The County’s combined net assets were \$151,643 which is an increase of \$6,797 or 4.7% between fiscal years 2005 and 2006 (See Table A-1). Looking at the main categories of assets and liabilities shows the varying reasons for this net change.

Net Assets				
(in thousands of dollars)				
June 30, 2006				
	Governmental Activities		Increase (Decrease)	Total Percentage Change
	2005	2006	2005-06	2005-06
Assets				
Current and other assets	\$ 33,358	\$ 35,845	\$ 2,487	7.50%
Capital assets	118,785	123,129	4,344	3.7%
Total assets	152,143	158,974	6,831	4.5%
Liabilities				
Long-term debt outstanding	4,661	3,914	(747)	(16%)
Other liabilities	2,636	3,417	781	29.6%
Total liabilities	7,297	7,331	34	0.5%
Net Assets				
Invested in capital assets net of related debt	115,586	120,699	5,113	4.40%
Restricted	3,383	18,742	15,359	454.00%
Unrestricted	25,877	12,202	(13,675)	(52.85%)
Total net assets	\$ 144,846	\$ 151,643	\$ 6,797	4.7%

Current and other assets increased \$2,487 or 7.5% due mainly to an increase in cash from higher tax collections and from a decision to establish reserves to offset potential reductions in Forestry revenue sharing payments to the county road fund. Capital assets increased \$4,344 or 3.7%. Long-term obligations declined \$747 due to normal debt payments on our General Obligation Refunding Bonds issued to fund our jail facilities, a loan to fund computer equipment and a Capital Lease to fund Law Enforcement equipment. Other liabilities increased \$781. The County has identified the net assets belonging to the General Road Fund as restricted and as a result, the County's restricted assets showed an increase of \$15,359, while the County's unrestricted net assets showed a decrease of \$13,675 at the end of this year.

Changes in Net Assets. The County's total revenue increased by 11.6% or \$5,444. (See Table A-2). Of this amount, Program revenues increased \$3,308 while general revenues increased \$2,136. Most of the program revenue increase was due to receiving various new grants. General revenues increased mainly due to an improving economy, which led to better property tax and other tax collections as well as higher unrestricted investment earnings.

The most significant increases in County expenditures were in General Government, Highways and Streets and Health and Welfare due to several new grants. This increase was partially offset by a decrease of \$689 in Public Safety due to reductions in jail staff.

Higher expenses of \$3,218 was more than offset by the \$5,444 increase in revenues, which helped provide a \$6,797 overall increase in net assets this year. Table A-2 and the narrative that follows shows the impact of governmental type activities and the other revenues that generated the net increase in assets.

Governmental Activities

Revenues for the County's governmental activities increased 13.2% or \$3,308 while total expenses only increased 3.3% or \$845 due to the receipt of a capital grant partially offset by a reduction in operating grants. In addition this reflects management's efforts to carefully evaluate expenditure requests to ensure the county's long-term financial stability.

Grants that require the county to assume increasing contributions while being phased out are carefully reviewed against other needed county services.

Changes in Net Assets
(in thousands of dollars)
June 30, 2006

	Governmental		Increase	Total
	2005	2006	(Decrease)	Percentage
Revenues	Activities		Change	
	2005	2006	2005-06	2005-06
Program				
Charges for services	\$ 7,484	\$ 8,194	\$ 710	9.5%
Operating grants and contributions	17,542	14,997	(2,545)	(14.5%)
Capital grants and contributions	22	5,165	5,143	23,377.3%
General				
Property taxes	13,974	14,654	680	4.9%
Other taxes	3,387	3,589	202	6.0%
Grants and contributions not restricted to specific programs	2,949	3,032	83	2.8%
Unrestricted investment earnings	614	1,213	599	97.6%
Timber and land sales	573	992	419	73.1%
Gain on sale of asset	18	11	(7)	(38.9%)
Miscellaneous	319	479	160	50.2%
Total revenues	<u>46,882</u>	<u>52,326</u>	<u>5,444</u>	<u>11.6%</u>
Expenses				
General government	7,020	8,277	1,257	17.9%
Community services	2,962	3,239	277	9.4%
Public safety	14,962	14,273	(689)	(4.6%)
Highways and streets	5,224	6,702	1,478	28.3%
Culture and recreation	257	112	(145)	(56.4%)
Health and welfare	10,053	10,968	915	9.1%
Education	1,741	1,877	136	7.8%
Debt service - interest	92	81	(11)	(12.0%)
Total expenses	<u>42,311</u>	<u>45,529</u>	<u>3,218</u>	<u>7.6%</u>
Excess (deficiency) of revenues over (under) expenditures	4,571	6,797	2,226	48.7%
Net assets - beginning of year	140,612	144,846	4,234	3.0%
Prior period adjustment	(337)	-	337	
Net assets - end of year	<u>\$ 144,846</u>	<u>\$ 151,643</u>	<u>\$ 6,797</u>	<u>4.7%</u>

General Government increased \$1,257 or 17.9% due to higher capital expenditures and higher benefit costs. Community Services increased \$277 or 9.4%. Highways and Streets increased \$1,478 or 28.3%, Health and Welfare increased \$915 or 9.1% mainly from new grants in Health and Human Services, and Education increased \$136 or 7.8%. The only expense category that decreased this year was Debt Service – Interest which decreased \$11 or 12.0%.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

At the end of the fiscal year, the County's governmental funds reported a combined fund balance of \$30,951, which was an increase of \$2,303 or 8.0% over the previous year.

- The County's General Fund increased \$1,505 or 18.8% over last year.
- The Road Fund showed an increase of \$241 over last year.
- Health and Human Services showed a fund balance increase of \$13.
- The Other Governmental non-major funds increased a total of \$544.

General Fund Budgetary Highlights

The General Fund is appropriated at a program level: General Government; Public Safety; and Community Services. Over the course of the year, the Board of Commissioners made several program appropriation revisions to the County's General Fund budget.

The county continues to increase reserves in the General Fund. There is an initiative on the November 2006 ballot to restrict spending to the growth of inflation and population. There is no short term effect of that ballot measure if it should pass. The long term impact on county government could be catastrophic because many General Fund programs are funded either partially or fully by state monies that will be impacted by this ballot measure. Most of these programs in the General Fund are in the Public Safety category. General Fund expenditures were \$5,238 less than final budget amounts. Of this amount \$1,654 was the unused portion of the contingency. Public Safety had a favorable variance in the amount of \$1,259. General Government was \$1,181 below final budget amounts. Community Services was \$1,145 below final budget amounts.

In addition to the expenditure decreases discussed above, there were \$206 lower revenues than in the final budget. Property taxes, which includes forest sales, were \$813 higher than budget largely due to the economic improvement increasing property assessment values. Licenses, permits and fees were \$415 higher. Offsetting the higher revenues were grant receipts which were \$1,573 less than budget.

The County's general fund balance of \$9,517 at the end of the year differs from the budgeted fund balance of \$2,984 by \$6,533. This is due to the changes in revenues and expenditures discussed above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the County had \$91,628 invested in assets not being depreciated and \$80,705 invested in assets being depreciated or a total of \$172,333. Of this amount \$143,649 (83.4%) was infrastructure and \$15,528 (9.0%) was buildings. The balance was in Land, Improvements, Equipment and Construction in progress. Accumulated depreciation was \$49,203, which brought the County's net capital assets to \$123,130. This amount represents a net increase of \$4,346, 3.7% more than last year. More detailed information about the County's capital assets is presented in note 6 to the financial statements.

This year's major capital asset additions included:

	<u>\$(000's)</u>
Park Land	\$85
Jail Control System	\$205
Automobiles	\$344
Park Restrooms	\$33

Long-term Debt

At year-end, the County had \$2.4 million in bonds outstanding, a decrease of 21.0 percent over last year. The bonds will be fully paid off in December 2010. More detailed information about the County's long-term obligations is presented in Note 9 to the financial Statements.

Since 1993 the County's general obligation bonds have been rated A2 (the sixth highest investment rating possible).

The State limits the amount of general obligation debt the County can issue to 2 percent of the assessed value of all taxable property within the County's corporate limits. Our outstanding bonded debt of \$2.4 million is significantly below this limit, which is currently \$129 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Lincoln County is challenged by continued financial restrictions in the 2006-07 year. The federal "In lieu" payments are due to expire at the end of the year. The U.S. Congress has not passed a one-year extension nor a long-term extension. The current 10 year agreement passed under the Clinton administration did not provide for an "ultimate" solution. These monies, \$3,400 for the Road Fund and \$1,700 for county schools are essential.

The 2006-07 revenue in the general fund is \$30.1 million, an increase of 17.6 percent over the final FY 2005-06 budget revenue of \$25.6 million.

General fund budgeted expenditures are expected to increase \$5.0 million or 17.5 percent to \$33.5 million.

Operations for most of the County's other funds in FY 2006-07 are not expected to be materially different than what was budgeted for FY 2005-06. Separate financial statement pages are also included in this report for the County's three blended component units.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lincoln County Finance Office, 210 SW 2nd St., Lincoln County, OR 97365.

BASIC FINANCIAL STATEMENTS

LINCOLN COUNTY

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 31,610,153
Receivables	3,350,553
Inventories	377,303
Prepaid items	506,960
Capital assets:	
Land and construction in progress	91,628,059
Other capital assets, net of depreciation	<u>31,501,149</u>
TOTAL ASSETS	<u>158,974,177</u>
<u>LIABILITIES</u>	
Accounts payable and accrued items	2,358,647
Unearned revenues	111,485
Payroll taxes and withholdings payable	922,324
Accrued interest payable	24,658
Long-term obligations:	
Due within one year	2,149,002
Due in more than one year	<u>1,765,000</u>
TOTAL LIABILITIES	<u>7,331,116</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	120,699,208
Restricted for:	
Debt service	223,927
OTIA Bridge replacement	3,033,097
Other purposes	15,484,572
Unrestricted	<u>12,202,257</u>
TOTAL NET ASSETS	<u>\$ 151,643,061</u>

See notes to basic financial statements

LINCOLN COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Governmental
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
<i>Governmental activities:</i>					
General government	\$ 8,277,412	\$ 2,174,983	\$ 759,137	\$ --	\$ (5,343,292)
Community services	3,239,269	437,118	2,756,527	20,189	(25,435)
Public safety	14,289,202	366,779	1,391,724	--	(12,530,699)
Highways and streets	6,701,904	701,321	3,430,450	5,144,674	2,574,541
Culture and recreation	112,491	--	--	--	(112,491)
Health and welfare	10,967,750	4,508,841	5,539,288	--	(919,621)
Education	1,877,038	5,730	1,120,165	--	(751,143)
Interest	64,862	--	--	--	(64,862)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 45,529,928	\$ 8,194,772	\$ 14,997,291	\$ 5,164,863	(17,173,002)

General revenues:

Taxes:

Property taxes levied for:

General purposes	13,319,616
Debt service	671,948
Transit	452,440
Extension agency	209,649
State fuel taxes	2,351,792
Other taxes	1,237,143
Grants and contributions not restricted to specific programs	3,032,271
Unrestricted investment earnings	1,212,524
Timber and land sales	992,378
Gain on sale of capital assets	10,957
Miscellaneous	478,940

TOTAL GENERAL REVENUES

23,969,658

CHANGE IN NET ASSETS

6,796,656

NET ASSETS - BEGINNING

144,846,405

NET ASSETS - ENDING

\$ 151,643,061

See notes to basic financial statements

LINCOLN COUNTY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

	Major Funds			Other	Totals
	General	General Road	Human Services	Governmental Funds	
ASSETS					
Cash and investments	\$ 9,021,366	\$ 16,160,756	\$ 811,003	\$ 5,221,685	\$ 31,214,810
Receivables	2,367,228	63,650	481,994	388,251	3,301,123
Due from other funds	326,148	--	--	--	326,148
Inventories	2,809	374,494	--	--	377,303
Prepaid items	45,696	7,171	21,432	17,975	92,274
TOTAL ASSETS	\$ 11,763,247	\$ 16,606,071	\$ 1,314,429	\$ 5,627,911	\$ 35,311,658
LIABILITIES					
Accounts payable and accrued items	\$ 636,550	\$ 1,030,596	\$ 245,759	\$ 326,676	\$ 2,239,581
Payroll, taxes, and withholding payable	922,324	--	--	--	922,324
Due to other funds	--	90,903	171,933	58,870	321,706
Deferred revenue	687,162	--	9,124	180,227	876,513
TOTAL LIABILITIES	2,246,036	1,121,499	426,816	565,773	4,360,124
FUND BALANCES					
Reserved for:					
Debt service	--	--	--	223,927	223,927
Unreserved reported in:					
General fund	9,517,211	--	--	--	9,517,211
Special revenue funds	--	15,484,572	887,613	4,838,211	21,210,396
TOTAL FUND BALANCES	9,517,211	15,484,572	887,613	5,062,138	30,951,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,763,247	\$ 16,606,071	\$ 1,314,429	\$ 5,627,911	\$ 35,311,658

See notes to basic financial statements

LINCOLN COUNTY

RECONCILIATION OF THE BALANCE SHEET,
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
Year Ended June 30, 2006

Governmental fund balances \$ 30,951,534

*Amounts reported for governmental activities in the
Statement of Net Assets are different because of the following:*

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds 123,129,208

Other long-term assets are not available to pay for current-period expenditures
and therefore are not reported in the governmental funds 765,028

Some liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the governmental funds (3,938,660)

An internal service fund is used by management to charge the costs of certain
insurance activities to individual funds. The assets and liabilities of the
internal service fund are included in governmental activities in the
Statement of Net Assets 735,951

Net assets of governmental activities \$ 151,643,061

LINCOLN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006**

	Major Funds			Other	Totals
	General	General Road	Human Services	Governmental Funds	
REVENUES					
Taxes and land sales	\$ 15,356,776	\$ --	\$ --	\$ 1,706,622	\$ 17,063,398
Licenses and fees	2,180,481	--	--	373,958	2,554,439
Charges for services	997,043	82,725	3,237,752	378,382	4,695,902
Intergovernmental	6,146,035	6,400,491	4,593,507	4,338,427	21,478,460
Court fines and fees	53,370	--	--	78,180	131,550
Interest	392,116	607,716	38,213	202,248	1,240,293
Miscellaneous	266,954	235,653	13,547	203,058	719,212
TOTAL REVENUES	25,392,775	7,326,585	7,883,019	7,280,875	47,883,254
EXPENDITURES					
Current:					
General government	7,046,482	--	--	229,969	7,276,451
Community services	1,782,295	--	--	1,376,621	3,158,916
Public safety	13,676,258	--	--	485,757	14,162,015
Highways and streets	--	6,680,590	--	--	6,680,590
Culture and recreation	--	--	--	243,901	243,901
Health and welfare	--	--	8,499,466	1,933,050	10,432,516
Education	--	--	--	1,795,308	1,795,308
Debt service:					
Principal	--	--	--	645,000	645,000
Interest	--	--	--	72,808	72,808
Capital outlay	803,524	405,134	--	17,030	1,225,688
TOTAL EXPENDITURES	23,308,559	7,085,724	8,499,466	6,799,444	45,693,193
Excess (deficiency) of revenues over expenditures	2,084,216	240,861	(616,447)	481,431	2,190,061
OTHER FINANCING SOURCES (USES)					
Transfers in	136,269	--	628,652	86,281	851,202
Transfers out	(714,933)	--	--	(23,104)	(738,037)
TOTAL OTHER FINANCING SOURCES (USES)	(578,664)	--	628,652	63,177	113,165
Net change in fund balances	1,505,552	240,861	12,205	544,608	2,303,226
Fund balances at beginning of year	8,011,659	15,243,711	875,408	4,517,530	28,648,308
Fund balances at end of year	\$ 9,517,211	\$ 15,484,572	\$ 887,613	\$ 5,062,138	\$ 30,951,534

See notes to basic financial statements

LINCOLN COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006**

Net change in fund balances - total governmental funds	\$	2,303,226
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:

Capitalized expenditures	\$	1,452,546	
Contributed capital		5,144,674	
Depreciation		<u>(2,238,892)</u>	4,358,328

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Change in deferred revenue	(96,036)
----------------------------	----------

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

768,041

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(21,511)
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The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets

(13,876)

The reduction in accrued interest in the Statement of Activities does not provide a source of current financial resources and therefore is not reported as a revenue in governmental funds.

7,946

An internal service fund is used by management to charge the costs of certain insurance activities to individual funds. The net change in fund balance of the internal service fund is reported with governmental activities.

(509,462)

Change in net assets of governmental activities	\$	<u>6,796,656</u>
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See notes to basic financial statements



LINCOLN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 14,543,534	\$ 14,543,534	\$ 15,356,776	\$ 813,242
Licenses and fees	1,765,613	1,765,613	2,180,481	414,868
Charges for services	1,081,410	1,081,410	997,043	(84,367)
Intergovernmental	7,692,074	7,718,884	6,146,035	(1,572,849)
Fines and forfeitures	55,000	55,000	53,370	(1,630)
Interest	160,000	160,000	392,116	232,116
Miscellaneous	274,556	274,556	266,954	(7,602)
TOTAL REVENUES	<u>25,572,187</u>	<u>25,598,997</u>	<u>25,392,775</u>	<u>(206,222)</u>
EXPENDITURES				
General government	8,474,669	8,895,558	7,714,954	1,180,604
Community services	3,060,521	3,060,521	1,915,865	1,144,656
Public safety	15,105,134	14,937,029	13,677,740	1,259,289
Contingency	1,879,788	1,653,814	--	1,653,814
TOTAL EXPENDITURES	<u>28,520,112</u>	<u>28,546,922</u>	<u>23,308,559</u>	<u>5,238,363</u>
Excess (deficiency) of revenues over expenditures	<u>(2,947,925)</u>	<u>(2,947,925)</u>	<u>2,084,216</u>	<u>5,032,141</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	127,567	127,567	136,269	8,702
Transfers out	(714,933)	(714,933)	(714,933)	--
TOTAL OTHER FINANCING SOURCES (USES)	<u>(587,366)</u>	<u>(587,366)</u>	<u>(578,664)</u>	<u>8,702</u>
Net change in fund balance	(3,535,291)	(3,535,291)	1,505,552	5,040,843
Fund balance at beginning of year	<u>6,519,019</u>	<u>6,519,019</u>	<u>8,011,659</u>	<u>1,492,640</u>
Fund balance at end of year	<u>\$ 2,983,728</u>	<u>\$ 2,983,728</u>	<u>\$ 9,517,211</u>	<u>\$ 6,533,483</u>

See notes to basic financial statements

LINCOLN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL ROAD
Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	\$ 237,893	\$ 237,893	\$ 82,725	\$ (155,168)
Intergovernmental	6,074,841	6,074,841	6,400,491	325,650
Interest	211,575	211,575	607,716	396,141
Miscellaneous	287,097	287,097	235,653	(51,444)
TOTAL REVENUES	6,811,406	6,811,406	7,326,585	515,179
EXPENDITURES				
Personal services	3,196,103	3,196,103	2,983,365	212,738
Materials and services	3,541,363	3,941,363	3,697,225	244,138
Capital outlay	4,671,810	4,271,810	405,134	3,866,676
Contingency	1,196,456	1,196,456	--	1,196,456
TOTAL EXPENDITURES	12,605,732	12,605,732	7,085,724	5,520,008
Net change in fund balance	(5,794,326)	(5,794,326)	240,861	6,035,187
Fund balance at beginning of year	13,957,268	13,957,268	15,243,711	1,286,443
Fund balance at end of year	<u>\$ 8,162,942</u>	<u>\$ 8,162,942</u>	<u>\$ 15,484,572</u>	<u>\$ 7,321,630</u>

See notes to basic financial statements

LINCOLN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HUMAN SERVICES
Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for services	\$ 3,450,185	\$ 3,450,185	\$ 3,237,752	\$ (212,433)
Intergovernmental	4,334,720	4,658,059	4,593,507	(64,552)
Interest	12,000	12,000	38,213	26,213
Miscellaneous	28,500	28,500	13,547	(14,953)
TOTAL REVENUES	7,825,405	8,148,744	7,883,019	(265,725)
EXPENDITURES				
Personal services	5,624,922	5,624,922	5,226,330	398,592
Materials and services	3,095,042	3,568,381	3,273,136	295,245
Capital outlay	5,000	5,000	--	5,000
Operating contingency	177,902	27,902	--	27,902
TOTAL EXPENDITURES	8,902,866	9,226,205	8,499,466	726,739
Excess (deficiency) of revenues over expenditures	(1,077,461)	(1,077,461)	(616,447)	461,014
OTHER FINANCING SOURCES (USES)				
Transfers in	628,652	628,652	628,652	--
Net change in fund balance	(448,809)	(448,809)	12,205	461,014
Fund balance at beginning of year	473,961	473,961	875,408	401,447
Fund balance at end of year	\$ 25,152	\$ 25,152	\$ 887,613	\$ 862,461

See notes to basic financial statements

LINCOLN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	Governmental Activities
	Internal Service
ASSETS	
Cash and investments	\$ 395,343
Receivables	49,430
Prepaid items	414,686
TOTAL ASSETS	859,459
LIABILITIES	
Accounts payable and accrued items	119,066
Due to other funds	4,442
TOTAL LIABILITIES	123,508
NET ASSETS - Unrestricted	\$ 735,951

The Net Assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets

LINCOLN COUNTY

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006**

	Governmental Activities
	Internal Service
OPERATING REVENUES	
Charges for services	\$ 525,933
Miscellaneous	69,841
Total operating revenues	595,774
OPERATING EXPENSES	
Personal services	701,139
Materials and services	325,523
Total operating expenses	1,026,662
Operating (loss)	(430,888)
Nonoperating revenues (expense) - Interest	34,591
(Loss) before transfers	(396,297)
Transfers out	(113,165)
Changes in net assets	(509,462)
Net assets - beginning	1,245,413
Net assets - ending	\$ 735,951

The change in Net Assets of the Internal Service Fund is included in governmental activities in the Statement of Activities

LINCOLN COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2006

	Governmental Activities
	Internal Service
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	\$ 570,759
Other operating cash receipts	69,841
Cash payments to employees for services	(701,139)
Cash payments to other suppliers of goods or services	<u>(673,738)</u>
Net cash (used in) operating activities	(734,277)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(113,165)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>34,591</u>
Net (decrease) in cash and cash equivalents	(812,851)
Cash and cash equivalents, beginning of year	<u>1,208,194</u>
Cash and cash equivalents, end of year	<u><u>\$ 395,343</u></u>
Reconciliation of operating (loss) to net cash (used in) operating activities	
Operating (loss)	\$ (430,888)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
(Increase) decrease in assets	
Receivables	42,784
Prepaid items	(412,610)
Increase (decrease) in liabilities	
Accounts payable and accrued items	64,395
Due to other funds	<u>2,042</u>
Net cash (used in) operating activities	<u><u>\$ (734,277)</u></u>

See notes to basic financial statements

LINCOLN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2006

	Agency
ASSETS	
Cash and investments	\$ 2,307,410
Receivables	3,468,312
TOTAL ASSETS	\$ 5,775,722
 LIABILITIES	
Accounts payable	\$ 752,842
Fiduciary liabilities	5,022,880
TOTAL LIABILITIES	\$ 5,775,722

See notes to basic financial statements

LINCOLN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2006

1. The Financial Reporting Entity

(a) Reporting Entity

LINCOLN COUNTY, Oregon (the “County”), a Home Rule County established by an Act of the State Legislature on February 20, 1893 is a legal subdivision of the State of Oregon charged with governmental powers. The County’s powers are exercised through a Board of Commissioners (the “Board”), which is the governing body of the County. The Board is responsible for the legislative and executive control of the County. The County provides various services on a county-wide basis including law and justice, detention, social, health, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The governmental reporting entity consists of the County (Primary Government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationships with the County are such that exclusion would cause the County’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the County’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The basic financial statements include three blended component units. The blended component units, although legally separate entities are, in substance, part of the County’s operations and data from these units is combined with data of the primary government.

For financial reporting purposes, the County’s basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the County’s Board. The financial statements of the individual units may be obtained by writing to **LINCOLN COUNTY**, Finance and Accounting, 210 SW 2nd Street, Newport, OR 97365.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. The Financial Reporting Entity (continued)

(b) Blended Component Units

The three blended component units included because the County Board of Commissioners serves as their respective governing bodies are as follows:

Lincoln County Transportation Service District

The District was formed in May 1996 at a General Election and was funded in November 1996. The District provides a comprehensive transportation program. Services include a scheduled stop bus system, the “Central Coast Connection,” along the Highway 101 corridor, outlying cities and communities, and ancillary feeder lines available to all residents of the County. A “dial-a-ride” service is also provided for the transit disadvantaged and senior and disabled members of the County, enabling them to obtain medical and other services.

Lincoln County Solid Waste Disposal Service District

The District was formed under Chapter 451 of the Oregon Revised Statutes. The District is a county-wide service district. The primary functions are to coordinate solid waste management planning throughout the County, to implement recycling and waste reduction education programs; and, to coordinate illegal dumping enforcement, prevention, and clean-up activities.

Lincoln County Extension Agency

The District accounts for the operations of the Oregon State University – Lincoln County Extension Agency, which provides educational programs to citizens in Lincoln County. The primary source of revenue is property taxes, and expenditure purposes include seminar costs, educational programs and materials, and labor and facility costs.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are supported by taxes and intergovernmental revenues.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds. Separate statements for each fund category—*governmental and fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public safety, corrections, assessment and taxation.
- The *General Road Fund* accounts for the operations of the County Road Department. Significant sources of revenue are federal forest fees and state motor vehicle fees. Expenditures are primarily for maintenance and construction of County roads.
- The *Human Services Fund* accounts for the delivery of community mental health and health services and education programs funded by federal and state financial assistance and transfers from the General Fund.

The County also includes the following other fund types:

- *Special Revenue Funds* are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities.
- *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Presentation (continued)

- The *Internal Service Fund* accounts for the County's self-insurance programs. Charges to other funds and refunds from insurance policies support this activity.
- The *Agency Funds* account for resources received and held by the County in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund.

(b) Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property tax revenues are recognized in the fiscal year for which they were levied, provided they are due and collectable within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

(d) Inventories

Inventories purchased are stated at cost (first-in, first-out method). Inventories are recorded as expenditures when purchased or donated.

(e) Receivables

Property taxes receivable in the governmental fund types, which have been collected within sixty days following year end, are considered measurable and available and are recognized as revenues. Property taxes receivable in the agency funds are offset by amounts held in trust and, accordingly, have not been recorded as revenue. All other property taxes receivable are offset by deferred revenues and accordingly, have not been recognized as revenue. Real and personal property are assessed and property taxes become a lien against the property as of July 1 each year. Property taxes are payable in three installments, following the lien date, on November 15, February 15, and May 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

All property taxes receivable are due from owners of property within the County.

Receivables for state shared revenue are recorded as revenue in all fund types as earned.

(f) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure, including infrastructure acquired prior to fiscal years ended after June 30, 1980) assets consisting of certain improvements including roads, bridges, lighting system, drainage systems, and flood control. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

The estimated useful lives are as follows:

Infrastructure (except for the maintained pavement subsystem)	20 to 50 years
Structures and improvements	50 years
Equipment	3 to 15 years

The County has four networks of infrastructure assets: road, lighting, drainage and flood control.

(g) Compensated Absences

Compensated absences and related taxes are not recorded as expenditures in the governmental funds until paid. The expenditures are recorded in the General, General Road, Human Services, and Other Governmental Funds. Sick leave does not vest, except in the following two cases: employees who reach the age of 55 or older and employees who are represented by the Communications Workers of America Union and have been a member of the union for at least five years. In both of these circumstances, the sick leave is vested to 50 percent upon their retirement.

Full time employees (after six months of continuous service) earn vacation leave. The amount earned per pay period is determined based upon length of service. Accumulation is limited also based upon length of service.

<u>Length of Service Through</u>	<u>Earned Hours Per Pay Period</u>	<u>Maximum Accumulation</u>
5 Years	4.33	192
10 Years	5.33	240
15 Years	6.33	288
20 Years	7.33	336
Over 20 Years	8.33	384

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (continued)

(h) Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

(i) Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(j) Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The County begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of County Commissioners adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The County established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds, except the General Fund in which budgetary control is established at the program level.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (continued)

(k) Net Assets/Fund Balances

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and can be increased, reduced or eliminated by similar actions.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Deposits and Investments

The County maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Additionally, several funds hold separate cash and investment accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the County's position in the LGIP is the same as the value of the pool shares.

Credit risk: Oregon statutes authorize the County to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2006, the County had the following investments:

	Moody's Rating	Maturities	Carrying Value
State Treasurer's Investment Pool	N/A	N/A	\$ 12,741,352
Federal Home Loan Mortgage Corporation		07/21/06	497,224
Federal Home Loan Mortgage Corporation		07/21/06	501,127
Federal Home Loan Bank		08/04/06	992,269 *
Federal Home Loan Bank		10/03/06	500,609
Federal Home Loan Bank		11/28/06	650,000
Federal Home Loan Bank		09/07/06	501,780
Federal Farm Credit Bank			<u>501,780</u>
			<u>\$ 16,384,361</u>

* Represents more than five percent of investments

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Deposits and Investments (continued)

Interest Rate Risk: The County does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The County has implemented the following limitations on specific instruments and individual financial institutions:

<u>Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligation	100%
U.S. Government Agency	75
Banker's Acceptances (BA)	50
Certificates of Deposit (CD)	25

The County will not invest in Commercial Paper at this time.

The combination of CD's and BA's with one financial institution will not exceed 30% of the total portfolio.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. Investments amounting to \$3,643,009 have custodial credit risk because the related securities are uninsured, unregistered and held by the County's brokerage firm, which is the counterparty to those securities. The County does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits: This is the risk that, in the event of a bank failure, the County's deposits may not be returned. Oregon statute requires collateralization of deposits in excess of amounts insured by the Federal Depository Insurance Corporation. As of June 30, 2006, \$13,004,528 of the County's bank balance of \$17,911,612 was exposed to custodial credit risk because it was uninsured and uncollateralized.

A. The County's deposits and investments at June 30, 2006 are as follows:

Total investments	\$ 16,384,361
Deposits with financial institutions	<u>17,533,202</u>
Total deposits and investments	<u>\$ 33,917,563</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Deposits and Investments (continued)

B. Cash and cash investments are reported as follows:

Governmental Activities/Funds		
Major		
General		\$ 9,021,366
General Road		16,160,756
Human Services		811,003
Other Governmental		5,221,685
Internal Service		<u>395,343</u>
Total governmental activities/funds		31,610,153
Fiduciary Fund		
Agency		<u>2,307,410</u>
Total cash and investments		<u>\$ 33,917,563</u>

4. Receivables

A. Receivables at year-end were as follows:

	Major Funds			Other		Agency	Totals
	General	General Road	Human Services	Governmental Funds	Internal Service		
Property taxes	\$ 839,716	\$ -	\$ -	\$ 87,407	\$ -	\$ 3,468,312	\$ 4,395,435
Accounts	771,462	10	289,409	78,229	49,430	-	1,188,540
Intergovernmental	756,050	47,305	192,585	222,615	-	-	1,218,555
Assessments	<u>-</u>	<u>16,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,335</u>
	<u>\$ 2,367,228</u>	<u>\$ 63,650</u>	<u>\$ 481,994</u>	<u>\$ 388,251</u>	<u>\$ 49,430</u>	<u>\$ 3,468,312</u>	<u>\$ 6,818,865</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Receivables (continued)

B. Property taxes

i. Collection procedures

The County levies, collects and distributes property taxes for all taxing jurisdictions within its boundaries. Uncollected taxes, including delinquent amounts, are deemed to be substantially collectible or recoverable through liens.

ii. Transactions

	Balances July 1, 2005	2005-06 Levies	Adjustments	Net Interest (Discounts)	Collections	Balances June 30, 2006
Current \$	-	\$ 71,311,027	\$ (124,762)	\$ (1,746,487)	\$ 66,981,005	\$ 2,458,773
Prior	<u>4,595,382</u>	<u>-</u>	<u>278,107</u>	<u>1,878</u>	<u>2,938,705</u>	<u>1,936,662</u>
	<u>\$ 4,595,382</u>	<u>\$ 71,311,027</u>	<u>\$ 153,345</u>	<u>\$ (1,744,609)</u>	<u>\$ 69,919,710</u>	<u>\$ 4,395,435</u>

iii. Ensuing year's levies

The permanent tax rate is \$2.8202 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

Also, the Lincoln County Transportation District (a blended component unit) will levy using their permanent rate of \$0.0974 per \$1,000 of assessed value and the Lincoln County Extension Service District (a blended component unit) will levy using their permanent rate of \$0.0451 per \$1,000 of assessed value.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is expected to affect these levies.

In addition, the county will levy \$724,908 for the retirement of long-term debt principal and interest due in 2006-07.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Interfund Transactions

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2006, is as follows:

Due from other funds:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ <u>326,148</u>	\$ --
General Road		90,903
Human Services		171,933
Other Governmental Funds		58,870
Internal Service		<u>4,442</u>
		<u>\$ 326,148</u>

These interfund balances exist temporarily for payroll allocation purposes.

Transfers:

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

A. Between Funds within the Governmental Activities:

<u>Transfer From</u>	<u>Transfer to</u>	<u>Amount</u>
General	Human Services	\$ 628,652
	Other Governmental Funds	<u>86,281</u>
		714,933
Other Governmental Funds	General	<u>23,104</u>
Total		<u>\$ 738,037</u>

B. Between Internal Service and Governmental Activities:

Internal Service	General	<u>\$ 113,165</u>
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Capital Assets

A. Capital asset activity for the year ended June 30, 2006, was as follows:

	Balances July 1, 2005	Additions and Reclassifications	Deletions and Reclassifications	Balances June 30, 2006
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land and easements	\$ 696,411	\$ 80,313	\$ -	\$ 776,724
Land Improvements	7,700	-	-	7,700
Infrastructure	88,819,680	1,479,000	-	90,298,680
Construction in progress	714,727	978,010	1,147,782	544,955
	<u>714,727</u>	<u>978,010</u>	<u>1,147,782</u>	<u>544,955</u>
 Total capital assets not being depreciated	 <u>\$ 90,238,518</u>	 <u>\$ 2,537,323</u>	 <u>\$ 1,147,782</u>	 <u>\$ 91,628,059</u>
 <i>Capital assets being depreciated</i>				
Infrastructure	\$ 49,495,977	\$ 3,854,282	\$ -	\$ 53,350,259
Buildings	15,528,036	-	-	15,528,036
Improvements	1,267,260	693,557	-	1,960,817
Equipment	9,379,627	659,840	173,696	9,865,771
	<u>9,379,627</u>	<u>659,840</u>	<u>173,696</u>	<u>9,865,771</u>
 Total capital assets being depreciated	 <u>75,670,900</u>	 <u>5,207,679</u>	 <u>173,696</u>	 <u>80,704,883</u>
	<u>165,909,418</u>	<u>7,745,002</u>	<u>1,321,478</u>	<u>172,332,942</u>
Less accumulated depreciation for:				
Infrastructure	34,357,272	1,151,460	-	35,508,732
Buildings	5,759,018	371,272	-	6,130,290
Improvements	696,500	36,323	-	732,823
Equipment	6,311,872	679,837	159,820	6,831,889
	<u>6,311,872</u>	<u>679,837</u>	<u>159,820</u>	<u>6,831,889</u>
 Total accumulated depreciation	 <u>47,124,662</u>	 <u>2,238,892</u>	 <u>159,820</u>	 <u>49,203,734</u>
 Total capital assets being depreciated, net	 <u>\$ 28,546,238</u>	 <u>\$ 2,968,787</u>	 <u>\$ 13,876</u>	 <u>\$ 31,501,149</u>
 Total capital assets, net of depreciation	 <u>\$ 118,784,756</u>	 <u>\$ 5,506,110</u>	 <u>\$ 1,161,658</u>	 <u>\$ 123,129,208</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Capital Assets (continued)

B. Depreciation expense was charged to governmental functions as follows:

General government	\$ 369,620
Community services	155,829
Public safety	787,174
Highways and streets	292,285
Culture and recreation	13,492
Health and welfare	528,872
Education	<u>91,620</u>
 Total depreciation expense – governmental functions	 <u>\$ 2,238,892</u>

7. Construction Commitments

The government has entered into contracts for construction, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Logsdon Bridge	<u>\$ 3,157,000</u>	<u>\$ 123,903</u>	<u>\$ 3,033,097</u>	<u>\$ -</u>

8. Deferred Revenue

Deferred revenue at June 30, 2006 consists of:

	<u>Major Funds</u>		<u>Other</u>	
	<u>General</u>	<u>Human Services</u>	<u>Governmental Funds</u>	<u>Totals</u>
Property taxes	\$ 674,662	\$ -	\$ 70,588	\$ 745,250
Unearned revenue	12,500	-	98,985	111,485
Other	-	9,124	10,654	19,778
	<u>\$ 687,162</u>	<u>\$ 9,124</u>	<u>\$ 180,227</u>	<u>\$ 876,513</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term Obligations

Transactions for the year ended June 30, 2006 are as follows:

	Outstanding July 1, 2005	Additions	Reductions	Outstanding June 30, 2006	Balances Due Within One Year
General Obligation Refunding Bonds, Series 2003 - original amount \$3,700,000; interest rates of 2.0 percent to 2.7 percent					
Principal	\$ 3,075,000	\$ -	\$ 645,000	\$ 2,430,000	\$ 665,000
Interest	29,968	67,498	72,808	24,658	-
	<u>3,104,968</u>	<u>67,498</u>	<u>717,808</u>	<u>2,454,658</u>	<u>665,000</u>
Capital Lease - Wells Fargo Equipment Finance, Inc., original amount \$1,092,325; interest at 5.44 percent; secured by the full faith and credit of the County and the leased equipment					
Principal	123,041	-	123,041	-	-
Interest	2,636	13,922	16,558	-	-
	<u>125,677</u>	<u>13,922</u>	<u>139,599</u>	<u>-</u>	<u>-</u>
Vested Compensated Absences	<u>1,462,491</u>	<u>1,484,002</u>	<u>1,462,491</u>	<u>1,484,002</u>	<u>1,484,002</u>
Total long-term obligations	4,693,136	1,565,422	2,319,898	3,938,660	<u>\$ 2,149,002</u>
Interest	<u>32,604</u>	<u>81,420</u>	<u>89,366</u>	<u>24,658</u>	
Principal	<u>\$ 4,660,532</u>	<u>\$ 1,484,002</u>	<u>\$ 2,230,532</u>	<u>\$ 3,914,002</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term Obligations (continued)

Fiscal Year	General Obligation Refunding Bonds, Series 2003		Vested Compen- sated	Totals	
	Principal	Interest	Absences	Principal	Interest
2007	\$ 665,000	\$ 59,908	\$ 1,484,002	\$ 2,149,002	\$ 59,908
2008	675,000	45,776	-	675,000	45,776
2009	705,000	28,901	-	705,000	28,901
2010	<u>385,000</u>	<u>10,395</u>	<u>-</u>	<u>385,000</u>	<u>10,395</u>
	<u>\$ 2,430,000</u>	<u>\$ 144,980</u>	<u>\$ 1,484,002</u>	<u>\$ 3,914,002</u>	<u>\$ 144,980</u>

10. Operating Leases

The County leases copy machines and office facilities under operating leases expiring in various years through 2021. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of June 30, 2006 for each of the next 5 years and in the aggregate are:

Year Ended June 30,	Amount
2007	\$ 256,816
2008	185,241
2009	77,676
2010	65,567
2011	6,048
2012-16	30,240
2017-21	<u>26,740</u>
Total	<u>\$ 648,328</u>

Rent expenditures for the year ended June 30, 2006 amounted to \$292,902.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined Contribution Plan

The Lincoln County Retirement Plan is a defined contribution pension plan (401(k)) established by the County to provide benefits to substantially all employees, except for certain employees of the Sheriff's office. At June 30, 2006, there were 339 plan members. Required contributions are made monthly at the rate of 11 percent of eligible employees' salaries. The County's contribution for each employee and interest allocated to the employee's account are fully vested after four years of membership. County contributions for, and interest forfeited by, employees who leave employment before four years of service are placed in a forfeiture account. This account is used to pay current charges for administration of the plan and may be used to reduce the County's contribution requirement. The County made the required contributions of \$1,536,883 for the year ended June 30, 2006. Investments are self-directed by the employees between a fixed income account and a number of equity funds. Plan provisions and contribution requirements are established and may be amended by the Board of Commissioners.

Under the plan, employees also have the option of participating in a deferred salary arrangement pursuant to a salary reduction agreement. The deferred salary cannot exceed the amount allowable by Internal Revenue Code Section 415. Contributions to the deferred salary option during the year ended June 30, 2006, amounted to \$477,255.

12. Defined Benefit Pension Plan

Retirement plan

The County contributes to the Oregon Public Employees' Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan and the Oregon Public Service Retirement Plan (OPSRP), a cost sharing multiple-employer hybrid pension plan. Both PERS and OPSRP are governed by the Public Employees' Retirement Board (PERB) under the provisions of Oregon Revised Statutes 238. PERS provides retirement benefits under a variety of benefit options, as selected by retiring employees, and provides death and disability benefits. OPSRP provides a combination of retirement benefits under a defined benefit plan and an individual account program (IAP), the balance of which will be paid out in either a lump sum or over a 5, 10, 15 or 20 year period. Employees hired on or after August 29, 2003 participate only in OPSRP. Beginning January 1, 2004, active PERS members hired before August 29, 2003 became members of the IAP of OPSRP. These members retain their existing PERS account, however any future member contributions will be placed in the IAP. A copy of the Oregon Public Employees Retirement System annual financial report may be obtained by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377 or at www.oregon.gov/PERS.

Certain employees are eligible to participate after completing six months of service. Covered employees are required by state statute to contribute 6 percent of their compensation to the plan. Current law permits the County to pay this amount on behalf of the employees. The County's contribution rate is set by PERB and is periodically adjusted based upon actuarial computations of the amount needed to provide retirement benefits. For employees hired before August 29, 2003, the County's contribution rate is 11.18 percent of covered compensation. For employees hired on or after August 29, 2003, the County's contribution rate is 5.30 percent of covered compensation.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Defined Benefit Pension Plan (continued)

The County's contribution to the plan for the years ending June 30, 2006, 2005 and 2004, were equal to the County's required contributions for each year as follows:

Year Ended June 30,	Employer County Contribution	Employer Paid Member Contribution	Totals
2006	\$ 367,458	\$ 205,735	\$ 573,193
2005	275,971	209,108	485,079
2004	236,935	198,815	435,750
2003	193,604	214,065	407,669

13. Risk Management

The County is exposed to various risks of loss related to theft of, damage to, and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. The County purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

14. Net Assets Restricted through Enabling Legislation

Net assets which are restricted through enabling legislation are as follows:

Oregon Transportation Improvement Act (OTIA) was enacted by the State of Oregon to provide funding to the County for the repair or replacement of bridges	\$ 3,033,097
Oregon and federal laws restrict the usage of state gas tax and federal forest fees for road repairs and improvements	\$ 15,484,572

15. Contingencies

A. General

The County is a defendant in several currently pending legal actions. Although their outcome cannot be determined, it is the opinion of management that settlement of these matters will not have a material effect on the basic financial statements.

B. Sick Leave

Portions of sick leave accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2006, County employees had accumulated 11,312 days of sick leave.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

LINCOLN COUNTY

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2006**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 5,006,778	\$ 214,907	\$ 5,221,685
Receivables	342,083	46,168	388,251
Prepaid items	17,975	--	17,975
TOTAL ASSETS	<u>\$ 5,366,836</u>	<u>\$ 261,075</u>	<u>\$ 5,627,911</u>
LIABILITIES			
Accounts payable and accrued items	\$ 326,676	--	\$ 326,676
Due to other funds	58,870	--	58,870
Deferred revenue	143,079	37,148	180,227
TOTAL LIABILITIES	<u>528,625</u>	<u>37,148</u>	<u>565,773</u>
FUND BALANCES			
Reserved for debt service	--	223,927	223,927
Unreserved	4,838,211	--	4,838,211
TOTAL FUND BALANCES	<u>4,838,211</u>	<u>223,927</u>	<u>5,062,138</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,366,836</u>	<u>\$ 261,075</u>	<u>\$ 5,627,911</u>

LINCOLN COUNTY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2006**

	Special Revenue Funds	Debt Service Fund	Totals
REVENUES			
Taxes and land sales	\$ 1,013,029	\$ 693,593	\$ 1,706,622
Licenses and fees	373,958	--	373,958
Charges for services	378,382	--	378,382
Intergovernmental	4,338,427	--	4,338,427
Court fines and fees	78,180	--	78,180
Interest	189,931	12,317	202,248
Miscellaneous	203,058	--	203,058
TOTAL REVENUES	6,574,965	705,910	7,280,875
EXPENDITURES			
Current:			
General government	229,969	--	229,969
Community services	1,376,621	--	1,376,621
Public safety	485,757	--	485,757
Culture and recreation	243,901	--	243,901
Health and welfare	1,933,050	--	1,933,050
Education	1,795,308	--	1,795,308
Debt service:			
Principal	--	645,000	645,000
Interest	--	72,808	72,808
Capital outlay	17,030	--	17,030
TOTAL EXPENDITURES	6,081,636	717,808	6,799,444
Excess (deficiency) of revenues over expenditures	493,329	(11,898)	481,431
OTHER FINANCING SOURCES (USES)			
Transfers in	86,281	--	86,281
Transfers out	(23,104)	--	(23,104)
TOTAL OTHER FINANCING SOURCES (USES)	63,177	--	63,177
Net change in fund balances	556,506	(11,898)	544,608
Fund balances at beginning of year	4,281,705	235,825	4,517,530
Fund balances at end of year	\$ 4,838,211	\$ 223,927	\$ 5,062,138

OTHER GOVERNMENTAL FUNDS

Special Revenue

Special revenue funds account for revenue derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities.

- *County School* – Revenue of this fund is derived primarily from forest fees. The entire proceeds of the fund are distributed to the Lincoln County School District.
- *County Fair* – The operations of the Fair Board are accounted for in this fund. Major sources of revenue include state apportionments, operation of the annual fair and ground and building rentals. Expenditures are primarily for the administration and operation of the fair and maintenance and improvement of fair buildings and grounds.
- *Transit District (a component unit)* – This fund accounts for expenditures associated with the operations of a comprehensive county transportation program. Services are aimed at providing transportation to disadvantaged, senior and disabled members of the County, enabling them to obtain medical and other services.
- *Law Library* – This fund is used to maintain the County law library. Revenue is derived from various court fees. Expenditures are for books and other materials.
- *DA's Criminal Forfeiture Law Enforcement* – To account for money collected and distributed by the District Attorney's office for criminal forfeiture cases.
- *Clerk Records* – This fund accounts for expenditures incurred by the County Clerk to improve record storage and to acquire systems which facilitate records retrieval.
- *OHP Mental Health* – This fund accounts for mental health services for enrollee's of the Oregon Health Plan as part of a county consortium.
- *Solid Waste District (a component unit)* – This fund is responsible for accounting for solid waste management planning, recycling, education and coordination functions, illegal dumping, cleanup and prevention and enforcement coordination. The principal revenue sources are assessments levied against various municipalities with the County.
- *Enforcement* – Fines for certain liquor and drug violations are earmarked by law for this fund. Expenditures are restricted for the enforcement of liquor and drug laws.
- *Dog License* – The sale of dog licenses and animal shelter fees constitute the primary revenue for this fund.
- *Title III Safety Net* – This fund accounts for revenues required by law to be set aside for use as a "safety-net" for authorized projects under Public Law 106-393, "The Secure Rural Schools and Community Self-Determination Act of 2000."
- *Corner Preservation* – This fund accounts for expenditures incurred by the County Surveyor in the establishment, re-establishment, and maintenance of corners of government surveys.
- *Meth Grant* – This fund is used to insure compliance ORS Chapters 209 and 672, through review and policy development.
- *Extension Agency (a component unit)* – This fund accounts for the operations of the OSU-County Extension Agency which provides educational programs to Lincoln County citizens. The principal source of revenue is from County property taxes.
- *Agate Beach Closure* – This fund accounts for the County's share of the post-closure obligations at the closed Agate Beach Landfill.
- *DUII* – This fund is used to comply with the legal provisions concerning the expenditure of funds through civil forfeiture proceedings.
- *DUII M3 Forfeiture* – This fund is used to comply with the legal provisions concerning the expenditure of funds through civil forfeiture proceedings.
- *Community Health Center* – This fund is to construct and operate a federally funded community health center.

LINCOLN COUNTY

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2006**

	County School	County Fair	Transit District	Law Library	DA's Criminal Forfeiture Law Enforcement	Clerk Records	OHP Mental Health	Solid Waste District	Enforce- ment
ASSETS									
Cash and investments	\$ 205	\$ 62,002	\$ 1,252,227	\$ 23,341	\$ 2,311	\$ 36,032	\$ 679,572	\$ 191,279	\$ 18,127
Receivables	--	--	113,713	3,776	--	425	134,240	24,217	1,580
Prepaid items	--	2,300	182	2,833	--	--	1,106	251	--
TOTAL ASSETS	<u>\$ 205</u>	<u>\$ 64,302</u>	<u>\$ 1,366,122</u>	<u>\$ 29,950</u>	<u>\$ 2,311</u>	<u>\$ 36,457</u>	<u>\$ 814,918</u>	<u>\$ 215,747</u>	<u>\$ 19,707</u>
LIABILITIES									
Accounts payable and accrued items	\$ --	\$ 4,553	\$ 66,239	\$ 2,305	\$ --	\$ 42	\$ 113,340	\$ 80,371	\$ 1,107
Due to other funds	--	3,029	19,086	--	--	1,178	4,893	3,008	--
Deferred revenue	--	10,654	22,783	--	--	--	--	--	--
TOTAL LIABILITIES	--	18,236	108,108	2,305	--	1,220	118,233	83,379	1,107
FUND BALANCES -									
Unreserved	<u>205</u>	<u>46,066</u>	<u>1,258,014</u>	<u>27,645</u>	<u>2,311</u>	<u>35,237</u>	<u>696,685</u>	<u>132,368</u>	<u>18,600</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 205</u>	<u>\$ 64,302</u>	<u>\$ 1,366,122</u>	<u>\$ 29,950</u>	<u>\$ 2,311</u>	<u>\$ 36,457</u>	<u>\$ 814,918</u>	<u>\$ 215,747</u>	<u>\$ 19,707</u>

Dog License	Title III Safety Net	Corner Preservation	Meth Grant	Extension Agency	Agate Beach Closure	DUII	DUII M3 Forfeiture	Community Health Center	Totals
\$ 88,832	\$ 1,222,883	\$ 381,239	\$ 8,697	\$ 301,276	\$ 719,983	\$ 10,117	\$ 4,516	\$ 4,139	\$ 5,006,778
1,470	--	1,311	4,138	18,057	7,670	--	--	31,486	342,083
--	--	161	2,075	4,980	--	--	--	4,087	17,975
<u>\$ 90,302</u>	<u>\$ 1,222,883</u>	<u>\$ 382,711</u>	<u>\$ 14,910</u>	<u>\$ 324,313</u>	<u>\$ 727,653</u>	<u>\$ 10,117</u>	<u>\$ 4,516</u>	<u>\$ 39,712</u>	<u>\$ 5,366,836</u>
\$ 2,923	\$ 22,723	\$ 4,464	\$ 15,936	\$ --	\$ --	\$ --	\$ --	\$ 12,673	\$ 326,676
7,375	--	4,823	539	--	--	--	--	14,939	58,870
--	--	--	--	97,542	--	--	--	12,100	143,079
10,298	22,723	9,287	16,475	97,542	--	--	--	39,712	528,625
80,004	1,200,160	373,424	(1,565)	226,771	727,653	10,117	4,516	--	4,838,211
<u>\$ 90,302</u>	<u>\$ 1,222,883</u>	<u>\$ 382,711</u>	<u>\$ 14,910</u>	<u>\$ 324,313</u>	<u>\$ 727,653</u>	<u>\$ 10,117</u>	<u>\$ 4,516</u>	<u>\$ 39,712</u>	<u>\$ 5,366,836</u>

LINCOLN COUNTY

COMBINING STATEMENT OF REVENUES, EXPEDITURES
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

	County School	County Fair	Transit District	Law Library	DA's Criminal Forfeiture Law Enforcement	Clerk Records	OHP Mental Health	Solid Waste District
REVENUES								
Taxes and land sales	\$ 333,492	\$ --	\$ 464,362	\$ --	\$ --	\$ --	\$ --	--
Licenses and fees	--	--	--	--	--	62,003	--	--
Charges for services	--	--	121,826	--	--	--	18,522	211,777
Intergovernmental	1,116,096	46,456	325,866	--	2,253	--	1,801,609	--
Court fines and fees	--	--	--	48,148	--	--	--	--
Interest	2,130	2,622	50,346	1,237	58	1,267	26,908	5,786
Miscellaneous	116	186,237	--	139	--	--	525	176
TOTAL REVENUES	1,451,834	235,315	962,400	49,524	2,311	63,270	1,847,564	217,739
EXPENDITURES								
Current:								
General government	--	--	--	--	--	53,872	--	--
Community service	--	--	934,915	--	--	--	--	192,758
Public safety	--	--	--	49,149	--	--	--	--
Culture and recreation	--	243,901	--	--	--	--	--	--
Health and welfare	--	--	--	--	--	--	1,750,056	--
Education	1,451,863	--	--	--	--	--	--	--
Capital outlay	--	8,250	7,314	--	--	--	--	1,466
TOTAL EXPENDITURES	1,451,863	252,151	942,229	49,149	--	53,872	1,750,056	194,224
Excess (deficiency of revenues over expenditures)	(29)	(16,836)	20,171	375	2,311	9,398	97,508	23,515
OTHER FINANCING SOURCES (USES)								
Transfers in	--	--	--	--	--	--	--	--
Transfers out	--	--	--	--	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	--	--	--	--	--	--	--	--
Net change in fund balances	(29)	(16,836)	20,171	375	2,311	9,398	97,508	23,515
Fund balances at beginning of year	234	62,902	1,237,843	27,270	--	25,839	599,177	108,853
Fund balances at end of year	\$ 205	\$ 46,066	\$ 1,258,014	\$ 27,645	\$ 2,311	\$ 35,237	\$ 696,685	\$ 132,368

Enforce- ment	Dog License	Title III Safety Net	Corner Preservation	Meth Grant	Extension Agency	Agate Beach Closure	DUII	DUII M3 Forfeiture	Community Health Center	Totals
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 215,175	\$ --	\$ --	\$ --	\$ --	\$ 1,013,029
--	70,867	--	179,512	--	--	57,924	3,652	--	--	373,958
--	20,527	--	--	--	5,730	--	--	--	--	378,382
--	33,736	509,941	--	211,152	122,324	--	--	--	168,994	4,338,427
29,497	535	--	--	--	--	--	--	--	--	78,180
565	4,477	45,693	14,944	--	6,129	27,018	557	194	--	189,931
--	1,636	--	--	--	14,229	--	--	--	--	203,058
<u>30,062</u>	<u>131,778</u>	<u>555,634</u>	<u>194,456</u>	<u>211,152</u>	<u>363,587</u>	<u>84,942</u>	<u>4,209</u>	<u>194</u>	<u>168,994</u>	<u>6,574,965</u>
--	--	--	176,097	--	--	--	--	--	--	229,969
--	--	237,927	--	--	--	11,021	--	--	--	1,376,621
3,653	199,576	--	--	223,013	--	--	10,366	--	--	485,757
--	--	--	--	--	--	--	--	--	--	243,901
--	--	--	--	--	--	--	--	--	182,994	1,933,050
--	--	--	--	--	343,445	--	--	--	--	1,795,308
--	--	--	--	--	--	--	--	--	--	17,030
<u>3,653</u>	<u>199,576</u>	<u>237,927</u>	<u>176,097</u>	<u>223,013</u>	<u>343,445</u>	<u>11,021</u>	<u>10,366</u>	<u>--</u>	<u>182,994</u>	<u>6,081,636</u>
<u>26,409</u>	<u>(67,798)</u>	<u>317,707</u>	<u>18,359</u>	<u>(11,861)</u>	<u>20,142</u>	<u>73,921</u>	<u>(6,157)</u>	<u>194</u>	<u>(14,000)</u>	<u>493,329</u>
--	72,281	--	--	--	--	--	--	--	14,000	86,281
<u>(23,104)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(23,104)</u>
<u>(23,104)</u>	<u>72,281</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,000</u>	<u>63,177</u>
3,305	4,483	317,707	18,359	(11,861)	20,142	73,921	(6,157)	194	--	556,506
<u>15,295</u>	<u>75,521</u>	<u>882,453</u>	<u>355,065</u>	<u>10,296</u>	<u>206,629</u>	<u>653,732</u>	<u>16,274</u>	<u>4,322</u>	<u>--</u>	<u>4,281,705</u>
<u>\$ 18,600</u>	<u>\$ 80,004</u>	<u>\$ 1,200,160</u>	<u>\$ 373,424</u>	<u>\$ (1,565)</u>	<u>\$ 226,771</u>	<u>\$ 727,653</u>	<u>\$ 10,117</u>	<u>\$ 4,516</u>	<u>\$ --</u>	<u>\$ 4,838,211</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
COUNTY SCHOOL - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Taxes and land sales	\$ 191,750	\$ 333,492	\$ 141,742
Intergovernmental	1,500,000	1,116,096	(383,904)
Interest	700	2,130	1,430
Miscellaneous	1,300	116	(1,184)
TOTAL REVENUES	1,693,750	1,451,834	(241,916)
EXPENDITURES			
Materials and services	1,693,750	1,451,863	241,887
Net change in fund balance	--	(29)	(29)
Fund balance at beginning of year	--	234	234
Fund balance at end of year	\$ --	\$ 205	\$ 205

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
COUNTY FAIR - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 45,833	\$ 46,456	\$ 623
Interest	750	2,622	1,872
Miscellaneous	207,450	186,237	(21,213)
TOTAL REVENUES	254,033	235,315	(18,718)
EXPENDITURES			
Personal services	100,498	97,654	2,844
Materials and services	169,395	146,247	23,148
Capital outlay	20,000	8,250	11,750
Operating contingency	39,765	--	39,765
TOTAL EXPENDITURES	329,658	252,151	77,507
Net change in fund balance	(75,625)	(16,836)	58,789
Fund balance at beginning of year	75,625	62,902	(12,723)
Fund balance at end of year	\$ --	\$ 46,066	\$ 46,066

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
TRANSIT DISTRICT - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Taxes and land sales	\$ 445,397	\$ 464,362	\$ 18,965
Charges for services	99,000	121,826	22,826
Intergovernmental	1,260,863	325,866	(934,997)
Interest	15,000	50,346	35,346
Miscellaneous	25,000	--	(25,000)
TOTAL REVENUES	1,845,260	962,400	(882,860)
EXPENDITURES			
Personal services	705,330	659,656	45,674
Materials and services	331,250	275,259	55,991
Capital outlay	1,022,427	7,314	1,015,113
Operating contingency	436,418	--	436,418
TOTAL EXPENDITURES	2,495,425	942,229	1,553,196
Net change in fund balance	(650,165)	20,171	670,336
Fund balance at beginning of year	1,067,337	1,237,843	170,506
Fund balance at end of year	\$ 417,172	\$ 1,258,014	\$ 840,842

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
LAW LIBRARY - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Fines and forfeitures	\$ 45,000	\$ 48,148	\$ 3,148
Interest	300	1,237	937
Miscellaneous	--	139	139
	<u>45,300</u>	<u>49,524</u>	<u>4,224</u>
EXPENDITURES			
Materials and services	62,850	49,149	13,701
Capital outlay	5,000	--	5,000
	<u>67,850</u>	<u>49,149</u>	<u>18,701</u>
Net change in fund balance	(22,550)	375	22,925
Fund balance at beginning of year	<u>22,550</u>	<u>27,270</u>	<u>4,720</u>
Fund balance at end of year	<u>\$ --</u>	<u>\$ 27,645</u>	<u>\$ 27,645</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
DA'S CRIMINAL FORFEITURE LAW ENFORCEMENT - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 30,000	\$ 2,253	\$ (27,747)
Interest	--	58	58
<hr/>			
TOTAL REVENUES	30,000	2,311	(27,689)
 EXPENDITURES			
Materials and services	56,000	--	56,000
<hr/>			
Net change in fund balance	(26,000)	2,311	28,311
Fund balance at beginning of year	26,000	--	(26,000)
<hr/>			
Fund balance at end of year	\$ --	\$ 2,311	\$ 2,311
<hr/>			

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
CLERK RECORDS - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Licenses and fees	\$ 52,000	\$ 62,003	\$ 10,003
Interest	400	1,267	867
TOTAL REVENUES	52,400	63,270	10,870
EXPENDITURES			
Personal services	51,116	43,952	7,164
Materials and services	19,635	9,920	9,715
Capital outlay	5,000	--	5,000
TOTAL EXPENDITURES	75,751	53,872	21,879
Net change in fund balance	(23,351)	9,398	32,749
Fund balance at beginning of year	23,351	25,839	2,488
Fund balance at end of year	\$ --	\$ 35,237	\$ 35,237

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
OHP MENTAL HEALTH - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 13,100	\$ 18,522	\$ 5,422
Intergovernmental	1,865,150	1,801,609	(63,541)
Interest	4,000	26,908	22,908
Miscellaneous	6,000	525	(5,475)
TOTAL REVENUES	<u>1,888,250</u>	<u>1,847,564</u>	<u>(40,686)</u>
EXPENDITURES			
Personal services	93,618	87,956	5,662
Materials and services	2,237,620	1,662,100	575,520
Capital outlay	5,000	--	5,000
Operating contingency	150,225	--	150,225
TOTAL EXPENDITURES	<u>2,486,463</u>	<u>1,750,056</u>	<u>736,407</u>
Net change in fund balance	(598,213)	97,508	695,721
Fund balance at beginning of year	<u>598,213</u>	<u>599,177</u>	<u>964</u>
Fund balance at end of year	<u>\$ --</u>	<u>\$ 696,685</u>	<u>\$ 696,685</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
SOLID WASTE DISTRICT - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 209,397	\$ 211,777	\$ 2,380
Interest	800	5,786	4,986
Miscellaneous	--	176	176
TOTAL REVENUES	<u>210,197</u>	<u>217,739</u>	<u>7,542</u>
EXPENDITURES			
Personal services	95,773	79,309	16,464
Materials and services	146,703	113,449	33,254
Capital outlay	5,000	1,466	3,534
Operating contingency	46,144	--	46,144
TOTAL EXPENDITURES	<u>293,620</u>	<u>194,224</u>	<u>99,396</u>
Net change in fund balance	(83,423)	23,515	106,938
Fund balances at beginning of year	<u>83,423</u>	<u>108,853</u>	<u>25,430</u>
Fund balance at end of year	<u>\$ --</u>	<u>\$ 132,368</u>	<u>\$ 132,368</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
ENFORCEMENT - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Fines and forfeitures	\$ 20,000	\$ 29,497	\$ 9,497
Interest	120	565	445
TOTAL REVENUES	<u>20,120</u>	<u>30,062</u>	<u>9,942</u>
EXPENDITURES			
Materials and services	12,000	3,653	8,347
Capital outlay	5,000	--	5,000
TOTAL EXPENDITURES	<u>17,000</u>	<u>3,653</u>	<u>13,347</u>
Excess (deficiency) of revenues over expenditures	3,120	26,409	23,289
OTHER FINANCING SOURCES (USES)			
Transfers out	(14,402)	(23,104)	(8,702)
Net change in fund balance	(11,282)	3,305	14,587
Fund balance at beginning of year	<u>11,282</u>	<u>15,295</u>	<u>4,013</u>
Fund balance at end of year	<u>\$ --</u>	<u>\$ 18,600</u>	<u>\$ 18,600</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
DOG LICENSE - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Licenses and fees	\$ 57,000	\$ 70,867	\$ 13,867
Charges for services	15,000	20,527	5,527
Intergovernmental	33,736	33,736	--
State court fines	1,000	535	(465)
Interest	1,000	4,477	3,477
Miscellaneous	5,000	1,636	(3,364)
	<u>112,736</u>	<u>131,778</u>	<u>19,042</u>
EXPENDITURES			
Personal services	182,806	180,418	2,388
Materials and services	28,180	19,158	9,022
Capital outlay	18,444	--	18,444
	<u>229,430</u>	<u>199,576</u>	<u>29,854</u>
TOTAL REVENUES			
TOTAL EXPENDITURES	<u>229,430</u>	<u>199,576</u>	<u>29,854</u>
Excess (deficiency) of revenues over expenditures	(116,694)	(67,798)	48,896
OTHER FINANCING SOURCES (USES)			
Transfers in	72,281	72,281	--
	<u>72,281</u>	<u>72,281</u>	<u>--</u>
Net change in fund balance	(44,413)	4,483	48,896
Fund balance at beginning of year	44,413	75,521	31,108
	<u>44,413</u>	<u>75,521</u>	<u>31,108</u>
Fund balance at end of year	<u>\$ --</u>	<u>\$ 80,004</u>	<u>\$ 80,004</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
TITLE III SAFETY NET - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 517,879	\$ 509,941	\$ (7,938)
Interest	20,000	45,693	25,693
TOTAL REVENUES	537,879	555,634	17,755
EXPENDITURES			
Materials and services	641,594	237,927	403,667
Capital outlay	700,000	--	700,000
TOTAL EXPENDITURES	1,341,594	237,927	1,103,667
Net change in fund balance	(803,715)	317,707	1,121,422
Fund balance at beginning of year	803,715	882,453	78,738
Fund balance at end of year	\$ --	\$ 1,200,160	\$ 1,200,160

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
CORNER PRESERVATION - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Licenses and fees	\$ 150,000	\$ 179,512	\$ 29,512
Intergovernmental	60,000	--	(60,000)
Interest	5,000	14,944	9,944
TOTAL REVENUES	<u>215,000</u>	<u>194,456</u>	<u>(20,544)</u>
EXPENDITURES			
Personal services	164,367	143,187	21,180
Materials and services	66,020	32,910	33,110
Capital outlay	51,703	--	51,703
Operating contingency	252,019	--	252,019
TOTAL EXPENDITURES	<u>534,109</u>	<u>176,097</u>	<u>358,012</u>
Net change in fund balance	(319,109)	18,359	337,468
Fund balance at beginning of year	<u>319,109</u>	<u>355,065</u>	<u>35,956</u>
Fund balance at end of year	<u>\$ --</u>	<u>\$ 373,424</u>	<u>\$ 373,424</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
METH GRANT - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 332,200	\$ 211,152	\$ (121,048)
EXPENDITURES			
Personal services	28,400	12,625	15,775
Materials and services	203,800	152,285	51,515
Capital outlay	100,000	58,103	41,897
TOTAL EXPENDITURES	332,200	223,013	109,187
Net change in fund balance	--	(11,861)	(11,861)
Fund balance at beginning of year	--	10,296	10,296
Fund balance at end of year	\$ --	\$ (1,565)	\$ (1,565)

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
EXTENSION AGENCY - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 207,518	\$ 215,175	\$ 7,657
Charges for services	9,500	5,730	(3,770)
Intergovernmental	220,790	122,324	(98,466)
Interest	2,000	6,129	4,129
Miscellaneous	12,750	14,229	1,479
TOTAL REVENUES	452,558	363,587	(88,971)
EXPENDITURES			
Personal services	339,424	217,604	121,820
Materials and services	174,375	125,841	48,534
Capital outlay	10,000	--	10,000
Operating contingency	36,100	--	36,100
TOTAL EXPENDITURES	559,899	343,445	216,454
Net change in fund balance	(107,341)	20,142	127,483
Fund balance at beginning of year	175,767	206,629	30,862
Fund balance at end of year	\$ 68,426	\$ 226,771	\$ 158,345

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
AGATE BEACH CLOSURE - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Licences and fees	\$ 20,000	\$ 57,924	\$ 37,924
Interest	7,000	27,018	20,018
TOTAL REVENUES	27,000	84,942	57,942
EXPENDITURES			
Materials and services	623,300	11,021	612,279
Capital outlay	5,000	--	5,000
TOTAL EXPENDITURES	628,300	11,021	617,279
Net change in fund balance	(601,300)	73,921	675,221
Fund balance at beginning of year	651,300	653,732	2,432
Fund balance at end of year	\$ 50,000	\$ 727,653	\$ 677,653

LINCOLN COUNTY

SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
 DUII - SPECIAL REVENUE FUND
 Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licences and fees	\$ 3,000	\$ 3,652	\$ 652
Interest	240	557	317
TOTAL REVENUES	3,240	4,209	969
EXPENDITURES			
Materials and services	11,727	10,366	1,361
Net change in fund balance	(8,487)	(6,157)	2,330
Fund balance at beginning of year	8,487	16,274	7,787
Fund balance at end of year	<u>\$ --</u>	<u>\$ 10,117</u>	<u>\$ 10,117</u>

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
DUII M3 FORFEITURE - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Licences and fees	\$ 10,000	\$ --	\$ (10,000)
Interest	60	194	134
TOTAL REVENUES	10,060	194	(9,866)
EXPENDITURES			
Materials and services	10,060	--	10,060
Net change in fund balance	--	194	194
Fund balance at beginning of year	--	4,322	4,322
Fund balance at end of year	\$ --	\$ 4,516	\$ 4,516

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
COMMUNITY HEALTH CENTER - SPECIAL REVENUE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 792,352	\$ 168,994	\$ (623,358)
Intergovernmental	564,373	--	(564,373)
Interest	12,000	--	(12,000)
	1,368,725	168,994	(1,199,731)
EXPENDITURES			
Personal services	669,670	105,986	563,684
Materials and services	563,055	77,008	486,047
Capital outlay	150,000	--	150,000
	1,382,725	182,994	1,199,731
Excess (deficiency) of revenues over expenditures	(14,000)	(14,000)	--
OTHER FINANCING SOURCES (USES)			
Transfers in	14,000	14,000	--
Net change in fund balance	--	--	--
Fund balance at beginning of year	--	--	--
Fund balance at end of year	\$ --	\$ --	\$ --

OTHER GOVERNMENTAL FUNDS

Debt Service

The Debt Service Fund accounts for payments of principal and interest on general obligation bonds. The principal source of revenue is property taxes.

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 683,168	\$ 693,593	\$ 10,425
Interest	3,000	12,317	9,317
TOTAL REVENUES	686,168	705,910	19,742
EXPENDITURES			
Debt service			
Principal	645,000	645,000	--
Interest	72,808	72,808	--
TOTAL EXPENDITURES	717,808	717,808	--
Net change in fund balance	(31,640)	(11,898)	19,742
Fund balance at beginning of year	231,640	235,825	4,185
Fund balance at end of year	\$ 200,000	\$ 223,927	\$ 23,927

PROPRIETARY FUND

Internal Service

The Insurance Reserve Fund accounts for costs of the County's self-insurance programs. Charges to other organizational units and refunds from insurance policies support these activities.

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
INSURANCE RESERVE - INTERNAL SERVICE FUND
Year Ended June 30, 2006**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 580,000	\$ 525,933	\$ (54,067)
Interest	20,000	34,591	14,591
Miscellaneous	16,870	69,841	52,971
	616,870	630,365	13,495
EXPENDITURES			
Personal services	818,704	701,139	117,565
Materials and services	403,360	235,716	167,644
Capital outlay	225,000	89,807	135,193
Contingency	225,791	--	225,791
	1,672,855	1,026,662	646,193
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over expenditures	(1,055,985)	(396,297)	(659,688)
OTHER FINANCING SOURCES (USES)			
Transfers out	(113,165)	(113,165)	--
Net change in fund balance	(1,169,150)	(509,462)	(659,688)
Fund balance at beginning of year	1,169,150	1,245,413	76,263
Fund balance at end of year	\$ --	\$ 735,951	\$ 735,951

FIDUCIARY FUND

Agency

These funds account for resources received and held by the County in a fiduciary capacity. Funds included are:

- The *Agency Funds* account for resources received and held by the County in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund.

LINCOLN COUNTY

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2006**

	Balances July 1, 2005	Additions	Deductions	Balances June 30, 2006
<u>ASSETS</u>				
Cash and investments	\$ 1,796,359	\$ 133,011,853	\$ 132,500,802	\$ 2,307,410
Property taxes receivable	3,625,985	56,225,004	56,382,677	3,468,312
 Total assets	 \$ 5,422,344	 \$ 189,236,857	 \$ 188,883,479	 \$ 5,775,722
 <u>LIABILITIES</u>				
Accounts payable	\$ 847,334	\$ 752,842	\$ 847,334	\$ 752,842
Fiduciary liabilities	4,575,010	188,484,015	188,036,145	5,022,880
 Total liabilities	 \$ 5,422,344	 \$ 189,236,857	 \$ 188,883,479	 \$ 5,775,722

OTHER FINANCIAL SCHEDULES

LINCOLN COUNTY

SCHEDULE OF RECEIPTS AND DISBURSEMENTS FOR ELECTED OFFICIALS
Year Ended June 30, 2006

	Cash and Investment Balances July 1, 2005	Receipts	Disbursements	Cash and Investment Balances June 30, 2006
Treasurer	\$ 30,929,787	\$ 217,875,464	\$ 215,092,697	33,712,554
District Attorney	<u>184</u>	<u>-</u>	<u>-</u>	<u>184</u>
Totals	<u>\$ 30,929,971</u>	<u>\$ 217,875,464</u>	<u>\$ 215,092,697</u>	<u>\$ 33,712,738</u>

The County Sheriff, Surveyor, Assessor and Clerk do not maintain any funds at financial institutions.

STATISTICAL SECTION



LINCOLN COUNTY

NET ASSETS BY COMPONENT
(Modified Accrual Basis of Accounting)
(\$000's)

	Fiscal Year			
	02-03	03-04	04-05	05-06
Governmental Activities				
Invested in capital assets, net of related debt	\$ 26,159	\$ 116,325	\$ 115,587	\$ 120,699
Restricted	145	200	3,383	18,742
Unrestricted	23,546	24,087	25,876	12,202
Total Governmental Activities Net Assets	\$ 49,850	\$ 140,612	\$ 144,846	\$ 151,643

Note: Accrual-based financial information for the county government as a whole is available back to 2002 only, the year GASB Statement 34 was implemented.

LINCOLN COUNTY

CHANGES IN NET ASSETS
(Modified Accrual Basis of Accounting)
(\$000's)

EXPENSES	Fiscal Year			
	02-03	03-04	04-05	05-06
Governmental Activities				
General Government	\$ 5,662	\$ 5,652	\$ 7,026	\$ 8,277
Community Services	2,569	2,677	2,962	3,239
Public Safety	12,887	13,157	14,962	14,273
Highways and Streets	6,637	6,404	5,556	6,702
Culture and Recreation	263	239	256	112
Health and Welfare	9,939	9,502	10,053	10,968
Education	1,786	1,618	1,741	1,877
Interest	278	259	92	81
Total Primary Government Expenses	\$ 40,021	\$ 39,508	\$ 42,648	\$ 45,529
PROGRAM REVENUES				
Governmental Activities				
Charges for Services				
General Government	\$ 1,944	\$ 1,997	\$ 2,272	\$ 2,175
Community Services	74	384	422	437
Public Safety	227	255	303	367
Highways and Streets	320	305	523	701
Health and Welfare	3,339	3,665	3,959	4,509
Education	9	6	5	6
Operating Grants and Contributions	10,603	13,021	17,542	14,997
Capital Grants and Contributions	24	630	22	5,165
Total Primary Government Program Revenues	\$ 16,540	\$ 20,263	\$ 25,048	\$ 28,357
NET (EXPENSE)/REVENUE				
Total Primary Government Net Expense	\$ (23,481)	\$ (19,245)	\$ (17,600)	\$ (17,172)

Continued on page 63

CHANGES IN NET ASSETS (Continued)

GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS	Fiscal Year			
	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>
Governmental Activities				
Taxes				
Property Taxes	\$ 13,371	\$ 13,477	\$ 13,974	\$ 14,653
State Motor Vehicle Taxes	2,025	2,061	2,272	2,352
Other Taxes	1,028	1,030	1,115	1,237
Unrestricted Grants and Contributions	3,063	2,895	2,949	3,032
Investment Earnings	409	293	613	1,213
Timber and Land Sales	5,537	583	574	992
Gain on Sale of Capital Assets	87	25	18	11
Miscellaneous	518	488	319	479
Total Primary Government	\$ 26,038	\$ 20,852	\$ 21,834	\$ 23,969
CHANGE IN NET ASSETS				
Total Primary Government	\$ 2,557	\$ 1,607	\$ 4,234	\$ 6,797

Note: Accrual-based financial information for the county government as a whole is available back to 2002 only, the year GASB Statement 34 was implemented.

LINCOLN COUNTY

FUND BALANCES OF GOVERNMENTAL FUNDS
(Modified Accrual Basis of Accounting)
(\$000's)

	Fiscal Year			
	02-03	03-04	04-05	05-06
GENERAL FUND				
Reserved	\$ 9	\$ 5	\$ -	\$ -
Unreserved	6,735	7,511	8,012	9,517
Total General Fund	\$ 6,744	\$ 7,516	\$ 8,012	\$ 9,517
ALL OTHER GOVERNMENTAL FUNDS				
Reserved For:				
Debt Service	\$ 145	\$ 200	\$ 236	\$ 223
Inventories	375	332	0	0
Unreserved, Reported in:				
Special Revenue Funds	14,706	15,084	20,401	21,210
Total All Other Governmental Funds	\$ 15,226	\$ 15,616	\$ 20,637	\$ 21,433

Note: Due to changes in the county's fund structure connected with the implementation of GASB Statement 34, fund balance information is available back to 2002 only.

LINCOLN COUNTY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
(Modified Accrual Basis of Accounting)
(\$000's)

	Fiscal Year										
	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
REVENUES											
Taxes and Land Sales	\$ 13,293	\$ 13,421	\$ 13,830	\$ 15,118	\$ 13,361	\$ 14,582	\$ 15,450	\$ 15,452	\$ 16,069	\$ 17,063	
Licenses and Fees	1,452	1,463	1,420	1,199	1,362	1,348	1,751	1,957	2,248	2,554	
Charges for Services	1,292	1,154	1,210	2,488	2,667	2,974	3,500	3,733	4,077	4,696	
Intergovernmental	14,740	14,402	14,947	15,049	16,539	19,616	19,896	18,474	23,407	21,478	
Court Fines and Fees	116	109	120	136	131	112	101	114	128	132	
Interest	1,046	1,096	1,067	1,193	1,236	521	395	299	627	1,240	
Miscellaneous	649	577	373	760	686	1,142	1,455	875	921	720	
Total Revenues	\$ 32,588	\$ 32,222	\$ 32,967	\$ 35,943	\$ 35,982	\$ 40,295	\$ 42,548	\$ 40,904	\$ 47,477	\$ 47,883	

EXPENDITURES

General Government	\$ 6,765	\$ 6,361	\$ 6,393	\$ 6,462	\$ 7,078	\$ 7,289	\$ 6,250	\$ 6,472	\$ 6,592	\$ 7,276
Community Services	1,853	1,136	1,243	1,527	1,781	2,062	2,647	2,522	2,805	3,159
Public Safety	9,234	9,522	10,131	10,492	11,086	11,646	11,865	12,332	14,146	14,162
Highways and Streets	4,554	4,798	4,825	4,752	4,908	4,654	4,830	4,901	4,808	6,681
Culture and Recreation	549	233	178	166	194	241	241	223	242	244
Health and Welfare	3,962	4,525	5,791	6,515	7,364	8,357	9,039	8,894	9,473	10,432
Education	1,617	1,757	1,531	1,676	964	1,475	1,643	1,516	1,635	1,795
Capital Outlay	1,598	1,254	2,890	4,134	3,435	2,702	2,070	1,893	1,092	1,226
Debt Service										
Principal	547	492	420	480	623	754	793	838	892	645
Interest	395	363	337	318	332	330	294	254	114	73
Total Expenditures	\$ 31,074	\$ 30,441	\$ 33,739	\$ 36,522	\$ 37,765	\$ 39,510	\$ 39,672	\$ 39,845	\$ 41,799	\$ 45,693

Excess of Revenues Over / (Under) Expenditures

\$ 1,514	\$ 1,781	\$ (772)	\$ (579)	\$ (1,783)	\$ 785	\$ 2,876	\$ 1,059	\$ 5,678	\$ 2,190
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Other Financing Sources (Uses)

Proceeds from Long-Term Debt			276	1,092						
Transfers in	874	751	660	542	497	750	755	898	902	851
Transfers out	(874)	(751)	(660)	(542)	(497)	(750)	(755)	(748)	(727)	(738)

Net Change in Fund Balances

\$ 1,514	\$ 1,781	\$ (772)	\$ (303)	\$ (691)	\$ 785	\$ 2,876	\$ 1,209	\$ 5,853	\$ 2,303
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Debt Service as a % of Noncapital Expenditures

3.1%	2.9%	2.3%	2.2%	2.6%	2.8%	2.8%	2.8%	2.5%	1.6%
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LINCOLN COUNTY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
(in thousands of dollars)

Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a % of Actual Value
	Manufactured Structures	Other Real Property	Manufactured Structures	Business Personal Prop.					
2002	\$ 66,108	\$ 5,015,090	\$ 28,143	\$ 127,845	\$ 719,097	\$ 4,518,089	2.7705	\$ 5,266,053	85.8%
2003	64,020	5,185,919	26,571	130,571	738,749	4,668,332	2.7946	5,334,777	87.5%
2004	64,795	5,325,031	25,621	125,806	767,543	4,773,710	2.7938	5,460,252	87.4%
2005	63,394	5,508,536	24,624	120,493	796,541	4,920,506	2.8122	5,770,292	85.3%
2006	62,089	5,798,733	27,479	119,134	865,119	5,142,316	2.8149	6,465,344	79.5%

Source: Lincoln County Assessor's Office

LINCOLN COUNTY

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS

Fiscal Year Ended June 30	Lincoln County			Overlapping Rates				Total Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Total Millage	School District			Special Districts	
				Operating Millage	Debt Service Millage	Total Millage		
2002	2.7705	0.1696	2.9401	4.9092	0.7918	5.7010	0.1425	8.7836
2003	2.7946	0.1582	2.9528	4.9092	1.0229	5.9321	0.1425	9.0274
2004	2.7938	0.1879	2.9817	4.9092	0.9010	5.8102	0.1425	8.9344
2005	2.8122	0.1625	2.9747	4.9092	0.8487	5.7579	0.1425	8.8751
2006	2.8149	0.1421	2.9570	4.9092	0.8801	5.7893	0.1425	8.8888

Source: Lincoln County Assessor's Office

LINCOLN COUNTY

PRINCIPAL PROPERTY TAXPAYERS
(in thousands of dollars)

	2006			1997		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Georgia Pacific West	\$ 142,781	1	2.2%	\$ 138,059	1	3.3%
Central Lincoln PUD	55,530	2	0.9%	39,926	3	1.0%
Plum Creek Timberlands	45,724	3	0.7%			
Northwest Natural Gas	36,499	4	0.6%	13,478	6	0.3%
COROC/Lincoln City LLC	28,042	5	0.4%			
The Worldmark Club	33,785	6	0.5%			
Green Diamond Resource	22,705	7	0.4%			
Pioneer Telephone Coop.	20,541	8	0.3%			
Boise NW Oregon Land	20,356	9	0.3%			
Shilo Inn Newport LLC	10,305	10	0.2%			
Mark S. Hemstreet				35,305	2	0.9%
R.R. Lincoln City				21,291	4	0.5%
Salishan Lodge				19,156	5	0.5%
Pacificorp				12,885	7	0.3%
South Shores Development				9,026	9	0.2%
Hallmark Inns				8,926	9	0.2%
Double E Northwest				7,644	10	0.2%

Source : Lincoln County Assessor's Office

Total Taxable Assessed Value \$ 6,465,344

\$ 4,138,971

LINCOLN COUNTY

PROPERTY TAX LEVIES AND COLLECTIONS
(in thousands of dollars)

Fiscal Year Ended June 30	Original Levy	Adjustments	Total Adjusted Tax Levy For Fiscal Year	Collected Within the		Collections in Subsequent Years	Total Collections to Date Amount	% of Levy
				Fiscal Year of the Levy Amount	% of Levy			
1997	\$ 10,788	\$ (727)	\$ 10,061	\$ 9,254	92.0%	\$ 623	\$ 9,877	98.2%
1998	9,821	(103)	9,718	9,064	93.3%	619	9,683	99.6%
1999	10,538	(250)	10,288	9,606	93.4%	593	10,199	99.1%
2000	11,039	(269)	10,770	10,112	93.9%	687	10,799	100.3%
2001	11,819	(299)	11,520	10,783	93.6%	615	11,398	98.9%
2002	12,406	(306)	12,100	11,335	93.7%	687	12,022	99.4%
2003	12,705	(322)	12,383	11,673	94.3%	719	12,392	100.1%
2004	13,181	(476)	12,705	12,117	95.4%	689	12,806	100.8%
2005	13,561	(356)	13,205	12,722	96.3%	716	13,438	101.8%
2006	14,231	(384)	13,847	13,367	96.5%	520	13,887	100.3%

Source: Lincoln County Treasurer's Office

Lincoln County

Ratios of Outstanding Debt by Type
 (amounts expressed in thousands except per capita amounts)

Governmental Activities

Fiscal Year	General Obligation Bonds	Capital Leases	Total	Per Capita
1997	\$ 6,975	\$ 94	\$ 7,069	\$ 168
1998	6,575	2,040	8,615	203
1999	6,155	-	6,155	142
2000	5,700	251	5,951	133
2001	5,425	995	6,420	144
2002	4,971	795	5,766	129
2003	4,200	583	4,783	106
2004	3,700	359	4,059	91
2005	3,075	123	3,198	72
2006	2,430	-	2,430	N/A

Source: Oregon Employment Department OLMIS

N/A: Information not yet available

Lincoln County

Ratios of General Bonded Debt Outstanding
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable	
				Value of Property (a)	Per Capita (b)
1996	\$ 7,710	\$ 640	\$ 7,070	0.18%	\$ 169
1997	6,975	626	6,349	0.15%	150
1998	6,575	543	6,032	0.13%	142
1999	6,155	569	5,586	0.12%	129
2000	5,700	1,142	4,558	0.09%	102
2001	5,425	487	4,938	0.10%	111
2002	4,971	712	4,259	0.08%	95
2003	4,200	692	3,508	0.07%	78
2004	3,700	831	2,869	0.05%	65
2005	3,075	757	2,318	0.04%	52
2006	2,430	705	1,725	0.03%	39

(a) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property.

(b) Population data can be found in the Schedule of Demographic and Economic Statistics.

LINCOLN COUNTY

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2006

Municipality	Net General Obligation Bonded Debt Outstanding	Percent within County	Amount Applicable to County
Direct:			
Lincoln County	\$ 2,430,000	100.0000%	\$ 2,430,000
Overlapping:			
City of Depoe Bay	939,316	100.0000%	939,316
City of Lincoln City	16,590,000	100.0000%	16,590,000
City of Newport	10,595,000	100.0000%	10,595,000
City of Siletz	41,935	100.0000%	41,935
City of Toledo	2,010,000	100.0000%	2,010,000
City of Waldport	130,000	100.0000%	130,000
City of Yachats	1,004,190	100.0000%	1,004,190
Kernville, Gleneden, Lincoln Beach Water District	953,707	100.0000%	953,707
Lincoln County Unified School District	21,925,000	99.3366%	21,779,550
Lower Siletz Water District	81,920	100.0000%	81,920
North Lincoln Fire and Rescue District #1	1,985,000	98.4582%	1,954,395
Oregon Coast Community College	22,690,000	100.0000%	22,690,000
Pacific Communities Hospital District	215,000	100.0000%	215,000
Panther Creek Water District	80,651	100.0000%	80,651
Port of Newport	410,000	100.0000%	410,000
Roads End Sanitary District	112,695	100.0000%	112,695
Seal Rock Water District	34,646	100.0000%	34,646
Siletz Keys Sanitary District	91,396	100.0000%	91,396
Total Overlapping	<u>79,890,456</u>		<u>79,714,401</u>
Total	<u>\$ 82,320,456</u>		<u>\$ 82,144,401</u>

(1) Includes general obligation bonds minus any that are fully self-supporting.

Source: Municipal Debt Advisory Commission, State of Oregon

Lincoln County

Legal Debt Margin Information (amounts expressed in thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assessed Value of Property	\$ 5,770,292	\$ 5,460,252	\$ 5,334,777	\$ 5,266,053	\$ 5,153,879	\$ 4,885,463	\$ 4,675,201	\$ 4,556,192	\$ 4,138,971	\$ 3,832,191
Debt Limit	\$ 82,779	\$ 91,124	\$ 93,504	\$ 97,709	\$ 103,078	\$ 105,321	\$ 106,696	\$ 109,205	\$ 115,406	\$ 129,307
Total Net Debt Applicable to Limit	<u>6,349</u>	<u>6,032</u>	<u>5,586</u>	<u>4,558</u>	<u>4,938</u>	<u>4,259</u>	<u>3,508</u>	<u>2,869</u>	<u>2,318</u>	<u>1,725</u>
Legal Debt Margin	<u>\$ 76,430</u>	<u>\$ 85,092</u>	<u>\$ 87,918</u>	<u>\$ 93,151</u>	<u>\$ 98,140</u>	<u>\$ 101,062</u>	<u>\$ 103,188</u>	<u>\$ 106,336</u>	<u>\$ 113,088</u>	<u>\$ 127,582</u>
Total Net Debt Applicable to Limit As a Percentage of Debt Limit	7.67%	6.62%	5.97%	4.66%	4.79%	4.04%	3.29%	2.63%	2.01%	1.33%

Legal Debt Margin for Fiscal Year 2006

Note: Debt Limit per ORS 287.054 is 2% of Assessed Value.	<u>\$ 6,465,344</u>
Assessed Value	<u>\$ 129,307</u>
Debt Limit per ORS 287.054 is 2% of Assessed Value	<u>\$ 2,430</u>
General Obligation Bonds	<u>705</u>
Less: Amount set aside for repayment of G.O. debt	<u>\$ 1,725</u>
Total Net Debt Applicable to Limit	<u>\$ 127,582</u>
Legal Debt Margin	<u>\$ 127,582</u>

LINCOLN COUNTY

DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Year Ended June 30	Population	Personal Income (\$000's)	Per Capita Personal Income	Unemployment Rate
1997	42,200	\$ 902,278	\$ 21,381	8.1%
1998	42,500	960,118	22,591	7.0%
1999	43,350	1,008,191	23,257	7.2%
2000	44,600	1,090,024	24,440	7.1%
2001	44,650	1,141,477	25,565	5.6%
2002	44,700	1,177,532	26,343	7.1%
2003	45,000	1,181,160	26,248	8.1%
2004	44,400	1,225,662	27,605	8.4%
2005	44,405	NA	NA	6.9%
2006	NA	NA	NA	6.0%

Source: Oregon Employment Department

NA: Information not yet available

LINCOLN COUNTY

PRINCIPAL EMPLOYERS

Employer	FY 2006		FY 2000	
	Employees	% of Total County Employment	Employees	% of Total County Employment
Confederated Tribes of the Siletz	NA		904	4.7%
Lincoln County School District	516	2.3%	613	3.2%
Samaritan Health Services	NA		572	3.0%
Georgia-Pacific	470	2.1%	500	2.6%
Lincoln County	398	1.8%	385	2.0%
Hatfield Marine Science Center	NA		295	1.5%
Salishan Lodge	NA		215	1.1%
Pacific Shrimp	146	0.7%	150	0.8%
Central Lincoln PUD	138	0.6%	142	0.7%
Shilo Inns	NA		142	0.7%
Total	1,668		3,918	20.3%
Total Employment-Lincoln County:	22,079		19,263	

Source: Central Coast Economic Development Alliance for FY2000 data.
Poll of individual employers for 2006 data.

N/A: Information not provided.

LINCOLN COUNTY

FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION

FUNCTION	Full Time Equivalent Employees as of June 30										
	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
General Government	56	51	53	53	56	53	53	52	52	48	
Highways and Streets	96	83	82	81	81	84	84	84	83	83	
Other											
Community Services	60	55	65	69	77	85	84	82	87	97	
Health and Welfare	14	9	9	9	10	9	9	9	9	59	
Other											
Public Safety	87	88	91	88	89	96	94	95	94	90	
Sheriff's Department	59	59	61	63	65	68	66	63	64	16	
Other											
Total FTE's	372	345	361	363	378	395	390	385	389	393	
General Government	152	134	135	134	137	137	137	136	135	131	
Comm. Services	74	64	74	78	87	94	93	91	96	156	
Public Safety	146	147	152	151	154	164	160	158	158	106	

Source : Lincoln County Finance Department

LINCOLN COUNTY

OPERATING INDICATORS BY FUNCTION

FUNCTION	Fiscal Year									
	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
Police										
Physical Arrests	NA	NA	NA	NA	NA	NA	867	997	1,122	1,199
Traffic Citations	NA	NA	NA	NA	NA	NA	754	770	778	758
Highways and Streets										
Miles of Road Pavement Overlays	NA	NA	0.7	2.7	1.5	1.3	2.5	5.6	6.4	8.5
Miles of Road Shoulder Widening	2.8	1.0	3.4	1.8	3.4	2.3	3.1	3.8	4.6	2.9
# of Road Patches Performed	19	25	27	27	39	34	49	30	NA	NA
Sanitation										
Pounds of Waste Generated Per Capita	2,259	2,273	2,299	2,287	2,359	2,417	2,498	2,496	2,774	NA
Pounds of Waste Recovered Per Capita	352	437	465	445	547	678	678	694	825	NA
Transportation										
Hours of Service	11,783	12,842	14,871	15,575	15,900	16,289	16,437	17,971	19,147	19,995
Number of Passengers	32,014	40,383	49,253	57,262	65,538	66,576	71,926	88,131	88,380	89,258
Miles Traveled	194,265	218,652	243,726	267,549	264,506	265,614	278,684	290,515	304,087	322,046

Source: Individual County Departments

NA : Information not available

LINCOLN COUNTY

CAPITAL ASSET STATISTICS BY FUNCTION

FUNCTION	Fiscal Year									
	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>
Police										
Patrol Units	NA	NA	NA	NA	NA	21	21	24	25	25
Highways and Streets										
Streets (Miles)	331	331	331	331	331	329	329	330	330	335
Bridges	82	82	82	82	82	82	82	82	82	84
Parks	12	12	12	12	12	12	12	12	12	13
Transportation										
Number of Buses	9	9	9	10	10	10	10	17	17	16

∞ Source : Individual County Departments

NA : Information not available

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS



DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

- *Accounting and Internal Controls*
- *Collateral*
- *Indebtedness*
- *Budget*
- *Insurance and Fidelity Bonds*
- *Programs Funded from Outside Sources*
- *Highway Funds*
- *Investments*
- *Public Contracts and Purchasing*



BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

LINCOLN COUNTY

DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS Year Ended June 30, 2006

Accounting and Internal Controls

The broad objectives of internal accounting control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and that financial records are reliable to permit the preparation of financial statements. The following operating objectives are necessary to achieve the broad objectives:

- a. Transactions are executed in accordance with management's general or specific authorization.
- b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- c. Access to assets is permitted only in accordance with management's authorization.
- d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. Any projection of a current evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with prescribed procedures may deteriorate.

The accounting records and internal controls and adequate considering the size and complexity of the municipal corporation's financial activities.

DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)

Collateral

ORS 295.015 requires collateral pool certificates of participation to be obtained from the pool manager of the depository in an amount equal to the funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation. Collateral pool certificates warrant that the pool manager holds custodian's receipts for eligible securities pledged by the depository bank to secure deposits of public funds of a value as the last calculation date of not less than 25 percent of the aggregate amount of certificates outstanding. At June 30, 2006, the deposits of the county were covered by the following collateral pool certificates:

<u>Depository Bank</u>	<u>Pool Manager</u>	<u>Amount</u>
Bank of America	Oregon State Treasurer	\$ 500,000
West Coast Bank	US Bank	10,000,000
US Bank	Federal Home Loan Bank	5,000,000
Bank of the West	US Bank	15,000,000
Umpqua Bank	Federal Home Loan Bank	8,000,000

Deposits of the County were secured in accordance with ORS 295.015.

Indebtedness

The legal debt limit has not been exceeded.

Budget

1. Preparation and adoption

The budgets for the years ended June 30, 2007 and 2006 were prepared and adopted in compliance with legal requirements, except as follows:

For the year ended June 30, 2007, excess of actual revenues over actual expenditures in the second preceding year did not equal the beginning balance in the first preceding year.

For year ended June 30, 2007, items listed on the LB-2 and LB-3 did not agree with amounts on the budget detail sheets.

The estimated beginning fund balances in the General and Title III safety net funds for the year ended June 30, 2006 did not appear reasonable compared to actual June 30, 2006 ending fund balances.

2. Execution

The budget for the year ended June 30, 2006, was executed in compliance with legal requirements.

DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)

Insurance and Fidelity Bonds

The County's insurance agent confirmed that insurance coverage was adequate at June 30, 2006. Insurance coverage appears to comply with legal requirements.

ORS 210.120 to 220.150 establishes bonding requirements for County officials and employees. The County's Board of Commissioners has established the following bonds:

Treasurer, Linda Pitzer	\$ 100,000
Assistant Tax Collector	50,000
Accounting Clerk	25,000
Public Employee Dishonesty	10,000

Programs Funded From Outside Sources

The County operated various programs funded wholly or partially by governmental agencies. Our report on compliance with laws and regulations and on internal controls used in administering federal financial assistance programs appear on pages 82 through 85 of this report. In addition to our audit, these grants and projects are subject to further review by federal audit agencies.

Highway Funds

The County used revenue from taxes on motor vehicle use in compliance with ORS 373.240 to 373.250.

Investments

Funds of the County were invested in compliance with ORS 294.035.

Public Contracts and Purchasing

1. Awarding of public contracts:

The County awarded public contracts in accordance with ORS 279.

2. Construction of public improvements:

The County constructed public improvements in accordance with ORS 279.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
September 22, 2006

GRANT COMPLIANCE - SINGLE AUDIT





BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

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*

**Board of County Commissioners
LINCOLN COUNTY
Newport, Oregon**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **LINCOLN COUNTY**, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 22, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its 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*.

**Board of County Commissioners
LINCOLN COUNTY
Newport, Oregon**

**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*
(CONTINUED)**

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Boldt, Carlisle & Smith, LLC

Certified Public Accountants

Salem, Oregon

September 22, 2006



BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
LINCOLN COUNTY
Newport, Oregon

Compliance

We have audited the compliance of **LINCOLN COUNTY** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, **LINCOLN COUNTY**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Board of County Commissioners
LINCOLN COUNTY
Newport, Oregon**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

The management of LINCOLN COUNTY is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Boldt, Carlisle & Smith, LLC

Certified Public Accountants

Salem, Oregon

September 22, 2006

LINCOLN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
◆ Material weakness identified?	NO
◆ Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	NO

Federal Awards

Internal control over major programs:	
◆ Material weakness identified?	NO
◆ Reportable condition identified that are not considered to be material weakness?	None Reported
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	NO

Identification of major programs:

<u>CDFA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Grants to States
14.228	Community Development Block Grants/State's Program
20.509	Formula Grants for Other Than Urbanized Areas
93.224	Consolidated Health Centers

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee:	YES

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

LINCOLN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>
<i>Department of Agriculture</i>			
Food and Nutrition Service			
Oregon Department of Education National School Lunch Program	10.555		\$ 8,591
Oregon Department of Human Services - Health Division Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	280559	171,674
Forest Service			
Oregon Department of Administrative Services Schools and Roads - Grants to States	10.665		<u>4,937,082</u>
<i>Total Department of Agriculture</i>			<u>5,117,347</u>
<i>Department of Commerce</i>			
National Oceanic and Atmospheric Administration			
Oregon Department of Land Conservation and Development Coastal Zone Management Administration Awards	11.419	CZM-06-021	<u>15,000</u>
<i>Department of Housing and Urban Development</i>			
Office of Community Planning and Development			
Community Development Block Grants/State's Program Oregon Department Economic and Community Development Microenterprise	14.228	M04013	65,000
Oregon Housing and Community Services Department Regional Housing and Rehabilitation Program		00434	<u>273,828</u>
<i>Total Department of Housing and Urban Development</i>			<u>338,828</u>
<i>Department of Interior</i>			
Bureau of Land Management			
O&C Grant	15.000		388,968
Fish and Wildlife Service			
Oregon Department of Fish and Wildlife Sport Fish Restoration	15.605	BR 357	<u>40,000</u>
<i>Total Department of Interior</i>			<u>428,968</u>
<i>Department of Justice</i>			
Drug Enforcement Administration			
Supervised Visitation, Safe Havens for Children	16.527		122,931
Office of Juvenile Justice and Delinquency Prevention			
Oregon Office of Homeland Security, Criminal Justice Services Division Juvenile Accountability Incentive Block Grants Juvenile Community Service Program	16.523	04-620	10,000
2003 JAIBG Supplemental Award		03-656	5,108
Lincoln County Children's Advocacy Center Missing Children's Assistance	16.543		10,000
Oregon Department of Human Services Enforcing Underage Drinking Laws Program	16.727		
Enforcing Underage Drinking Program Rural		242500	64,693
Enforcing Underage Drinking Program		242301	6,492

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>
Bureau of Justice Assistance			
Oregon State Police Tillamook County Byrne Formula Grant Program	16.579		24,500
Oregon Department of Justice Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Programs Marijuana Eradication Project	16.580		8,000
State Criminal Alien Assistance Program	16.606		16,776
Bulletproof Vest Partnership Program	16.607		5,447
Edward Byrne Memorial Justice Assistance Grant Program	16.738		16,064
Office of Victims of Crime			
Crime Victim Assistance	16.575		
Oregon Department of Justice Basic Program Grant		04-2259	7,216
Basic Program Grant		05-2432	6,774
Basic Program Grant		05-2433	9,787
Project Grant		05-2566	15,533
Lincoln County Childrens' Advocacy Center Basic Program Grant		04-2258	5,265
Basic Program Grant		05-2432	5,265
Project Grant		04-2325	40,000
Violence Against Women Office			
Oregon Office of Homeland Security, Criminal Justice Services Division Violence Against Women Formula Grants Domestic Violence Victim Safety and Advocacy Project	16.588	05-757	28,834
Crossroads: Lincoln County Community Nonviolence Program Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	1999-WR-VX-0026	12,708
Office of Community Oriented Policing Services			
Public Safety Partnership and Community Policing Grants COPS Methamphetamine Grant (2004CKWX0182) COPS Methamphetamine Grant (2005CKWX0289)	16.710		92,321 130,692
<i>Total Department of Justice</i>			<u>644,406</u>
Department of Transportation			
Federal Transit Administration			
Oregon Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509	22792	158,334
Capital Assistance Program for Elderly Persons and Persons With Disabilities Vehicle Preventative Maintenance	20.513	21568	13,093
Vehicle Preventative Maintenance		22628	14,388
National Highway Traffic Safety Administration			
Oregon State Sheriff's Association Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		10,151
Occupant Protection	20.602		15,312
<i>Total Department of Transportation</i>			<u>211,278</u>

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>
<i>Environmental Protection Agency</i>			
Office of Water			
Oregon Department of Human Services			
State Public Water System Supervision	66.432	280557	6,300
Capitalization Grants for Drinking Water State Revolving Funds	66.468	280655	11,740
			<u>18,040</u>
<i>Total Environmental Protection Agency</i>			
<i>Department of Education</i>			
Office of Elementary and Secondary Education			
Oregon Department of Human Services			
Safe and Drug-free Schools and Communities - State Grants	84.186	236501	<u>50,000</u>
<i>Department of Health and Human Services</i>			
Office of Population Affairs			
Oregon Department of Human Services			
Family Planning Services	93.217	280558	23,615
Administration for Children and Families			
Oregon Commission on Children and Families			
Promoting Safe and Stable Families	93.556		818
Oregon Department of Human Services			
Temporary Assistance for Needy Families	93.558	137000	15,992
Oregon Department of Justice			
Child Support Enforcement	93.563	610006	110,812
Oregon Commission on Children and Families			
Child Care and Development Block Grant	93.575		9,550
Social Services Block Grant	93.667		27,394
Centers for Medicare and Medicaid Services			
Oregon Commission on Children and Families			
Medical Assistance Programs	93.778		43,072
Centers for Disease Control			
Oregon Department of Human Services			
Immunization Grants	93.268		
Immunization Program		280540	20,146
Noncash Assistance - Immunizations			83,104
Centers for Disease Control and Prevention - Investigations and			
Technical Assistance	93.283		
Asthma from a Public Health Perspective		280505	24,998
Bioterrorism - Preparedness and Response		280618	157,857
Cooperative Agreements for State-Based Diabetes Control Programs			
and Evaluation of Surveillance Systems	93.988	280567	52,402
Health Resources and Services Administration			
Consolidated Health Centers	93.224		168,994
Oregon Department of Human Services			
Abstinence Education Program	93.235	254000	5,209
HIV Care Formula Grants	93.917		
Ryan White: Case Management		280544	41,928
Ryan White: Support Services		280544	7,873
Maternal and Child Health Services Block Grant to the State	93.994		
Child and Adolescent Health		180514	32,799
Family Planning		180514	13,608
Oregon Mother Care		180514	10,358

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>
Substance Abuse and Mental Health Services Administration			
Oregon Department of Human Services			
Block Grants for Community Mental Health Services	93.958	112001	90,773
Block Grants for Prevention and Treatment of Substance Abuse	93.959	135001	151,685
National Institutes of Health			
Oregon Social Learning Center			
Drug Abuse and Addiction Research Programs	93.279		
04/012005/05 to 06/30/2005			38,082
07/01/2005 to 02/28/2006			151,676
03/01/2006 to 06/30/2006			74,918
<i>Total Department of Health and Human Services</i>			<u>1,357,663</u>
<hr/> <i>Department of Homeland Security</i> <hr/>			
Oregon State Police			
Public Assitance Grants	97.036		63,354
Emergency Management Performance Grants	97.042		74,214
Oregon Office of Homeland Security - Criminal Justice Services Division			
State Homeland Security Program	97.073		
Lincoln County Courthouse Security		04-258	<u>183,000</u>
<i>Total Department of Homeland Security</i>			<u>320,568</u>
Total Expenditures of Federal Awards			<u>\$ 8,502,098</u>

LINCOLN COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards is a summary of the County's federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2. Non-cash Disbursements of Federal Awards

Non-monetary assistance is reported in the schedule at the fair value of the immunizations received and disbursed. During 2005-06, the County received childhood immunization vaccine in the amount of \$83,104.