

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

**Lincoln County
Oregon**





COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005

Prepared by:
Jim Weider, Director, Finance and Administration

LINCOLN COUNTY

Year Ended June 30, 2005

Board of Commissioners

| <u>Name</u> | <u>Term Expires</u> |
|---|---------------------|
| Donald Lindly, Chair (2004) 13890 NE 20 th Place Newport, Oregon 97365 | January 1, 2007 |
| Jean Cowan 2710 NE Iler Newport, Oregon 97365 | January 3, 2005 |
| Terry N. Thompson, Chair (2005) 5123 NW Agate Way Newport, OR 97365 | January 1, 2007 |
| Bill Hall (Term began January 3, 2005) 811 SE 5 th Street #1A Newport, OR 97365 | January 7, 2009 |

Administrative Staff

Wayne Belmont, County Counsel

Jim Weider, Director, Finance and Administration

LINCOLN COUNTY

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INTRODUCTORY SECTION



Finance & Accounting

County of Lincoln



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Newport, Oregon 97365
(541) 265-4141
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September 23, 2005

**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, 2005. This report presents the financial position of the County as of June 30, 2005, 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.

INDEPENDENT AUDIT

Lincoln County is required to undergo an annual audit as required by ORS 297.425 and in conformity with the provisions of the Single Audit Act and OMB Circular A-133, *Audits of States and Local Governments and Nonprofit Organizations*. As a part of the County's audit, 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, 2005, 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.

The Grant Compliance – Single Audit Section includes reports from the auditors concerning the County's compliance and adequacy of internal control for each major federal program as well as compliance with the laws and regulations to ensure there are no material weaknesses on the determination of financial statement amounts.

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

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

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 serves 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, special revenue, debt service, and internal service funds 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 8.4% to 6.9% during 2004-05. 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. However, the lumbering restrictions on Federal timberlands and restrictions on the harvesting of fish have had measurably negative impacts in the County.

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 \$112,000. A property tax limitation measure passed in November 1996, then modified and re-passed in May 1997, has had a more significant impact on County revenues. A number of employees were laid off at the end of May 1996 reflecting anticipated decreased revenues in the 1997-98 fiscal year and additional reductions in staff were made at the end of June 2002, and in the spring of 2003, 2004, and 2005. 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 2005-06 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.

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

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. Investments made by the County are made under the provisions of Oregon Law. Investment risk is categorized in the Notes to the Basic Financial Statements. The County's investments are in short-term U.S. Governments agencies' obligations maturing before July 15, 2005. As of June 30, 2005 the County had investments of \$18,359,180 of which \$15,868,054 (86.4%) was in the State Treasurer's Investment Pool and the remaining \$2,491,126 (13.6%) was in securities held by a local financial institution's trust department or agent in the County's name.

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. Also, the County has a capital lease approved in 2000 for upgrading the 911 Law Enforcement System, which has a final maturity date and final payment in August 2005.

Anticipated revenue shortfalls during the FY 2004-05 budget process led to reductions in many county services in order to balance revenues and expenditures. Lower grants and lower State Forest revenues forced the County Management Team to reduce services and capital projects by \$830,000, which resulted in several budgeted positions not being filled. A renewed grant program of \$230,000 allowed the County to continue the interest-free housing rehabilitation loan program begun two year's ago for owner-occupied low-income dwellings. Also, the budget included a new \$183,000 grant for the federal government's State Homeland Security and Law Enforcement Terrorism Prevention Programs. An increase in the Title III Safety Net fund revenue allocation doubled anticipated new receipts to \$493,200.

Shortfalls in anticipated revenues during the FY 2005-06 budget process resulted in a reduction of 2.8 General Fund positions and a reduction of 0.8 positions in other funds. However, a new federal grant allowed the establishment of a new Community Health Center Fund with an additional 7.0 positions. To help balance the General Fund budget the Sheriff closed a jail pod resulting in a reduction of 5.0 Jail Corrections Officers. The Sheriff also reorganized his staff for better efficiency, which reduced the remaining 10.0 Corrections Officers but added 7.0 new positions in the other Sheriff's departments. The County also initiated two indirect cost billing systems: one to bill Road Fund indirect services to other funds and one to bill General Fund indirect services to other funds. This new indirect billing system allowed the General Fund to generate a net increase in revenues of \$423,000, which was used to fund various maintenance and capital spending projects that had been deferred over the past several years. The County's LCSDA union contract (Sheriff's departments), which expired June 30, 2002, was settled by arbitration in January 2005 and the LCSDA agreed to a one-year extension to June 30, 2006.

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

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, 2004. This is the thirteenth 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.

OTHER INFORMATION

Each year the Lincoln County Board of Commissioners highlights one area of the county government so that the citizens and readers of the document can gain a better understanding of the operation of their County government and the services it provides. For this year the focus is on:

THE LINCOLN COUNTY FAIR

HISTORY

It is the purpose of the community to make the fair and festivals one three day holiday for the people of the entire county, where they may all meet, renew acquaintances, have a good sociable time and outing, and at the same time see and exhibit the various products of the county.

That is how the Lincoln County Fair was described in the July 23 edition of the Toledo Lincoln County Leader in 1909. That was the first official county fair to be held in Lincoln County although an unofficial county fair was held in 1908 in the Lincoln County Courthouse in Toledo. In 1909, it was moved out of the courthouse and around a few flat spots in Toledo, on what is now Memorial Field. During that first official fair, features of the fair were explained as "large tents, a field, free camp supplies and camping grounds." Other features included an opening address by then governor F.W. Benson, lectures by prominent men of the state, athletic sports events of all kinds, band concerts, balloon ascensions, slide-for-life (whatever that must have been), merry-go-round, good clean shows, as well as everything raised in Lincoln County.

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



The fair continued to be held in Toledo at the same spot for many years, with buildings and barns springing up everywhere. In 1915, the United States went to war and the fair was cancelled for several years. In 1919, the fair resumed. An article in the Lincoln County Leader said, “It has been four years since a fair was held and it is conceded that the time is ripe for holding a rip-snorting fair and carnival. Times are good and everybody has plenty of money. Our roads are better and there are 50 cars now to where there was one in the county when we held our last county fair.” Times were so good that the City of Toledo purchased a fairgrounds site and moved buildings onto it. It isn’t known exactly where that site was. It wasn’t long, though, until interruption came again. The Depression years, along with high tides and winter winds, destroyed all the fair buildings and the fair disappeared in the early 1930s. It resurfaced again in the mid 30s at the annual Siletz Indian Rodeo. Although the rodeo persisted for many years, the fair did not. A major revival of the Lincoln County Fair took place in 1940 when fairgrounds were purchased in Newport at the site that is used for the fair today. There was some trouble, though, getting set up on the new fairgrounds. In April of 1940, the Lincoln County Leader reported that the “worst storm of the season wiped out miles of telephone communication and damaged many buildings. One of the two fair buildings under construction at Newport was blown flat, setting construction work back at least two weeks, according to county officials.” Nevertheless, the Lincoln County Fair persevered and continued to grow.

WHY A FAIR?

Today, as it was in 1909 for the first Lincoln County Fair, the purpose of the fair is to celebrate local community and culture. It gives Lincoln County residents a chance to show off their work as well as to “meet, renew acquaintances, have a good sociable time and outing, and at the same time see and exhibit the various products of the County.”



In this age of high tech communication and high- pressure society, the County Fair gives us all the opportunity to visit our neighbors, show off our talents, play some games, and see some great entertainment. As has been said, “The Lincoln County Fair is the biggest party in the county, specifically for the residents of Lincoln County.”

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

ORGANIZATION

The Lincoln County Fair is a department of Lincoln County. The County Commissioners appoint a County Fair Board. The Fair Board has exclusive management of the grounds and is charged with the entire business management of the fair and fairgrounds. The Fair Board has hired an executive director who handles the day-to-day operations of the facility, as well as events on the fairgrounds. Several committees are formed to put on the annual fair and rodeo. These committees report to the executive director, as well as to the Fair Board.

During the month of July, the staff of the fairgrounds grows by an additional 12 employees – most of whom are local teenagers getting experience with their first job. During the time of their employment, the fairgrounds undergo a total transformation; with staff cleaning and setting up all exhibit halls and barns to get ready for the fair exhibitors. All fairgrounds employees report directly to the Executive Director.

FUNDING

The Lincoln County Fair is funded through the annual fair and rodeo, leasing of space in the off-season, horse stall rentals, building rentals, and funding from the Oregon Lottery. Nearly 43% of annual revenues come from the annual fair and rodeo, 17% from the Oregon Lottery, and the balance from horse stall and building rentals.

THE FAIR AND GROUNDS TODAY

The fairgrounds currently encompass approximately six acres. Work is being done to make repairs and upgrades where needed throughout the facility. The horse barn is leased 11 months of the year, providing a home for up to 39 horses. The boarders and others from the horse community use the indoor arena daily and the outdoor arena when weather permits. The East Exhibit Hall is rented 11 months of the year to Yaquina Bay Baptist Church. The Horticulture Building is home to the Fairgrounds Thrift Store for 11 months each year. The store is staffed totally by volunteers, with the proceeds being used to fund children's events at the annual fair.



The Livestock Barn is leased to businesses and individuals for storage throughout the year. Both arenas are rented for a variety of purposes from horse shows and rodeos to circuses and the annual Home and Garden Show. The Craft Hall is utilized several days a week for meetings of 4H groups, the Lincoln County Sheriff's Posse, the Lincoln County Master Gardeners, Pacific Equestrian Club, and various other groups. The Main Exhibit Hall is rented for a wide variety of events from dances to sales to weddings. Even the lawn area is leased, on occasion, for automobile and RV shows and sales, and even an occasional carnival.

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

The annual Lincoln County Fair is held the third weekend in July each year with attendance averaging approximately 20,000. Nearly 100 vendors set up shop and hundreds of local exhibitors participate. The Fair is undergoing an evolution of sorts with more focus being placed on the cultural activities of our geographic area.

While maintaining the atmosphere of a country fair, attempts are being made to bring in more modern technology. A wider variety of entertainment is being explored with a focus on showcasing local artists.

At the 2004 Lincoln County Fair, one Oregon representative commented on how much was packed into the Lincoln County Fairgrounds.



Country Fair, modern technology. A

State Fair packed into the

Planning and developing the annual fair is a year-round process beginning immediately after the previous year's fair. All areas of the fair are scrutinized and changes made where necessary.



In 2004, the Lincoln County Fair was fortunate to partner with Chinook Winds to provide a headline entertainer. Larry Gatlin performed on Thursday night to a very large crowd at the main stage. Other entertainers included local favorites the Harbor Knights Barbershop Quartet, The Lincoln Pops Big Band, Crosstown Rockers, Coastal Arts Productions, and Miss Lincoln County. The Blonde Curly Haired Magician and Cosmo the Balloon Wizard thrilled young and old alike on the kids' stage. Heather Pearl brought her stilt walking act to both the stage and around the grounds and the Colgate Country Showdown was again a huge favorite.

The annual Horse Show brought competitors from all over Lincoln County, as well as from the valley. The rodeo thrilled hundreds as did the demolition derby and mud drags. The Fireman's Challenge had not only local firefighters displaying their skills but they were challenged by the Lincoln County Fair and Rodeo Court. Exhibits in Art, Photography, Crafts, Foods, Floral, and Textiles were full with entries from local exhibitors. And there were animals galore from chickens to rabbits to llamas... even a baby Brahma was on display! A new carnival was brought to the fair and was warmly received, as was the fast-paced excitement of the NASCAR track. And for those most daring, we held the annual watermelon seed spitting contest and annual pie eating contest. A lot of fun is packed into four days in July!



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

FAIR ACCOMPLISHMENTS FOR 2004-2005

- Increased fair revenues by 4%
- Increased fair attendance by 5%
- Completed renovation of the kitchen serving area of Main Exhibit Hall
- Sandblasted, painted and repaired main arena bleachers
- Increased facility usage by 11%
- Updated long range Strategic Vision Plan
- Partnership with Experience Works retraining two workers

WHAT'S AHEAD?

Planning for the next fair is underway. Chinook Winds has tentatively agreed to provide headline entertainment again, but at the time of this article, we are not certain who is being considered. Haworth Family Shows will return as the fair carnival. Negotiations are underway for the return of the NASCAR® racing track. The Colgate Country Showdown will again be held during the fair. The annual Sunday community breakfast sponsored by Safeway™ and prepared by the Fair Board and other community volunteers is also again on the drawing board. A broader range of entertainment is being examined with decisions soon to be made. Not only are plans being made for this year's fair, but also planning has begun for the 100th anniversary of the Lincoln County Fair in 2009.

The Lincoln County Fair Board is currently reviewing an update of the Strategic Vision Plan for the fair and the fairgrounds. Many challenges face those involved with the fair and fairgrounds, yet exciting opportunities exist. All options are being explored regarding the fairgrounds, from basic renovation of current facilities to new facilities. New opportunities are being explored to make the fair an even better event. Exhibits from the Lewis and Clark Trail to the Space Shuttle are being examined and discussed. A new generation of fair-goers means new and/or different interests. The planners of the event are aware that changes need to be made while maintaining the traditional fair atmosphere and the feelings of community spirit that go with it.



Hope to see you all at the next Lincoln County Fair and Rodeo!


When: July 14-17, 2005

Where: Lincoln County Fairgrounds

Theme: Freedom First

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

Sincerely,



James N. Weider, Director
Finance and Administration



Terry N. Thompson
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, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Emery

Executive Director

LINCOLN COUNTY

PRINCIPAL OFFICIALS

June 30, 2005

BOARD OF COUNTY COMMISSIONERS

| <i>Title</i> | <i>Name</i> |
|----------------------------|-------------------|
| Commissioner, Chair (2004) | Donald Lindly |
| Commissioner, Chair (2005) | Terry N. Thompson |
| Commissioner | Bill Hall |

OTHER ELECTED OFFICIALS

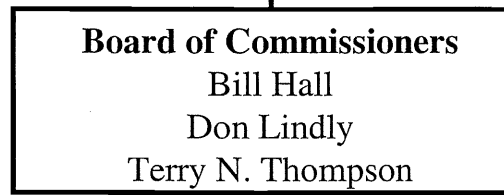
| <i>Title</i> | <i>Name</i> |
|-------------------|-----------------|
| Assessor | Rob Thomas |
| County Clerk | Dana Jenkins |
| District Attorney | Bernice Barnett |
| Sheriff | Dennis Dotson |
| Surveyor | Thomas Hamilton |
| Treasurer | Linda Pitzer |

MANAGEMENT OFFICIALS

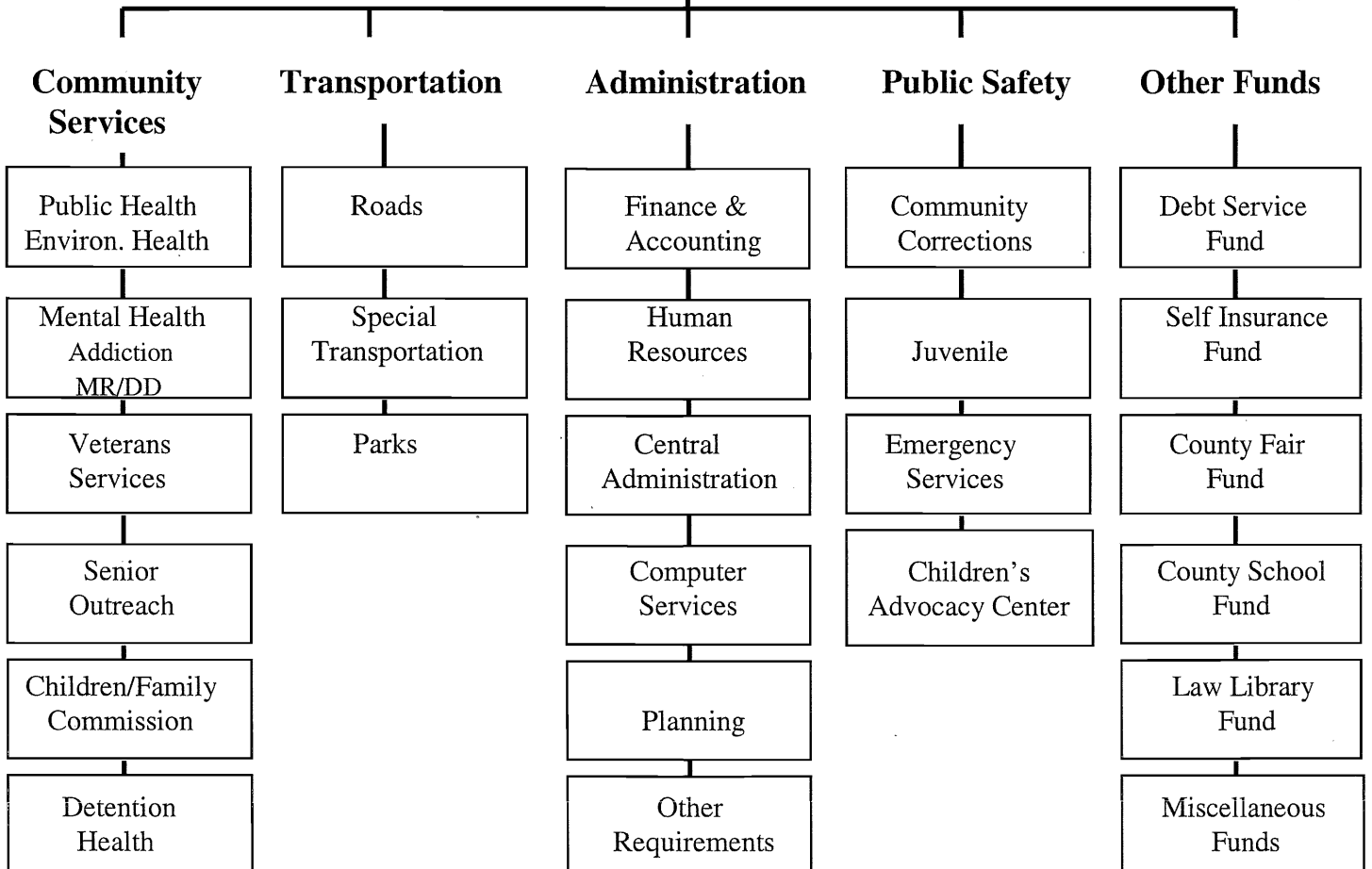
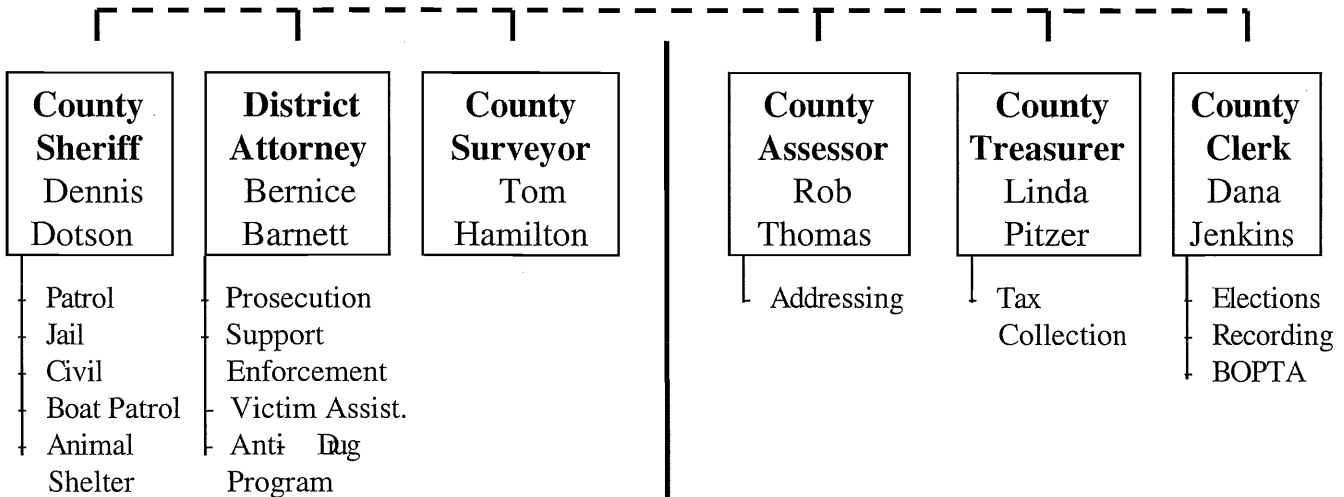
| <i>Title</i> | <i>Name</i> |
|--------------------------------------|------------------|
| County Counsel | Wayne Belmont |
| Director, Community Corrections | Suzanne Gonzales |
| Director, Finance and Administration | Jim Weider |
| Director, Health and Human Services | Jan Kaplan |
| Director, Human Services | Bob Huddleston |
| Director, Juvenile | Alan Peterson |
| Director, Planning and Development | Matt Spangler |
| Director, Road | Jim Buisman |

Lincoln County Organization Chart

Citizens

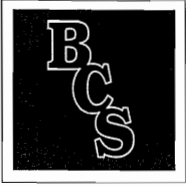


Elected Officials



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, 2005, 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, 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 23, 2005 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 read in conjunction with this report in considering the results of our audit.

A

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Established - 1968

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INDEPENDENT AUDITOR'S REPORT (Continued)

The management's discussion and analysis on pages a through i 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 financial statements and schedules, and the 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 the 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 financial 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 23, 2005

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, 2005. 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.

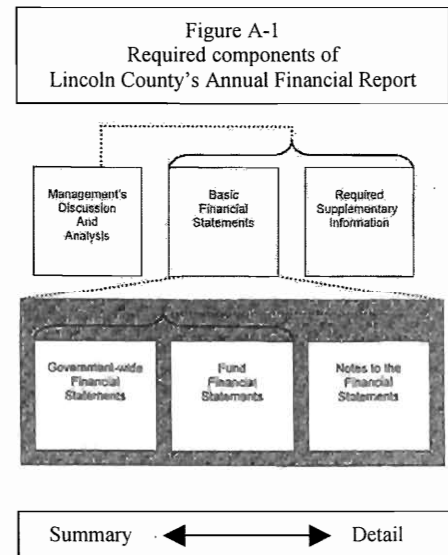
FINANCIAL HIGHLIGHTS

- The County's total net assets increased \$4,234 or 3.0% over the course of this year's operations. Part of this increase was in total assets, which increased \$3,915 or 2.6% while liabilities decreased \$319 or 4.2%. The increase in total assets was due primarily to an increase in cash collections from a \$3,157 bridge grant while liabilities were lower due to reductions in long-term debt and accounts payable.
- During the year, the County's total revenues increased \$5,766 or 14.0%, which was partially offset by an expense increase of \$2,803 or 7.1%.
- The net cost of the County's governmental programs (revenues minus expenses) decreased \$1,981 or 10.3% due primarily to an increase in operating grant revenues.
- The general fund reported a balance of \$8,012 this year, which is a \$495 or 6.6% increase over last year. This increase reflects \$497 higher property taxes, sale of Transition Center land for \$329, higher permits and fees in Planning of \$290, other taxes of \$111, new grants of \$224 in Commission on Children and Families and miscellaneous revenues of \$65. These revenues were partially offset by current and retroactive pay increases for the Sheriff's union of \$596, and the repayment of the Community Justice Center grant of \$425.
- Net Capital Assets decreased \$1,630 or 1.4%. Although capitalized expenditures increased \$568 this was offset by a depreciation expense of \$2,198.

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:

- The first two Statements are government-wide financial Statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining Statements are fund 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

| | Government-wide Statements | Fund 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 two 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 \$144,846 including a prior period adjustment of \$337 to remove the inventory balance adjustment, which is an increase of \$4,234 or 3.0% between fiscal years 2004 and 2005 (See Table A-1). In comparison, after making a one-time adjustment for additional infrastructure assets, last year’s net assets increased by \$1,608 or 1.2%. Looking at the main categories of assets and liabilities shows the varying reasons for this net change.

Table A-1
Lincoln County’s Net Assets
(in thousands of dollars)
As of June 30,

| | Governmental Activities | | Increase (Decrease) | Total Percentage Change |
|--|----------------------------|-------------------|------------------------|-------------------------------|
| | 2004 | 2005 | 2004-2005 | 2004-2005 |
| Assets | | | | |
| Current and other assets | \$ 27,813 | \$ 33,358 | \$ 5,545 | 19.9% |
| Capital assets | <u>120,415</u> | <u>118,785</u> | <u>(1,630)</u> | -1.4% |
| Total assets | <u>148,228</u> | <u>152,143</u> | <u>3,915</u> | 2.6% |
| Liabilities | | | | |
| Long-term debt outstanding | 5,450 | 4,661 | (789) | -14.5% |
| Other liabilities | <u>2,166</u> | <u>2,636</u> | <u>470</u> | 21.7% |
| Total liabilities | <u>7,616</u> | <u>7,297</u> | <u>(319)</u> | -4.2% |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 116,326 | 115,586 | (740) | -0.6% |
| Restricted | 199 | 3,383 | 3,184 | 1600.0% |
| Unrestricted | <u>24,087</u> | <u>25,877</u> | <u>1,790</u> | 7.4% |
| Total net assets | <u>\$ 140,612</u> | <u>\$ 144,846</u> | <u>\$ 4,234</u> | 3.0% |

Current and other assets increased \$5,545 or 19.9% due mainly to an increase in cash primarily from a \$3,157 bridge replacement grant in the General Road fund, but partially offset by a decrease in prepaid items. Capital assets decreased \$1,630 or 1.4% primarily due to fewer assets being capitalized in the current year. Long-term obligations declined \$789 or 14.5% 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 \$470 or 21.7% primarily due to higher accounts payable and payroll tax withholding. As a result of these changes, the County's restricted assets (including \$3,147 carry over from the Logsden bridge grant) showed an increase of \$3,184 or 1,600.0% while the County's unrestricted net assets showed a smaller \$1,790 or 7.4% increase at the end of this year.

Changes in Net Assets. The County's total revenue increased by 14.0% or \$5,766. (See Table A-2). Of this amount, program revenues increased \$4,784 while general revenues increased \$982. Most of the program revenue increase was due to receiving various new grants including the \$3,157 Logsden Bridge replacement grant. 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 total cost of all programs and services increased \$2,803 or 7.1%. The most significant increases in County expenditures were in General Government, Community Services, Public Safety and Health and Welfare due to several new grants. This increase was partially offset by a decrease of \$60 in Highways and Streets due to reductions in capital expenditures in the current year and a decrease of \$166 due to lower debt service interest.

Overall the higher expenses of \$3,140 were more than offset by the \$5,766 increase in revenues, which provided a \$4,234 increase in net assets this year. Table A-2 and the narrative that follows show the impact of governmental type activities and the other revenues that generated the increase in net assets.

Governmental Activities

Revenues for the County's governmental activities increased 23.6% or \$4,784 while total expenses increased 7.9% or \$3,140. After deducting program revenues from total expenses, the County had a net expense of \$17,600, which was \$1,645 less than last year. The most significant reasons for the increase were the receipt of several new grants including a \$3,157 grant to replace the Logsden Bridge as well as \$252 in service fees from our Health and Human Services fund. General revenues increased an additional \$982 primarily from additional property taxes and higher interest earnings.

Table A-2
Lincoln County's Changes in Net Assets
(in thousands of dollars)

| | Governmental | | Increase | Total |
|---|-------------------|-------------------|-------------------|------------------|
| | <u>Activities</u> | | <u>(Decrease)</u> | <u>Change</u> |
| | <u>2004</u> | <u>2005</u> | <u>2004-2005</u> | <u>2004-2005</u> |
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for Services | \$ 6,611 | \$ 7,484 | \$ 873 | 13.2% |
| Operating Grants and Contributions | 13,022 | 17,542 | 4,520 | 34.7% |
| Capital Grants and Contributions | 631 | 22 | (609) | -96.5% |
| General Revenues | | | | |
| Property taxes | 13,477 | 13,974 | 497 | 3.7% |
| Other taxes | 3,092 | 3,387 | 295 | 9.5% |
| Grants and Contributions not restricted to Specific Programs | 2,895 | 2,949 | 54 | 1.9% |
| Unrestricted Investment Earnings | 293 | 614 | 321 | 109.6% |
| Timber and Land Sales | 583 | 573 | (10) | -1.7% |
| Gain on Sale of Asset | 24 | 18 | (6) | -25.0% |
| Miscellaneous | <u>488</u> | <u>319</u> | <u>(169)</u> | -34.6% |
| Total Revenues | <u>41,116</u> | <u>46,882</u> | <u>5,766</u> | 14.0% |
| Expenses | | | | |
| General Government | 6,772 | 7,026 | 254 | 3.8% |
| Community Services | 2,677 | 2,962 | 285 | 10.6% |
| Public Safety | 13,157 | 14,962 | 1,805 | 13.7% |
| Highways and Streets | 5,284 | 5,556 | 272 | 5.1% |
| Culture and Recreation | 240 | 256 | 16 | 6.7% |
| Health and Welfare | 9,502 | 10,053 | 551 | 5.8% |
| Education | 1,618 | 1,741 | 123 | 7.6% |
| Debt Service - Interest | <u>258</u> | <u>92</u> | <u>(166)</u> | -64.3% |
| Total Expenses | <u>39,508</u> | <u>42,648</u> | <u>3,140</u> | 7.9% |
| Changes in Net Assets | 1,608 | 4,234 | 2,626 | 163.3% |
| Net Assets Beginning of year | 49,850 | 140,612 | 90,762 | 182.1% |
| Prior Period Adjustment | <u>89,154</u> | <u>-</u> | <u>(89,154)</u> | -100.0% |
| Net Assets End of year | <u>\$ 140,612</u> | <u>\$ 144,846</u> | <u>\$ 4,234</u> | 3.0% |

Six of the County's eight expense categories increased this year. General Government increased \$254 or 3.8% due to higher capital expenditures and higher benefit costs and Community Services increased 285 or 10.6% primarily from new grant expenditures in the Commission on Children and Families. Public Safety increased \$1,805 or 13.7% primarily from the Sheriff's union contract settlement, including a two and one half year \$305 retroactive settlement, the repayment of \$425 to the state for a discontinued Community Justice Center grant and expenditures of \$188 from a new grant to fight Methamphetamine distribution. Highways and Streets increased \$272 or 5.1%, Culture and Recreation increased \$16 or 6.7% due to maintenance requirements at the County Fair grounds, Health and Welfare increased \$551 mainly from new grants in Health and Human Services, and Education increased \$123 or 7.6% from new grants at the Extension Service District. The only expense category that decreased this year was Debt Service – Interest which decreased \$166 or 64.3% reflecting the lower interest rates obtained from the current refinancing completed in December 2003.

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 \$28,648, which was an increase of \$5,516 or 23.8% over the previous year.

- The County's General Fund increased \$495 or 6.6% over last year. Significant revenue increases included additional property taxes of \$497; the Transition Center land sale for \$329; \$290 from Permits and Fees in Planning; land sales and other taxes of \$111; and new grants of \$224 for the Commission on Children and Family. Expenditure increases, which partially offset these additional revenues, included the current year impact and retroactive pay adjustments for the Sheriff's union contract of \$596 and the repayment of the Community Justice Center grant of \$425.
- The Road Fund showed an increase of \$3,925 over last year due primarily due to receiving a \$3,591 grant for the repair and replacement of the Logsdon Bridge.
- Health and Human Services showed a fund balance increase of \$329 due to new grants received too late in the year to be completely spent.
- The Other Governmental non-major funds increased a total of \$767. The most significant changes were: Transit increased \$189 due to higher operating grants and lower capital expenditures; OHP Mental Health increased \$94 due to higher Managed Care receipts from the State; Solid Waste increased \$42 due to a half year vacancy in the Manager's position; Title III increased \$301 primarily due to higher Federal Forest revenues; Corner Preservation increased \$54 due to lower capital expenditures; Agate Beach Closure increased \$51 due to higher revenues; and Debt Service increased \$36 primarily due to lower interest payments resulting from the previous year's current bond refinancing.

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 County Commissioners made several program appropriation revisions to the County's General Fund budget. General Government increased \$82 as funds were moved from contingency to cover a LIS Mapping project and to provide capital to purchase a new wide format scanner/copier/printer for the Surveyor. Community Services was increased \$65 to reflect a new grant for microenterprise businesses and \$65 was moved from contingency to allow an additional subsidy to the Senior Meals program. Public Safety increased \$440, all from contingency. This included transferring \$82 to Community Corrections to complete a grant expected to be completed in the previous year and \$306 thousand to cover the retroactive payouts from the Sheriff's union contract settlement.

General Fund expenditures were \$3,840 less than final budget amounts. Of this amount \$1,551 was the unused portion of the contingency. Public Safety had a favorable variance in the amount of \$1,015 due largely to lower expenditures in Community Corrections of \$208 due to a delay in hiring two new grant positions; \$104 due to an unexpected vacancy in the District Attorney's office; \$204 lower expenditures in the Jail due to a reorganization; and \$461 due to Homeland Security and Courtroom Security projects not completed. General Government was \$813 below final budget amounts largely due to \$90 from an open position in the Planning department; \$95 from a vacancy in the Assessors department; \$127 from lower maintenance expenditures in Facilities Maintenance and \$247 from capital expenditures carried over to next year. Community Services was \$461 below final budget amounts primarily due to \$47 of grants not received by Commission on Children and Families; \$230 lower Housing Rehabilitation money availability; and \$82 less money spent for small business Economic Development.

In addition to the expenditure decreases discussed above, there were \$86 higher revenues than in the final budget. Property taxes, which includes forest sales, were \$473 higher than budget largely due to the economic improvement increasing property assessment values. Licenses, permits, and fees were \$544 higher due largely to \$467 increased revenues in Planning for building, electrical, plumbing and electrical permits and \$48 in fees from the State for a 911 mapping project. Miscellaneous was \$56 higher than budget due to higher interest received by the Treasurer on investments. In addition, fines and forfeitures were \$9 higher than budget. Offsetting the higher revenues were intergovernmental revenues, which were \$955 less than budget. Of this amount the most significant reductions were an \$82 reduction in the A&T grant, a \$115 reduction in Parks grants, a \$460 reduction in Homeland Security and Courthouse Security funds, and a \$278 reduction in Housing Rehabilitation and Economic Development funds. Also, charges for services were \$41 below budget primarily from reduction in rent charges for Emergency Services.

The County's general fund balance of \$8,012 at the end of the year differs from the budgeted fund balance of \$2,207 by \$5,805. This is due to the changes in revenues and expenditures discussed above, a \$6 increase in operating transfers in, a decrease of \$5 from a prior period adjustment, and a \$1,878 higher than anticipated fund balance at the beginning of the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005, the County had \$90,238 invested in capital assets not being depreciated and \$75,671 invested in capital assets being depreciated for a total of \$165,909. Of this amount \$138,316 (83.4%) was infrastructure and \$15,578 (9.4%) was buildings. The balance was in land, improvements, equipment and construction in progress. Accumulated depreciation was \$47,125, which brought the County's net capital assets to \$118,784. This amount represents a net decrease of \$1,631 (1.3%) less than last year.

This year's major capital asset additions and deletions included:

- Sale of land for \$315 for Community Justice Center land.
- Construction in progress added \$476 and removed \$439 for various building, roof, and park projects.
- Infrastructure for Skyline Drive and Hammer Road added \$155.
- Building deletions of \$50.
- Improvements of \$239 mainly for parks and office remodeling.
- Equipment purchases of \$615 primarily for vehicles and construction equipment for the General Road fund.

The County's fiscal year 2005-06 capital budget anticipates spending \$9,321 principally for the Headstart Facility and other structure improvements for \$2,267, vehicle replacement and construction equipment for \$1,599, bridges for \$4,284, grounds and roads for \$4, furniture and fixtures for \$1,047 and other equipment for \$120. More detailed information about the County's capital assets is presented in Note 6 to the financial Statements.

Long-term Debt

At year-end, the County had \$3.1 million in bonds outstanding, a decrease of 16.9 percent over last year. The bonds will be fully paid off in December 2010. The County completed a current refinancing of its Series 1993 general obligation bond issue in December 2003 with a projected debt service savings of more than \$306 over the remaining life of the bonds. More detailed information about the County's long-term obligations is presented in Note 8 to the financial statements.

The County had a loan from Bank of America but the balance of \$30 was paid off this year. This loan was used to purchase computer equipment. In addition, the County has a capital lease from Wells Fargo Equipment, which has a \$123 balance at year-end. It will be paid off next year. The proceeds from this lease were used to upgrade the County's 911 Law Enforcement System.

Since 1993 the County's general obligation bonds have been rated A2 (the sixth highest investment rating possible). In December 2003 the County was again rated A2 for the General Obligation Refunding Bonds, Series 2003. The County's capital lease is not required to be rated.

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 \$3.1 million is significantly below this limit, which is currently \$112 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Lincoln County is challenged by continued financial restrictions in the 2005-06 year.

Although property taxes provide over 40% of the County's operating revenue, the limitations from Ballot Measure 50 passed in 1997 reduced the County's available property tax revenues by nearly \$3 million this year. However, this limitation was partially offset by establishing a General Fund indirect cost allocation system with a net increase of \$423 from other County funds as well as receiving additional grants for \$1,207. However, even with these additional funds, we were still unable to accommodate \$3,300 of new requests for personnel, services and capital and some personnel reductions were required when adopting the FY 2005-06 budget. As a result, the revenue amount in the general fund is \$25.7 million, an increase of 9.8 percent over the final FY 2004-2005 budget revenue amount of \$23.4 million.

General fund budgeted expenditures are expected to increase \$2.4 million or 9.3 percent up to \$28.5 million. Normal wage and benefit increases for staff increased personnel expenses by \$937 and capital expenditures were increased by \$871 primarily for a new Head Start Center, and materials and services increases of \$829. Partially offsetting these increases was a decrease in contingency of \$197. Due to fiscal restraints, the County added no new major programs or initiatives to the FY 2005-06 budget. If these estimates are realized, the County's budgetary general fund balance is expected to decrease slightly by the close of 2006.

Operations for most of the County's other funds in FY 2005-06 are not expected to be materially different than what was budgeted for FY 2004-2005. However, a new fund, Community Health Center, was established with a \$1.4 million budget to track expenditures to provide primary medical, mental health and dental services to all citizens of Lincoln County through two new health clinics and 4 school based health centers. 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 Street, Lincoln County, OR 97365.

BASIC FINANCIAL STATEMENTS

LINCOLN COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Cash and investments | \$ 29,133,612 |
| Receivables | 3,701,083 |
| Inventories | 394,070 |
| Prepaid items | 129,655 |
| Capital assets | |
| Land and construction in progress | 90,238,518 |
| Other capital assets, net of depreciation | <u>28,546,238</u> |
| TOTAL ASSETS | <u><u>152,143,176</u></u> |
| <u>LIABILITIES</u> | |
| Accounts payable and accrued items | 1,580,304 |
| Unearned revenues | 88,287 |
| Payroll taxes and withholdings payable | 935,044 |
| Accrued interest payable | 32,604 |
| Long-term obligations | |
| Due within one year | 2,230,532 |
| Due in more than one year | <u>2,430,000</u> |
| TOTAL LIABILITIES | <u><u>7,296,771</u></u> |
| <u>NET ASSETS</u> | |
| Investment in capital assets, net of related debt | 115,586,715 |
| Restricted for: | |
| Debt service | 235,825 |
| OTIA Bridge replacement | 3,147,294 |
| Unrestricted | <u>25,876,571</u> |
| TOTAL NET ASSETS | <u><u>\$ 144,846,405</u></u> |

See notes to basic financial statements

LINCOLN COUNTY

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

| Functions/Programs | Expenses | Program Revenues | | | Governmental Activities Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| <i>Governmental activities:</i> | | | | | |
| General government | \$ 7,025,567 | \$ 2,271,505 | \$ 777,820 | \$ -- | \$ (3,976,242) |
| Community services | 2,961,918 | 422,487 | 2,542,117 | 22,494 | 25,180 |
| Public safety | 14,962,232 | 303,482 | 1,498,520 | -- | (13,160,230) |
| Highways and streets | 5,555,622 | 522,560 | 6,440,077 | -- | 1,407,015 |
| Culture and recreation | 256,450 | -- | -- | -- | (256,450) |
| Health and welfare | 10,052,558 | 3,959,232 | 5,191,047 | -- | (902,279) |
| Education | 1,741,481 | 4,858 | 1,092,148 | -- | (644,475) |
| Interest | 92,218 | -- | -- | -- | (92,218) |
| | | | | | |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 42,648,046 | \$ 7,484,124 | \$ 17,541,729 | \$ 22,494 | (17,599,699) |
| | | | | | |
| <i>General revenues:</i> | | | | | |
| Taxes: | | | | | |
| Property taxes levied for: | | | | | |
| | | | | | 12,609,114 |
| | | | | | 733,068 |
| | | | | | 432,121 |
| | | | | | 200,187 |
| | | | | | 2,271,812 |
| | | | | | 1,115,482 |
| | | | | | 2,949,145 |
| | | | | | 613,455 |
| | | | | | 573,414 |
| | | | | | 17,946 |
| | | | | | 318,505 |
| | | | | | 21,834,249 |
| | | | | | |
| | | | | | 4,234,550 |
| | | | | | 140,611,855 |
| | | | | | |
| | | | | | \$ 144,846,405 |

See notes to basic financial statements

LINCOLN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

| | Major Funds | | | Other | Totals |
|--|----------------------|----------------------|---------------------|-----------------------|----------------------|
| | General | General Road | Human Services | Governmental Funds | |
| ASSETS | | | | | |
| Cash and investments | \$ 7,404,333 | \$ 15,228,455 | \$ 625,530 | \$ 4,667,100 | \$ 27,925,418 |
| Receivables | 2,569,574 | 110,839 | 599,320 | 329,136 | 3,608,869 |
| Due from other funds | 327,528 | -- | -- | -- | 327,528 |
| Inventories | 5,228 | 388,842 | -- | -- | 394,070 |
| Prepaid items | 83,775 | 1,277 | 7,502 | 35,025 | 127,579 |
| TOTAL ASSETS | \$ 10,390,438 | \$ 15,729,413 | \$ 1,232,352 | \$ 5,031,261 | \$ 32,383,464 |
| LIABILITIES | | | | | |
| Accounts payable and accrued items | \$ 681,096 | \$ 378,602 | \$ 167,886 | 298,049 | \$ 1,525,633 |
| Payroll taxes and withholding payable | 935,044 | -- | -- | -- | 935,044 |
| Due to other funds | -- | 107,100 | 177,643 | 40,385 | 325,128 |
| Deferred revenue | 762,639 | -- | 11,415 | 175,297 | 949,351 |
| TOTAL LIABILITIES | 2,378,779 | 485,702 | 356,944 | 513,731 | 3,735,156 |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Debt service | -- | -- | -- | 235,825 | 235,825 |
| Unreserved reported in: | | | | | |
| General fund | 8,011,659 | -- | -- | -- | 8,011,659 |
| Special revenue funds | -- | 15,243,711 | 875,408 | 4,281,705 | 20,400,824 |
| TOTAL FUND BALANCES | 8,011,659 | 15,243,711 | 875,408 | 4,517,530 | 28,648,308 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 10,390,438 | \$ 15,729,413 | \$ 1,232,352 | \$ 5,031,261 | \$ 32,383,464 |

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, 2005

Governmental fund balances \$ 28,648,308

*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 118,784,756

Other long-term assets are not available to pay for current-period expenditures
and therefore are not reported in the governmental funds 861,064

Some liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the governmental funds (4,693,136)

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 1,245,413

Net assets of governmental activities \$ 144,846,405

See notes to basic financial statements

LINCOLN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005**

| | Major Funds | | | Other | Totals |
|---|---------------------|----------------------|-------------------|-----------------------|----------------------|
| | General | General Road | Human Services | Governmental Funds | |
| REVENUES | | | | | |
| Taxes and land sales | \$ 14,466,494 | \$ -- | \$ -- | \$ 1,602,328 | \$ 16,068,822 |
| Licenses and fees | 1,888,683 | -- | -- | 359,155 | 2,247,838 |
| Charges for services | 373,311 | 55,827 | 3,281,664 | 366,407 | 4,077,209 |
| Intergovernmental | 5,812,265 | 9,170,638 | 4,113,906 | 4,310,614 | 23,407,423 |
| Court fines and fees | 53,740 | -- | -- | 74,449 | 128,189 |
| Interest | 192,143 | 325,994 | 17,345 | 91,729 | 627,211 |
| Miscellaneous | 529,875 | 172,101 | 36,271 | 182,998 | 921,245 |
| TOTAL REVENUES | 23,316,511 | 9,724,560 | 7,449,186 | 6,987,680 | 47,477,937 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 6,357,614 | -- | -- | 234,802 | 6,592,416 |
| Community services | 1,587,207 | -- | -- | 1,218,191 | 2,805,398 |
| Public safety | 13,653,999 | -- | -- | 492,405 | 14,146,404 |
| Highways and streets | -- | 4,808,078 | -- | -- | 4,808,078 |
| Culture and recreation | -- | -- | -- | 241,833 | 241,833 |
| Health and welfare | -- | -- | 7,754,941 | 1,717,682 | 9,472,623 |
| Education | -- | -- | -- | 1,635,322 | 1,635,322 |
| Debt service: | | | | | |
| Principal | 266,740 | -- | -- | 625,000 | 891,740 |
| Interest | 17,337 | -- | -- | 96,208 | 113,545 |
| Capital outlay | 422,826 | 660,003 | -- | 9,600 | 1,092,429 |
| TOTAL EXPENDITURES | 22,305,723 | 5,468,081 | 7,754,941 | 6,271,043 | 41,799,788 |
| Excess (deficiency) of revenues over expenditures | 1,010,788 | 4,256,479 | (305,755) | 716,637 | 5,678,149 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 195,857 | -- | 635,027 | 71,423 | 902,307 |
| Transfers out | (706,450) | -- | -- | (20,857) | (727,307) |
| TOTAL OTHER FINANCING SOURCES (USES) | (510,593) | -- | 635,027 | 50,566 | 175,000 |
| Net change in fund balances | 500,195 | 4,256,479 | 329,272 | 767,203 | 5,853,149 |
| Fund balances at beginning of year | 7,516,724 | 11,318,737 | 546,136 | 3,750,327 | 23,131,924 |
| Prior period adjustment | (5,260) | (331,505) | -- | -- | (336,765) |
| Fund balances at end of year | <u>\$ 8,011,659</u> | <u>\$ 15,243,711</u> | <u>\$ 875,408</u> | <u>\$ 4,517,530</u> | <u>\$ 28,648,308</u> |

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, 2005**

Net change in fund balances - total governmental funds \$ 5,853,149

*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 | \$ 1,039,932 | |
| Depreciation | (2,335,281) | (1,295,349) |

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 | (260,405) |
|----------------------------|-----------|

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.

891,740

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 | (101,896) |
|----------------------|-----------|

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

(334,936)

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.

21,327

Governmental funds report a prior period adjustment for a change in accounting method for inventory which does not impact the expenses reported in the statement of activities

(336,765)

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.

(202,315)

| | |
|---|--------------|
| Change in net assets of governmental activities | \$ 4,234,550 |
|---|--------------|

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, 2005**

| | Original Budget | Final Budget | Actual | Variance |
|---|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | |
| Property taxes | \$ 14,322,457 | \$ 14,322,457 | \$ 14,466,494 | \$ 144,037 |
| Licenses and fees | 1,344,828 | 1,344,828 | 1,888,683 | 543,855 |
| Charges for services | 414,660 | 414,660 | 373,311 | (41,349) |
| Intergovernmental | 6,702,002 | 6,767,002 | 5,812,265 | (954,737) |
| Fines and forfeitures | 45,000 | 45,000 | 53,740 | 8,740 |
| Interest | 118,000 | 118,000 | 192,143 | 74,143 |
| Miscellaneous | 218,732 | 218,732 | 529,875 | 311,143 |
| TOTAL REVENUES | <u>23,165,679</u> | <u>23,230,679</u> | <u>23,316,511</u> | <u>85,832</u> |
| EXPENDITURES | | | | |
| General government | 7,342,442 | 7,424,312 | 6,611,195 | 813,117 |
| Community services | 2,136,915 | 2,206,915 | 1,746,163 | 460,752 |
| Public safety | 14,523,490 | 14,963,358 | 13,948,365 | 1,014,993 |
| Contingency | 2,077,341 | 1,550,603 | -- | 1,550,603 |
| TOTAL EXPENDITURES | <u>26,080,188</u> | <u>26,145,188</u> | <u>22,305,723</u> | <u>3,839,465</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,914,509)</u> | <u>(2,914,509)</u> | <u>1,010,788</u> | <u>3,925,297</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 190,000 | 190,000 | 195,857 | 5,857 |
| Transfers out | <u>(706,450)</u> | <u>(706,450)</u> | <u>(706,450)</u> | <u>--</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(516,450)</u> | <u>(516,450)</u> | <u>(510,593)</u> | <u>5,857</u> |
| Net change in fund balance | (3,430,959) | (3,430,959) | 500,195 | 3,931,154 |
| Fund balance at beginning of year | 5,638,411 | 5,638,411 | 7,516,724 | 1,878,313 |
| Prior period adjustment | <u>--</u> | <u>--</u> | <u>(5,260)</u> | <u>(5,260)</u> |
| Fund balance at end of year | <u>\$ 2,207,452</u> | <u>\$ 2,207,452</u> | <u>\$ 8,011,659</u> | <u>\$ 5,804,207</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, 2005**

| | Original and Final Budget | Actual | Variance |
|-----------------------------------|------------------------------------|----------------------|---------------------|
| | | | |
| REVENUES | | | |
| Charges for services | \$ 40,172 | \$ 55,827 | \$ 15,655 |
| Intergovernmental | 8,741,561 | 9,170,638 | 429,077 |
| Interest | 101,904 | 325,994 | 224,090 |
| Miscellaneous | 278,884 | 172,101 | (106,783) |
| | | | |
| TOTAL REVENUES | 9,162,521 | 9,724,560 | 562,039 |
| EXPENDITURES | | | |
| Personal services | 3,318,775 | 2,928,551 | 390,224 |
| Materials and services | 3,055,687 | 1,879,527 | 1,176,160 |
| Capital outlay | 5,244,746 | 660,003 | 4,584,743 |
| Contingency | 1,000,000 | -- | 1,000,000 |
| | | | |
| TOTAL EXPENDITURES | 12,619,208 | 5,468,081 | 7,151,127 |
| Net change in fund balance | (3,456,687) | 4,256,479 | 7,713,166 |
| Fund balance at beginning of year | 10,599,531 | 11,318,737 | 719,206 |
| Prior period adjustment | -- | (331,505) | (331,505) |
| | | | |
| Fund balance at end of year | \$ 7,142,844 | \$ 15,243,711 | \$ 8,100,867 |

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, 2005**

| | Original Budget | Final Budget | Actual | Variance |
|---|--------------------|------------------|-------------------|-------------------|
| REVENUES | | | | |
| Charges for services | \$ 3,292,456 | \$ 3,292,456 | \$ 3,281,664 | \$ (10,792) |
| Intergovernmental | 4,109,988 | 4,298,793 | 4,113,906 | (184,887) |
| Interest | 3,800 | 3,800 | 17,345 | 13,545 |
| Miscellaneous | 29,676 | 29,676 | 36,271 | 6,595 |
| TOTAL REVENUES | <u>7,435,920</u> | <u>7,624,725</u> | <u>7,449,186</u> | <u>(175,539)</u> |
| EXPENDITURES | | | | |
| Personal services | 5,151,388 | 5,244,119 | 4,895,930 | 348,189 |
| Materials and services | 3,025,116 | 3,121,190 | 2,859,011 | 262,179 |
| Capital outlay | 5,000 | 5,000 | -- | 5,000 |
| Operating contingency | 196,916 | 196,916 | -- | 196,916 |
| TOTAL EXPENDITURES | <u>8,378,420</u> | <u>8,567,225</u> | <u>7,754,941</u> | <u>812,284</u> |
| Excess (deficiency) of revenues over expenditures | (942,500) | (942,500) | (305,755) | 636,745 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 635,027 | 635,027 | 635,027 | -- |
| Net change in fund balance | (307,473) | (307,473) | 329,272 | 636,745 |
| Fund balance at beginning of year | 325,000 | 325,000 | 546,136 | 221,136 |
| Fund balance at end of year | <u>\$ 17,527</u> | <u>\$ 17,527</u> | <u>\$ 875,408</u> | <u>\$ 857,881</u> |

See notes to basic financial statements

LINCOLN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

| | <u>Governmental Activities</u> Internal Service Fund <u> </u> |
|------------------------------------|---|
| ASSETS | |
| Cash and investments | \$ 1,208,194 |
| Receivables | 92,214 |
| Prepaid items | <u>2,076</u> |
| TOTAL ASSETS | <u>1,302,484</u> |
| LIABILITIES | |
| Accounts payable and accrued items | 54,671 |
| Due to other funds | <u>2,400</u> |
| TOTAL LIABILITIES | <u>57,071</u> |
| NET ASSETS - Unrestricted | <u><u>\$ 1,245,413</u></u> |

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, 2005**

| | Governmental Activities |
|--|-----------------------------|
| | Internal Service Fund |
| OPERATING REVENUES | |
| Charges for services | \$ 581,151 |
| Miscellaneous | 12,421 |
| Total operating revenues | 593,572 |
| OPERATING EXPENSES | |
| Personal services | 424,138 |
| Materials and services | 223,427 |
| Total operating expenses | 647,565 |
| Operating (loss) | (53,993) |
| Nonoperating revenues (expense) - Interest | 26,678 |
| (Loss) before transfers | (27,315) |
| Transfers out | (175,000) |
| Changes in net assets | (202,315) |
| Net assets - beginning | 1,447,728 |
| Net assets - ending | \$ 1,245,413 |

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, 2005

| | Governmental Activities |
|---|-----------------------------|
| | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash receipts from interfund services provided | \$ 537,988 |
| Other operating cash receipts | 12,421 |
| Cash payments to employees for services | (424,138) |
| Cash payments to other suppliers of goods or services | (277,866) |
| | (151,595) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers out | (175,000) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest | 26,678 |
| | (299,917) |
| Net (decrease) in cash and cash equivalents | (299,917) |
| Cash and cash equivalents, beginning of year | 1,508,111 |
| | \$ 1,208,194 |
| Reconciliation of operating (loss) to net cash (used in) operating activities | |
| Operating (loss) | \$ (53,993) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities | |
| (Increase) decrease in assets | |
| Receivables | (43,209) |
| Prepaid items | 693 |
| Increase (decrease) in liabilities | |
| Accounts payable and accrued items | (55,132) |
| Due to other funds | 46 |
| | (151,595) |
| Net cash (used in) operating activities | \$ (151,595) |

See notes to basic financial statements

LINCOLN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2005

| | <u>Agency Fund</u> |
|--------------------------|------------------------|
| ASSETS | |
| Cash and investments | \$ 1,796,359 |
| Receivables | <u>3,625,985</u> |
| TOTAL ASSETS | <u>\$ 5,422,344</u> |
| LIABILITIES | |
| Accounts payable | \$ 847,334 |
| Fiduciary liabilities | <u>4,575,010</u> |
| TOTAL LIABILITIES | <u>\$ 5,422,344</u> |

See notes to basic financial statements

LINCOLN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2005

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 fixed 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) general fixed 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.

As of June 30, 2005, reservations of fund balance are described below:

- *Debt service* – to reflect the funds held for future payment of bond principal and interest. These funds are not available for general operations.

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, 2005, the County had the following investments:

| | <u>Moody's Rating</u> | <u>Maturities</u> | <u>Carrying Value</u> |
|-----------------------------------|---------------------------|-------------------|---------------------------|
| State Treasurer's Investment Pool | N/A | N/A | \$ 15,868,054 |
| Federal Home Loan Bank | AAA | 10/19/05 | 998,840* |
| Federal Home Loan Bank | AAA | 9/14/05 | 993,667* |
| Federal Home Loan Bank | AAA | 8/5/05 | <u>498,619</u> |
| | | | <u>\$ 18,359,180</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 \$2,491,126 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, 2005, \$9,676,509 of the County's bank balance of \$13,479,970 was exposed to custodial credit risk because it was uninsured and uncollateralized.

A. The County's deposits and investments at June 30, 2005 are as follows:

| | |
|--------------------------------------|----------------------|
| Total investments | \$ 18,359,180 |
| Deposits with financial institutions | <u>12,570,791</u> |
| Total deposits and investments | <u>\$ 30,929,971</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 Funds | |
| General | \$ 7,404,333 |
| General Road | 15,228,455 |
| Human Services | 625,530 |
| Other Governmental Funds | 4,667,100 |
| Internal Service | <u>1,208,194</u> |
| Total governmental activities/funds | 29,133,612 |
| Fiduciary Fund | |
| Agency | <u>1,796,359</u> |
| Total cash and investments | <u>\$ 30,929,971</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 | \$ 873,484 | \$ - | \$ - | \$ 95,913 | \$ - | \$ 3,625,985 | \$ 4,595,382 |
| Accounts | 678,356 | 6,938 | 318,145 | 60,744 | 89,349 | - | 1,153,532 |
| Intergovernmental | 998,287 | 52,998 | 279,869 | 162,377 | - | - | 1,493,531 |
| Assessments | - | 16,335 | - | - | - | - | 16,335 |
| Interest | <u>19,447</u> | <u>34,568</u> | <u>1,306</u> | <u>10,102</u> | <u>2,865</u> | <u>-</u> | <u>68,288</u> |
| | <u>\$ 2,569,574</u> | <u>\$ 110,839</u> | <u>\$ 599,320</u> | <u>\$ 329,136</u> | <u>\$ 92,214</u> | <u>\$ 3,625,985</u> | <u>\$ 7,327,068</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, 2004 | 2004-05 Levies | Adjustments | Net Interest (Discounts) | Collections | Balances June 30, 2005 |
|---------|-----------------------------|----------------------|-------------------|--------------------------------|----------------------|------------------------------|
| Current | \$ - | \$ 67,754,711 | \$ (76,587) | \$ (1,639,683) | \$ 63,626,183 | \$ 2,412,258 |
| Prior | <u>5,958,724</u> | <u>-</u> | <u>428,511</u> | <u>2,829</u> | <u>4,206,940</u> | <u>2,183,124</u> |
| | <u>\$ 5,958,724</u> | <u>\$ 67,754,711</u> | <u>\$ 351,924</u> | <u>\$ (1,636,854)</u> | <u>\$ 67,833,123</u> | <u>\$ 4,595,382</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 \$676,257 for the retirement of long-term debt principal and interest due in 2005-06.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Interfund Transactions

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2005, is as follows:

Due from other funds:

| <u>Fund</u> | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|--------------------------|---------------------------------|-------------------------------|
| General | \$ <u>327,528</u> | \$ -- |
| General Road | | 107,100 |
| Human Services | | 177,643 |
| Other Governmental Funds | | 40,385 |
| Internal Service | | <u>2,400</u> |
| | | <u>\$ 327,528</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 | \$ 635,027 |
| | Other Governmental Funds | <u>71,423</u> |
| | | 706,450 |
| Other Governmental Funds | General | <u>20,857</u> |
| Total | | <u>\$ 727,307</u> |

B. Between Internal Service and Governmental Activities:

| | | |
|-------------------|---------|-------------------|
| Insurance Reserve | General | <u>\$ 175,000</u> |
|-------------------|---------|-------------------|

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Capital Assets

A. Capital asset activity for the year ended June 30, 2005, was as follows:

| | Balances July 1, 2004 | Additions and Reclassifications | Deletions and Reclassifications | Balances June 30, 2005 |
|--|--------------------------|---------------------------------------|---------------------------------------|---------------------------|
| Governmental Activities | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Land and easements | \$ 1,011,300 | \$ - | \$ 314,889 | \$ 696,411 |
| Land improvements | 7,700 | - | - | 7,700 |
| Infrastructure | 88,819,680 | - | - | 88,819,680 |
| Construction in progress | <u>678,115</u> | <u>475,701</u> | <u>439,089</u> | <u>714,727</u> |
| Total capital assets, not being depreciated | <u>\$ 90,516,795</u> | <u>\$ 475,701</u> | <u>\$ 753,978</u> | <u>\$ 90,238,518</u> |
| <i>Capital assets, being depreciated</i> | | | | |
| Infrastructure | \$ 49,341,214 | \$ 154,763 | \$ - | \$ 49,495,977 |
| Buildings | 15,578,332 | - | 50,296 | 15,528,036 |
| Improvements | 982,934 | 284,326 | - | 1,267,260 |
| Equipment | <u>8,921,756</u> | <u>614,527</u> | <u>156,656</u> | <u>9,379,627</u> |
| Total capital assets, being depreciated | <u>74,824,236</u> | <u>1,053,616</u> | <u>206,952</u> | <u>75,670,900</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 33,234,700 | 1,122,572 | - | 34,357,272 |
| Buildings | 5,375,466 | 383,552 | - | 5,759,018 |
| Improvements | 677,843 | 18,657 | - | 696,500 |
| Equipment | <u>5,637,981</u> | <u>810,500</u> | <u>136,609</u> | <u>6,311,872</u> |
| Total accumulated depreciation | <u>44,925,990</u> | <u>2,335,281</u> | <u>136,609</u> | <u>47,124,662</u> |
| Total capital, assets being depreciated, net | <u>\$ 29,898,246</u> | <u>\$ (1,281,665)</u> | <u>\$ 70,343</u> | <u>\$ 28,546,238</u> |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Capital Assets (continued)

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

| | |
|---|-------------------------|
| General government | \$ 336,272 |
| Community services | 159,251 |
| Public safety | 782,831 |
| Highways and streets | 381,053 |
| Culture and recreation | 14,251 |
| Health and welfare | 565,354 |
| Education | <u>96,269</u> |
| Total depreciation expense – governmental functions | <u>\$ 2,335,281</u> |

7. Construction Commitments

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

| | Project Authorization | Expended to Date | Commitment | Required Further Financing |
|-----------------|--------------------------|---------------------|-------------------|----------------------------------|
| 804 South Trail | \$ 379,995 | \$ 283,498 | \$ 96,497 | \$ - |
| Spring Lake | <u>58,602</u> | <u>35,701</u> | <u>22,901</u> | <u>-</u> |
| Totals | <u>\$ 438,597</u> | <u>\$ 319,199</u> | <u>\$ 119,398</u> | <u>\$ -</u> |

The 804 South Trail project involves certain road improvements as a result of a mediated settlement. The project is being funded by the General Road Fund intergovernmental revenues as well as other funds as stated in the agreement.

The Spring Lake project involves road fill improvements which are funded equally between the General Road Fund intergovernmental revenues and the City of Lincoln City.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term Obligations

Long-term obligation transactions for the year ended June 30, 2005 are as follows:

| | Outstanding July 1, 2004 | Additions | Reductions | Outstanding June 30, 2005 | 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 | \$ 3,700,000 | \$ - | \$ 625,000 | \$ 3,075,000 | \$ 645,000 |
| Interest | 45,835 | 80,341 | 96,208 | 29,968 | - |
| | <u>3,745,835</u> | <u>80,341</u> | <u>721,208</u> | <u>3,104,968</u> | <u>645,000</u> |
| Loan - Bank of America, original amount \$275,798; interest at 5.06 percent; secured by by the full faith and credit of the County and the purchased equipment | | | | | |
| Principal | 30,447 | - | 30,447 | - | - |
| Interest | 387 | 392 | 779 | - | - |
| | <u>30,834</u> | <u>392</u> | <u>31,226</u> | <u>-</u> | <u>-</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 | 359,334 | - | 236,293 | 123,041 | 123,041 |
| Interest | 7,710 | 11,484 | 16,558 | 2,636 | - |
| | <u>367,044</u> | <u>11,484</u> | <u>252,851</u> | <u>125,677</u> | <u>123,041</u> |
| Vested Compensated Absences | <u>1,360,595</u> | <u>1,462,491</u> | <u>1,360,595</u> | <u>1,462,491</u> | <u>1,462,491</u> |
| Total long-term obligations | 5,504,308 | 1,554,708 | 2,365,880 | 4,693,136 | <u>\$ 2,230,532</u> |
| Interest | <u>53,932</u> | <u>92,217</u> | <u>113,545</u> | <u>32,604</u> | |
| Principal | <u>\$ 5,450,376</u> | <u>\$ 1,462,491</u> | <u>\$ 2,252,335</u> | <u>\$ 4,660,532</u> | |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term Obligations (continued)

| Fiscal Year | General Obligation Refunding Bonds Series 2003 | | Capital Lease - Wells Fargo Equipment Finance, Inc. | | Vested Compen- sated Absences | Totals | |
|----------------|--|------------------|--|-----------------|--|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | | Principal | Interest |
| 2006 | \$ 645,000 | \$ 72,808 | \$123,041 | \$ 3,384 | \$ 1,462,491 | \$ 2,230,532 | \$ 76,192 |
| 2007 | 665,000 | 59,908 | - | - | - | 665,000 | 59,908 |
| 2008 | 675,000 | 45,776 | - | - | - | 675,000 | 45,776 |
| 2009 | 705,000 | 28,901 | - | - | - | 705,000 | 28,901 |
| 2010 | 385,000 | 10,395 | - | - | - | 385,000 | 10,395 |
| | <u>\$3,075,000</u> | <u>\$217,788</u> | <u>\$123,041</u> | <u>\$ 3,384</u> | <u>\$ 1,462,491</u> | <u>\$ 4,660,532</u> | <u>\$ 221,172</u> |

9. 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, 2005, for each of the next 5 years and in the aggregate are:

| Year Ended June 30, | Amount |
|------------------------|-------------------|
| 2006 | \$ 301,759 |
| 2007 | 260,815 |
| 2008 | 170,808 |
| 2009 | 24,876 |
| 2010 | 13,367 |
| 2011-15 | 30,240 |
| 2016-20 | 29,740 |
| 2021 | <u>3,872</u> |
| Total | <u>\$ 835,477</u> |

Rent expenditures for the year ended June 30, 2005, amounted to \$345,131.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. 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, 2005, there were 328 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 \$1,529,744 for the year ended June 30, 2005. 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, 2005, amounted to \$551,822.

11. 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 7.29 percent of covered compensation. For employees hired on or after August 29, 2003, the County's contribution rate is 8.04 percent of covered compensation.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined Benefit Pension Plan (continued)

The County's contribution to the plan for the years ending June 30, 2005, 2004 and 2003, were equal to the County's required contributions for each year as follows:

| <u>Year Ended June 30,</u> | <u>Employer County Contribution</u> | <u>Employer Paid Member Contribution</u> | <u>Totals</u> |
|--------------------------------|---|--|---------------|
| 2005 | \$ 275,971 | \$ 209,108 | \$ 485,079 |
| 2004 | 236,935 | 198,815 | 435,750 |
| 2003 | 193,604 | 214,065 | 407,669 |

12. 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.

13. 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, 2005, County employees had accumulated 10,905 days of sick leave.

14. Prior Period Adjustment – Changes in Accounting Method

During the fiscal year ended June 30, 2005, the County changed from the purchases method of accounting for inventories to the consumption method. Accordingly, the fund balances of the General and General Road funds have been adjusted to eliminate the reserve for inventory required when the purchases method is used.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

LINCOLN COUNTY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (NONMAJOR)
June 30, 2005

| | Special Revenue Funds | Debt Service Fund | Totals |
|--|-----------------------------|-------------------------|---------------------|
| ASSETS | | | |
| Cash and investments | \$ 4,440,638 | \$ 226,462 | \$ 4,667,100 |
| Receivables | 276,065 | 53,071 | 329,136 |
| Prepaid items | 35,025 | -- | 35,025 |
| TOTAL ASSETS | \$ 4,751,728 | \$ 279,533 | \$ 5,031,261 |
| LIABILITIES | | | |
| Accounts payable and accrued items | \$ 298,049 | \$ -- | \$ 298,049 |
| Due to other funds | 40,385 | -- | 40,385 |
| Deferred revenue | 131,589 | 43,708 | 175,297 |
| TOTAL LIABILITIES | 470,023 | 43,708 | 513,731 |
| FUND BALANCES | | | |
| Reserved for debt service | -- | 235,825 | 235,825 |
| Unreserved | 4,281,705 | -- | 4,281,705 |
| TOTAL FUND BALANCES | 4,281,705 | 235,825 | 4,517,530 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,751,728 | \$ 279,533 | \$ 5,031,261 |

LINCOLN COUNTY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS (NONMAJOR)
Year Ended June 30, 2005**

| | <u>Special Revenue Funds</u> | <u>Debt Service Fund</u> | <u>Totals</u> |
|---|--------------------------------------|----------------------------------|------------------|
| REVENUES | | | |
| Taxes and land sales | \$ 851,730 | \$ 750,598 | \$ 1,602,328 |
| Licenses and fees | 359,155 | -- | 359,155 |
| Charges for services | 366,407 | -- | 366,407 |
| Intergovernmental | 4,310,614 | -- | 4,310,614 |
| Court fines and fees | 74,449 | -- | 74,449 |
| Interest | 85,029 | 6,700 | 91,729 |
| Miscellaneous | 182,998 | -- | 182,998 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 6,230,382 | 757,298 | 6,987,680 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 234,802 | -- | 234,802 |
| Community services | 1,218,191 | -- | 1,218,191 |
| Public safety | 492,405 | -- | 492,405 |
| Culture and recreation | 241,833 | -- | 241,833 |
| Health and welfare | 1,717,682 | -- | 1,717,682 |
| Education | 1,635,322 | -- | 1,635,322 |
| Debt service: | | | |
| Principal | -- | 625,000 | 625,000 |
| Interest | -- | 96,208 | 96,208 |
| Capital outlay | 9,600 | -- | 9,600 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 5,549,835 | 721,208 | 6,271,043 |
| Excess (deficiency) of revenues over expenditures | <hr/> | <hr/> | <hr/> |
| | 680,547 | 36,090 | 716,637 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 71,423 | -- | 71,423 |
| Transfers out | (20,857) | -- | (20,857) |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | 50,566 | -- | 50,566 |
| Net change in fund balances | 731,113 | 36,090 | 767,203 |
| Fund balances at beginning of year | <hr/> | <hr/> | <hr/> |
| | 3,550,592 | 199,735 | 3,750,327 |
| Fund balances at end of year | <hr/> | <hr/> | <hr/> |
| | \$ 4,281,705 | \$ 235,825 | \$ 4,517,530 |

OTHER GOVERNMENTAL FUNDS (NONMAJOR)

Special Revenue Funds

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.
- *Lincoln County Meth Initiative / 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.

LINCOLN COUNTY

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2005**

| | County School | County Fair | Transit District | Law Library | Clerk Records | OHP Mental Health | Solid Waste District |
|--|------------------|------------------|---------------------|------------------|------------------|-------------------------|----------------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ 23 | \$ 82,782 | \$ 1,261,284 | \$ 25,485 | \$ 37,898 | \$ 642,961 | \$ 163,752 |
| Receivables | 211 | 186 | 33,477 | 3,767 | 485 | 91,379 | 24,070 |
| Prepaid items | -- | 336 | -- | 571 | -- | 14,420 | 191 |
| TOTAL ASSETS | <u>\$ 234</u> | <u>\$ 83,304</u> | <u>\$ 1,294,761</u> | <u>\$ 29,823</u> | <u>\$ 38,383</u> | <u>\$ 748,760</u> | <u>\$ 188,013</u> |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued items | \$ -- | \$ 10,212 | \$ 12,268 | \$ 2,553 | \$ 11,194 | \$ 146,592 | \$ 78,739 |
| Due to other funds | -- | 3,119 | 19,963 | -- | 1,350 | 2,991 | 421 |
| Deferred revenue | -- | 7,071 | 24,687 | -- | -- | -- | -- |
| TOTAL LIABILITIES | -- | 20,402 | 56,918 | 2,553 | 12,544 | 149,583 | 79,160 |
| FUND BALANCES - Unreserved | <u>234</u> | <u>62,902</u> | <u>1,237,843</u> | <u>27,270</u> | <u>25,839</u> | <u>599,177</u> | <u>108,853</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 234</u> | <u>\$ 83,304</u> | <u>\$ 1,294,761</u> | <u>\$ 29,823</u> | <u>\$ 38,383</u> | <u>\$ 748,760</u> | <u>\$ 188,013</u> |

| Enforce- ment | Dog License | Title III Safety Net | Corner Preservation | Meth Grant | Extension Agency | Agate Beach Closure | DUII | DUII M3 Forfeiture | Totals |
|------------------|------------------|-------------------------|------------------------|------------------|---------------------|---------------------------|------------------|--------------------------|---------------------|
| \$ 20,835 | \$ 84,752 | \$ 880,432 | \$ 356,067 | \$ (58,655) | \$ 273,383 | \$ 647,147 | \$ 16,385 | \$ 6,107 | \$ 4,440,638 |
| 3,023 | 189 | 2,021 | 4,981 | 73,502 | 28,425 | 10,296 | 38 | 15 | 276,065 |
| 14,430 | -- | -- | 5 | -- | 5,072 | -- | -- | -- | 35,025 |
| <u>\$ 38,288</u> | <u>\$ 84,941</u> | <u>\$ 882,453</u> | <u>\$ 361,053</u> | <u>\$ 14,847</u> | <u>\$ 306,880</u> | <u>\$ 657,443</u> | <u>\$ 16,423</u> | <u>\$ 6,122</u> | <u>\$ 4,751,728</u> |
| \$ 22,993 | \$ 2,325 | -- | \$ 1,084 | \$ 4,009 | \$ 420 | \$ 3,711 | \$ 149 | \$ 1,800 | \$ 298,049 |
| -- | 7,095 | -- | 4,904 | 542 | -- | -- | -- | -- | 40,385 |
| -- | -- | -- | -- | -- | 99,831 | -- | -- | -- | 131,589 |
| 22,993 | 9,420 | -- | 5,988 | 4,551 | 100,251 | 3,711 | 149 | 1,800 | 470,023 |
| 15,295 | 75,521 | 882,453 | 355,065 | 10,296 | 206,629 | 653,732 | 16,274 | 4,322 | 4,281,705 |
| <u>\$ 38,288</u> | <u>\$ 84,941</u> | <u>\$ 882,453</u> | <u>\$ 361,053</u> | <u>\$ 14,847</u> | <u>\$ 306,880</u> | <u>\$ 657,443</u> | <u>\$ 16,423</u> | <u>\$ 6,122</u> | <u>\$ 4,751,728</u> |

LINCOLN COUNTY

**COMBINING STATEMENT OF REVENUES, EXPEDITURES
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
Year Ended June 30, 2005**

| | County School | County Fair | Transit District | Law Library | Clerk Records | OHP Mental Health | Solid Waste District |
|---|------------------|------------------|---------------------|------------------|------------------|-------------------------|----------------------------|
| REVENUES | | | | | | | |
| Taxes and land sales | \$ 199,901 | \$ -- | \$ 445,464 | \$ -- | \$ -- | \$ -- | \$ -- |
| Licenses and fees | -- | -- | -- | -- | 53,368 | -- | -- |
| Charges for services | -- | -- | 120,753 | -- | -- | 16,981 | 206,770 |
| Intergovernmental | 1,089,788 | 35,141 | 408,299 | -- | -- | 1,783,544 | -- |
| Court fines and fees | -- | -- | -- | 48,072 | -- | -- | -- |
| Interest | 1,198 | 1,541 | 25,119 | 557 | 726 | 10,151 | 2,322 |
| Miscellaneous | 211 | 164,380 | 6,885 | 566 | -- | 1,043 | 614 |
| TOTAL REVENUES | <u>1,291,098</u> | <u>201,062</u> | <u>1,006,520</u> | <u>49,195</u> | <u>54,094</u> | <u>1,811,719</u> | <u>209,706</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | -- | -- | -- | -- | 58,878 | -- | -- |
| Community service | -- | -- | 817,141 | -- | -- | -- | 167,848 |
| Public safety | -- | -- | -- | 43,590 | -- | -- | -- |
| Culture and recreation | -- | 241,833 | -- | -- | -- | -- | -- |
| Health and welfare | -- | -- | -- | -- | -- | 1,717,682 | -- |
| Education | 1,291,309 | -- | -- | -- | -- | -- | -- |
| Capital outlay | -- | -- | -- | -- | -- | -- | -- |
| TOTAL EXPENDITURES | <u>1,291,309</u> | <u>241,833</u> | <u>817,141</u> | <u>43,590</u> | <u>58,878</u> | <u>1,717,682</u> | <u>167,848</u> |
| Excess (deficiency of revenues over expenditures) | <u>(211)</u> | <u>(40,771)</u> | <u>189,379</u> | <u>5,605</u> | <u>(4,784)</u> | <u>94,037</u> | <u>41,858</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | -- | -- | -- | -- | -- | -- | -- |
| Transfers out | -- | -- | -- | -- | -- | -- | -- |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Net change in fund balances | (211) | (40,771) | 189,379 | 5,605 | (4,784) | 94,037 | 41,858 |
| Fund balances at beginning of year | 445 | 103,673 | 1,048,464 | 21,665 | 30,623 | 505,140 | 66,995 |
| Fund balances at end of year | <u>\$ 234</u> | <u>\$ 62,902</u> | <u>\$ 1,237,843</u> | <u>\$ 27,270</u> | <u>\$ 25,839</u> | <u>\$ 599,177</u> | <u>\$ 108,853</u> |

Continued on Page 38

| Enforce- ment | Dog License | Title III Safety Net | Corner Preservation | Meth Grant | Extension Agency | Agate Beach Closure | DUII | DUII M3 Forfeiture | Totals |
|------------------|------------------|-------------------------|------------------------|------------------|---------------------|---------------------------|------------------|--------------------------|---------------------|
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | 206,365 | \$ -- | \$ -- | \$ -- | 851,730 |
| -- | 65,910 | -- | 175,735 | -- | -- | 56,328 | 1,814 | 6,000 | 359,155 |
| -- | 17,045 | -- | -- | -- | 4,858 | -- | -- | -- | 366,407 |
| -- | 91,800 | 497,961 | 55,376 | 198,603 | 150,102 | -- | -- | -- | 4,310,614 |
| 25,356 | 1,021 | -- | -- | -- | -- | -- | -- | -- | 74,449 |
| 296 | 2,017 | 17,738 | 6,666 | -- | 2,942 | 13,253 | 381 | 122 | 85,029 |
| -- | 5,560 | -- | -- | -- | 3,739 | -- | -- | -- | 182,998 |
| <u>25,652</u> | <u>183,353</u> | <u>515,699</u> | <u>237,777</u> | <u>198,603</u> | <u>368,006</u> | <u>69,581</u> | <u>2,195</u> | <u>6,122</u> | <u>6,230,382</u> |
| -- | -- | -- | 175,924 | -- | -- | -- | -- | -- | 234,802 |
| -- | -- | 215,053 | -- | -- | -- | 18,149 | -- | -- | 1,218,191 |
| 11,533 | 241,157 | -- | -- | 188,307 | -- | -- | 6,018 | 1,800 | 492,405 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 241,833 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 1,717,682 |
| -- | -- | -- | -- | -- | 344,013 | -- | -- | -- | 1,635,322 |
| -- | 2,000 | -- | 7,600 | -- | -- | -- | -- | -- | 9,600 |
| <u>11,533</u> | <u>243,157</u> | <u>215,053</u> | <u>183,524</u> | <u>188,307</u> | <u>344,013</u> | <u>18,149</u> | <u>6,018</u> | <u>1,800</u> | <u>5,549,835</u> |
| <u>14,119</u> | <u>(59,804)</u> | <u>300,646</u> | <u>54,253</u> | <u>10,296</u> | <u>23,993</u> | <u>51,432</u> | <u>(3,823)</u> | <u>4,322</u> | <u>680,547</u> |
| -- | 71,423 | -- | -- | -- | -- | -- | -- | -- | 71,423 |
| (20,857) | -- | -- | -- | -- | -- | -- | -- | -- | (20,857) |
| (20,857) | 71,423 | -- | -- | -- | -- | -- | -- | -- | 50,566 |
| (6,738) | 11,619 | 300,646 | 54,253 | 10,296 | 23,993 | 51,432 | (3,823) | 4,322 | 731,113 |
| <u>22,033</u> | <u>63,902</u> | <u>581,807</u> | <u>300,812</u> | <u>--</u> | <u>182,636</u> | <u>602,300</u> | <u>20,097</u> | <u>--</u> | <u>3,550,592</u> |
| <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>\$ 4,281,705</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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|------------|------------|-----------|
| REVENUES | | | |
| Taxes and land sales | \$ 135,500 | \$ 199,901 | \$ 64,401 |
| Intergovernmental | 1,500,000 | 1,089,788 | (410,212) |
| Interest | 600 | 1,198 | 598 |
| Miscellaneous | 1,300 | 211 | (1,089) |
| TOTAL REVENUES | 1,637,400 | 1,291,098 | (346,302) |
| EXPENDITURES | | | |
| Materials and services | 1,637,400 | 1,291,309 | 346,091 |
| Net change in fund balance | -- | (211) | (211) |
| Fund balance at beginning of year | -- | 445 | 445 |
| Fund balance at end of year | \$ -- | \$ 234 | \$ 234 |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|-----------|-----------|-----------|
| REVENUES | | | |
| Intergovernmental | \$ 36,000 | \$ 35,141 | \$ (859) |
| Interest | 400 | 1,541 | 1,141 |
| Miscellaneous | 197,800 | 164,380 | (33,420) |
| | 234,200 | 201,062 | (33,138) |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Personal services | 98,071 | 94,398 | 3,673 |
| Materials and services | 157,045 | 147,435 | 9,610 |
| Capital outlay | 10,000 | -- | 10,000 |
| Operating contingency | 38,874 | -- | 38,874 |
| | 303,990 | 241,833 | 62,157 |
| TOTAL EXPENDITURES | | | |
| Net change in fund balance | (69,790) | (40,771) | 29,019 |
| Fund balance at beginning of year | 69,790 | 103,673 | 33,883 |
| | \$ -- | \$ 62,902 | \$ 62,902 |
| Fund balance at end of year | | | |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|----------------|------------------|----------------|
| REVENUES | | | |
| Taxes and land sales | \$ 432,490 | \$ 445,464 | \$ 12,974 |
| Charges for services | 94,000 | 120,753 | 26,753 |
| Intergovernmental | 480,662 | 408,299 | (72,363) |
| Interest | 7,000 | 25,119 | 18,119 |
| Miscellaneous | 13,000 | 6,885 | (6,115) |
| TOTAL REVENUES | 1,027,152 | 1,006,520 | (20,632) |
| EXPENDITURES | | | |
| Personal services | 683,220 | 597,458 | 85,762 |
| Materials and services | 330,522 | 219,683 | 110,839 |
| Capital outlay | 192,027 | -- | 192,027 |
| Operating contingency | 220,000 | -- | 220,000 |
| TOTAL EXPENDITURES | 1,425,769 | 817,141 | 608,628 |
| Net change in fund balance | (398,617) | 189,379 | 587,996 |
| Fund balance at beginning of year | 997,000 | 1,048,464 | 51,464 |
| Fund balance at end of year | \$ 598,383 | \$ 1,237,843 | \$ 639,460 |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|-----------|-----------|-----------|
| REVENUES | | | |
| Fines and forfeitures | \$ 43,000 | \$ 48,072 | \$ 5,072 |
| Interest | 100 | 557 | 457 |
| Miscellaneous | -- | 566 | 566 |
| | 43,100 | 49,195 | 6,095 |
| EXPENDITURES | | | |
| Materials and services | 53,889 | 43,590 | 10,299 |
| Capital outlay | 5,000 | -- | 5,000 |
| | 58,889 | 43,590 | 15,299 |
| Net change in fund balance | (15,789) | 5,605 | 21,394 |
| Fund balance at beginning of year | 15,789 | 21,665 | 5,876 |
| | \$ -- | \$ 27,270 | \$ 27,270 |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|-----------|--------|-------------|
| REVENUES | | | |
| Intergovernmental | \$ 30,000 | \$ -- | \$ (30,000) |
| EXPENDITURES | | | |
| Materials and services | 30,000 | -- | 30,000 |
| Net change in fund balance | -- | -- | -- |
| Fund balance at beginning of year | -- | -- | -- |
| Fund balance at end of year | \$ -- | \$ -- | \$ -- |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|-----------|-----------|-----------|
| REVENUES | | | |
| Licenses and fees | \$ 50,000 | \$ 53,368 | \$ 3,368 |
| Interest | 600 | 726 | 126 |
| TOTAL REVENUES | 50,600 | 54,094 | 3,494 |
| EXPENDITURES | | | |
| Personal services | 44,615 | 38,321 | 6,294 |
| Materials and services | 25,127 | 20,557 | 4,570 |
| Capital outlay | 5,000 | -- | 5,000 |
| TOTAL EXPENDITURES | 74,742 | 58,878 | 15,864 |
| Net change in fund balance | (24,142) | (4,784) | 19,358 |
| Fund balance at beginning of year | 24,142 | 30,623 | 6,481 |
| Fund balance at end of year | \$ -- | \$ 25,839 | \$ 25,839 |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|------------------|-------------------|-------------------|
| REVENUES | | | |
| Charges for services | \$ 6,300 | \$ 16,981 | \$ 10,681 |
| Intergovernmental | 1,543,955 | 1,783,544 | 239,589 |
| Interest | 3,800 | 10,151 | 6,351 |
| Miscellaneous | 1,500 | 1,043 | (457) |
| TOTAL REVENUES | <u>1,555,555</u> | <u>1,811,719</u> | <u>256,164</u> |
| EXPENDITURES | | | |
| Personal services | 72,831 | 69,495 | 3,336 |
| Materials and services | 1,702,724 | 1,648,187 | 54,537 |
| Capital outlay | 5,000 | -- | 5,000 |
| Operating contingency | 265,000 | -- | 265,000 |
| TOTAL EXPENDITURES | <u>2,045,555</u> | <u>1,717,682</u> | <u>327,873</u> |
| Net change in fund balance | (490,000) | 94,037 | 584,037 |
| Fund balance at beginning of year | 490,000 | 505,140 | 15,140 |
| Fund balance at end of year | <u>\$ --</u> | <u>\$ 599,177</u> | <u>\$ 599,177</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, 2005**

| | Budget | Actual | Variance |
|------------------------------------|----------------|----------------|-----------------|
| REVENUES | | | |
| Charges for services | \$ 199,488 | \$ 206,770 | \$ 7,282 |
| Interest | 800 | 2,322 | 1,522 |
| Miscellaneous | 44,030 | 614 | (43,416) |
| TOTAL REVENUES | 244,318 | 209,706 | (34,612) |
| EXPENDITURES | | | |
| Personal services | 84,086 | 54,543 | 29,543 |
| Materials and services | 137,938 | 113,305 | 24,633 |
| Operating contingency | 5,000 | -- | 5,000 |
| TOTAL EXPENDITURES | 227,024 | 167,848 | 59,176 |
| Net change in fund balance | 17,294 | 41,858 | 24,564 |
| Fund balances at beginning of year | (17,294) | 66,995 | 84,289 |
| Fund balance at end of year | \$ -- | \$ 108,853 | \$ 108,853 |

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
ENFORCEMENT - SPECIAL REVENUE FUND
Year Ended June 30, 2005**

| | Budget | Actual | Variance |
|---|-----------|-----------|-----------|
| REVENUES | | | |
| Fines and forfeitures | \$ 18,000 | \$ 25,356 | \$ 7,356 |
| Interest | 120 | 296 | 176 |
| | | | |
| TOTAL REVENUES | 18,120 | 25,652 | 7,532 |
| EXPENDITURES | | | |
| Materials and services | 11,896 | 11,533 | 363 |
| Capital outlay | 5,000 | -- | 5,000 |
| | | | |
| TOTAL EXPENDITURES | 16,896 | 11,533 | 5,363 |
| Excess (deficiency) of revenues over expenditures | 1,224 | 14,119 | 12,895 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | (15,000) | (20,857) | (5,857) |
| | | | |
| Net change in fund balance | (13,776) | (6,738) | 7,038 |
| Fund balance at beginning of year | 13,776 | 22,033 | 8,257 |
| Fund balance at end of year | \$ -- | \$ 15,295 | \$ 15,295 |

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, 2005**

| | Budget | Actual | Variance |
|---|----------------|----------------|---------------|
| REVENUES | | | |
| Licenses and fees | \$ 56,000 | \$ 65,910 | \$ 9,910 |
| Charges for services | 15,000 | 17,045 | 2,045 |
| Intergovernmental | 97,860 | 91,800 | (6,060) |
| State court fines | 310 | 1,021 | 711 |
| Interest | 300 | 2,017 | 1,717 |
| Miscellaneous | 4,500 | 5,560 | 1,060 |
| TOTAL REVENUES | 173,970 | 183,353 | 9,383 |
| EXPENDITURES | | | |
| Personal services | 222,700 | 212,893 | 9,807 |
| Materials and services | 36,682 | 28,264 | 8,418 |
| Capital outlay | 20,617 | 2,000 | 18,617 |
| TOTAL EXPENDITURES | 279,999 | 243,157 | 36,842 |
| Excess (deficiency) of revenues over expenditures | (106,029) | (59,804) | 46,225 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 71,423 | 71,423 | -- |
| Net change in fund balance | (34,606) | 11,619 | 46,225 |
| Fund balance at beginning of year | 34,606 | 63,902 | 29,296 |
| Fund balance at end of year | \$ -- | \$ 75,521 | \$ 75,521 |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|------------|------------|------------|
| REVENUES | | | |
| Intergovernmental | \$ 493,200 | \$ 497,961 | \$ 4,761 |
| Interest | 2,500 | 17,738 | 15,238 |
| TOTAL REVENUES | 495,700 | 515,699 | 19,999 |
| EXPENDITURES | | | |
| Materials and services | 465,592 | 215,053 | 250,539 |
| Capital outlay | 495,000 | -- | 495,000 |
| TOTAL EXPENDITURES | 960,592 | 215,053 | 745,539 |
| Net change in fund balance | (464,892) | 300,646 | 765,538 |
| Fund balance at beginning of year | 596,766 | 581,807 | (14,959) |
| Fund balance at end of year | \$ 131,874 | \$ 882,453 | \$ 750,579 |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|------------|------------|------------|
| REVENUES | | | |
| Licenses and fees | \$ 150,000 | \$ 175,735 | \$ 25,735 |
| Intergovernmental | 60,000 | 55,376 | (4,624) |
| Interest | 1,000 | 6,666 | 5,666 |
| | 211,000 | 237,777 | 26,777 |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Personal services | 204,596 | 165,251 | 39,345 |
| Materials and services | 27,800 | 10,673 | 17,127 |
| Capital outlay | 20,000 | 7,600 | 12,400 |
| Operating contingency | 277,858 | -- | 277,858 |
| | 530,254 | 183,524 | 346,730 |
| TOTAL EXPENDITURES | | | |
| Net change in fund balance | (319,254) | 54,253 | 373,507 |
| Fund balance at beginning of year | 319,254 | 300,812 | (18,442) |
| | \$ -- | \$ 355,065 | \$ 355,065 |
| Fund balance at end of year | | | |

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
LINCOLN COUNTY METH INITIATIVE/METH GRANT - SPECIAL REVENUE FUND
Year Ended June 30, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|------------|------------|-------------|
| REVENUES | | | |
| Intergovernmental | \$ 273,951 | \$ 198,603 | \$ (75,348) |
| EXPENDITURES | | | |
| Personal services | 40,000 | 12,507 | 27,493 |
| Materials and services | 233,951 | 175,800 | 58,151 |
| TOTAL EXPENDITURES | 273,951 | 188,307 | 85,644 |
| Net change in fund balance | -- | 10,296 | 10,296 |
| Fund balance at beginning of year | -- | -- | -- |
| Fund balance at end of year | \$ -- | \$ 10,296 | \$ 10,296 |

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, 2005**

| | Budget | Actual | Variance |
|------------------------------------|------------|------------|------------|
| REVENUES | | | |
| Property taxes | \$ 200,369 | \$ 206,365 | \$ 5,996 |
| Charges for services | 8,500 | 4,858 | (3,642) |
| Intergovernmental | 218,121 | 150,102 | (68,019) |
| Interest | 1,000 | 2,942 | 1,942 |
| Miscellaneous | 500 | 3,739 | 3,239 |
| | 428,490 | 368,006 | (60,484) |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Personal services | 256,044 | 207,370 | 48,674 |
| Materials and services | 201,006 | 136,643 | 64,363 |
| Capital outlay | 10,000 | -- | 10,000 |
| Operating contingency | 34,180 | -- | 34,180 |
| | 501,230 | 344,013 | 157,217 |
| TOTAL EXPENDITURES | | | |
| Net change in fund balance | (72,740) | 23,993 | 96,733 |
| Fund balance at beginning of year | 142,060 | 182,636 | 40,576 |
| | \$ 69,320 | \$ 206,629 | \$ 137,309 |
| Fund balance at end of year | | | |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|----------------|-------------------|-------------------|
| REVENUES | | | |
| Licences and fees | \$ 56,000 | \$ 56,328 | \$ 328 |
| Interest | 5,000 | 13,253 | 8,253 |
| TOTAL REVENUES | 61,000 | 69,581 | 8,581 |
| EXPENDITURES | | | |
| Materials and services | 597,677 | 18,149 | 579,528 |
| Capital outlay | 5,000 | -- | 5,000 |
| Operating contingency | 50,000 | -- | 50,000 |
| TOTAL EXPENDITURES | 652,677 | 18,149 | 634,528 |
| Net change in fund balance | (591,677) | 51,432 | 643,109 |
| Fund balance at beginning of year | 591,677 | 602,300 | 10,623 |
| Fund balance at end of year | \$ -- | \$ 653,732 | \$ 653,732 |

LINCOLN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
DUII - SPECIAL REVENUE FUND
Year Ended June 30, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|---------------|------------------|------------------|
| REVENUES | | | |
| Licences and fees | \$ 2,000 | \$ 1,814 | \$ (186) |
| Interest | 240 | 381 | 141 |
| TOTAL REVENUES | 2,240 | 2,195 | (45) |
| EXPENDITURES | | | |
| Materials and services | 19,301 | 6,018 | 13,283 |
| Capital outlay | 5,000 | -- | 5,000 |
| TOTAL EXPENDITURES | 24,301 | 6,018 | 18,283 |
| Net change in fund balance | (22,061) | (3,823) | 18,238 |
| Fund balance at beginning of year | 22,061 | 20,097 | (1,964) |
| Fund balance at end of year | \$ -- | \$ 16,274 | \$ 16,274 |

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|-----------|----------|------------|
| REVENUES | | | |
| Licences and fees | \$ 10,000 | \$ 6,000 | \$ (4,000) |
| Interest | -- | 122 | 122 |
| TOTAL REVENUES | 10,000 | 6,122 | (3,878) |
| EXPENDITURES | | | |
| Materials and services | 10,000 | 1,800 | 8,200 |
| Net change in fund balance | -- | 4,322 | 4,322 |
| Fund balance at beginning of year | -- | -- | -- |
| Fund balance at end of year | \$ -- | \$ 4,322 | \$ 4,322 |

OTHER GOVERNMENTAL FUNDS (NONMAJOR)

Debt Service Fund

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, 2005**

| | Budget | Actual | Variance |
|-----------------------------------|------------|------------|-----------|
| REVENUES | | | |
| Property taxes | \$ 747,606 | \$ 750,598 | \$ 2,992 |
| Interest | 600 | 6,700 | 6,100 |
| TOTAL REVENUES | 748,206 | 757,298 | 9,092 |
| EXPENDITURES | | | |
| Debt service | | | |
| Principal | 625,000 | 625,000 | -- |
| Interest | 96,208 | 96,208 | -- |
| TOTAL EXPENDITURES | 721,208 | 721,208 | -- |
| Net change in fund balance | 26,998 | 36,090 | 9,092 |
| Fund balance at beginning of year | 173,002 | 199,735 | 26,733 |
| Fund balance at end of year | \$ 200,000 | \$ 235,825 | \$ 35,825 |

PROPRIETARY FUND

Internal Service Fund

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, 2005**

| | Budget | Actual | Variance |
|---|-------------|--------------|--------------|
| REVENUES | | | |
| Charges for services | \$ 583,500 | \$ 581,151 | \$ (2,349) |
| Interest | 12,000 | 26,678 | 14,678 |
| Miscellaneous | 12,250 | 12,421 | 171 |
| | 607,750 | 620,250 | 12,500 |
| EXPENDITURES | | | |
| Personal services | 640,556 | 424,138 | 216,418 |
| Materials and services | 575,450 | 158,160 | 417,290 |
| Capital outlay | 265,000 | 65,267 | 199,733 |
| Contingency | 215,476 | -- | 215,476 |
| | 1,696,482 | 647,565 | 1,048,917 |
| TOTAL EXPENDITURES | | | |
| Excess (deficiency) of revenues over expenditures | (1,088,732) | (27,315) | (1,061,417) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | (175,000) | (175,000) | -- |
| | (1,263,732) | (202,315) | (1,061,417) |
| Net change in fund balance | | | |
| Fund balance at beginning of year | 1,263,732 | 1,447,728 | 183,996 |
| | \$ -- | \$ 1,245,413 | \$ 1,245,413 |
| Fund balance at end of year | | | |

FIDUCIARY FUND

Agency Funds

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, 2005**

| | Balances July 1, 2004 | Additions | Deductions | Balances June 30, 2005 |
|---------------------------|--------------------------|--------------------|--------------------|---------------------------|
| <u>ASSETS</u> | | | | |
| Cash and investments | \$ 1,827,738 | \$ 127,518,081 | \$ 127,549,460 | \$ 1,796,359 |
| Property taxes receivable | 4,695,118 | 53,546,401 | 54,615,534 | 3,625,985 |
| Total assets | \$ 6,522,856 | \$ 181,064,482 | \$ 182,164,994 | \$ 5,422,344 |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | \$ 604,027 | \$ 847,334 | \$ 604,027 | \$ 847,334 |
| Fiduciary liabilities | 5,918,829 | 180,217,148 | 181,560,967 | 4,575,010 |
| Total liabilities | \$ 6,522,856 | \$ 181,064,482 | \$ 182,164,994 | \$ 5,422,344 |

OTHER FINANCIAL SCHEDULES

LINCOLN COUNTY

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS FOR ELECTED OFFICIALS
Year Ended June 30, 2005**

| | Cash and Investment Balances <u>July 1, 2004</u> | <u>Receipts</u> | <u>Disbursements</u> | Cash and Investment Balances <u>June 30, 2005</u> |
|-------------------|---|-----------------------|-----------------------|--|
| Treasurer | \$ 25,663,221 | \$ 220,178,669 | \$ 214,912,103 | \$ 30,929,787 |
| District Attorney | <u>229</u> | <u>-</u> | <u>45</u> | <u>184</u> |
| | <u>\$ 25,663,450</u> | <u>\$ 220,178,669</u> | <u>\$ 214,912,148</u> | <u>\$ 30,929,971</u> |

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

STATISTICAL SECTION



LINCOLN COUNTY

GOVERNMENTAL EXPENDITURES BY FUNCTION ⁽¹⁾ For the Last Fifteen Fiscal Years

| Fiscal Year Ended June 30, | General Government | Community Services ⁽²⁾ | Public Safety | Highways and Streets | Culture and Recreation | Health and Welfare | Education | Capital Outlay | Debt Service | Totals |
|-------------------------------------|-----------------------|--------------------------------------|------------------|-------------------------|------------------------------|--------------------------|-----------|-------------------|-----------------|------------|
| 1991 | 5,247,620 | - | 4,984,913 | 3,390,329 | 318,239 | 3,955,724 | 1,392,455 | 8,283,221 | 761,480 | 28,333,981 |
| 1992 | 5,760,491 | - | 5,951,754 | 3,610,497 | 359,262 | 3,882,113 | 2,028,400 | 3,963,198 | 857,003 | 26,412,718 |
| 1993 | 6,168,594 | - | 7,538,735 | 4,241,095 | 445,481 | 3,714,021 | 1,499,589 | 2,438,304 | 969,423 | 27,015,242 |
| 1994 | 5,028,112 | 1,450,511 | 7,837,325 | 3,879,453 | 168,963 | 3,472,573 | 1,546,024 | 1,977,748 | 1,115,018 | 26,475,727 |
| 1995 | 6,250,104 | 1,876,370 | 8,148,733 | 4,336,724 | 187,759 | 3,696,019 | 1,544,250 | 718,037 | 1,243,222 | 28,001,218 |
| 1996 | 6,486,348 | 2,026,656 | 8,661,005 | 5,414,253 | 230,586 | 3,681,578 | 1,450,143 | 506,178 | 947,446 | 29,404,193 |
| 1997 | 6,765,029 | 1,852,856 | 9,234,168 | 4,553,633 | 256,631 | 3,961,710 | 1,617,494 | 1,532,384 | 941,953 | 30,715,858 |
| 1998 | 6,360,761 | 1,136,489 | 9,522,162 | 4,798,044 | 232,971 | 4,524,833 | 1,756,534 | 1,253,784 | 855,237 | 30,440,815 |
| 1999 | 6,292,853 | 1,243,112 | 10,231,367 | 4,824,994 | 178,423 | 5,791,087 | 1,531,025 | 2,889,968 | 756,865 | 33,739,694 |
| 2000 | 6,462,074 | 1,527,458 | 10,491,745 | 4,751,935 | 165,623 | 6,514,766 | 1,675,824 | 4,133,913 | 797,855 | 36,521,193 |
| 2001 | 7,078,050 | 1,781,083 | 11,085,457 | 4,908,459 | 194,312 | 7,364,221 | 964,027 | 3,435,121 | 954,610 | 37,765,340 |
| 2002 | 6,216,810 | 2,853,909 | 11,926,391 | 4,654,023 | 240,727 | 8,356,776 | 1,474,909 | 2,701,693 | 1,084,660 | 39,509,898 |
| 2003 | 6,249,409 | 2,646,610 | 11,865,027 | 4,830,305 | 241,228 | 9,039,312 | 1,643,408 | 2,070,087 | 1,087,162 | 39,672,548 |
| 2004 | 6,471,918 | 2,522,072 | 12,332,419 | 4,900,781 | 223,242 | 8,893,739 | 1,515,489 | 1,892,960 | 1,092,487 | 39,845,107 |
| 2005 | 6,592,416 | 2,805,398 | 14,146,404 | 4,808,078 | 241,833 | 9,472,623 | 1,635,322 | 1,092,429 | 1,005,285 | 41,799,788 |

(1) Includes General, Special Revenue, Debt Service and Capital Project Funds.

(2) New reclassification of expenditures for 1994. Information for previous years was not available.

Source: Lincoln County Finance and Accounting Department

LINCOLN COUNTY

GOVERNMENTAL REVENUES BY SOURCE ⁽¹⁾ For the Last Fifteen Fiscal Years

| Fiscal Year Ended June 30, | Taxes | Licenses and Fees | Charges for Services | Inter- governmental Revenues | Fines and Forfeits | Special Assessments | Interest and Miscellaneous | Totals |
|----------------------------------|------------|-------------------------|----------------------------|------------------------------------|--------------------------|------------------------|-------------------------------|------------|
| 1991 | 9,794,931 | 746,001 | 262,226 | 10,317,265 | 113,922 | - | 2,066,432 | 23,300,777 |
| 1992 | 11,418,225 | 917,407 | 717,013 | 10,497,218 | 121,885 | - | 1,471,331 | 25,143,079 |
| 1993 | 10,778,185 | 987,301 | 790,983 | 11,776,431 | 157,323 | - | 1,424,935 | 25,915,158 |
| 1994 | 12,097,923 | 1,231,406 | 1,479,494 | 10,673,072 | 133,243 | - | 1,143,817 | 26,758,955 |
| 1995 | 12,390,901 | 1,402,529 | 1,916,792 | 12,476,187 | 118,132 | - | 1,627,122 | 29,931,663 |
| 1996 | 12,497,888 | 1,375,970 | 1,360,059 | 12,631,674 | 94,380 | - | 1,170,013 | 29,129,984 |
| 1997 | 12,892,440 | 1,452,404 | 1,291,992 | 14,740,330 | 115,579 | - | 1,621,131 | 32,113,876 |
| 1998 | 13,421,344 | 1,463,425 | 1,153,925 | 14,401,923 | 108,731 | - | 1,672,996 | 32,222,344 |
| 1999 | 13,829,984 | 1,312,632 | 1,988,813 | 14,167,955 | 120,320 | - | 1,546,982 | 32,966,686 |
| 2000 | 15,118,383 | 1,198,998 | 2,488,104 | 15,049,060 | 136,199 | - | 1,952,499 | 35,943,243 |
| 2001 | 13,360,884 | 1,361,569 | 2,666,522 | 16,539,083 | 131,013 | - | 1,922,716 | 35,981,787 |
| 2002 | 14,581,396 | 1,348,232 | 2,974,343 | 19,616,273 | 111,877 | - | 1,662,984 | 40,295,105 |
| 2003 | 15,450,192 | 1,751,451 | 3,499,753 | 19,895,858 | 101,067 | - | 1,849,949 | 42,548,270 |
| 2004 | 15,451,308 | 1,957,312 | 3,733,135 | 18,474,425 | 113,702 | - | 1,174,591 | 40,904,473 |
| 2005 | 16,068,822 | 2,247,838 | 4,077,209 | 23,407,423 | 128,189 | - | 1,548,456 | 47,477,937 |

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

Source: Lincoln County Finance and Accounting Department

LINCOLN COUNTY

PROPERTY TAX LEVIES AND COLLECTIONS

For the Last Fifteen Fiscal Years

| Fiscal Year Ended June 30, | Certified Tax Levies | | | Adjustments | Current Tax Collections | Total Levy Reductions | Levy Reduction as a Percentage of Current Levy | Delinquent Tax Collections | Total Levy Reduction and Tax Collections | Total Levy Reduction and Tax Collections as a Percentage of Current Levy | Uncollected Taxes | Uncollected Taxes as a Percentage of Current Levy |
|----------------------------|----------------------|----------------|------------|-------------|-------------------------|-----------------------|--|----------------------------|--|--|-------------------|---|
| | General Fund | Special Levies | Totals | | | | | | | | | |
| 1991 | 7,112,884 | 784,095 | 7,896,979 | 603,437 | 6,495,173 | 7,098,610 | 89.9% | 712,827 | 7,811,437 | 98.9% | 1,493,152 | 18.9% |
| 1992 | 7,539,657 | 665,379 | 8,205,036 | 827,618 | 6,710,420 | 7,538,038 | 91.9% | 820,255 | 8,358,293 | 101.9% | 1,254,649 | 15.3% |
| 1993 | 7,992,036 | 726,705 | 8,718,741 | 855,314 | 7,227,552 | 8,082,866 | 92.7% | 637,608 | 8,720,474 | 100.0% | 1,156,785 | 13.3% |
| 1994 | 8,471,558 | 607,300 | 9,078,858 | 868,415 | 7,482,994 | 8,351,409 | 92.0% | 589,048 | 8,940,457 | 98.5% | 1,202,214 | 13.2% |
| 1995 | 8,979,851 | 814,015 | 9,793,866 | 1,048,005 | 8,004,906 | 9,052,911 | 92.4% | 629,051 | 9,681,962 | 98.9% | 1,185,978 | 12.1% |
| 1996 | 9,518,641 | 772,697 | 10,291,338 | 957,416 | 8,510,258 | 9,467,674 | 92.0% | 658,223 | 10,125,897 | 98.4% | 1,201,983 | 11.7% |
| 1997 | 10,089,759 | 698,203 | 10,787,962 | 726,689 | 9,253,862 | 9,980,551 | 92.5% | 622,636 | 10,603,187 | 98.3% | 1,222,821 | 11.3% |
| 1998 | 9,157,459 | 663,662 | 9,821,121 | 102,776 | 9,064,200 | 9,166,976 | 93.3% | 618,612 | 9,785,588 | 99.6% | 1,205,505 | 12.3% |
| 1999 | 9,817,786 | 720,087 | 10,537,873 | 249,533 | 9,606,290 | 9,855,823 | 93.5% | 593,018 | 10,448,841 | 99.2% | 1,295,359 | 12.3% |
| 2000 | 10,300,243 | 738,547 | 11,038,790 | 269,360 | 10,112,269 | 10,381,629 | 94.0% | 687,118 | 11,068,747 | 100.3% | 1,263,797 | 11.4% |
| 2001 | 11,364,572 | 454,131 | 11,818,703 | 299,390 | 10,782,877 | 11,082,267 | 93.8% | 614,570 | 11,696,837 | 99.0% | 1,343,103 | 11.4% |
| 2002 | 11,704,122 | 702,219 | 12,406,341 | 306,482 | 11,335,094 | 11,641,576 | 93.8% | 687,410 | 12,328,986 | 99.4% | 1,405,743 | 11.3% |
| 2003 | 12,024,237 | 681,205 | 12,705,442 | 322,346 | 11,673,293 | 11,995,639 | 94.4% | 718,547 | 12,714,186 | 100.1% | 1,400,757 | 11.0% |
| 2004 | 12,351,436 | 829,681 | 13,181,117 | 475,871 | 12,116,747 | 12,592,618 | 95.5% | 688,894 | 13,281,512 | 100.8% | 1,201,692 | 9.1% |
| 2005 | 12,822,010 | 739,323 | 13,561,333 | 356,017 | 12,722,494 | 13,078,511 | 96.4% | 715,882 | 13,794,393 | 101.7% | 927,349 | 6.8% |

Source: Lincoln County Treasurer

LINCOLN COUNTY

ASSESSED AND ESTIMATED ACTUAL VALUES OF TAXABLE PROPERTY
For the Last Fifteen Fiscal Years

| Fiscal Year Ended June 30, | Real Property | | | Personal Property | | | Public Utility Property | | | Total | |
|-------------------------------------|-------------------|------------------------------|--------|-------------------|------------------------------|--------|-------------------------|------------------------------|--------|-------------------|------------------------------|
| | Assessed Value | Estimated Actual Value | Ratio | Assessed Value | Estimated Actual Value | Ratio | Assessed Value | Estimated Actual Value | Ratio | Assessed Value | Estimated Actual Value |
| 1991 | 1,844,224,306 | 1,844,224,306 | 100.00 | 80,971,258 | 80,971,258 | 100.00 | 77,219,931 | 77,219,931 | 100.00 | 2,002,415,495 | 2,002,415,495 |
| 1992 | 2,076,880,850 | 2,076,880,850 | 100.00 | 89,554,900 | 89,554,900 | 100.00 | 79,620,926 | 79,620,926 | 100.00 | 2,246,056,676 | 2,246,056,676 |
| 1993 | 2,486,576,361 | 2,486,576,361 | 100.00 | 92,141,075 | 92,141,075 | 100.00 | 86,197,961 | 86,197,961 | 100.00 | 2,664,915,397 | 2,664,915,397 |
| 1994 | 2,844,368,992 | 2,844,368,992 | 100.00 | 100,691,028 | 100,691,028 | 100.00 | 90,482,704 | 90,482,704 | 100.00 | 3,035,542,724 | 3,035,542,724 |
| 1995 | 3,353,880,411 | 3,353,880,411 | 100.00 | 103,013,031 | 103,013,031 | 100.00 | 97,219,126 | 97,219,126 | 100.00 | 3,554,112,568 | 3,554,112,568 |
| 1996 | 3,622,027,447 | 3,622,027,447 | 100.00 | 109,735,159 | 109,735,159 | 100.00 | 100,428,756 | 100,428,756 | 100.00 | 3,832,191,362 | 3,832,191,362 |
| 1997 | 3,926,671,348 | 3,926,671,348 | 100.00 | 114,868,082 | 114,868,082 | 100.00 | 97,431,743 | 97,431,743 | 100.00 | 4,138,971,173 | 4,138,971,173 |
| 1998 | 3,505,119,058 | 4,326,432,943 | 81.02 | 109,734,431 | 119,319,685 | 91.97 | 95,671,024 | 110,439,358 | 86.63 | 3,710,524,513 | 4,556,191,986 |
| 1999 | 3,628,705,185 | 4,424,622,793 | 82.01 | 124,231,680 | 130,486,170 | 95.21 | 112,003,263 | 120,092,080 | 93.26 | 3,864,940,128 | 4,675,201,043 |
| 2000 | 3,799,709,615 | 4,604,258,173 | 82.53 | 143,428,038 | 148,642,748 | 96.49 | 128,991,934 | 132,561,740 | 97.31 | 4,072,129,587 | 4,885,462,661 |
| 2001 | 4,066,695,215 | 4,853,877,963 | 83.78 | 147,639,862 | 151,231,742 | 97.62 | 131,895,406 | 148,769,753 | 88.66 | 4,346,230,483 | 5,153,879,458 |
| 2002 | 4,234,381,425 | 4,977,789,863 | 85.07 | 144,539,654 | 148,468,634 | 97.35 | 139,168,704 | 139,794,482 | 99.55 | 4,518,089,783 | 5,266,052,979 |
| 2003 | 4,377,313,240 | 5,039,643,805 | 86.86 | 143,388,457 | 147,256,467 | 97.37 | 147,631,138 | 147,876,348 | 99.83 | 4,668,332,835 | 5,334,776,620 |
| 2004 | 4,488,293,160 | 5,171,294,870 | 86.79 | 136,915,280 | 140,108,090 | 97.72 | 148,501,964 | 148,849,096 | 99.77 | 4,773,710,404 | 5,460,252,056 |
| 2005 | 4,636,451,040 | 5,483,462,467 | 84.55 | 130,464,780 | 132,771,520 | 98.26 | 153,589,642 | 154,058,097 | 99.70 | 4,920,505,462 | 5,770,292,084 |

Source: Lincoln County Assessor's Office

LINCOLN COUNTY

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUE) For the Last Fifteen Years

| Fiscal Year Ended June 30, | Lincoln County | Lincoln County School District | Lincoln County Historical Society (2) | All Other Districts | Totals |
|-------------------------------------|-------------------|---|--|---------------------------|--------|
| 1991 | 3.79 | 11.22 | 0.06 | 0.31 | 15.38 |
| 1992 | 3.36 | 9.49 | 0.04 | 0.65 | 13.54 |
| 1993 | 3.04 | 8.09 | 0.10 | 0.51 | 11.74 |
| 1994 | 2.80 | 7.22 | 0.10 | 0.47 | 10.59 |
| 1995 | 2.63 | 6.23 | 0.09 | 0.49 | 9.44 |
| 1996 | 2.60 | 6.64 | 0.09 | 0.45 | 9.78 |
| 1997 | 2.60 | 6.33 | 0.09 | 0.98 | 10.00 |
| 1998 | (1) 2.84 | 5.75 | - | 0.85 | 9.44 |
| 1999 | 2.90 | 5.73 | - | 0.86 | 9.49 |
| 2000 | 2.90 | 5.73 | - | 0.86 | 9.49 |
| 2001 | 2.91 | 5.74 | - | 0.87 | 9.52 |
| 2002 | 2.94 | 5.70 | - | 0.87 | 9.51 |
| 2003 | 2.95 | 5.93 | - | 0.87 | 9.75 |
| 2004 | 2.98 | 5.81 | - | 0.87 | 9.66 |
| 2005 | 2.97 | 5.76 | - | 0.96 | 9.69 |

(1) In May 1997, a property tax limitation measure was passed that resulted in property values being reduced to the lesser of the 1995 assessed value or the 1996 assessed value, less 10 percent. Assessed values were then limited to the lesser or Real Market Value or the earlier calculation increased by not more than 3 percent per year.

(2) The Lincoln County Historical Society no longer has taxing authority or a tax base.

Source: Lincoln County Assessor's & Finance Department

LINCOLN COUNTY

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

For the Last Fifteen Fiscal Years

| Fiscal Year Ended June 30, | Population (Estimated) | Assessed Valuation | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Valuation | Net Bonded Debt per Capita |
|----------------------------------|---------------------------|-----------------------|--------------------|--|----------------------------------|
| 1991 | 39,300 | 2,002,415,495 | 7,686,763 | 0.38% | 196 |
| 1992 | 39,600 | 2,246,056,676 | 7,462,564 | 0.33% | 188 |
| 1993 | 39,600 | 2,664,915,397 | 7,892,582 | 0.30% | 199 |
| 1994 | 40,000 | 3,035,542,724 | 7,623,968 | 0.25% | 191 |
| 1995 | 40,800 | 3,554,112,568 | 7,200,757 | 0.20% | 176 |
| 1996 | 41,800 | 3,832,191,362 | 6,779,824 | 0.18% | 162 |
| 1997 | 42,200 | 4,138,971,173 | 6,413,848 | 0.15% | 152 |
| 1998 | 42,500 | 3,710,524,513 | 6,088,210 | 0.16% | 143 |
| 1999 | 43,350 | 3,864,940,128 | 5,653,676 | 0.15% | 130 |
| 2000 | 44,479 | 4,072,129,587 | 5,152,627 | 0.13% | 116 |
| 2001 | 44,650 | 4,346,230,483 | 4,944,778 | 0.11% | 111 |
| 2002 | 44,700 | 4,518,089,783 | 4,501,653 | 0.10% | 101 |
| 2003 | 45,000 | 4,668,332,835 | 4,055,458 | 0.09% | 90 |
| 2004 | 44,400 | 4,773,710,404 | 3,500,321 | 0.07% | 79 |
| 2005 | 44,400 | 4,920,505,462 | 2,839,175 | 0.06% | 64 |

Sources: Center for Population Research and Census, School of Urban and Public Affairs Portland State University

Lincoln County Assessor

Lincoln County Finance and Accounting Department

LINCOLN COUNTY

**COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005**

| | |
|--|------------------------------|
| Real market value of all taxable property | \$ 5,770,292,084 |
| Limitation per ORS 287.054 | <u>2%</u> |
| Limit of maximum aggregate amount of debt outstanding | 115,405,842 |
| General obligation bonds outstanding at June 30, 2005 | <u>(3,075,000)</u> |
| Legal debt margin - amount available for future indebtedness | <u><u>\$ 112,330,842</u></u> |

Sources:

Lincoln County Assessor
Lincoln County Finance and Accounting Department

LINCOLN COUNTY

COMPUTATION OF DIRECT AND OVERLAPPING DEBT June 30, 2005

| Municipality | Net General Obligation Bonded Debt Outstanding | Percent within County | Amount Applicable to County |
|---|---|-----------------------------|--------------------------------------|
| Direct: | | | |
| Lincoln County | \$ 3,075,000 | 100.0000% | \$ 3,075,000 |
| Overlapping: | | | |
| City of Depoe Bay | 970,647 | 100.0000% | 970,647 |
| City of Lincoln City | 17,030,000 | 100.0000% | 17,030,000 |
| City of Newport | 11,340,000 | 100.0000% | 11,340,000 |
| City of Siletz | 50,097 | 100.0000% | 50,097 |
| City of Waldport | 170,000 | 100.0000% | 170,000 |
| City of Yachats | 1,073,237 | 100.0000% | 1,073,237 |
| Kernville, Gleneden, Lincoln Beach Water District | 986,796 | 100.0000% | 986,796 |
| Lincoln County Unified School District | 24,505,000 | 99.3571% | 24,347,457 |
| Lower Siletz Water District | 85,679 | 100.0000% | 85,679 |
| North Lincoln Fire and Rescue District #1 | 2,145,000 | 98.5018% | 2,112,864 |
| Oregon Coast Community College | 23,060,000 | 100.0000% | 23,060,000 |
| Pacific Communities Hospital District | 615,000 | 100.0000% | 615,000 |
| Panther Creek Water District | 83,627 | 100.0000% | 83,627 |
| Port of Newport | 529,000 | 100.0000% | 529,000 |
| Roads End Sanitary District | 112,695 | 100.0000% | 112,695 |
| Seal Rock Water District | 64,519 | 100.0000% | 64,519 |
| Siletz Keys Sanitary District | 94,455 | 100.0000% | 94,455 |
| Total Overlapping | <u>82,915,752</u> | | <u>82,726,073</u> |
| Total | <u><u>\$ 85,990,752</u></u> | | <u><u>\$ 85,801,073</u></u> |

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

Source: Municipal Debt Advisory Commission, State of Oregon

LINCOLN COUNTY

PERCENT OF DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GOVERNMENTAL EXPENDITURES

For the Last Fifteen Fiscal Years

| Fiscal Year Ended June 30, | Principal | Interest | Total Debt Service | Total Governmental Expenditures | Percent of Debt Service to Total Governmental Expenditures |
|----------------------------------|------------|------------|--------------------------|---------------------------------------|--|
| 1991 | \$ 215,000 | \$ 546,480 | \$ 761,480 | \$ 28,333,981 | 2.7% |
| 1992 | 225,000 | 533,940 | 758,940 | 26,412,718 | 2.9% |
| 1993 | 235,000 | 520,569 | 755,569 | 27,015,242 | 2.8% |
| 1994 | 370,000 | 388,908 | 758,908 | 26,475,727 | 2.9% |
| 1995 | 335,000 | 421,827 | 756,827 | 28,001,218 | 2.7% |
| 1996 | 360,000 | 403,065 | 763,065 | 29,404,193 | 2.6% |
| 1997 | 375,000 | 382,573 | 757,573 | 30,715,858 | 2.5% |
| 1998 | 400,000 | 360,613 | 760,613 | 30,440,815 | 2.5% |
| 1999 | 420,000 | 336,865 | 756,865 | 33,739,694 | 2.2% |
| 2000 | 455,000 | 311,294 | 766,294 | 36,521,193 | 2.1% |
| 2001 | 475,000 | 290,063 | 765,063 | 37,765,340 | 2.0% |
| 2002 | 500,000 | 268,687 | 768,687 | 39,509,898 | 1.9% |
| 2003 | 525,000 | 246,188 | 771,188 | 39,672,548 | 1.9% |
| 2004 | 555,000 | 221,513 | 776,513 | 39,845,107 | 1.9% |
| 2005 | 625,000 | 96,208 | 721,208 | 41,799,788 | 1.7% |

Source: Lincoln County Finance and Accounting Department

LINCOLN COUNTY

DEMOGRAPHIC STATISTICS For the Last Fifteen Fiscal Years

| <u>Fiscal Year Ended June 30,</u> | <u>Population (Estimated)</u> | <u>County Unemployment Rate</u> | <u>State Unemployment Rate</u> |
|---|-----------------------------------|---|--|
| 1991 | 39,300 | 5.6 | 6.0 |
| 1992 | 39,600 | 7.3 | 7.5 |
| 1993 | 39,600 | 7.2 | 7.8 |
| 1994 | 40,000 | 5.9 | 5.8 |
| 1995 | 40,800 | 5.6 | 5.2 |
| 1996 | 41,800 | 5.7 | 5.1 |
| 1997 | 42,200 | 8.1 | 5.1 |
| 1998 | 42,500 | 7.0 | 5.4 |
| 1999 | 43,350 | 7.2 | 5.5 |
| 2000 | 44,600 | 7.1 | 5.0 |
| 2001 | 44,650 | 5.6 | 5.6 |
| 2002 | 44,700 | 7.1 | 7.3 |
| 2003 | 45,000 | 8.1 | 8.7 |
| 2004 | 44,400 | 8.4 | 7.5 |
| 2005 | 44,400 | 6.9 | 6.5 |

Sources:

Center for Population Research and Census, School of Urban and Public Affairs Portland State University
Department of Human Resources, State of Oregon, Employment Services Division

LINCOLN COUNTY

PROPERTY VALUE, CONSTRUCTION PERMITS AND BANK DEPOSITS For the Last Fifteen Years

| Fiscal Year Ended June 30, | Commercial Construction (1) Value (\$000) | Residential Construction (1) | | Bank Deposits (2) (\$000) | Property Value | | |
|-------------------------------------|--|---------------------------------|------------------|---------------------------------|---------------------------------|-------------------------------------|--|
| | | Number of Units | Value (\$000) | | Real Property (2) (\$000) | Personal Property (2) (\$000) | Public Utility Property (2) (\$000) |
| 1991 | 10,666 | 181 | 12,256 | 333,513 | 1,844,224 | 80,971 | 77,220 |
| 1992 | 1,681 | 333 | 25,983 | 376,907 | 2,076,880 | 89,555 | 79,621 |
| 1993 | 3,564 | 643 | 64,503 | 398,547 | 2,486,576 | 92,141 | 86,198 |
| 1994 | 24,900 | 1,107 | 48,489 | 394,198 | 2,844,639 | 100,691 | 90,483 |
| 1995 | 28,841 | 380 | 33,549 | 393,718 | 3,353,880 | 103,013 | 97,219 |
| 1996 | 29,796 | 351 | 29,165 | 416,147 | 3,622,027 | 109,735 | 100,429 |
| 1997 | 44,059 | 199 | 22,204 (2) | 417,694 | 3,924,984 | 116,555 | 97,431 |
| 1998 | - (3) | 212 | 25,919 (2) | 429,928 | 4,326,433 | 119,320 | 110,439 |
| 1999 | - (3) | 181 | 21,524 (2) | 434,764 | 4,424,623 | 130,486 | 120,092 |
| 2000 | - (3) | 269 | 29,500 (2) | 443,460 | 4,604,258 | 148,643 | 132,562 |
| 2001 | - (3) | 242 | 27,465 (2) | 450,140 | 4,853,878 | 151,231 | 148,770 |
| 2002 | - (3) | 189 | 26,863 (2) | 463,787 | 4,977,790 | 148,469 | 139,794 |
| 2003 | - (3) | 221 | 33,354 (2) | 510,283 | 5,039,644 | 147,256 | 147,876 |
| 2004 | - (3) | 204 | 33,787 (2) | 550,582 | 5,171,295 | 140,108 | 148,850 |
| 2005 | - (3) | 188 | 29,868 (2) | 572,712 | 5,483,462 | 132,771 | 154,058 |

(1) For the calendar year.

(2) For the fiscal year ended June 30.

(3) Data not available.

Sources: Lincoln County Assessor's Office, State of Oregon Banking Division, State of Oregon Housing Division, PSU Center for Population and Research

LINCOLN COUNTY

PRINCIPAL TAXPAYERS

June 30, 2005

| Taxpayer | Type of Business | 2003-04 Assessed Valuation | Percentage of Total Assessed Valuation |
|---|------------------------|----------------------------------|---|
| Georgia Pacific West Inc. | Wood Products | \$ 138,370,240 | 2.90% |
| Central Lincoln Public Utility District | Energy Distribution | 51,849,300 | 1.09% |
| Plum Creek Timberlands LP | Wood Products | 44,347,200 | 0.93% |
| Northwest Natural Gas | Energy Distribution | 35,592,700 | 0.75% |
| The Worldmark Club | Lodging | 32,958,710 | 0.69% |
| COROC Lincoln City LLC | Retail Shopping Center | 27,201,890 | 0.57% |
| Green Diamond Resource Co. | Wood Products | 22,063,550 | 0.46% |
| Confederated Tribes of Siletz Indians | Lodging | 20,317,270 | 0.43% |
| Boise Cascade Corp | Wood Products | 19,938,810 | 0.42% |
| Pioneer Telephone COOP | Communications | 19,186,480 | 0.40% |
| Totals | | \$ 411,826,150 | 8.63% |

Source: Lincoln County Assessor's Office

LINCOLN COUNTY

INSURANCE IN FORCE

June 30, 2005

| Company | Policy Number | Amount | Coverage | Expiration Date | Premium |
|------------------------|-----------------|------------------------------------|--|--------------------|--------------|
| Lifewise | 2010560 | Unlimited | Medical coverage for all eligible employees and dependents | 6/30/05 | \$ 3,956,400 |
| ODS | D504 | Varies | Dental coverage for all eligible employees and dependents | 6/30/05 | 420,000 |
| City County Insurance | 04LLCNC | \$ 5,000,000 | Auto and General Liability | 6/30/05 | 232,014 |
| City County Insurance | 04APDLCNC | 100,000 Comp; 500,000 Collision | Auto coverage for physical damage | 6/30/05 | 23,465 |
| SAFECO | 01-FI 709072-40 | 10,000 | Public employee dishonesty | 5/01/06 | 707 |
| SAFECO | EX 630-361 | 50,000 | Bond on Assistant Tax Collector | 12/31/06 | 225 |
| SAFECO | EX 840-533 | 100,000 | Bond on County Treasurer | 1/04/06 | 375 |
| SAFECO | EX 520-356 | 25,000 | Bond on Accounting Clerk | 1/01/06 | 100 |
| Standard Insurance Co. | 608909-A | Varies | Long-term disability for Sheriff's Office | 6/30/05 | 11,025 |
| Standard Insurance Co. | 608909-B | 20,000 | Life insurance for all County employees, incl. AD & D except \$15,000 for Sheriff | 6/30/05 | 26,190 |
| City County Insurance | 2004WLCNC | 3,000,000 | Workers' Compensation Policy | 6/30/05 | 103,626 |
| CIMA Companies | SPS 900304 | Varies | Workers' compensation policy | 7/01/05 | 1,603 |
| Old Republic | YPO 211590 | 25,000 | Bond for Fair Board | 6/30/05 | 469 |
| CCIS | 04BLCNC | 50,000,000 | Boiler/Machinery/Equipment Breakdown | 6/30/05 | 3,190 |
| Colony Insurance Co. | PP207730 | 2,000,000 | Storage Tanks - Underground | 8/24/05 | 1,224 |

LINCOLN COUNTY

MISCELLANEOUS STATISTICS

June 30, 2005

Area in square miles: 1,000

Form of government: 3 member board of elected Commissioners -
elected for four-year terms

Number of employees: 381

| <u>Largest cities:</u> | 2004 Population (Estimated) |
|------------------------|-----------------------------------|
| Newport | 9,760 |
| Lincoln City | 7,470 |
| Toledo | 3,580 |
| Waldport | 2,060 |
| Depoe Bay | 1,240 |
| Siletz | 1,130 |
| Yachats | 710 |
| Unincorporated | <u>18,450</u> |
| Total | <u><u>44,400</u></u> |

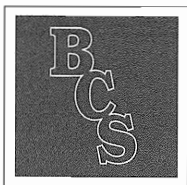
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS



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, 2005

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 are 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, 2005, 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, 2006 and 2005 were prepared and adopted in compliance with legal requirements.

2. Execution

The budget for the year ended June 30, 2005, 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, 2005. 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 77 through 86 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 vehicles 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.

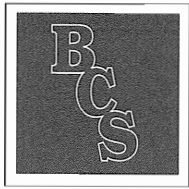
2. Construction of public improvements:

The County constructed public improvements in accordance with ORS 279.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
September 23, 2005

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 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, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 23, 2005. 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*.

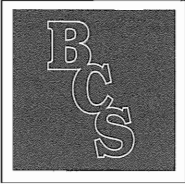
**Board of County Commissioners
LINCOLN COUNTY
Newport, Oregon**

**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 County 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 23, 2005



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, 2005. 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, 2005.

**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 County 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 23, 2005

LINCOLN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

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>C DFA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------|--|
| 10.665 | Schools and Roads Grants to States |
| 16.710 | Public Safety Partnership and Community Policing Grants (COPS) |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |

| | |
|--|-----------|
| 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, 2005

| <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> | | | |
| <hr/> | | | |
| Food and Nutrition Service | | | |
| Oregon Department of Human Services - Health Division | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 280559 | \$ 161,768 |
| Forest Service | | | |
| Oregon Department of Administrative Services | | | |
| Schools and Roads - Grants to States | 10.665 | | <u>4,821,455</u> |
| | | | <u>4,983,223</u> |
| <i>Department of Commerce</i> | | | |
| <hr/> | | | |
| National Oceanic and Atmospheric Administration | | | |
| Oregon Department of Land Conservation and Development | | | |
| Coastal Zone Management Administration Awards | 11.419 | | |
| | | C-2004-019 | 15,000 |
| | | CZM-05-021 | <u>30,000</u> |
| | | | <u>45,000</u> |
| <i>Department of Housing and Urban Development (HUD)</i> | | | |
| <hr/> | | | |
| Office of Community Planning and Development | | | |
| Oregon Housing and Community Services Department | | | |
| Community Development Block Grants/State's Program | 14.228 | | |
| Microenterprise project | | 03300101195 | <u>60,000</u> |
| <i>Department of Interior</i> | | | |
| <hr/> | | | |
| Bureau of Land Management (BLM) | | | |
| O&C grant | 15.000 | | 380,223 |
| US Fish and Wildlife Service | | | |
| Oregon Department of Fish and Wildlife | | | |
| Sport Fish Resortation | 15.605 | | <u>52,519</u> |
| | | | <u>432,742</u> |
| <i>Department of Justice</i> | | | |
| <hr/> | | | |
| Office of Juvenile Justice and Delinquency Prevention (OJJDP) | | | |
| Oregon State Police - Criminal Justice Services Division | | | |
| Juvenile Accountability Incentive Block Grants | 16.523 | | |
| | | 03-620 | 29,092 |
| Lincoln County Children's Advocacy Center | | | |
| Missing Children's Assistance | | | |
| Program Support | 16.543 | | 5,000 |
| Drug Enforcement Administration | | | |
| Violence Against Women Office | | | |
| Safe Havens: Supervised Visitation and Safe Exchange Grant Program | 16.527 | | |
| | | 2002-CW-BX-0015 | 25,340 |
| | | 2004-CW-AX-0001 | 85,121 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

| <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 Justice</i> | | | |
| <hr/> | | | |
| Office of Victims of Crime | | | |
| Oregon Department of Justice, Criminal Services Division | | | |
| Crime Victim Assistance | 16.575 | | |
| Basic Program Grant | | 03-2085 | \$ 5,064 |
| Basic Program Grant | | 04-2259 | 10,114 |
| Basic Program Grant | | 03-2084 | 5,265 |
| Basic Program Grant | | 04-2258 | 5,265 |
| Project Grant | | 04-2325 | 30,000 |
| Project Grant | | 02-1915 | 10,381 |
| Violence Against Women Office | | | |
| Oregon Office of Homeland Security, Criminal Justice Services Division | | | |
| Stop Violence Against Women Formula Grants | 16.588 | 04-757 | 29,285 |
| Crossroads: Lincoln County Community Nonviolence Program | | | |
| Rural Domestic Violence and Child Victimization Enforcement | | | |
| Discretionary Grants Program | 16.589 | | 49,125 |
| Bureau of Justice Assistance (BJA) | | | |
| Oregon State Police | | | |
| Tillamook County | | | |
| Byrne Formula Grant Program | 16.579 | | 24,500 |
| Oregon Office of Homeland Security, Criminal Justice Services Division | | | |
| Local Law Enforcement Block Grant Program | 16.592 | | |
| | | 03-459 | 4,626 |
| | | | 2,326 |
| Edward Byrne Memorial State and Local Law Enforcement Assistance | | | |
| Discretionary Grants Programs | 16.580 | | 15,000 |
| Office of Community Oriented Policing Services | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | | |
| COPS Methamphetamine Grant (2003CKWX0257) | | | 33,849 |
| COPS Methamphetamine Grant (2004CKWX0182) | | | 155,328 |
| | | | <hr/> |
| <i>Total Department of Justice</i> | | | 524,681 |
| | | | <hr/> |
| <i>Department of Transportation</i> | | | |
| <hr/> | | | |
| Federal Transit Administration (FTA) | | | |
| Oregon Department of Transportation | | | |
| Formula Grants for Other Than Urbanized Areas | | | |
| Section 5311, Small Cities and Rural Areas Program | 20.509 | | |
| Operating Distribution | | 21922 | 131,036 |
| Bus Enhancements | | 21759 | 18,479 |
| Radio System Upgrade | | 21760 | 18,973 |
| Capital Assistance Program for Elderly Persons and Persons | | | |
| with Disabilities | 20.513 | | 32,669 |
| National Highway Traffic Safety Administration (NHTSA) | | | |
| Oregon Department of Transportation | | | |
| Safety Incentive Grants to Prevent Operation of Motor Vehicle | | | |
| by Intoxicated Persons | 20.605 | | 6,849 |
| Oregon State Sheriff's Association | | | |
| Safety Incentive Grants for Use of Seatbelts | 20.604 | | 14,383 |
| Safety Incentive Grants to Prevent Operation of Motor Vehicle | | | |
| by Intoxicated Persons | 20.605 | | 7,193 |
| | | | <hr/> |
| <i>Total Department of Transportation</i> | | | 229,582 |
| | | | <hr/> |
| <i>Environmental Protection Agency</i> | | | |
| <hr/> | | | |
| Office of Water | | | |
| Oregon Department of Human Services - Health Division | | | |
| State Public Water System Supervision | 66.432 | 280555 | 6,300 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 280555 | 7,120 |
| | | | <hr/> |
| <i>Total Environmental Protection Agency</i> | | | 13,420 |
| | | | <hr/> |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

| <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 Health and Human Services</i> | | | |
| Center for Disease Control (CDC) | | | |
| Oregon Department of Human Services - Health Division | | | |
| Immunization Grants | 93.268 | | |
| Refrigerators | | 280540 | \$ 1,434 |
| Medical Home Access | | 280540 | 1,000 |
| Noncash Assistance - Vaccine | | | 84,455 |
| Centers for Disease Control and Prevention - Investigations and | | | |
| Technical Assistance | 93.283 | | |
| Bioterrorism - Preparedness | | 280618 | 123,343 |
| Bioterrorism - HAN | | 280618 | 6,630 |
| Asthma from a Public Health Perspective | | 280505 | 20,022 |
| HIV Prevention Activities - Health Department Based | 93.940 | | 15,153 |
| Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems | 93.988 | 280567 | 50,876 |
| Preventative Health and Health Services Block Grant | 93.991 | 180519 | 6,666 |
| Substance Abuse and Mental Health Services Administration (SAMHSA) | | | |
| Oregon Department of Human Services - Mental Health and Developmental Disability Services Division | | | |
| Block Grants for Community Mental Health Services | 93.958 | 112001 | 90,773 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 135001 | 179,961 |
| Health Resources and Services Administration (HRSA) | | | |
| Oregon Department of Human Services - Health Division | | | |
| Abstinence Education | 93.235 | | 8,794 |
| Rural Access to Emergency Devices | 93.259 | 280621 | 1,584 |
| HIV Care Formula Grants | 93.917 | | |
| Ryan White HIV: Case Management | | 280544 | 43,431 |
| Ryan White HIV: Support Services | | 280544 | 13,936 |
| Maternal and Child Health Services Block Grant to the State | 93.994 | | |
| Child and Adolescent Health | | 180514 | 34,537 |
| Perinatal | | 180514 | 2,772 |
| Office of Population Affairs | | | |
| Oregon Department of Human Services - Health Division | | | |
| Family Planning Services | 93.217 | 280558 | 27,010 |
| Administration for Children and Families | | | |
| Oregon Department of Human Services - Mental Health and Developmental Disability Services Division | | | |
| Temporary Assistance for Needy Families | 93.558 | 137000 | 14,161 |
| Oregon Department of Justice | | | |
| Child Support Enforcement | 93.563 | | 227,322 |
| Oregon Commission on Children and Families | | | |
| Promoting Safe and Stable Families | 93.556 | | 19,371 |
| Child Care and Development Block Grant | 93.575 | | 22,031 |
| Social Services Block Grant | 93.667 | | 60,156 |
| Centers for Medicare and Medicaid Services | | | |
| Oregon Commission on Children and Families | | | |
| Medical Assistance Payments | 93.778 | | 41,247 |
| Oregon Department of Human Services - Health Division | | | |
| Medical Assistance Payments | 93.778 | | 6,730 |
| Oregon Department of Human Services - Mental Health and Developmental Disability Services Division | | | |
| Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 93.779 | 272101 | <u>7,000</u> |
| <i>Total Department of Health and Human Services</i> | | | <u>1,110,395</u> |

Continued on page 85

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

| <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 Homeland Security</i> | | | |
| Oregon Department of State Police (OEM) | | | |
| Emergency Management Performance Grants | 97.042 | | |
| | | EMS-2004 | \$ 29,602 |
| | | 05-100 | 55,543 |
| Oregon State Police - Criminal Justice Services Division | | | |
| State Homeland Security Program | 97.073 | | <u>12,172</u> |
| <i>Total Department of Homeland Security</i> | | | <u>97,317</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 7,496,360</u></u> |

LINCOLN COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

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 2004-05, the County received childhood immunization vaccine in the amount of \$84,455.