

Comprehensive Annual Financial Report

Linn County Oregon



Fiscal Year Ending
June 30, 2012

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Linn County
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Danson

President

Jeffrey R. Emery

Executive Director



LINN COUNTY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2012

Prepared by: General Administration – Dave Alderman, Accounting Officer

LINN COUNTY
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INTRODUCTORY SECTION

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December 17, 2012

Honorable Members
Board of Commissioners
County of Linn, Oregon
P.O. Box 100
Albany, Oregon 97321

Members of the Board and the Citizens of Linn County:

In accordance with Oregon Revised Statutes Title 28, Section 297.425, the annual financial report of Linn County, Oregon for the fiscal year ending June 30, 2012 is hereby submitted. This report consists of management's representations concerning the finances of Linn County and specifies that the responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rest with Linn County. It is believed that the data is accurate in all material aspects and is prepared in a manner designed to present fairly the financial position and results of the operation of Linn County as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a clear and comprehensive understanding of Linn County's financial affairs have been included.

In providing a reasonable basis for making these representations, the adequacy of Linn County's accounting system and the internal accounting controls are key factors. Linn County has established and routinely reviews internal accounting controls and the framework of procedures that are designed and monitored to both protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Linn County's financial statements in conformity with generally accepted accounting principles (GAAP). The controls and procedures are intended and designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, Linn County's internal controls and procedures adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded and monitored on a continuing and ongoing basis.

Linn County's financial statements have been audited by Merina & Company LLP, a firm of licensed certified public accountants, with the audit conducted in accordance with generally accepted auditing standards. The goal of the independent audit is to provide reasonable assurance that the financial statements of Linn County, for the fiscal year ending June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Linn County's financial statements for the fiscal year ending June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As with last year's report, this report has been prepared following the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. It is our belief that the accompanying financial report continues to meet those program standards and this report will be submitted to the GFOA for review. Specific attention is encouraged toward Management's Discussion and Analysis (MD&A) of the basic financial statements located in the Financial Section starting on page a. The purpose of the MD&A is to analyze Linn County's overall financial position and the results of its operation in FY 2011 - 2012.

PROFILE OF LINN COUNTY

Linn County, established December 28, 1847, is in the center of Oregon's Willamette Valley with the Willamette River as its western boundary and the crest of the Cascade Mountain Range as its eastern boundary. Linn County has a land area of 2,308 square miles and is home, per the Portland State Population Research Center, to an estimated July 1, 2011 population of 117,340. The County is governed under Oregon law as a "statutory county" with a governing body of three full-time commissioners elected at large on a partisan basis and serving four year terms. The Board of Commissioners is responsible for, among other things, adopting policies, passing ordinances, adopting the budget, appointing various committees and advisory groups, conducting hearings and hiring and supervising key department heads including the administrative officer. The Board's responsibilities also include monitoring the activities of the County and coordinating those activities and operations with the other elected officials (Assessor, Clerk, District Attorney, Justice of the Peace, Sheriff, Surveyor and Treasurer) and department heads.

Linn County provides its citizens a wide range of services that include:

PUBLIC SAFETY including the Sheriff's Office (Detective, Patrol, Corrections, Programs, Civil and Support Services Divisions), District Attorney's Office, Juvenile Department including the Detention Center, Justice Court, Law Library and Dog Control.
HEALTH SERVICES including Public Health, Environmental Health, Mental Health, Alcohol & Drug, and Developmental Disabilities.

COMMUNITY DEVELOPMENT including Planning & Building, Children & Families, Surveyor's Office, Parks & Recreation, Fair & Expo Center, Oregon State University Extension, Geographic Information Systems and Veterans' Services & Property Management.

LOCAL GOVERNMENT SERVICES including the Assessor's Office & Tax Collector, Treasurer's Office and Clerk's Office.

ROAD DEPARTMENT which maintains 1,104.28 miles of road and 329 bridges including six covered bridges with a structured program to rebuild, resurface and improve the road system on a continuing basis.

ADMINISTRATION and SUPPORT including the Board of Commissioners, County Attorney, Information Technology Services, General Administration, Printing & Supplies and General Services.

The annual budget serves as the foundation for Linn County's financial planning and control. Based on guidelines provided by the Board of Commissioners, all offices and departments of Linn County submit their budget requests to the Budget Officer in March/April of each year. The Budget Officer develops a proposed budget based on these requests with the proposed budget presented to the Budget Committee (three Commissioners and three lay members) who review, discuss, balance and approve the budget during public budget hearings in April/May. The approved budget is then adopted by the Board of Commissioners in June prior to the July 1st start of the County's fiscal year. The adopted budget sets appropriation amounts by fund (e.g., General or Road) and office or department (e.g., Assessor or Planning & Building) for the following categories: personal services, materials & supplies, capital outlay, other requirements and operating contingency. Elected officials and department heads may make transfers within categories but transfers between categories or offices/departments require the approval of the Board of Commissioners. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Major Special Revenue Funds, this comparison is presented on pages 8 through 23. For the other funds, the comparisons are presented starting on page 56.

FACTORS AFFECTING LINN COUNTY'S FINANCIAL CONDITION

Local Economy. Linn County's economic indicators, over the twelve month period of this audit, continue to reflect the ongoing economic problems and issues affecting Oregon, especially outside the Portland metro area, and the Nation. The recovery from the historic recession remains, at best, a very slow process as shown by the County's unemployment rate change - an adjusted rate of 10.8% for June 2012, down from the 11.8% rate for June 2011. The County's unemployment rate has continued to remain higher than both the State (8.6%) and National (8.2%) June rates. The slow improvement in the unemployment rate doesn't reflect the continued decline in employment levels over the past year with the number of nonfarm employed County residents down by another 670 (June 2011 to June 2012). From February 2008, the pre-recession employment peak, to June 2012, the County has lost more than 5,300 jobs, a 12.3% drop. In general, manufacturing and local government jobs have suffered most of the job losses during the past year.

Recession impacts aside, there are positive economic developments. As mentioned last year, the new medical school in Lebanon, the College of Osteopathic Medicine of the Pacific in partnership with Samaritan Health Services, is now in operation with students attending classes with the first graduation class in June 2012. Also mentioned last year, construction of the \$40 million, 150 bed Veterans' Home adjacent the new medical school in Lebanon is becoming a reality with site work now in progress. In the long term, Linn County's favorable mid-Willamette Valley location and economic diversification will continue to provide the factors needed to allow the County to work its way out of the current recession but the significant problems in the employment, financial and housing sectors continue to pose many questions for the next five years.

Revenues and Expenditures. Linn County's revenues continue to reflect the variety of impacts and changes to the revenue sources - Federal, State and Local. The State's FY 2011 – 2013 Budget reflects the State's economic difficulties with the recession and the State's revenue dependence on income taxes. For example, the latest State revenue forecast is down \$144.8 million from the amount used to approve the FY 2011 – 2013 Budget. Those reduced General Fund revenues in turn have resulted in reductions in some State funding for County programs. Those reductions, combined with reduction in other County revenue sources, have produced some reductions in service levels during this audit period; for example, the closing of a wing (48 beds) in the County Jail.

The County's service capabilities are expected to continue to shift in the future with the on-going decline of one of the major revenue sources – Federal timber payments. A new bill (PL 112-141) authorizing that funding for another year (FY '12-'13) was approved in late June 2012 and will provide 95% of FY '11-'12 payment amounts. Thus the end of the Federal "safety net" and switch to a share of actual timber receipts is now delayed to October 1, 2013. The outlook for payments from another major revenue source, the State of Oregon, is also lower as mentioned above. A third major revenue source, the County's local option Law Enforcement levy, which started a new four year term July 1, 2011 with the rate increased to \$2.58 per thousand (up from the prior \$2.34 per thousand) is being reduced by dropping property values and Measure 5 compression losses as detailed below.

The County's major source of revenue remains intergovernmental receipts (\$44,014,540; 54.23% of revenue; down 5.89%) with the decrease due to reduced Federal timber payments (Federal Forest Service and Bureau of Land Management Title I, II and III payments; \$6,058,928; 7.46% of revenue; down 40.51%). The fiscal impacts on the County of the severe decline in timber sales have continued to be offset to a lessening degree by the Federal timber receipts "safety net" laws (PL 110-343, Sustainable Forests and Secure Rural Schools and Counties Act of 2010 for FY '11-'12) with payments for the Bill's four years declining as follows: 2008, 90% of the 2006 payments; 2009, 81% of 2006; 2010, 73% of 2006 and actual 2011, 43.78% of 2006. As mentioned above, the payments were extended for another year so the reversions to a share of actual timber sale receipts (estimated to be approximately 10% of the 2006 payment) is now expected to occur in FY '13-'14.

State-provided funds increased slightly (\$29,581,523; 36.45% of revenue; up 0.065%) and provided the bulk of the remaining intergovernmental receipts, with increases for health services offsetting reductions in other areas (mostly in jail bed rental). The

impacts on County property taxes (\$26,261,793; 32.36%; up 5.29%) from Measure 5 and Measures 47/50 limits continue to constrain this revenue source with those limits having more negative impact as growth (1.747%) in the County's assessed property values has slowed. The County's Law Enforcement Levy (rate of \$2.58 per thousand [note that the County's permanent tax rate is \$1.2713 per thousand]) is critical to the County's revenue structure. The 2011 Law Enforcement Levy's net amount was significantly reduced ("compressed") by 20.81% (\$4,231,573) due to Measure 5 limit. An addition to the property tax revenue total this past year was the Veterans' Home Local Option Levy (\$1,099,913; 4.19% of the total property taxes) in place to repay the 10 year loan from the Road Fund used to provide the local match required for the Lebanon Veterans' Home project. Another sector of County revenues, the Licenses, Permits, Fines & Services category increased (\$10,295,516; 12.68% of revenue; up 10.15%). Overall, the outlook is, at best, for the County's total revenues to decline over the next few years depending on how State funding combines with the declining Federal Forest payments (or a new law addressing future Federal Forest payments) and future Law Enforcement levy revenues.

On the expense side, the cost of County operations is expected to continue to grow due mainly to increasing personnel costs. These costs have been driven by cost-of-living salary increases and small health benefit premium increases as established by collective bargaining agreements which resulted in an overall FY 2011 –2012 personnel cost increase of 2.07% from the prior fiscal year. The cost of the County's retirement programs, the Oregon Public Employees Retirement System (PERS) and the Oregon Public Service Retirement Plan (OPSRP), will increase by approximately 2.75 % of salary effective July 1, 2013. Future health insurance costs are still a big unknown given the Federal legislation approved earlier.

In sum, given Oregon's tax structure and current statutory and constitutional restrictions, Linn County's General Fund budget will continue to be difficult to balance with the same holding true for the County's total budget. This difficulty has been moderated to a degree by the continued Federal forest revenue stream but that revenue stream continues to decline even with the one year extension into FY '12 – '13. In addition, the current recession and Oregon's tax structure and initiative/referendum processes always inject an added element of uncertainty with the State's current biennium budget sure to produce revenue reductions for the County.

Initiatives, Projects and Significant Activities. Linn County continues its commitment to planning and implementing carefully measured programs and actions focused on effective service delivery, preserving and improving the infrastructure, and minimizing costs through modernization and intergovernmental cooperation. The past year has continued to be active in several areas driven by both internal and external factors.

As mentioned earlier, Linn County's proposal for a 150 bed Veterans' Home located in Lebanon on ten acres adjacent the new medical school campus was successful. In November 2010, the voters approved a new ten year local option levy to provide \$12,000,000 and fund the required local match and purchase the property. The match funds and property were transferred to the State in May 2011, the design phase of the project is close to completion with site work starting in September 2012. Once completed in 2013, the Veterans' Home will be operated by the State. The County also purchased a former trucking freight terminal (office,

warehouse, dock and yard; 1.21 acres) adjacent the County Jail for \$335,000 with the short-term use intended for Sheriff's evidence/storage and long-term future development.

Two significant software conversion projects have been completed with implementation of Sungard's new Financial Applications Software and Services System for Financial/Treasurer requirements and software developed by Polk County (ORCATS) for the Assessment and Tax requirements. In addition, the County has reorganized its Information Technology Services Department from a legacy software programming focus to a focus on network and data management. The changes included outsourcing email using an existing State contract (which has now been accomplished).

The County is also now participating, effective August 1, 2012, in a new State health care initiative ("Health Care Transformation") involving the creation of Coordinated Care Organizations (CCOs). The CCOs will provide physical, mental and dental health care for people who receive coverage under the Oregon Health Plan (Medicaid). The Health Department (mostly the Mental Health Program) is providing services as a part of the InterCommunity Health Network (IHN) CCO (IHN is owned by Samaritan Health Services).

Another major area of activity that has continued is the expansion and improvement of the County's Park system. That expansion has involved completing more improvements (shower/restroom, campground paving and two cabins) at River Bend Park (70 acres adjacent the upper South Santiam River on the western slopes of the Cascade Mountains); continued infrastructure improvements (new docks) at Clear Lake Resort (lodge, store, cabins and docks on Clear Lake in the Cascades); and continued planning/approval work for the future development of the County's 175 acres tract adjacent Highway 34 and Interstate 5 as a park. The County also continued to increase its outdoor recreation resources and is now managing six US Forest Service campgrounds located along the South Santiam River east of River Bend Park with a five year lease. The Parks Department also completed a master plan for the Green Peter Quartzville areas that may produce additional future outdoor recreation resources.

The programmed road and bridge improvements by the Road Department upgraded 45.89 miles of road miles of the County's road system and completed replacement/major repairs to two bridges. In addition, an emergency power generator was installed to provide electrical power to critical functions in the County Courthouse, a capability that has not been available for more than twenty years and the Courthouse boilers (heating system) were replaced. The County had three labor contact negotiations during this audit period and successfully reached new multi-year collective bargaining agreements with the Service Employees International Union, the Deputy Sheriffs' Association, and the Juvenile Detention Association, all with no cost of living increases for FY '12-'13.

Cash Management Policies and Practices. Cash temporarily available during the year was invested in certificates of deposit; obligations of the U.S. Treasury or agencies (notes, cubes, bills and strips); or the State Treasurer's Oregon Local Government Investment Pool. Deposits were either insured by Federal Depository Insurance Corporation or fully collateralized. The average

distribution of investment maturities for the year was as follows: 30 days or less – 43.76%; 30 to 90 days – 3.11%; 90 days to 12 months – 20.57% and 12 to 18 months – 32.56%. The average yield on investments for the year was 0.852% compared to an average of 0.517% for the State’s Local Government Investment Pool. The County recorded interest revenues of \$121,114 on all County investments in the year ending June 30, 2012. This represents a decrease of \$301,077, down 71.31% from the prior year in part to low interest rates during the fiscal year but mostly due to the \$12 million that was removed from the investment portfolio with the Veterans Home loan from the Road Fund.

Risk Management. For the fiscal year ending June 30, 2012, insurance coverages were not changed from the prior year with liability and property continuing with City County Insurance Services and workers’ compensation continuing with SAIF Corporation. Excess crime coverage, including faithful performance of duty, continues in the property policy replacing the blanket and two individual bonds and providing broader coverage. The County continues to cover actual and potential unemployment compensation costs with a self-financed internal service fund (Unemployment Insurance Fund, pages 24, 25, 26 and 70). Additional information is included in the Financial Section of this report (page 52) with a schedule of all the County’s insurance coverages included in the Statistical Section of this report (pages 96 and 97).

Pension and Other Post Employment Benefits. Linn County participates in the State of Oregon Public Employees Retirement System (PERS), which includes PERS Tier 1 and 2 and the Oregon Public Service Retirement Plan (OPSRP), which is a statewide multiple-employer pension plan that provides retirement, disability and death benefits to plan members and beneficiaries. The Tier 1 and 2 portion of PERS is a hybrid defined benefit/defined contribution retirement plan which is now “closed” to new employees who instead enter OPSRP, a defined benefit retirement plan. PERS is administered under Oregon Revised Statutes Chapter 238 and 238A by the PERS Board of Trustees. In addition, effective January 1, 2004, both PERS Tier 1 and 2 and OPSRP member employees are required to contribute 6 percent of their salary to an Individual Account Program (IAP), a defined contribution plan, unless the employer has agreed, as Linn County has, to “pick up” the contribution on behalf of the employee. The IAP is also administered by the PERS Board of Trustees.

Every other year, an independent actuary engaged by PERS, calculates the County’s employer rate required to ensure that the County will be able to fully meet its obligation to retired employees on a timely basis. Effective July 1, 2011 through June 30, 2013, the County’s Tier 1 & 2 employer rate is 16.06% of salary, with the OPSRP rates 12.40% for General Service employees and 15.11% for Police. The PERS Tier 1 & 2 and OPSRP employer rates will increase again effective July 1 2013 as follows: 18.06% (Tier 1 & 2), 16.23% (OPSRP General Service) and 18.96% (OPSRP Police). Overall, the July 1, 2013 rate changes will increase the County’s PERS expense by approximately \$2,000,000 for the 2013 – 2015 biennium. The PERS plan was changed significantly by the 2003 Legislative Session specifically to reduce the system’s unfunded liability; however, some of the changes had to face a variety of court challenges that are now mostly resolved. However, as mentioned earlier, investment losses have increased the system’s unfunded

liability which resulted in the 2013 rate increase with more increases expected in 2015 and 2017. Additional information on Linn County's PERS participation is included in the Financial Section of this report (pages 49, 50 and 51).

Linn County has no other County directly funded retirement benefits since the option to continue health insurance benefits, as required by State statute, is fully paid by the retiree (at the same premium rate as active employees). However, the required inclusion of retirees does negatively impact the claims experience for the County's insurance plans.

AWARDS AND ACKNOWLEDGEMENTS

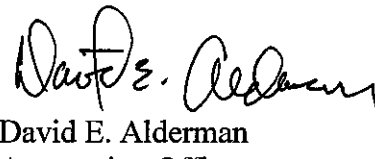
For the twenty-second consecutive year, the GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Linn County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and Local government financial reports and satisfaction of both GAAP and legal requirements. In addition to being awarded the Certificate, Linn County's CAFR was judged to be easily readable and efficiently organized. The Certificate is valid for a period of one year only and, as mentioned earlier, this CAFR will be submitted to the GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the dedicated services of the Treasurer (who is also the Budget Officer) and the staffs in Accounting, Information Technology Services, Health Department, Road Department, Assessor's Office and certain specific others including the aforementioned independent auditors. Each person contributing to the report has our sincere appreciation for the assistance given in its preparation. Credit must also be given to the Board of Commissioners for their consistent support in maintaining the highest standards of professionalism in the management of Linn County's finances. Overall, the efforts to manage the County's resources and activities wisely and efficiently to best meet the needs of Linn County's citizens have continued, building on past accomplishments while committed to producing future improvements.

Respectfully Submitted,



Ralph E. Wyatt
Administrative Officer



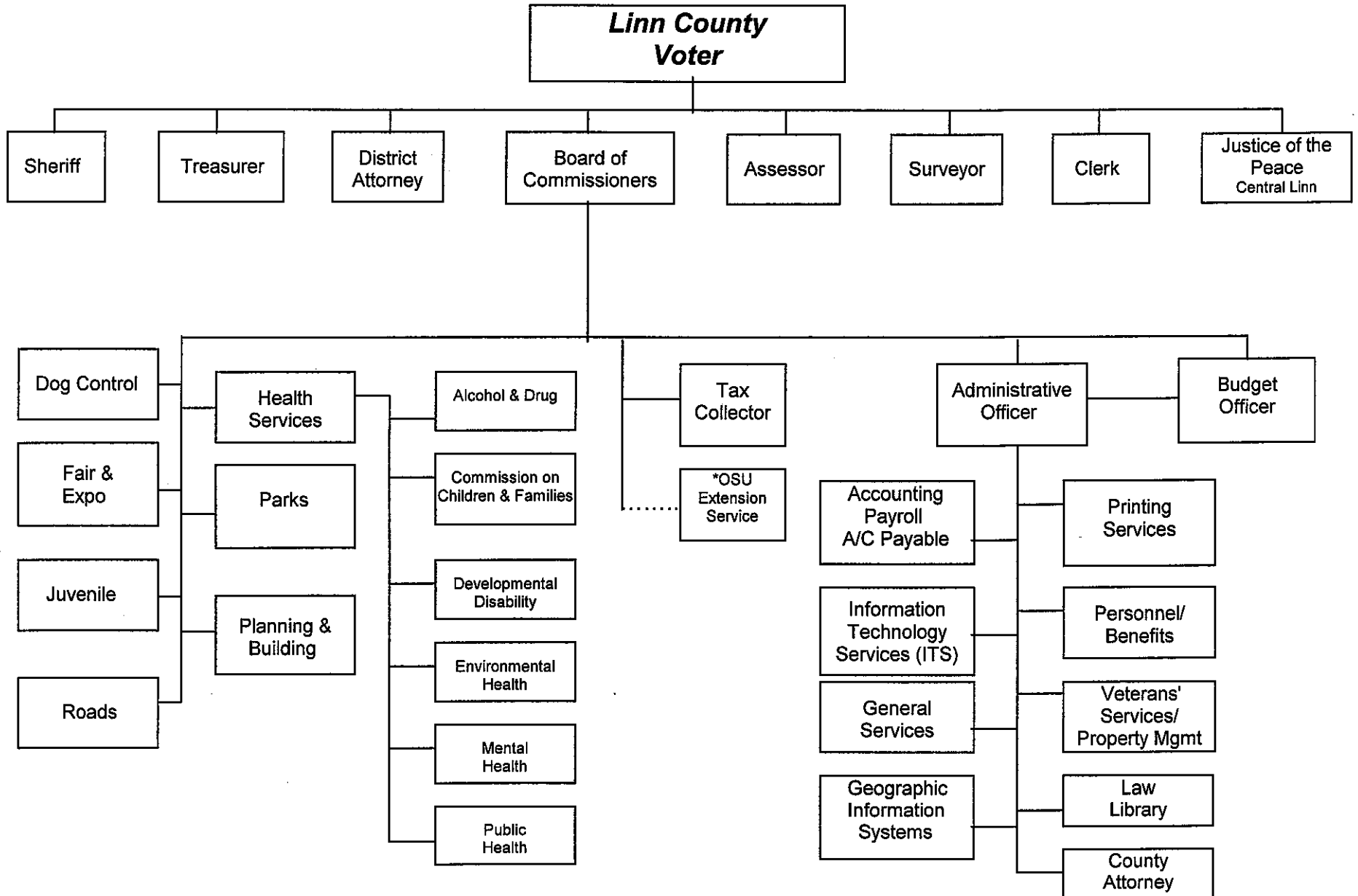
David E. Alderman
Accounting Officer



LINN COUNTY, OREGON

Organization Chart

June 30, 2012



---*OSU Extension Service is a branch of OSU with State employees.

LINN COUNTY

Elected Officials

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Roger Nyquist	Commissioner, Board Chairman	January 2013
John Lindsey	Commissioner	January 2015
William Tucker	Commissioner	January 2013
Mark Noakes	Assessor and Tax Collector	January 2013
Steve Druckenmiller	Clerk	January 2015
Jason Carlile	District Attorney	January 2013
Honorable Jad Lemhouse	Justice of the Peace – Central Linn	January 2015
Tim Mueller	Sheriff	January 2013
Charles Gibbs	Surveyor	January 2013
Michelle Hawkins	Treasurer	January 2013

Administrative Officer

Ralph E. Wyatt

Registered Address

Linn County Courthouse
P.O. Box 100
Albany, Oregon 97321



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Linn County
Albany, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Linn County (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, General Road, Law Enforcement 4-Year Levy, Health, and Veterans Home Loan 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 December 17, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and infrastructure condition and maintenance data for capital assets reported under the modified approach, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.



Merina & Company, LLP
West Linn, Oregon
December 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Linn County, we offer readers of Linn County's financial statements this narrative overview and analysis of the financial activities of Linn County for the fiscal year ending June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- The assets of Linn County exceeded its liabilities at the close of the most recent fiscal year by \$200,359,440 (*net assets*). Of this amount, \$23,634,358 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased slightly by \$355,180 year over year.
- As of the close of the fiscal year, Linn County's governmental funds reported combined ending fund balances of \$25,953,324, a decrease of \$500,691, in comparison with the prior year, with 95.51% of this total amount, \$24,789,812 *available for spending* to meet government's commitments and obligations (*restricted, committed, assigned, and unassigned fund balances*).
- At the end of the fiscal year, the fund balance for the general fund was \$(4,510,863). The negative fund balance is primarily due to the purchase of 175 acres of land and the resulting interfund loan with the Road Fund in the amount of \$1,450,000 in fiscal 2006-07, an additional interfund loan with the Road Fund in fiscal 2008-09 for the purchase of a new financial applications software application system for \$860,001, and in fiscal 2009-10 a total of \$890,000 was borrowed from the Road Fund to fund a new District Attorney case management software system(\$300,000), improvements to the Court House elevator (\$170,000), and a new assessment and taxation software system (\$420,000). During the current year an additional \$400,000 interfund loan was made to purchase property adjacent to the Linn County jail. The combined interfund debt is \$2,628,800 at June 30, 2012.
- Linn County has no long term debt obligations as of June 30, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Linn County's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Linn County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Linn County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Linn County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Linn County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Linn County has no funds considered business type activities. The governmental activities of Linn County include general administration and support, local government services, public safety, health services, community development, and highways and streets.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Linn County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Linn County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Linn County maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General Roads, Law Enforcement 4-Year Levy, Health Fund and Veteran's Home Loan Funds, all of which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation under non-major funds. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Linn County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 through 23 of this report.

Proprietary funds. Linn County maintains one type of proprietary fund, an internal *service fund*, an accounting device used to accumulate and allocate costs internally among Linn County's various functions. Linn County uses internal service funds to account for its unemployment related transactions. Because these services predominantly benefit governmental rather than business-type functions, they have been included with *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Unemployment Fund of Linn County.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held in trust for the benefit of parties outside the government. Fiduciary funds are not presented in the government-wide financial statements because the resources of those are not available to support Linn County's own programs.

The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Linn County's selection to use the "modified approach" to account for the majority of the infrastructure assets. As a result there is a 5 year planned versus actual road maintenance cost schedule on page 55 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 56 through 69 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Linn County, assets exceeded liabilities by \$200,359,440 the close of the fiscal year.

By far the largest portion of Linn County's net assets (88.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Linn County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Linn County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Linn County's Net Assets

Governmental Activities

	2011	2012
Assets		
Current and other assets	\$ 36,292,335	\$ 34,768,380
Capital assets	<u>175,711,685</u>	<u>176,725,082</u>
Total assets	<u>212,004,020</u>	<u>211,493,462</u>
Liabilities		
Long-term liabilities outstanding	2,175,097	3,062,743
Other liabilities	<u>9,114,303</u>	<u>8,071,279</u>
Total liabilities	<u>11,289,400</u>	<u>11,134,022</u>
Net assets		
Invested in capital assets, net of related debt	175,711,685	176,725,082
Restricted		
Unrestricted	<u>25,002,935</u>	<u>23,634,358</u>
Total net assets	<u>\$ 200,714,620</u>	<u>\$ 200,359,440</u>

The balance of *unrestricted net assets* \$23,634,358 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets decreased slightly, by \$355,180 during the current fiscal.

Governmental activities. Governmental activities decreased Linn County's net assets by \$355,180. Key elements of this decrease are as follows:

Linn County's Changes in Net Assets

Governmental Activities

	2011	2012
Revenues		
Program		
Charges for services	\$ 9,346,514	\$ 10,295,517
Operating grants and contributions	37,367,317	36,972,438
General		
Property taxes	25,136,779	26,372,966
Grants and contributions not restricted to specific programs	10,291,557	7,283,460
Other	338,099	106,617
Total revenues	\$ 82,480,266	\$ 81,030,998

Linn County's Changes in Net Assets

Governmental Activities (continued)

	2011	2012
	<u> </u>	<u> </u>
Expenses		
General government	\$ 6,288,087	\$ 6,159,954
Public safety	31,305,680	31,412,893
Highways/streets	13,018,865	12,404,327
Local government services	3,198,788	3,371,136
Health services	18,799,640	20,246,809
Community development	19,635,666	6,476,574
Apportionment to school districts	2,320,828	1,314,484
Interest on long-term debt	<u> -</u>	<u> -</u>
 Total expenses	 <u>94,567,554</u>	 <u>81,386,177</u>
 Increase (decrease) in net assets	 (12,087,287)	 (355,180)
Net assets - beginning of the year	<u>212,801,907</u>	<u>200,714,620</u>
 Net assets - end of the year	 <u>\$ 200,714,620</u>	 <u>\$ 200,359,440</u>

- Total revenues decreased by \$1,449,268 between the prior fiscal year and the current fiscal year as a result of reduced intergovernmental revenues down over 2 million dollars from the prior year. (see letter of transmittal)
- Overall, after adjusting expenses by the \$12 million transfer to the State in last fiscal year, County wide expenses decreased by \$1,181,376 (1.43%) from the previous year. When combining general governmental and local government expenses, there was a increase of \$44,215 from fiscal 2010-11. Public Safety expenses remain consistent with last year, showing a small increase of \$107,213, while health service expenses increased by \$1,447,169, and roads/highways decreased by \$614,538.

Financial Analysis of the Government's Funds

As noted earlier, Linn County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Linn County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Linn County's financing requirements. In particular, the restricted, committed, and assigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, Linn County's governmental funds reported combined ending fund balances of \$25,953,324, a decrease of \$500,691 in comparison with the prior year. Of this total amount \$24,789,812 constitutes the restricted, committed, and assigned, fund balances which are not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, to pay debt service or for a variety of other restricted purposes.

The general fund is the chief operating fund of Linn County. At the end of the current fiscal year, the committed fund balance in the general fund was \$(2,628,800), and the unassigned fund balance was \$(1,882,063). Linn County's general fund balance decreased by \$2,312,019 during the current fiscal year.

Key factors in this change are as follows:

- Overall revenue in the General Fund decreased by (\$1,475,639) from \$26,678,253 in 2010-11 to \$25,202,614 in 2011-12.
- Expenditures in the General Fund increased overall by \$527,702 due to increases in personnel service.
- As mentioned earlier, the General Fund negative fund is a result of a \$2,628,800 interfund loan payable to the Roads Fund, for various projects, and is being repaid over a nine year period. In addition, the beginning cash balance in the General Fund decreased by \$2,514,101 from \$2,672,545 at June 30, 2011 to \$158,444 at June 30, 2012.

Linn County considers four additional funds to be classified as major funds, the General Road, Law Enforcement 4-Year Levy, Health Funds and the Veteran's Home Fund. Each of the major funds is presented in separate columns on the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

General Road – Operations of the County Road Department are shown in this fund. Major sources of revenue include federal forest revenues and motor vehicle fees. Expenditures are primarily for road construction and maintenance. The ending fund balance was \$34,350,931 at year end. This balance decreased by \$787,793 during the year due to lower interest rates on reserves, a decline in State highway fund receipts, and a reduction in reimbursable projects.

Law Enforcement 4-Year Levy – The current four year local option property tax measure was approved by voters in November 2010. (Starting in July 2011, with a new rate of \$2.58 per thousand of assessed value) Expenditures are primarily for continuing law enforcement (sheriff, district attorney, and juvenile). The ending fund balance deficit of (\$849,958) was decreased by \$91,449 from current operations. The LE Fund property tax revenues increased by \$261,001, from \$15,413,381 in 2010-11, to \$15,674,382 in 2011-12. The effect of on the new property tax rate increase was significantly reduced (\$4,231,573) due to compression of the overall property tax ceiling imposed by Measure 5. Expenditures decreased slightly by \$19,114 from \$15,797,710 in 2010-11 to \$15,778,596 in 2011-12 due to a reductions in capital expenditures, and materials and service costs.

Health – County health related activities are recorded in the Health Fund. Resources of this fund are from various State of Oregon grants, Title XIX, managed care and transfers from the General Fund. County provided health care services rise and fall as a function of federal and state government fund levels. The ending fund balance of \$6,629,476 represents an increase of \$1,517,471 from the prior year. In the current fiscal year overall revenues increased by \$1,557,282 (\$18,972,054 in 2010-11 to \$20,529,336 in 2011-12) primarily due to increased federal and state aid for mental health managed care services. In addition, expenditures increased by \$1,352,167 (\$18,822,560 in 2010-11 to \$20,174,727 in 2011-12) due to increased services provide as mentioned above as well as increased personnel costs.

Veterans Home Loan - (formerly Properties) The cost of transferring funds to the state of Oregon for the construction of a Veterans Home in Lebanon, and the related property tax revenues are recorded in this fund. The only expenditure of this fund is the interfund loan payment to the Roads Fund. (See letter of transmittal)

Proprietary funds. Linn County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Unemployment Fund at the end of the year amounted to (\$125,490). This is a decrease in net assets over last year by \$201,594 primarily due to a transfer of \$150,000 to the General Fund. Operating income for the period was \$243,735 and unemployment insurance claims incurred were \$295,827.

General Fund Budgetary Highlights

Differences between the adopted budget and the final amended budget as a result of resolutions and a supplemental budget were \$865,104 (increase in appropriations) due to increased funds received by the state for mental health and public health services of \$644,999, as well as, other general grants and general fund appropriations of \$220,105. The variance between the final amended budget and the actual results in the General Fund were driven by a negative intergovernmental revenue variance of \$1,559,379 (final budget of \$9,139,675 versus actual results of \$7,580,296) Primary contributors to this negative revenue variance are \$ 931,257 less in State Forest receipts, and \$289,176 less than budgeted for Payment in lieu of tax revenue. The decrease in revenue translated into a reduction in personal service costs.

Capital Asset and Debt Administration

Capital assets. Linn County's investment in capital assets for its governmental type activities as of June 30, 2012 amounts to \$176,725,082 (net of accumulated depreciation) and include machinery and equipment, park facilities, roads, highways, and bridges. Beginning in fiscal 2002-03 the counties infrastructure assets were added to its capital assets, which increased the total capital assets by \$83,990,910 (net of accumulated depreciation). Each year since then, capital assets have increased and most recently in 2008-09 by \$3,181,096, in 2009-2010 by \$2,788,267, in 2010-2011 by \$1,905,445, and in the current fiscal year \$1,013,397 was added to capital assets, net of retirements and current year depreciation. Beginning in 2002-03, Linn County adopted the modified approach for its valuation and accounting presentation of infrastructure assets.

Other major capital asset events during the fiscal year included the following:

- Linn County increased equipment by \$ 669,443 primarily for the purchase of patrol vehicles in the Sheriff's Office, and the replacement of road equipment. In general the past two fiscal years, capital expenditures have seen a decrease from year to year as a result of budget constraints.
- Additional capital expenditures of \$981,413 were made for road and bridge improvements during the year.

Linn County's Capital Assets
(Net of depreciation)

Governmental Activities

	2011	2012
Land	\$ 16,828,004	\$ 16,832,420
Buildings and improvements, net	35,183,732	34,788,507
Equipment, net	7,651,890	7,329,128
Infrastructure, net	110,754,374	113,864,018
Intangibles	898,738	840,989
Construction in progress	4,394,947	3,070,020
Totals	\$ 175,711,685	\$ 176,725,082

The 2012 Pavement Condition Index (PCI) data indicates a slight drop in overall pavement conditions from the 2010 inspection. The arterial roads weighted average PCI in 2010 was 76.3, and 71.6 in 2012, a reduction of 4.7. Collector roads also declined by 3.1 (2010 =78.5, 2012=75.4) Residential/local roads increased by .1 (2010=81.3, 2012=81.4) The Road Department anticipates the data may be revised once a quality control check is conducted on the 2012 indicators.

The current assessed condition compares very favorable when compared to the Linn County policy of maintaining its road condition level of good to better (PCI of 65 or above) on a weighted average basis.

Additional information on capital assets can be found in the letter of transmittal under “initiatives and projects” on page v, and in the footnotes on pages 43 and 44 of this report.

Long-term debt. At the end of the current fiscal year, Linn County has no long term debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for Linn County is \$ 162,944,893 which is significantly in excess of Linn County's outstanding general obligation debt.

Economic Factors

- The unemployment rate for Linn County is currently 10.8 percent, which is a decrease from a rate of 11.8 percent a year ago. This compares unfavorably to the state's average unemployment rate of 8.6 percent and the national average rate of 8.2 percent. (See the letter of transmittal for additional detail).
- Linn County's economy continues to be sluggish in housing development both in new construction, refinancing and home improvements. This trend continues, into the first quarter of 2012-2013. The real market value of property continues to decline and is becoming a significant constraint on property tax receipts. Oregon law requires taxes to be assessed on the property's assessed value not to exceed an increase of more than 3% a year. In most cases the property assessed value is still lower than the real market value, although the margin is getting much closer. During the current year, the combined Linn County property tax rate ceiling was reached, and caused a reduction of \$4,231,573 in property tax revenue collected for the Law Enforcement Levy Fund.
- The State's FY 2011-13 Budget reflects a decrease in revenue forecast due to the large number of unemployed workers, lowering the state income tax receipts, which in turn reduces revenue to Linn County for State funded programs.

Requests for Information

This financial report is designed to provide a general overview of Linn County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dave Alderman, Accounting Officer, Linn County, 300 4th Ave, SW, PO Box 100, Albany, OR 97321.

BASIC FINANCIAL STATEMENTS

LINN COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

<u>ASSETS</u>	Governmental Activities
Cash and investments	\$ 28,428,509
Receivables, net of allowance for doubtful accounts	2,990,960
Due from other governments	2,034,784
Inventories	1,163,512
Investment in joint venture	150,615
Capital assets:	
Land, infrastructure, and construction in progress, not being depreciated	118,107,082
Other capital assets, net of accumulated depreciation	<u>58,618,000</u>
TOTAL ASSETS	<u>211,493,462</u>
<u>LIABILITIES</u>	
Accounts payable	931,039
Due to other governments	111,758
Payroll, payroll taxes, and benefits payable	5,092,588
Claims liability	160,580
Long-term obligations:	
Due with in one year:	
Accumulated compensated absences	1,775,314
Due in more than one year:	
Accumulated compensated absences	1,923,358
Post employment health care benefits	<u>1,139,385</u>
TOTAL LIABILITIES	<u>11,134,022</u>
<u>NET ASSETS</u>	
Invested in capital assets	176,725,082
Restricted for:	-
Unrestricted	<u>23,634,358</u>
TOTAL NET ASSETS	<u>\$ 200,359,440</u>

See notes to basic financial statements

LINN COUNTY

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental activities				
General administration and support	\$ 6,159,954	\$ 648,683	\$ 320,057	\$ (5,191,214)
Local government services	3,371,136	841,752	624,016	(1,905,368)
Public safety	31,412,893	2,902,607	2,556,969	(25,953,317)
Health services	20,246,809	1,185,297	18,010,307	(1,051,205)
Community development	6,476,574	2,957,603	790,968	(2,728,003)
Highways and streets	12,404,327	1,759,575	13,355,637	2,710,885
Apportionments to school districts	1,314,484	-	1,314,484	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 81,386,177	\$ 10,295,517	\$ 36,972,438	(34,118,222)
General Revenues				
Property taxes levied for:				
General purposes				26,372,966
Grants and contributions not restricted to specific programs				7,283,460
Interest and investment earnings				106,617
TOTAL GENERAL REVENUES				33,763,043
CHANGE IN NET ASSETS				(355,180)
NET ASSETS - BEGINNING				200,714,620
NET ASSETS - ENDING				<u>\$ 200,359,440</u>

See notes to basic financial statements

LINN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
<u>ASSETS</u>							
Cash and investments	\$ 158,444	\$ 19,000,579	\$ 145,907	\$ 7,349,206	\$ -	\$ 1,647,593	\$ 28,301,729
Receivables, net of allowance for doubtful accounts	908,410	118,893	1,469,733	375,133	49,798	68,993	2,990,960
Due from other funds	56,211	1,776	-	67,572	-	6,724	132,283
Due from other governments	165,073	1,213,630	-	538,492	-	117,589	2,034,784
Advances to other funds	-	13,762,309	-	-	-	-	13,762,309
Inventories	-	1,163,512	-	-	-	-	1,163,512
Investment in joint venture	-	150,615	-	-	-	-	150,615
TOTAL ASSETS	\$ 1,288,138	\$ 35,411,314	\$ 1,615,640	\$ 8,330,403	\$ 49,798	\$ 1,840,899	\$ 48,536,192
<u>LIABILITIES</u>							
Accounts payable	\$ 272,813	\$ 307,698	\$ 41,483	\$ 173,743	\$ -	\$ 135,302	\$ 931,039
Due to other funds	24,001	38,420	33,458	8,293	-	48,179	152,351
Advances from other funds	2,628,800	-	-	-	11,133,509	-	13,762,309
Deferred revenue	815,998	169,602	1,347,558	196,262	46,169	68,993	2,644,582
Payroll, payroll taxes, and benefits payable	2,057,389	544,663	1,043,099	1,322,629	-	124,807	5,092,587
TOTAL LIABILITIES	\$ 5,799,001	\$ 1,060,383	\$ 2,465,598	\$ 1,700,927	\$ 11,179,678	\$ 377,281	\$ 22,582,868

See notes to basic financial statements
Continued on page 4

BALANCE SHEET

GOVERNMENTAL FUNDS (Continued)

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
<u>FUND BALANCES</u>							
Non spendable:							
Inventories	-	1,163,512	-	-	-	-	1,163,512
Restricted for:							
Roads	-	19,425,110	-	-	-	-	19,425,110
Public Safety	-	-	-	-	-	28,738	28,738
Health Services	-	-	-	6,629,476	-	-	6,629,476
Grants/ minor funds	-	-	-	-	3,629	1,434,880	1,438,509
Committed to:							
Interfund loan commitments		13,762,309	-	-	-	-	13,762,309
Unassigned	(4,510,863)	-	(849,958)	-	(11,133,509)	-	(16,494,330)
TOTAL FUND BALANCES	(4,510,863)	34,350,931	(849,958)	6,629,476	(11,129,880)	1,463,618	25,953,324
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,288,138	\$ 35,411,314	\$ 1,615,640	\$ 8,330,403	\$ 49,798	\$ 1,840,899	\$ 48,536,192

See notes to basic financial statements

LINN COUNTY

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS

June 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$	25,953,324
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	210,042,998		
Less accumulated depreciation	<u>(33,317,916)</u>	176,725,082	
Less the net book value of retired asset, and construction in process deletions			
Accumulated compensated absences are not payable in the current period and therefore are not reported in the funds.			
		(3,698,673)	
Post employment healthcare benefits are not payable in the current period and therefore are not reported in the funds.			
		(1,139,385)	
Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.			
		2,644,582	
Internal service funds are used by management to charge the costs of certain activities to individual funds. Net assets of the internal service funds that are reported with governmental activities.			
		<u>(125,490)</u>	
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u>200,359,440</u>

LINN COUNTY
STATEMENT OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
REVENUES							
Property taxes	\$ 9,562,862	\$ -	\$ 15,674,382	\$ -	\$ 1,103,540	\$ -	\$ 26,340,784
Intergovernmental	7,638,119	12,579,765	-	18,971,386	-	4,825,270	44,014,540
Licenses, permits, fines and services	7,847,742	20,982	-	1,368,083	-	1,058,709	10,295,516
Interest earnings	3,891	75,336	7,499	26,762	1,129	6,497	121,114
Miscellaneous	150,000	59,658	7,066	163,105	-	4,218	384,047
TOTAL REVENUES	25,202,614	12,735,741	15,688,947	20,529,336	1,104,669	5,894,694	81,156,001
EXPENDITURES							
Current :							
General administration and support	5,657,757	-	-	-	-	-	5,657,757
Local government services	3,335,274	-	-	-	-	-	3,335,274
Public safety	12,961,449	-	15,778,596	-	-	2,251,377	30,991,422
Health services	-	-	-	20,174,727	-	-	20,174,727
Community development	4,967,085	-	-	-	(866,492)	2,123,626	6,224,219
Highways and streets	-	13,958,809	-	-	-	-	13,958,809
Apportionments to school districts	-	-	-	-	-	1,314,484	1,314,484
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
TOTAL EXPENDITURES	26,921,565	13,958,809	15,778,596	20,174,727	(866,492)	5,689,487	81,656,692
Excess (deficiency) of revenues over expenditures	(1,718,951)	(1,223,068)	(89,649)	354,609	1,971,161	205,207	(500,691)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,146,371	1,147,217	-	1,162,862	-	589,621	4,046,071
Transfers out	(1,739,439)	(711,942)	(1,800)	-	(1,101,041)	(491,849)	(4,046,071)
TOTAL OTHER FINANCING SOURCES (USES)	(593,068)	435,275	(1,800)	1,162,862	(1,101,041)	97,772	-
Net change in fund balances	(2,312,019)	(787,793)	(91,449)	1,517,471	870,120	302,979	(500,691)
Fund balances (deficit) at beginning of year	(2,198,844)	35,138,724	(758,509)	5,112,005	(12,000,000)	1,160,639	26,454,015
Fund balances (deficit) at end of year	\$ (4,510,863)	\$ 34,350,931	\$ (849,958)	\$ 6,629,476	\$ (11,129,880)	\$ 1,463,618	\$ 25,953,324

LINN COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(500,691)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Governmental funds report capital outlay as expenditures; however in the statement of activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditures for capital assets	3,211,391	
Less current year depreciation	<u>(2,197,994)</u>	1,013,397
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Change in deferred revenue		(371,221)
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		
Net OPEB obligations		(239,305)
Accumulated compensated absences		(55,766)
When recognizing the sale of capital assets, the governmental funds do not report the economic benefit (cost) from the sale		
		-
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds is reported with governmental activities		
		<u>(201,594)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(355,180)</u>

See notes to basic financial statements

LINN COUNTY
GENERAL FUND

The General fund is used to account for the financial resources of the County that are not accounted for in any other fund.

Principal sources of revenues are Oregon and California land grant proceeds; state and federal revenues; property taxes; local government sources; licenses, permits, fines and services.

Primary expenditures are for general administration, local government services, public safety and community development. Significant operating transfers are made to other funds.

LINN COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes				
Current year's levy	\$ 9,235,730	\$ 9,235,730	\$ 9,156,167	\$ (79,563)
Prior years' levies	465,000	465,000	378,922	(86,078)
	<u>9,700,730</u>	<u>9,700,730</u>	<u>9,535,089</u>	<u>(165,641)</u>
Total property taxes				
Intergovernmental				
O & C land grant	1,094,150	1,094,150	1,140,553	46,403
Payments in lieu of taxes	480,000	480,000	190,824	(289,176)
State forest land sales	1,300,000	1,300,000	368,743	(931,257)
Amusement tax	26,000	26,000	27,283	1,283
Cigarette tax	110,000	110,000	120,341	10,341
Electric co-op tax	152,000	152,000	157,186	5,186
Liquor tax	505,000	505,000	505,682	682
Video lottery reimbursement	512,000	512,000	544,100	32,100
Private car tax	2,000	2,000	-	(2,000)
Assessment and taxation grant	665,000	665,000	623,357	(41,643)
Sheriff grants	175,237	175,237	170,814	(4,423)
Veterans' officer reimbursement	50,010	50,010	43,247	(6,763)
State prison revenue-corrections	1,304,875	1,304,875	1,115,758	(189,117)
State prisoner allocation-contract criminal	904,565	904,565	886,849	(17,716)
Juvenile detention contracts	330,721	330,721	330,942	221
Planning contract with cities	107,000	107,000	120,671	13,671
Central Linn Justice Court-City of Harrisburg contract	32,669	32,669	33,503	834
Cities and district contract with Sheriff	431,930	431,930	352,810	(79,120)
Emergency 911 contract with Sheriff	620,000	620,000	626,210	6,210
Cities and Justice courts - fees for jail	101,518	101,518	73,173	(28,345)
Juvenile work crew/ Fed forest title II	90,000	90,000	64,250	(25,750)
Juvenile contract with cities	145,000	145,000	84,000	(61,000)
	<u>9,139,675</u>	<u>9,139,675</u>	<u>7,580,296</u>	<u>(1,559,379)</u>
Total intergovernmental				

See notes to basic financial statements

Continued on pages 9-17

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
REVENUES (Continued)				
Licenses, permits, fines and services				
Commissioners	\$ 20	\$ 20	\$ 30	\$ 10
Assessment and taxation	89,000	89,000	102,833	13,833
Clerk	1,026,439	1,026,439	946,937	(79,502)
Treasurer	3,200	3,200	1,768	(1,432)
Surveyor	55,668	55,668	48,523	(7,145)
Veterans Services	-	-	14,175	14,175
Planning	685,600	703,054	693,108	(9,946)
Parks and recreation	1,529,813	1,529,812	1,216,703	(313,109)
Historical	39,465	39,465	14,363	(25,102)
Justice court - Central Linn	820,010	820,010	680,919	(139,091)
District attorney	105,000	105,000	127,829	22,829
Sheriff				
Corrections	570,000	570,000	497,207	(72,793)
Jail	130,020	130,020	144,310	14,290
Civil	303,500	303,500	271,054	(32,446)
Criminal	60,000	60,000	37,769	(22,231)
Support	54,700	54,700	51,110	(3,590)
Juvenile and juvenile detention	23,800	23,800	30,049	6,249
General administration	50,000	50,000	43,484	(6,516)
Information technology	35,150	35,150	30,394	(4,756)
General services	1,620	1,620	8,155	6,535
Printing	267,000	267,000	269,395	2,395
County Counsel	-	-	112	112
Geographic information system	13,350	13,350	4,073	(9,277)
Expo	850,000	874,092	905,254	31,162
Non departmental	50,000	50,000	233,071	183,071
Sale of equipment	30,000	30,000	-	(30,000)
Unemployment Fund	150,000	150,000	150,000	0
Regence and SAIF settlement	150,000	140,865	169,138	28,273
Indirect cost reimbursements, net	1,280,264	1,280,264	1,280,264	-
Total licenses, permits, fines and services	8,373,619	8,406,029	7,972,027	(434,002)
Interest earnings	30,000	30,000	7,095	(22,905)
TOTAL REVENUES	27,244,024	27,276,434	25,094,507	(2,181,927)
			27,502,983	2,408,476

See notes to basic financial statements

Continued on pages 10-17

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES				
Commissioners				
Personal services	\$ 433,972	\$ 433,972	\$ 427,242	\$ 6,730
Materials and services	10,971	10,971	8,115	2,856
Total Commissioners	444,943	444,943	435,357	9,586
Assessment and Taxation				
Personal services	1,957,782	2,007,782	1,983,649	24,133
Materials and services	140,232	140,232	109,027	31,205
Capital outlay	5	5	-	5
Total Assessment and Taxation	2,098,019	2,148,019	2,092,676	55,343
Clerk				
Personal services	938,729	938,729	827,548	111,181
Materials and services	229,811	229,811	169,929	59,882
Capital outlay	1	1	-	1
Total Clerk	1,168,541	1,168,541	997,477	171,064
Treasurer				
Personal services	215,317	214,922	203,457	11,465
Materials and services	10,350	10,350	8,789	1,561
Total Treasurer	225,667	225,272	212,246	13,026
Surveyor				
Personal services	718,264	748,264	716,857	31,407
Materials and services	15,894	15,894	10,413	5,481
Capital Outlay	1	1	-	1
Total Surveyor	734,159	764,159	727,270	36,889

See notes to basic financial statements

Continued on pages 11-17

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Justice Court - Central Linn				
Personal services	\$ 551,322	\$ 551,322	\$ 492,936	\$ 58,386
Materials and services	99,250	99,250	89,945	9,305
Capital outlay	5	5	-	5
Total Justice Court - Central Linn	<u>650,577</u>	<u>650,577</u>	<u>582,881</u>	<u>67,696</u>
District Attorney				
Personal services	738,566	743,566	741,752	1,814
Materials and services	63,843	63,843	58,443	5,400
Total District Attorney	<u>802,409</u>	<u>807,409</u>	<u>800,195</u>	<u>7,214</u>
County Counsel				
Personal services	438,653	438,653	291,074	147,579
Materials and services	27,682	27,682	17,418	10,264
Total County Counsel	<u>466,335</u>	<u>466,335</u>	<u>308,492</u>	<u>157,843</u>
Juvenile				
Personal services	1,344,603	1,374,603	1,347,657	26,946
Materials and services	62,951	62,951	51,736	11,215
Total Juvenile Detention	<u>1,407,554</u>	<u>1,437,554</u>	<u>1,399,393</u>	<u>38,161</u>
Planning and Building				
Personal services	1,000,332	1,009,059	985,303	23,756
Materials and services	73,500	73,500	52,515	20,985
Capital Outlay	5	5	-	5
Total Planning and Building	<u>1,073,837</u>	<u>1,082,564</u>	<u>1,037,818</u>	<u>44,746</u>
Sheriff - Civil				
Personal services	848,841	863,841	863,668	173
Materials and services	39,900	39,900	23,408	16,492
Total Sheriff - Civil	<u>888,741</u>	<u>903,741</u>	<u>887,076</u>	<u>16,665</u>

See notes to basic financial statements

Continued on pages 12-17

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Sheriff - Criminal				
Personal services	\$ 3,847,404	\$ 3,901,204	\$ 3,899,782	\$ 1,422
Materials and services	117,490	117,490	91,018	26,472
Capital Outlay	1	1	-	1
Total Sheriff - Criminal	<u>3,964,895</u>	<u>4,018,695</u>	<u>3,990,800</u>	<u>27,895</u>
Sheriff - Corrections				
Personal services	2,252,025	2,432,025	2,426,066	5,959
Materials and services	167,024	212,642	35,504	177,138
Capital Outlay	69,500	69,500	-	69,500
Total Sheriff - Corrections	<u>2,488,549</u>	<u>2,714,167</u>	<u>2,461,570</u>	<u>252,597</u>
Sheriff - Jail Fees				
Personal services	230,915	230,915	216,976	13,939
Materials and services	623	623	506	117
Total Sheriff - Jail Fees	<u>231,538</u>	<u>231,538</u>	<u>217,482</u>	<u>14,056</u>
Sheriff - Support Services				
Personal services	2,421,752	2,367,952	2,287,103	80,849
Materials and services	275,907	275,907	133,457	142,450
Capital outlay	1	1	-	1
Total Sheriff - Support Services	<u>2,697,660</u>	<u>2,643,860</u>	<u>2,420,560</u>	<u>223,300</u>
Medical Examiner				
Materials and services	53,682	53,682	53,556	126
Parks and Recreation				
Personal services	914,859	915,054	915,028	26
Materials and services	427,950	427,950	427,248	702
Capital outlay	175,000	175,000	33,368	141,632
Total Parks and Recreation	<u>1,517,809</u>	<u>1,518,004</u>	<u>1,375,644</u>	<u>142,360</u>

See notes to basic financial statements

Continued on pages 13-17

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Historical				
Personal services	\$ 24,263	\$ 25,763	\$ 25,489	\$ 274
Materials and services	23,780	23,780	22,978	802
Capital outlay	25,000	25,000	-	25,000
Total Historical	73,043	74,543	48,467	26,076
General Administration				
Personal services	677,694	677,694	669,427	8,267
Materials and services	533,302	533,302	424,926	108,376
Capital outlay	1	400,001	368,576	31,425
Total General Administration	1,210,997	1,610,997	1,462,929	148,068
Information Systems				
Personal services	836,313	836,313	734,617	101,696
Materials and services	103,800	115,800	112,729	3,071
Capital outlay	25,814	13,814	13,661	153
Total Information Systems	965,927	965,927	861,007	104,920
Geographic System (GIS)				
Personal services	315,219	315,219	314,566	653
Materials and services	51,195	51,195	47,787	3,408
Capital outlay	1	1	-	1
Total Geographic System (GIS)	366,415	366,415	362,353	4,062
General Services				
Personal services	952,738	952,738	951,994	744
Materials and services	736,277	764,394	748,614	15,780
Capital outlay	4	4	-	4
Total General Services	1,689,019	1,717,136	1,700,608	16,528

*See notes to basic financial statements
Continued on pages 14-17*

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Veterans' Services				
Personal services	\$ 222,939	\$ 229,939	\$ 222,327	\$ 7,612
Materials and services	7,956	7,956	7,677	279
Total Veterans' Services	230,895	237,895	230,004	7,891
Printing				
Personal services	238,292	239,492	239,446	46
Materials and services	165,838	165,838	143,168	22,670
Capital outlay	1	1	-	1
Total Printing	404,131	405,331	382,614	22,717
Expo				
Personal services	711,969	671,969	651,551	20,418
Materials and services	431,458	473,407	468,407	5,000
Capital outlay	1	21,735	21,736	(1)
Total Expo	1,143,428	1,167,111	1,141,694	25,417
Non-departmental				
Materials and services	1,002,425	975,925	441,458	534,467
Personal services	10,000	17,000	15,980	1,020
Total Non-departmental	1,012,425	992,925	457,438	535,487
Contingency	383,392	9,657	-	9,657
TOTAL EXPENDITURES	28,394,587	28,826,997	26,647,607	2,179,390
Excess (deficiency) of revenues over expenditures	(1,150,563)	(1,550,563)	(1,553,100)	(2,537)

*See notes to basic financial statements
Continued on pages 15 -17*

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)

	Budget		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds				
Transfer from Roads	\$ -	\$ 400,000	\$ 400,000	\$ -
Transfer to ITS from sherrif	1,800	1,800	1,800	
Road funds / Corrections	60,000	60,000	2,268	(57,732)
Corner Preservation/surveyor	197,807	197,807	145,754	(52,053)
Road funds / Surveyor	363,000	363,000	272,237	(90,763)
Road Fund / Juvenile	10,000	10,000	5,750	(4,250)
Fair fund to expo	20,500	20,500	20,500	0
Road Fund / GIS	30,000	30,000	29,980	(20)
Road Fund / Information Technology Service	35,000	35,000	1,709	(33,291)
Federal Forest/parks	6,000	6,000	0	(6,000)
Federal Forest/sheriff support	15,000	15,000	0	(15,000)
Federal Forest/sheriff criminal	185,373	185,373	185,373	0
Federal Forest/sheriff corrections	60,000	60,000	15,810	(44,190)
Federal Forest adjustment			65,189	
Transfers (to) other funds				
Dog Control	(268,435)	(268,435)	(268,435)	0
County Fair	(45,000)	(45,000)	(45,000)	0
General Grants special trans	(59,200)	(59,200)	(59,200)	0
Corner Preservation/Clerk	(174,600)	(174,600)	(153,947)	20,653
Law Library	(4,200)	(4,200)	(3,817)	383
Health Fund - A&D	(142,653)	(142,653)	(142,653)	0
Health Fund -Public	(1,007,387)	(1,007,387)	(1,007,387)	0
Health	(12,824)	(12,824)	(12,824)	0
To roads fund for loan payment, District Attorney	(63,648)	(63,648)	(4,847)	58,801
To roads fund for loan payment, ORCATS	(46,758)	(46,758)	(7,633)	39,125
To roads fund for loan payment	(294,322)	(294,322)	(33,696)	260,626
TOTAL OTHER FINANCING SOURCES (USES)	(1,134,547)	(734,547)	(593,069)	76,289

See notes to basic financial statements
Continued on page 16-17

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL GENERAL FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
Net change in fund balance	\$ (2,285,110)	\$ (2,285,110)	\$ (2,146,169)	\$ 138,941
Fund balance at beginning of year	2,285,110	2,285,110	2,266,534	(18,576)
Fund balance at end of year	-	-	120,365	120,365
Reconciliation to GAAP basis				
Accounts receivable			18,380	
Property taxes receivable and available			74,034	
Due from other governments and available			165,073	
Due from other funds and available			56,211	
Beginning balance adjustment -workers compensation			(351,690)	
Advance from Roads Fund			(2,628,800)	
Accounts payable			(204,344)	
Due to other funds			(24,001)	
Payroll, payroll taxes and benefits payable			(1,736,091)	
Fund balance (GAAP basis) - at end of year			\$ (4,510,863)	

See notes to basic financial statements

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LINN COUNTY

MAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

General Road – Operations of the County Road Department are primarily shown in this fund. Major sources of revenue include forestland sales and motor vehicle fees. Expenditures are primarily for road construction and maintenance.

Law Enforcement 4-Year Levy – This fund was supported by the fourth year of a four-year local option property tax levy in annual amount of \$2.58 per \$1,000 taxable value. Expenditures were primarily for continuing law enforcement and jail operations.

Health – County health related activities are recorded in the Health Fund. Resources of this fund are primarily from various grants, Title XIX, managed care and operating transfers from the General Fund. Expenditures are for health care activities.

Veterans Home Loan – (Properties Fund re-named) Established in fiscal 2010-11, this fund records the cost of transferring property and funds to the State of Oregon for the Construction of a Veterans Home , and the related property tax revenues.

LINN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL ROAD FUND - MAJOR SPECIAL REVENUE FUND
Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Motor vehicle apportionments	\$ 7,848,600	\$ 7,848,600	\$ 7,125,226	\$ (723,374)
Federal forest	3,064,512	3,064,512	3,289,345	224,833
Intergovernmental	2,658,913	2,658,913	2,089,747	(569,166)
Interest earnings	300,000	300,000	60,125	(239,875)
Miscellaneous	609,100	609,100	571,595	(37,505)
TOTAL REVENUES	14,481,125	14,481,125	13,136,038	(1,345,087)
EXPENDITURES				
Personal services	7,001,859	7,001,859	6,752,806	249,053
Materials and services	5,054,410	5,054,410	3,550,305	1,504,105
Capital outlay	5,748,810	5,748,810	3,227,280	2,521,530
Contingency	14,412,742	14,012,742	-	14,012,742
TOTAL EXPENDITURES	32,217,821	31,817,821	13,530,391	18,287,430
Excess (deficiency) of revenues over expenditures	(17,736,696)	(17,336,696)	(394,353)	16,942,343
OTHER FINANCING SOURCES (USES)				
Loan repayments from other funds				
General fund /Accounting software	95,741	95,741	15,629	(80,112)
General Fund for park	162,514	162,514	15,320	(147,194)
General fund / Orcats	46,758	46,758	7,633	(39,125)
General fund / DA software	63,648	63,648	4,847	(58,801)
General fund / Elevators	36,067	36,067	2,747	(33,320)
Veterans Home Loan	1,329,968	1,329,968	1,101,041	(228,927)
Loan to general fund/property	-	(400,000)	(400,000)	-
General Fund /Surveyor contract	(363,000)	(363,000)	(272,237)	90,763
Juvenile work crew/General Fund	(10,000)	(10,000)	(5,750)	4,250
ITS support/General Fund	(35,000)	(35,000)	(1,709)	33,291
GIS Contract	(30,000)	(30,000)	(29,980)	20
Sheriff-Road Crew	(60,000)	(60,000)	(2,953)	57,047
TOTAL OTHER FINANCING SOURCES (USES)	1,236,696	836,696	434,588	(402,108)

*See notes to basic financial statements
Continued on page 19*

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
 GENERAL ROAD - MAJOR SPECIAL REVENUE FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
Net change in fund balance	\$ (16,500,000)	\$ (16,500,000)	\$ 40,235	\$ 16,540,235
Fund balance at beginning of year	<u>16,500,000</u>	<u>16,500,000</u>	<u>18,939,650</u>	<u>2,439,650</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>18,979,885</u>	<u>\$ 18,979,885</u>
Reconciliation to GAAP basis:				
Accounts receivable and available			5,271	
Due from other funds			1,776	
Fair value adjustment			20,696	
Due from other governments and available			1,157,650	
Current portion of interfund loan receivable			-	
Investment in fuel facility			150,614	
Inventories			1,108,150	
Accounts payable			(307,698)	
Due to other funds			(38,420)	
Payroll, payroll taxes and benefits payable			<u>(544,664)</u>	
Total current reconciling items			1,553,375	
Long-term portion of interfund loan receivable			<u>13,762,309</u>	
Total all reconciling items			<u>15,315,684</u>	
Fund balance (GAAP basis) at end of year			<u>\$ 34,295,569</u>	

See notes to basic financial statements

LINN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
LAW ENFORCEMENT 4-YEAR LEVY - MAJOR SPECIAL REVENUE FUND
Year Ended June 30, 2012**

REVENUES	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Property taxes:				
Current year's levy	\$ 16,187,201	\$ 16,187,201	\$ 15,049,964	\$ (1,137,237)
Prior year's levy	<u>401,800</u>	<u>401,800</u>	<u>576,827</u>	<u>175,027</u>
Total property taxes	16,589,001	16,589,001	15,626,791	(962,210)
SAIF Reimbursement			7,065	
Interest earnings	10,000	10,000	7,601	(2,399)
TOTAL REVENUES	<u>16,599,001</u>	<u>16,599,001</u>	<u>15,641,457</u>	<u>(957,544)</u>
EXPENDITURES				
Personal services	12,898,828	12,898,828	12,559,643	339,185
Materials and services	3,579,343	3,579,343	3,200,771	378,572
Capital outlay	126,000	126,000	87,172	38,828
Contingency	<u>348,739</u>	<u>348,739</u>	<u>-</u>	<u>348,739</u>
TOTAL EXPENDITURES	<u>16,952,910</u>	<u>16,952,910</u>	<u>15,847,586</u>	<u>1,105,324</u>
Excess (deficiency) of revenues over expenditures	<u>(353,909)</u>	<u>(353,909)</u>	<u>(206,129)</u>	<u>147,780</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Road Fund	(1,800)	(1,800)	(1,800)	-
Loan repayment to General Road Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>-</u>
Net change in fund balance	(355,709)	(355,709)	(207,929)	147,780
Fund balance at beginning of year	<u>355,709</u>	<u>355,709</u>	<u>353,835</u>	<u>(1,874)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	145,906	<u>\$ 145,906</u>
Reconciliation to GAAP basis:				
Property taxes receivable and available			122,176	
Accounts payable			(41,483)	
Due to other funds			(33,458)	
Payroll, payroll taxes and benefits payable			<u>(1,043,099)</u>	
Fund balance (GAAP basis) at end of year			<u>\$ (849,958)</u>	

See notes to basic financial statements

LINN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 HEALTH - MAJOR SPECIAL REVENUE FUND
 Year Ended June 30, 2012

REVENUES	Budget		Actual	Variance
	Original	Final		
Health administration:				
Grants	\$ 296,330	\$ 296,330	\$ 322,939	\$ 26,609
Indirect cost reimbursement	43,162	43,162	43,160	(2.00)
Mental - emotional disturbances:				
Grants	3,290,004	3,290,004	3,086,368	(203,636)
Group home room and board	21,220	21,220	27,306	6,086
Title XIX	636,750	636,750	527,595	(109,155)
Contracts	109,332	109,332	120,931	11,599
Managed care	3,447,813	3,902,813	7,944,559	4,041,746
Reimbursements and charges	394,056	394,056	450,118	56,062
Earnings on deposits	21,000	21,000	17,714	(3,286)
Miscellaneous fees	29,237	29,237	19,412	(9,825)
Developmental disabilities:				
Grants	1,891,725	1,891,725	1,879,311	(12,414)
Earnings on deposits	3,806	3,806	2,813	(993)
Alcohol and drug:				
Grants	2,111,319	2,111,319	1,901,493	(209,826)
Beer and wine tax	101,000	101,000	109,073	8,073
Title XIX	77,207	77,207	38,189	(39,018)
Managed care	430,983	430,983	644,515	213,532
Reimbursements and contracts	41,600	41,600	29,375	(12,225)
Miscellaneous fees	24,468	24,468	19,966	(4,502)
Earnings on deposits	1,229	1,229	2,125	896
Indirect cost reimbursement	71,288	71,288	71,288	-
Public health:				
Grants	1,584,003	1,694,003	1,653,539	(40,464)
Medicaid administration	191,454	206,454	186,325	(20,129)
Title XIX	196,616	196,616	200,439	3,823
Family-PEP	363,000	393,000	351,014	(41,986)
Miscellaneous fees	97,297	122,297	123,727	1,430
Reimbursements	5,617	15,617	16,151	534
Earnings on deposits	563	563	1,181	618
Indirect cost reimbursement	178,168	178,168	178,168	-
Environmental health:				
Grants	40,252	40,252	40,252	-
Licenses and permits	317,701	317,700	331,738	14,038
Miscellaneous fees	295,618	295,618	341,706	46,088
Earnings on deposits	162	162	428	266
Indirect cost reimbursement	49,862	49,862	49,862	-
TOTAL REVENUES	16,363,842	17,008,841	20,732,780	3,723,939

See notes to basic financial statements

Continued on page 22

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
HEALTH - MAJOR SPECIAL REVENUE FUND (Continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES				
Personal services	\$ 16,869,830	\$ 16,994,830	\$ 15,512,291	\$ 1,482,539
Materials and services	4,286,704	4,806,704	4,136,233	670,471
Indirect cost allocation	905,353	905,352	905,352	
Capital outlay	12	12	-	12
TOTAL EXPENDITURES (1)	22,061,899	22,706,898	20,553,876	2,153,022
Excess (deficiency) of revenues over expenditures	(5,698,057)	(5,698,057)	178,904	5,876,961
OTHER FINANCING SOURCES (USES)				
Transfers from General Fund	1,162,864	1,162,864	1,162,862	(2)
Transfers out	-	-	-	-
Net change in fund balance	(4,535,193)	(4,535,193)	1,341,766	5,876,959
Fund balance at beginning of year	4,535,193	4,535,193	6,003,726	1,468,533
Fund balance at end of year	\$ -	\$ -	7,345,492	
Reconciliation to GAAP basis:				
Accounts receivable (net)			178,871	53,252
Fair market value and cash adjustment			3,714	17,034
Due from other governments and available			538,492	645,590
Due from other funds and available			67,572	105,722
Accounts payable			(173,743)	(133,489)
Due to other funds			(8,293)	(13,942)
Payroll, payroll taxes and benefits payable			(1,322,629)	(1,168,815)
Fund balance (GAAP basis) at end of year			\$ 6,629,476	\$ (494,648)
(1) Summary of Expenditures by Program				
Health administration	\$ 431,977	\$ 431,977	\$ 282,102	\$ 149,875
Mental - emotional disturbances	11,923,691	12,378,691	11,165,150	1,213,541
Developmental disabilities	1,983,804	1,983,804	1,633,168	350,636
Alcohol and drug	3,102,877	3,102,877	2,957,278	145,599
Public health	3,903,111	4,093,111	3,817,705	275,406
Environmental health	716,418	716,418	698,473	17,945
TOTAL EXPENDITURES BY PROGRAM	\$ 22,061,878	\$ 22,706,878	\$ 20,553,876	\$ 2,153,002

See notes to basic financial statements

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
VETERANS HOME LOAN (PROPERTIES FUND)
Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property Tax - Current	\$ 1,330,001	\$ 1,330,001	\$ 1,099,912	(230,089)
Earnings on deposits	1,000	1,000	1,129	129
TOTAL REVENUES	<u>1,331,001</u>	<u>1,331,001</u>	<u>1,101,041</u>	<u>(229,960)</u>
EXPENDITURES				
Loan Repayment		-	-	-
Operating Contingency	1,033	1,033	-	1,033
TOTAL EXPENDITURES	<u>1,033</u>	<u>1,033</u>	<u>-</u>	<u>1,033</u>
Excess (deficiency) of revenues over expenditures	1,329,968	1,329,968	1,101,041	228,927
OTHER FINANCING SOURCES (USES)				
Transfer in		-	-	-
Transfer out	(1,329,968)	(1,329,968)	(1,101,041)	(228,927)
Net change in fund balance	-	-	-	
Fund balance at beginning of year	-	-	-	
Fund balance at end of year	-	-	-	
Reconciliation to GAAP basis:				
Property tax receivable			3,628	
Advances from Other Funds			(11,133,509)	
Fund balance (GAAP basis) at end of year			<u>\$ (11,129,881)</u>	

LINN COUNTY
INTERNAL SERVICE FUND

Unemployment Insurance – This fund began in 1990-91 with funding obtained through action by the County Commissioners in requesting monies that had accumulated in the State Employment Division Local Government Benefit Trust Fund. Currently, this fund is self-financed by obtaining monies from other County funds. Expenditures from the Unemployment Insurance Fund pertain to current year unemployment claims.

LINN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	Governmental Activities
	Internal Service
<u>ASSETS</u>	
Cash and investments	\$ 126,780
Interest Receivables	-
Due from other funds	20,068
TOTAL ASSETS	146,848
 <u>LIABILITIES</u>	
Due to other governments	111,758
Claims liability	160,580
TOTAL LIABILITIES	272,338
 <u>NET ASSETS</u>	
Unrestricted	\$ (125,490)

LINN COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2012

	Governmental Activities
	Internal Service
OPERATING REVENUES	
Reimbursements	\$ 243,735
OPERATING EXPENSES	
Insurance claims	295,827
Operating income	(52,092)
NONOPERATING REVENUES	
Interest earnings	498
NONCAPITAL FINANCING ACTIVITEIS	
Transfer to General fund	(150,000)
Change in net assets	(201,594)
Total net assets - beginning of year	76,104
Total net assets - end of year	\$ (125,490)

See notes to basic financial statements

LINN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

	Governmental Activities
	Internal Service
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from reimbursements	\$ 242,898
Cash paid for insurance claims	(219,780)
Net cash provided (used) by operating activities	23,118
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	498
Net cash provided (used) by investing activities	498
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Transfer to the general fund	(150,000)
Net cash provided (used) by non capital financing activities	(150,000)
Net increase in cash and cash equivalents	(126,384)
Cash and cash equivalents - beginning of year	253,164
Cash and cash equivalents - end of year	\$ 126,780
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (52,092)
Decrease (increase) in accounts receivable	-
Decrease (increase) in due from other funds	763
Increase (decrease) in due to other government	66,639
Increase (decrease) in claims liability	7,808
Net cash provided by operating activities	\$ 23,118

See notes to basic financial statements

LINN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,933,218
Receivables	10,380,222
Due from other governments	<u>7,827</u>
 TOTAL ASSETS	 <u>\$ 12,321,267</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 61,994
Due to other governments	1,536,892
Amounts held in trust	<u>10,722,381</u>
 TOTAL LIABILITIES	 <u>\$ 12,321,267</u>

See notes to basic financial statements

**NOTES TO BASIC
FINANCIAL STATEMENTS**

LINN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2012

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LINN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of LINN COUNTY have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Organization

LINN COUNTY was formed under the predecessor chapter to ORS 202 in 1847. Its boundaries are established by ORS 201.220. The County's budgeting and accountability for fiscal matters is directed by a Board of County Commissioners consisting of three independently elected members. Eight other elected officials manage various other public service areas.

B. Reporting Entity

The accompanying basic financial statements present all activities funds and component units for which the County is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criterion, the County is a primary government with no includable component units.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major proprietary funds are reported in separate columns in the respective fund financial statements.

D. Measurement Focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except the agency fund has no measurement focus under accrual accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements and proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. No FASB statements and interpretations issued after November 30, 1989 have been applied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the County, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, basis of accounting and financial statement presentation (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the County. Expenditures generally are 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, basis of accounting and financial statement presentation (continued)

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The County reports the following major governmental funds:

General
General Road
Law Enforcement 4-Year Levy
Health
Veterans' Home Loan

Additionally, the County reports the following 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. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Proprietary fund accounts for the operations of predominantly self-supporting activities. Internal service funds account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Linn County has a self insured unemployment fund classified and reported as an internal service fund.

Fiduciary 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, which in Linn County include a regional fueling facility, justice courts and various other receipts held by the County Treasurer's Office.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The cash 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 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 and the General Grants Fund budgetary controls are established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The Board of Commissioners must authorize all appropriation transfers and supplementary budgetary appropriations.

F. Investments

Investments included in cash and investments are reported at fair value. The County invests in the State of Oregon Local Government Investment Pool, certificates of deposit, United States Government securities held under repurchase agreements, and other government investments authorized by Oregon Revised Statutes. The Local Government Investment Pool is not registered with the Securities and Exchange Commission as an investment organization. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The County maintains depository insurance under federal depository insurance funds and state and financial institution collateral pools for its deposits with financial institutions.

For purposes of the combined statement of cash flows, the Internal Service Fund considers its cash and investments as cash and cash equivalents. This is in conformity with Statement No. 9 of the Governmental Accounting Standards Board which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Receivables

Property taxes receivable in the Governmental Funds, which have been collected within 60 days of year end, are considered measurable and available, and are recognized as revenues in the funds. All other property taxes receivable in the Governmental Funds are offset by deferred revenues and have not been recorded as revenues. Property taxes receivable in the Agency Fund are offset by a liability account entitled "Amounts held in trust."

Accounts receivable in Governmental Funds are recorded as revenue as they become measurable and available. An allowance for doubtful accounts pertaining to estimated uncollectible health and mental health fees has been recorded.

Receivables for federal and state grants, and state shared revenues are entered in the Governmental Funds as "Due from other governments." These receivables are recorded as revenue in all fund types as they become measurable and available.

Loans receivable in the Special Revenue Funds consist primarily of regional strategy loans and rehabilitation loans, net of an allowance for doubtful loans, which are also offset by a deferred revenue account. Loans receivable will be recognized as revenue as they become measurable and available.

Assessments receivable pertain to improvements benefiting specific property owners. These receivables are offset by a deferred revenue account and are recognized as revenue as they become measurable and available.

H. Interfund loans

Lending and borrowing arrangements between funds, which are outstanding at the end of the year, are presented as either "interfund receivables/payables" for the current portion or "advances to/from other funds" for the non-current portion of the interfund loan. All other outstanding balances between funds are reported as due to/from other funds. Advances to other funds are offset by a reservation of fund equity to indicate that they are not available financial resources.

I. Inventories

Inventories consist of materials and supplies used for road repairs in the General Road Fund. Inventories are valued at average cost. The County uses the consumption method of accounting for these inventories, whereby inventories are charged as expenditures when used.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Foreclosed Properties Held for Sale

These properties are valued at the amount of property taxes owing upon acquisition, and are continually offered for sale at which time revenues are recognized. The inventory of foreclosed properties held for sale is offset by deferred revenue.

K. Capital Assets

Capital assets, which include property, equipment, infrastructure assets (e.g., roads, bridges, and right of ways), and their improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The County has elected to use the modified approach to present infrastructure relating to paved roads. Under the modified approach, assets are capitalized but not depreciated. In lieu of calculating depreciation, a condition assessment of the eligible assets must be presented listing planned versus actual maintenance and details of the basis of assessment and the level of condition at which the County intends to preserve the eligible assets. All other infrastructure assets are being depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the County are depreciated after reducing the capitalized cost by the estimated salvage value, if any, using the straight-line method over the following estimated useful lives:

• Motor vehicles	3 - 10 years
• Equipment	5 - 30 years
• Intangibles	5 - 15 years
• Buildings	39 - 50 years
• Buildings improvements	50 years
• Public domain infrastructure	25 - 50 years

Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in the statement of activities.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Investment in Joint Venture

The County reports its vested pro-rata share of the June 30, 2012 Net Assets of the Linn Regional Fueling Facility (a jointly governed organization) as investment in joint venture. See also Note 17.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and the excess of bond amounts issued to refund previously issued debt over the refunded debt are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Leases

Leases which meet certain criteria established by the Financial Accounting Standards Board are classified as capital leases and are recorded in the Statement of Net Assets. Leases which do not meet criteria of a capital lease are classified as operating leases.

O. Compensated Absences

Accumulated vacation is accrued when incurred in the government-wide and proprietary fund statements. Sick leave, which does not vest, is recorded when leave is taken. All of the County's major and minor funds that have accrued payroll, periodically liquidated the compensated absences liability.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Assets and Fund Equity

Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Restricted net assets represent net assets restricted by parties outside of the County (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net assets are considered unrestricted

Fund Equity

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the Board of Commissioners, by formal board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes items assigned for specific uses, authorized by the County Assignments of fund balance can be done at any time, including after the fiscal year end date.

Unassigned – This is the residual classification used for those balances not assigned to another category.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the County's policy to use committed resources first, then assigned, and then unassigned as they are needed.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Assets and Fund Equity (continued)

New Accounting Pronouncement – GASB Statement No. 54

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The County implemented GASB 54 in the year ending June 30, 2011.

Q. Property Tax Calendar

Property taxes become an enforceable lien on July 1 for real property and personal property. Taxes are levied on July 1 and are payable on November 15 with 3 percent discount, or without discount in installments on November 15, February 15, and May 15. The County levies, collects and distributes property taxes for the taxing jurisdictions within its boundaries. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens.

2. DEPOSITS AND INVESTMENTS

The County maintains a pool of cash and investments pool that is 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 that 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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

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. For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid department instruments purchased with a maturity of three months or less.

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. The Pool is not registered with the SEC as an investment company and is unrated.

As of June 30, 2012 the County had the following investments:

	Rating	Maturities	Fair Value
State Treasurer's Investment Pool	No rating	N/A	\$ 10,833,712
Corporate note	A1	07/02/2012	1,004,637
Corporate Bond	A3	09/17/2012	1,516,351
Corporate Bond	A2	10/23/2012	505,780
Corporate note	A2	01/23/2013	1,014,012
Corporate note	A1	01/23/2013	508,703
Corporate note	A2	01/31/2013	1,032,840
Corporate note	AA3	04/24/2013	851,926
Corporate Bond	A1	05/15/2013	1,032,093
Corporate note	AA3	06/14/2013	1,011,940
Corporate note	AA3	07/29/2013	1,022,367
Corporate note	A1	08/15/2013	1,055,992
Corporate note	A2	09/30/2013	1,508,40
Corporate Bond	A3	10/16/2013	1,047,218
Corporate note	A1	01/07/2014	690,759

Corporate Bond	AA2	06/30/2014	626,026
General Electric Capital Corporation	AA2	01/15/2013	1,048,175
Government Bond	AA3	10/01/2012	205,048
Total			<u>\$ 26,529,820</u>

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. The county's policy to manage its exposure to fair-value losses arising from increases in interest rates is in compliance with Oregon Revised Statutes.

Concentration of Credit Risk: The County does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 41% of the County's investments are in the State Treasurer's Investment Pool. The County's policy does not allow for an investment with any one issuer that is in excess of 25% of the County's total investments.

Custodial Credit Risk-Investments: This is the risk that, in the event of the failure of counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. Investments of \$15,696,108 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. Investments in the LGIP are not exposed to custodial credit risk. The County's investment policy does not limit 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 City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2012, none of the City's bank balances were exposed to credit risk.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

A. The County's deposits and investments at June 30, 2012, are as follows:

Cash on hand	\$ 12,110
Deposits with financial institutions	
Checking and saving accounts	1,642,401
Certificates of Deposit	2,177,396
Investments	<u>26,529,820</u>
Total cash and investments – all funds	<u>\$ 30,361,727</u>

B. Cash and Investments by fund:

Governmental activities

Governmental funds

General	\$ 158,444
General Road	19,000,579
Law Enforcement 4-Year Levy	145,907
Health	7,349,206
Other governmental funds	<u>1,647,593</u>

Total governmental funds 28,301,729

Proprietary fund

Internal Service	<u>126,780</u>
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Total governmental activities 28,428,509

Fiduciary fund

Agency	<u>1,933,218</u>
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Total cash and investments \$ 30,361,727

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. RECEIVABLES

	General	General Roads	Enforcement 4-Year Levy	Veterans Home Loan	Health	Government Funds	Agency	Totals
Property taxes	\$ 890,031	\$ -	\$ 1,469,733	\$ 49,798	\$ -	\$ -	\$ 9,250,475	\$ 11,660,037
Accounts	18,379	5,217	-	-	835,897	-	2,820,385	3,679,878
Interest	-	81,762	-	-	31,611	3,609	-	116,982
Contracts and loans	-	-	-	-	-	65,384	-	65,384
Assessment	-	31,860	-	-	-	-	-	31,860
Gross Receivable, net	908,410	118,839	1,469,733	49,798	867,508	68,993	12,070,860	15,554,141
Less Allowance for uncollectible	-	-	-	-	(492,375)	-	(1,690,638)	(2,183,013)
Receivables, net	\$908,410	\$118,839	\$1,469,733	\$ 49,798	\$375,133	\$68,993	\$10,380,222	\$13,371,128

4. INTERFUND RECEIVABLES AND PAYABLES

Fund	Due from Other Funds	Due to Other Funds
General	\$ 56,211	\$ 24,001
General Road	1,776	38,420
Law Enforcement 4-Year Levy	-	33,458
Health	67,572	8,293
Other governmental funds	6,724	48,179
Internal service	20,068	-
	<u>\$ 152,351</u>	<u>\$ 152,351</u>

The interfund balances between the General Fund and the other County funds are primarily a result of the centralized purchasing, printing and mailing departments within the General Fund which bills the other funds for materials and services supplied on their behalf. In addition, information technology is centralized in the General Fund and bills all other funds for services provided.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. INTERFUND LOANS

On June 19, 2007, the General Road Fund made an interfund loan, which will be repaid over a ten-year period, to the General Fund in the amount of \$1,450,000 for the purchase of land. During the year, \$15,320 of interest was paid to the Road Fund on this loan. In Fiscal Year 2008-09, the General Road Fund made a \$860,001 interfund loan to the General Fund for the purchase of a new financial applications software and reporting system. During Fiscal Year 2009-10, interfund loans between the General Fund and the Road Fund amounted to \$890,000 (new assessment and taxation system \$420,000, new District Attorney tracking system \$300,000, and a new elevator in the County Courthouse \$170,000). Those loans will be repaid over a five to ten-year period. Interest payments of \$29,253 were made to the Road Fund for those additional interfund loans. In Fiscal Year 2010-11, an interfund loan of \$12,000,000 was made from the Road Fund to the Veterans Home Loan Fund to purchase land which was then given to the State of Oregon, representing the County's contribution, for the new Veterans' Home. This loan will be paid off over a ten-year period. Interest of \$234,550 was paid to the Road fund by the Veterans Home Loan fund during the current fiscal year. During fiscal year 2011-12, a \$ 400,000 loan was made between the General Fund and the Road Fund to purchase property next to the Sheriff's Department /Jail. As of June 30, 2012, the combined balance of the interfund loans is \$13,762,309.

6. INTERFUND TRANSFERS

Interfund transfers used to pay for administrative services by the general fund, and to reallocate financial resources to funds where they will be expended were as follows:

Fund	Transfer In	Transfer out
General	\$ 1,146,371	\$ 1,739,439
General Road	1,147,217	711,942
Law Enforcement	-	1,800
Health	1,162,862	-
Veterans Home Loan	-	1,101,041
Other Government Funds	<u>589,621</u>	<u>491,849</u>
Total	<u>\$4,046,071</u>	<u>\$4,046,071</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. CAPITAL ASSETS

Changes in capital assets during the year were as follows:

	Balances June 30, 2011	Additions	Deletions	Balances June 30, 2012
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 16,828,004	\$ 4,416	\$ -	\$ 16,832,420
Infrastructure	95,667,563	2,537,079	-	98,204,642
Construction in progress	4,394,947	3,010,923	4,335,850	3,070,020
Total capital assets not being depreciated	<u>116,890,514</u>	<u>5,552,418</u>	<u>4,335,850</u>	<u>118,107,082</u>
Capital assets being depreciated				
Buildings and improvements	45,450,616	344,071	-	45,794,687
Intangibles	1,296,212	36,320	-	1,332,532
Equipment	21,743,898	669,443	292,034	22,121,307
Infrastructure	21,705,977	981,413	-	22,687,390
Total capital assets being depreciated	<u>90,196,703</u>	<u>2,031,247</u>	<u>292,034</u>	<u>91,935,916</u>
Less accumulated depreciation for:				
Buildings and improvements	10,266,884	739,296	-	11,006,180
Intangibles	397,474	94,069	-	491,543
Equipment	14,092,008	955,781	255,610	14,792,179
Infrastructure	6,619,166	408,848	-	7,028,014
Total accumulated depreciation	<u>31,375,532</u>	<u>2,197,994</u>	<u>255,610</u>	<u>33,317,916</u>
Total capital assets, being depreciated, net	<u>58,821,171</u>	<u>(166,747)</u>	<u>36,424</u>	<u>58,618,000</u>
Governmental activities capital assets, net	<u>\$ 175,711,685</u>	<u>\$ 5,385,671</u>	<u>\$ 4,372,274</u>	<u>\$ 176,725,082</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General administration and support	\$	210,689
Local government services		43,129
Public safety		483,269
Health services		54,552
Community development		388,709
Highways and streets		<u>1,017,646</u>

Total depreciation expense – governmental activities \$ 2,197,994

8. DUE TO OTHER GOVERNMENTS

At June 30, 2012 the internal service fund owed the State of Oregon \$111,758.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS

During the year ended June 30, 2012, the following changes occurred with long-term obligations:

	Balances June 30, 2011	Additions	Reductions	Balances June 30, 2012	Balances Due Within One Year
Accumulated compensated absences	\$3,642,906	\$3,698,672	\$3,642,906	\$3,698,672	\$1,775,314
		-		-	-
Totals	<u>\$3,642,906</u>	<u>\$3,698,672</u>	<u>\$3,642,906</u>	<u>\$3,698,672</u>	<u>\$ 1,775,314</u>

All major funds and the general grants fund have been used in prior years to liquidate the liability for compensated absences.

A. Capital and operating Leases

The County is also committed under various operating leases, primarily pertaining to equipment and office space. Lease payments for the year ended June 30, 2012, were \$200,348. Future minimum lease payments for the non cancelable leases are as follows.

	Year ending June 30,
2013	\$ 170,936
2014	120,209
2015	80,139
2016	40,070
2017	<u>30,052</u>
Total	<u>\$ 441,406</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. CONDUIT DEBT

The County has elected to follow Interpretation No. 2 of the Governmental Accounting Standards Board, "Disclosure of Conduit Debt Obligations," which allows for footnote disclosure of conduit debt obligations without presenting a liability, or related asset, on the balance sheet.

The County has a conduit debt obligation involving a guarantor agreement dated September 10, 1997, amounting to \$1,990,000 pertaining to the Oregon Cascades West Council of Governments (OCWCOG). The County guaranteed an obligation of OCWCOG under an installment purchase agreement in exchange for a lease by OCWCOG in favor of the County and a second mortgage to the County.

This conduit debt obligation at June 30, 2012, amounts to \$830,000. A principal reduction of \$115,000 and interest payments totaling \$51,269 were paid in 2011-12 by OCWCOG. The County has no obligation for the debt beyond resources provided by related leases/loans, and subject to annual appropriation in the event of failure of OCWCOG to pay. The debt will be retired in September 2017.

11. POSTEMPLOYMENT HEALTHCARE BENEFIT:

The County implemented Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, in fiscal year 2009. To comply with GASB 45, the County must account for other postemployment benefits (OPEB) using the accrual basis of accounting rather than a pay-as-you-go basis. Under accrual accounting, a liability must be recognized when employees earn OPEB rather than when the benefits are paid. To determine OPEB liabilities, the County must obtain an actuarial valuation every two years.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. POSTEMPLOYMENT HEALTHCARE BENEFIT: (Continued):

Benefit Description - Until they become eligible for Medicare, the County allows retirees to continue health insurance coverage for themselves and their qualified dependents at the same rates as active employees, as required by ORS 243.303. Retirees must pay the entire premium in order to maintain coverage; the County does not directly contribute to the cost of premiums for retirees. However, premiums paid by retirees do not represent the full cost of providing health insurance to retirees because the County's rates are determined based on claims experience for both active employees and retirees. Since retirees typically have higher medical claims than active employees, medical coverage would be more expensive for retirees in a separately rated health plan. Conversely, active employees would be expected to generate lower medical claims resulting in lower premiums. The additional cost of allowing retirees to purchase health insurance at a blended rate is called an implicit rate subsidy and is required to be valued under GASB 45. The County treats this implicit rate subsidy as a single-employer, defined benefit OPEB plan administered by the County only to satisfy the accounting and financial reporting requirements of GASB 45, and a separate financial report is not issued. In addition to the requirements imposed by ORS 243.303, benefits provided to employees and retirees are established and may be amended by the County's board of commissioners in conjunction with various collective bargaining agreements.

Funding Policy - Retirees pay the entire cost of the premium at blended rates. The County's only contribution is the implicit rate subsidy which continues to be financed on a pay-as-you-go basis. Contribution requirements are established and may be amended by the County's board of commissioners in conjunction with various collective bargaining agreements. All County funds contribute to the pay-as you go-basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) determined by the actuary. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the years ended June 30, 2012 and 2011 the annual OPEB cost was equal to the ARC of \$456,134 and \$442,478 respectively, and the County's contributions were equal to the implicit rate subsidy of \$216,829 and \$209,893 respectively. The County's net OPEB obligation as of June 30, 2012 and 2011 was \$1,139,385 and \$900,080 respectively (annual OPEB cost less contributions made).

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date, the actuarially accrued liability was \$4,241,537 all of which is unfunded because the County has not set aside any assets to pre-fund OPEB resulting from the implicit rate subsidy. The annual payroll of active employees covered by the County's healthcare plan was \$32,440,648, and the ratio of the unfunded actuarially accrued liability (UAAL) to covered payroll was 7.65%. The County implemented GASB 45 in fiscal 2008-09. A multi-year schedule of funding progress is presented below.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. POSTEMPLOYMENT HEALTHCARE BENEFIT: (Continued):

Schedule of Funding Progress

Valuation Date	Assets	Actuarial Accrued	Unfunded Actuarial	Funded Ratio	Covered Payroll	UAAL÷ Payroll
7/1/2008	\$ -	\$ 3,614,984	\$ 3,614,984	0%	\$ 31,569,264	11.45%
7/1/2010	-	4,241,537	4,241,537	0%	32,440,648	7.65%

Actuarial Methods and Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on types of benefits provided at the time of valuation and the pattern of cost-sharing between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective, including techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the July 1, 2010 actuarial valuation, the actuary used the projected unit credit actuarial cost method. Actuarial assumptions included a discount rate of 4 percent, projected salary increases of 3 percent per year, and a healthcare cost trend rate of 9 percent initially, and reduced by decrements to an ultimate rate of 5 percent after twelve years. The UAAL is being amortized over an open period of 30 years as a level percentage.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. RETIREMENT PLAN

Plan Description

Linn County participates in the State of Oregon Public Employees' Retirement System (PERS), an agent multiple-employer pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Linn County also participates in the Oregon Public Service Retirement Plan (OPSRP), an agent multiple-employer hybrid pension plan. 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 are placed in the OPSRP 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.

Both PERS and OPSRP are governed by the Public Employees' Retirement Board (PERB) under the provisions of Oregon Revised Statutes 238 and 238A. The systems are statewide defined benefit retirement plans for units of state government, political subdivisions, community colleges, and school districts. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional but irrevocable if elected. A stand-alone financial report is not available for the County. However, the State of Oregon Public Employees' Retirement System issues a financial report available to the public that includes financial statements and supplementary information.

Funding Policy

PERS members are required to contribute 6 percent of their annual covered salary with the County paying the contribution on behalf of the employees. The County is required to contribute at an actuarially determined rate. For employees hired before August 29, 2003, the county's contribution rate is 16.06 percent during current fiscal year. For employees hired on or after August 29, 2003, the county's contribution rate is 12.40 percent for general service employees and 15.11 percent for police and fire employees of covered compensation. The 2011-12, 2012-2013 rates were based on a December 31, 2009 actuarial valuation. The contribution requirements of plan members and the County are established and may be amended by the Public Employees' Retirement Board. The 2003 Oregon Legislature passed laws revising the Oregon Public Employees' Retirement Plan (PERS) making the existing PERS plan a closed plan effective August 28, 2003 meaning no employees will be added after that date. The legislature established the Oregon Public Service Retirement Plan (OPSRP) for all employees hired on or after August 29, 2003.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. RETIREMENT PLAN (Continued)

Annual Pension Cost

For 2011-12, the County's annual pension cost of \$5,179,028 was equal to the County's required and actual contributions. The County also paid the employees' share amounting to \$2,053,898. Effective with the December 31, 2004 actuarial valuation, the actuarial valuation cost method was changed from Entry Age Normal cost method to the Projected Unit Credit cost method. This change was made in order to better reflect the actual accrual of liabilities between past and future service. This change is being amortized over a rolling 3-year period as a level percentage of payroll over a closed period. The unfunded actuarial liability is currently amortized as a level percentage of combined valuation payroll over the period from the valuation date to December 31, 2027. As of December 31, 2004 the amortization period is 23 years. When the amortization period reaches 20 years, the period for the existing UAL will continue to decline until it is paid off and new gains and losses recognized in each odd year valuation will be amortized over a period of 20 years from that valuation. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent per year, (b) projected salary increases of 4 percent per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, (c) projected automatic cost-of-living benefit increases of 3 percent per year, and (d) demographic assumptions that have been chosen to reflect the actuaries best estimate of emerging experience of members of the system.

Three-Year Trend Information

Year Ended <u>June 30</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2010	\$ 3,857,567	100%	-
2011	4,002,998	100%	-
2012	5,179,028	100%	-

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. RETIREMENT PLAN (continued)

Schedule of Funding Progress for Retirement Plan

	Actuarial Valuation as of December 31,		
	2009	2007	2005
Actuarial value of assets (AVA) (a)	\$ 135,458,576	\$ 158,689,848	\$ 134,065,642
Actuarial accrued liability (AAL) (b)	173,289,627	160,988,659	149,947,404
Unfunded actuarial accrued liability (b-a)	37,831,051	2,298,811	15,881,762
Funded percent (a/b)	78%	99%	89%
Covered payroll (c)	\$ 32,768,668	\$ 30,341,309	\$ 27,612,228
Unfunded actuarial accrued liability as a Percentage of covered payroll [(b-a)/c]	115%	8%	58%

The Public Employers Retirement System (PERS) for the State of Oregon produces an actuarial report every two years, with the 2009 report being the most recent, issued December 31, 2009.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for risks of loss including general liability, automobile liability, automobile physical damage, property coverage, workers' compensation, boiler and machinery, public official bond and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The County has an Unemployment Insurance Fund (an internal service fund) to account for self-financed unemployment insurance. Funds of the County participate in the program and payments are made to the fund based on estimates of amounts needed to pay claims. The claims liability of \$160,580 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount during the past three years were as follows:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Changes in Estimates</u>	<u>Payments</u>	<u>Ending Liability</u>
2009-10	97,523	(7,792)	224,482	134,751
2010-11	134,751	(46,382)	241,140	152,771
2011-12	152,771	(17,524)	295,827	160,580

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14. CONTINGENCIES

The County is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The likely outcome of these suits is not determinable at this time and the County does not believe that the ultimate resolution of these lawsuits will have a material effect on the County's General Fund.

15. COMMITMENTS

A. Construction commitments Linn County has the following active construction projects as of June 30, 2012.

	<u>Spent to date</u>	<u>Remaining Commitments</u>
Financial Accounting Software	\$ 195,862	\$ 50,000
Moyer House Restoration	6,970	5,000
Bridge/ Road Improvement	2,427,715	10,887,000
Parks-River Bend Addition	345,491	600,000
Parks-Clear Lake dock	93,982	5,000
Totals	<u>\$ 3,070,020</u>	<u>\$ 11,547,000</u>

Road and Bridge improvements are funded primarily by state and federal grants.

B. Loan commitments

The County has agreed to make funds available for Linn Regional Fueling Facility in the amount of \$100,000 for normal operations. The loan is available for drawn downs beginning July 1, 2011. All advances must be repaid by May 31, 2012.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16. FUND DEFICITS

At June 30, 2012, General Fund had a deficit fund balance of (\$4,510,863). The General Fund has an interfund loan balance with the Roads Fund of \$2,628,800 as of June 30, 2012, as well as an accrued payroll of \$2,057,389 which represents the reason for the deficit. The loans will be paid back with general fund revenue over the next eight years.

At June 30, 2012, the Law Enforcement 4-Year Levy Fund had a deficit fund balance of (\$849,958) primarily due to recording the accrued payroll.

At June 30, 2012, the Veterans' Home Loan fund had a deficit fund balance of (\$11,129,880) primarily due to an interfund loan with the Roads Fund. (discussed in previous notes, and the MD&A)

17. JOINTLY GOVERNED ORGANIZATIONS

The County is a participant in two jointly governed organizations and manages the daily operations of each organization:

- The County does not have an equity interest in the Linn County Emergency Telephone Agency.
- The County has a 36.3 percent interest in the equity of the Linn Regional Fueling Facility.

Financial statements are available for these organizations as follows: Linn County Emergency Telephone Agency, 1115 Jackson Street SE, Albany, Oregon 97321; Linn Regional Fueling Facility, 3130 Ferry Street SW, Albany, Oregon 97321.

Both agencies have stable funding sources and any future liability to Linn County arising from normal operations is remote.

REQUIRED SUPPLEMENTARY INFORMATION

**Linn County Road Department
Planned versus Actual Maintenance**

Five Years - 2008-2012

Fiscal Year (Ending June 30)					
	2011-12	2010-11	2009-10	2008-09	2007-08
Arterials					
Planned	\$ 173,064	\$ 190,446	\$ 162,443	\$ 186,401	\$ 156,604
Actual	\$ 176,957	\$ 214,560	\$ 159,770	\$ 195,084	\$ 132,375
Collectors					
Planned	\$ 3,304,689	\$ 3,636,616	\$ 3,101,880	\$ 3,559,366	\$ 2,990,394
Actual	\$ 3,379,036	\$ 4,097,075	\$ 3,050,839	\$ 3,725,170	\$ 2,527,741
Local					
Planned	\$ 4,763,368	\$ 5,241,806	\$ 4,471,038	\$ 5,130,458	\$ 4,310,343
Actual	\$ 4,870,531	\$ 5,905,509	\$ 4,397,469	\$ 5,369,447	\$ 3,643,477
Total Planned	\$ 8,241,121	\$ 9,068,868	\$ 7,735,361	\$ 8,876,225	\$ 7,457,341
Total Actual	\$ 8,426,524	\$ 10,217,144	\$ 7,608,077	\$ 9,289,701	\$ 6,303,594
Difference	\$ (185,403)	\$ (1,148,276)	\$ 127,283	\$ (413,476)	\$ 1,153,748

Notes:

Linn County's Gravel roads are not included above amounts as they are on a depreciation schedule. The above amounts are derived from reports produced through the IRIS cost accounting system for actual and the Road Department budget documents for planned.

Difference between planned and actual maintenance for FY 2010-2011 was primarily related to the additional asphalt paving project funded by the American Recovery Act.

Functional Class	Pavement Condition Index (weighted average)		
	2012	2010	2008
Arterial	71.6	76.3	78.1
Collector	75.4	78.5	79.1
Residential / Local	81.4	81.3	79.5

The pavement condition index (PCI) for each road segment is calculated using the Street Saver Pavement Management System from Metropolitan Transportation Commission and Association of Oregon Counties. The PCI is based on a scale of 0 to 100 where 100 is considered a new pavement and 0 is considered completely failed. The PCI value is obtained by subtracting points based on several distress factors noted during the visual inspection of the pavement. The PCI is used to classify pavements as very good (100-85), good (84-60), poor (59-35), and very poor (34-0). Linn County has adopted a policy of maintaining its road network at a condition level of good or better (PCI of 65 or above) on a weighted average basis.

Moderate fluctuations in PCI are normal and are the result of the statistical sampling process as well as maintenance performed between the inspection cycles.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

LINN COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	County Fair	Dog Control	Law Library	General Grants	Bike Trails	Corner Preser- vation	Historical Restoration	County Forest/ Park	County School	Federal Forest	Totals
ASSETS											
Cash and investments	\$ 87,314	\$ 99,348	\$ 267,038	\$ 838,777	\$ 92,522	\$ 211,396	\$ 22,433	\$ 27	\$ -	\$ 28,738	\$ 1,647,593
Receivables, net of allowance for doubtful accounts	-	-	-	68,993	-	-	-	-	-	-	68,993
Due from other funds	-	-	-	6,724	-	-	-	-	-	-	6,724
Due from other governments	-	-	-	111,473	6,116	-	-	-	-	-	117,589
TOTAL ASSETS	\$ 87,314	\$ 99,348	\$ 267,038	\$ 1,025,967	\$ 98,638	\$ 211,396	\$ 22,433	\$ 27	\$ -	\$ 28,738	\$ 1,840,899
LIABILITIES											
Accounts payable	\$ 15,384	\$ 1,406	\$ 2,161	\$ 116,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,302
Due to other funds	-	570	81	47,484	-	44	-	-	-	-	48,179
Deferred revenue	-	-	-	68,993	-	-	-	-	-	-	68,993
Payroll, payroll taxes and benefits payable	-	29,077	2,898	92,832	-	-	-	-	-	-	124,807
TOTAL LIABILITIES	15,384	31,053	5,140	325,660	-	44	-	-	-	-	377,281
FUND BALANCES											
Non spendable:											
Restricted for:											
Public Safety	-	-	-	-	-	-	-	-	-	28,738	28,738
Grants/ minor funds	71,930	68,295	261,898	700,307	98,638	211,352	22,433	27	-	-	1,434,880
Committed to:											
Assigned to:	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	71,930	68,295	261,898	700,307	98,638	211,352	22,433	27	-	28,738	1,463,618
TOTAL LIABILITIES AND FUND BALANCES	\$ 87,314	\$ 99,348	\$ 267,038	\$ 1,025,967	\$ 98,638	\$ 211,396	\$ 22,433	\$ 27	\$ -	\$ 28,738	\$ 1,840,899

LINN COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012

	County Fair	Dog Control	Law Library	General Grants	Bike Trails	9-1-1 Emergency Communi- cations	Corner Preser- vation	Historical Restoration	County Forest/ Park	County School	Federal Forest	Totals
REVENUES												
Intergovernmental	\$ 50,001	\$ -	\$ -	\$ 2,264,979	\$ 71,972	\$ 669,594	\$ -	\$ -	\$ -	\$ 1,313,613	\$ 455,111	\$ 4,825,270
Licenses, permits, fines and services	258,474	202,141	92,793	489,381	-	-	-	-	15,920	-	-	1,058,709
Interest earnings	-	424	884	3,228	228	-	775	86	1	871	-	6,497
Miscellaneous	-	-	-	-	-	-	-	4,218	-	-	-	4,218
TOTAL REVENUES	308,475	202,565	93,677	2,757,588	72,200	669,594	775	4,304	15,921	1,314,484	455,111	5,894,694
EXPENDITURES												
Public safety	-	394,217	114,623	882,943	-	669,594	-	-	-	-	190,000	2,251,377
Health services	-	-	-	-	-	-	-	-	-	-	-	-
Community development	326,952	-	-	1,759,370	-	-	23,700	8,533	5,071	-	-	2,123,626
Apportionments to school districts	-	-	-	-	-	-	-	-	-	1,314,484	-	1,314,484
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	326,952	394,217	114,623	2,642,313	-	669,594	23,700	8,533	5,071	1,314,484	190,000	5,689,487
Excess (deficiency) of revenues over expenditures	(18,477)	(191,652)	(20,946)	115,275	72,200	-	(22,925)	(4,229)	10,850	-	265,111	205,207
OTHER FINANCING SOURCES (USES)												
Transfers in	45,000	268,435	3,817	118,422	-	-	153,947	-	-	-	-	589,621
Transfers out	(18,000)	-	-	(61,722)	-	-	(145,754)	-	-	-	(266,373)	(491,849)
TOTAL OTHER FINANCING SOURCES (USES)	27,000	268,435	3,817	56,700	-	-	8,193	-	-	-	(266,373)	97,772
Net change in fund balances	8,523	76,783	(17,129)	171,975	72,200	-	(14,732)	(4,229)	10,850	-	(1,262)	302,979
Fund balances at beginning of year	63,407	(8,488)	279,027	528,332	26,438	-	226,084	26,662	(10,823)	-	30,000	1,160,639
Fund balances (deficit) at end of year	\$ 71,930	\$ 68,295	\$ 261,898	\$ 700,307	\$ 98,638	\$ -	\$ 211,352	\$ 22,433	\$ 27	\$ -	\$ 28,738	\$ 1,463,618

LINN COUNTY

SPECIAL REVENUE FUNDS

Special Revenue funds account for specific revenues that are legally restricted for particular expenditure purposes.

County Fair – Financial activities of the fair are accounted for in this fund. Primary sources of revenue include state apportionments, operation of the annual fair and transfers from the County General Fund. Expenditures are primarily for administration, operation of the fair and maintenance of fair buildings and grounds.

Dog Control – The sale of dog licenses constitutes the primary revenue for this fund. Expenditures of the fund are for domestic and predatory animal control.

Law Library – This fund is used to account for moneys collected which are restricted for the purpose of providing the County with a law library. Revenue is derived from court fees, a portion of which is specified for the Law Library Fund. Expenditures are for the operation and maintenance of the law library.

General Grants – This fund is used to account for revenues from special taxes, grants and other sources for which expenditures are restricted by law.

Bike Trails – Designated Oregon highway tax apportionments for the construction of bike trails are accounted for in this fund.

9-1-1 Emergency Communications – 9-1-1 emergency resources received from the Oregon telephone excise tax and from the various cities in the county joining in intergovernmental agreements are accounted for in this fund. Expenditures from the fund during the year represented contract payments for operation of a 9-1-1 center.

Corner Preservation – This fund was established to account for expenses incurred or authorized by the County Surveyor in the restoration of government corners. Fund revenues are generated by fee charges for filing and recording instruments under ORS 205.130(2).

Historical Restoration – The fund was created for the purpose of restoring and preserving the Moyer House. The Moyer House is a museum located in the community of Brownsville.

County Forest/Park – The fund was created to accept all proceeds from the sale of timber products or mineral resources from land included in the Forest/Park System. The fund is used to pay the expense of administering, operating and acquiring property for the Forest/Park System, or for development of and operating the County Park System.

County School – Revenues of this fund consists primarily of property taxes and federal and state forestland sales. Proceeds are distributed to the school districts in Linn County.

Federal Forest – This Fund was created in fiscal 2001-02 to account for U.S. Forest Service Title II and III funds. Distributions from the Forest Service are recorded in this Fund and transferred to other county funds as actual project expenses are incurred.

LINN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
COUNTY FAIR - SPECIAL REVENUE FUND
Year Ended June 30, 2012

	Budget Original/Final	Actual	Variance
REVENUES			
Oregon State Lottery distribution	\$ 36,850	\$ 50,001	\$ 13,151
Parking fees	20,000	26,017	6,017
Sponsorship fees	110,000	105,084	(4,916)
Gate fees, carnival fees, entry fees	87,750	68,513	(19,237)
Booth revenues, contracts, miscellaneous	78,050	58,860	(19,190)
Interest earnings	-	-	-
TOTAL REVENUES	332,650	308,475	(24,175)
EXPENDITURES			
Materials and services	359,650	337,295	22,355
Excess (deficiency) of revenues over expenditures	(27,000)	(28,820)	(1,820)
OTHER FINANCING SOURCES (USES):			
Transfer from General Fund	45,000	45,000	-
Transfer to General Fun	(18,000)	(18,000)	-
Net change in fund balance	-	(1,820)	(1,820)
Fund balance at beginning of year	-	89,134	89,134
Fund balance at end of year		87,314	\$ 87,314
Reconciliation to GAAP basis:			
Due to other Funds			
Accounts payable		(15,384)	
Fund balance (GAAP basis) at end of year		\$ 71,930	

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
DOG CONTROL - SPECIAL REVENUE FUND
Year Ended June 30, 2012**

	Budget Original/Final	Actual	Variance
REVENUES			
Dog licenses and penalties	\$ 161,000	\$ 159,007	\$ (1,993)
Dog fees - miscellaneous	50,000	40,140	(9,860)
Grants	11,700	3,125	
Interest earnings	1,200	262	(938)
TOTAL REVENUES	223,900	202,534	(12,791)
EXPENDITURES			
Personal services	401,140	349,577	51,563
Materials and services	99,798	47,955	51,843
TOTAL EXPENDITURES	500,938	397,532	103,406
Excess (deficiency) of revenues over expenditures	(277,038)	(194,998)	82,040
OTHER FINANCING SOURCES (USES):			
Transfer from General Fund	268,435	268,435	-
Net change in fund balance	(8,603)	73,437	82,040
Fund balance at beginning of year	8,603	24,858	16,255
Fund balance at end of year	\$ -	98,295	\$ 98,295
Reconciliation to GAAP basis:			
FMV Adjustment		1,053	
Accounts payable		(1,406)	
Due to other fund		(570)	
Payroll, payroll taxes and benefits payable		(29,077)	
Fund (deficit) (GAAP basis) at end of year		\$ 68,295	

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
LAW LIBRARY - SPECIAL REVENUE FUND
Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original/Final</u>		
REVENUES			
Law library fees	\$ 100,000	\$ 104,102	\$ 4,102
Research and card fees	10	30	20
Interest earnings	1,780	884	(896)
Miscellaneous	2,500	-	(2,500)
	<u>104,290</u>	<u>105,016</u>	<u>726</u>
TOTAL REVENUES			
	<u>104,290</u>	<u>105,016</u>	<u>726</u>
EXPENDITURES			
Personal services	40,170	38,595	1,575
Materials and services	117,900	48,928	68,972
Indirect cost allocation	26,185	26,185	-
Capital outlay	112,000	-	112,000
Contingency	71,961	-	71,961
	<u>368,216</u>	<u>113,708</u>	<u>254,508</u>
TOTAL EXPENDITURES			
	<u>368,216</u>	<u>113,708</u>	<u>254,508</u>
Excess (deficiency) of revenues over expenditures	(263,926)	(8,692)	255,234
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund	4,200	3,817	(383)
	<u>4,200</u>	<u>3,817</u>	<u>(383)</u>
Net change in fund balance	(259,726)	(4,875)	254,851
Fund balance at beginning of year	259,726	271,913	12,187
	<u>259,726</u>	<u>271,913</u>	<u>12,187</u>
Fund balance at end of year	<u>\$ -</u>	<u>267,038</u>	<u>\$ 267,038</u>
Reconciliation to GAAP basis:			
Accounts receivable		-	
Accounts payable		(2,161)	
Due to other fund		(81)	
Payroll, payroll taxes and benefits payable		(2,898)	
		<u>(2,898)</u>	
Fund balance (GAAP basis) at end of year		<u>\$ 261,898</u>	

LINN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL GRANTS - SPECIAL REVENUE FUND
Year Ended June 30, 2012

REVENUES	Budget		Actual	Variance
	Original	Final		
Commissioners:				
Commissioners' grants	\$ 200,500	\$ -	\$ 258,512	\$ 58,012
Earnings on deposits	3,100	3,100	1,436	(1,664)
Reimbursements and miscellaneous fees	290,000	290,000	94,121	(195,879)
Veteran's Services:				
Rental payments	25,000	25,000	24,845	(155)
Parks:				
Rental payments	9,600	9,600	8,929	(671)
Reimbursements	5,000	5,000	10	(4,990)
Donations/ Gifts	1,000	1,000	200	(800)
Grants	250,000	250,000	25,000	(225,000)
Earnings on deposits	1,010	1,010	254	(756)
Marine gas tax	62,500	65,600	65,600	-
RV license fees	330,000	330,000	324,634	(5,366)
Fair	20,100	20,100	30,718	10,618
Sheriff grants	317,204	126,993	374,756	(69,441)
District attorney grants	478,873	478,873	266,554	(212,319)
Juvenile:				
Grants	371,317	371,317	351,253	(20,064)
Matching funds	1,111	1,111	-	(1,111)
Children and families:				
Grants	821,057	3,627	765,968	(58,716)
Title XIX	50,000	-	43,202	(6,798)
Earnings on deposits	242	242	476	234
Linn Benton Mediation Grant	71,000	71,000	86,591	15,591
Earnings on deposit	1,000	1,000	358	(642)
General services Grants	22,000	33,420	32,375	(23,045)
Energy Utility Reimbursement	-	-	29,170	29,170
TOTAL REVENUES	3,331,614	164,040	2,784,962	(713,792)

Continued on page 62

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 GENERAL GRANTS - SPECIAL REVENUE FUND (Continued)**

EXPENDITURES	Budget			Actual	Variance
	Original		Final		
Commissioners' grants	\$ 697,800	\$ -	\$ 697,800	\$ 423,226	\$ 274,574
Veteran's services	35,577		35,577	30,256	5,321
Parks grants	734,620	-	734,620	395,658	338,962
Fair	43,400		43,400	28,217	15,183
Sheriff	339,826	183,058	522,884	268,080	254,804
District attorney grants	540,264	-	540,264	296,361	243,903
Juvenile high risk	364,772	-	364,772	334,701	30,071
Children and families	854,752	3,627	858,379	771,868	86,511
Linn Benton mediation grant	166,500		166,500	81,689	84,811
General Services	107,000	33,420	140,420	56,196	84,224
Indirect Cost	29,695		29,695	29,695	-
TOTAL EXPENDITURES	3,914,206	220,105	4,134,311	2,715,947	1,418,364
Excess (deficiency) of revenues over expenditures	(582,592)	(56,065)	(638,657)	69,015	707,672
OTHER FINANCING SOURCES (USES):					
Transfers in	65,541	56,065	121,606	118,422	(3,184)
Transfers out	(64,906)	-	(64,906)	(61,722)	3,184
Total other financing sources (uses)	635	56,065	56,700	56,700	-
Net change in fund balance	(581,957)		(581,957)	125,715	707,672
Fund balance of beginning of year	581,957	0	581,957	711,952	129,995
Fund balance at end of year	\$ -		\$ -	837,667	\$ 837,667
Reconciliation to GAAP basis:					
FMV adjustment				910	
Adjust cash on hand				200	
Due from other governments and available				111,473	
Due from other funds				6,724	
Accounts payable				(116,351)	
Due to other funds				(47,484)	
Payroll, payroll taxes and benefits payable				(92,832)	
Fund balance (GAAP basis) at end of year				\$ 700,307	

LINN COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 BIKE TRAILS - SPECIAL REVENUE FUND
 Year Ended June 30, 2012

	Budget Original/Final	Actual	Variance
REVENUES			
Motor vehicle apportionments	\$ 79,279	\$ 71,972	\$ (7,307)
Interest earnings	10,000	228	(9,772)
TOTAL REVENUES	<u>89,279</u>	<u>72,200</u>	<u>(17,079)</u>
EXPENDITURES			
Capital outlay	<u>209,279</u>	<u>-</u>	<u>209,279</u>
Net change in fund balance	(120,000)	72,200	192,200
Fund balance at beginning of year	<u>120,000</u>	<u>20,322</u>	<u>(99,678)</u>
Fund balance at end of year	<u>\$ -</u>	<u>92,522</u>	<u>\$ 92,522</u>
Reconciliation to GAAP basis:			
Due from other governments		<u>6,116</u>	
Fund balance (GAAP basis) at end of year		<u>\$ 98,638</u>	

LINN COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 9-1-1 EMERGENCY COMMUNICATIONS - SPECIAL REVENUE FUND
 Year Ended June 30, 2012

	Budget Original/Final	Actual	Variance
REVENUES			
9-1-1 emergency communications tax	\$ 200,000	\$ 236,730	\$ 36,730
Cities' 9-1-1 emergency communication tax	<u>750,000</u>	<u>432,864</u>	<u>(317,136)</u>
TOTAL REVENUES	950,000	669,594	(280,406)
EXPENDITURES			
Materials and services	<u>950,000</u>	<u>669,594</u>	<u>280,406</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP basis:			
Fund balance (GAAP basis) at end of year		<u>\$ -</u>	

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON GAAP-BUDGETARY BASIS) AND ACTUAL
CORNER PRESERVATION - SPECIAL REVENUE FUND
Year Ended June 30, 2012**

	Budget Original/Final	Actual	Variance
REVENUES			
Interest earnings	\$ 1,500	\$ 775	\$ 725
TOTAL REVENUES	<u>1,500</u>	<u>775</u>	<u>725</u>
EXPENDITURES			
Materials and services, and indirect cost	61,980	23,657	38,323
Capital outlay	9,065	-	9,065
Contingency	20,000	-	20,000
Reserve for Future Years	113,633	-	113,633
TOTAL EXPENDITURES	<u>204,678</u>	<u>23,657</u>	<u>181,021</u>
Excess (deficiency) of revenues over expenditures	(203,178)	(22,882)	180,296
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund - Clerks Office	174,600.00	153,947.00	(20,653)
Transfer to Surveyor Contract/GIS Contract	(197,807.00)	(145,754.00)	52,053
Total other financing sources (uses)	<u>(23,207.00)</u>	<u>8,193.00</u>	<u>31,400</u>
Net change in fund balance	(226,385)	(14,689)	211,696
Fund balance at beginning of year	<u>226,385</u>	<u>226,085</u>	<u>(300)</u>
Fund balance at end of year	<u>\$ -</u>	<u>211,396</u>	<u>\$ 211,396</u>
Reconciliation to GAAP basis:			
Due to other Funds		(44)	
Fund balance (GAAP basis) at end of year		<u>\$ 211,352</u>	

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
HISTORICAL RESTORATION - SPECIAL REVENUE FUND
Year Ended June 30, 2012**

	Budget Original/Final	Actual	Variance
REVENUES			
Interest earnings	\$ 260	\$ 86	\$ (174)
Donations and gifts	4,500	4,218	(282)
TOTAL REVENUES	4,760	4,304	(456)
EXPENDITURES			
Personal services	6	-	6
Material and services	5,562	1,000	4,562
Capital outlay	25,244	7,533	17,711
TOTAL EXPENDITURES	30,812	8,533	22,279
Net change in fund balance	(26,052)	(4,229)	21,823
Fund balance at beginning of year	26,052	26,662	610
Fund balance at end of year	\$ -	22,433	\$ 22,433
Reconciliation to GAAP basis:			
Fund balance (GAAP basis) at end of year		\$ 22,433	

LINN COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP GUDGETARY BASIS) AND ACTUAL
 COUNTY FOREST/PARK - SPECIAL REVENUE FUND
 Year Ended June 2012

	Budget Original/Final	Actual	Variance
REVENUES			
Timber sales	\$ 200,000	\$ 15,920	\$ (184,080)
Interest earnings	1,000	1	(999)
TOTAL REVENUES	<u>201,000</u>	<u>15,921</u>	<u>(185,079)</u>
EXPENDITURES			
Personal services	12	-	12
Materials and services	23,165	19,342	3,823
Capital outlay	177,865	-	177,865
TOTAL EXPENDITURES	<u>201,042</u>	<u>19,342</u>	<u>181,700</u>
Net change in fund balance	(42)	(3,421)	(3,379)
Fund balance at beginning of year	<u>42</u>	<u>3,448</u>	<u>3,406</u>
Fund balance at end of year	<u>\$ -</u>	<u>27</u>	<u>\$ 27</u>
Reconciliation to GAAP basis:			
Fund balance (GAAP basis) at end of year		<u>\$ 27</u>	

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
COUNTY SCHOOL - SPECIAL REVENUE FUND
Year Ended June 30, 2012**

	Budget		
	Original/Final	Actual	Variance
REVENUES			
State forest land sales	\$ 1,000,000	\$ 131,533	\$ (868,467)
Federal forest land sales	2,500,000	1,096,449	(1,403,551)
Private Car Co Tax	3,000	6,062	3,062
Electric co-op tax	65,000	78,475	13,475
Miscellaneous fees	-	1,094	1,094
Interest earnings	1,000	871	(129)
TOTAL REVENUES	3,569,000	1,314,484	(2,254,516)
EXPENDITURES			
Distribution payments	3,569,000	1,314,484	2,254,516
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	-	\$ -
Reconciliation to GAAP basis:			
Fund balance (GAAP basis) at end of year		\$ -	

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FEDERAL FOREST - SPECIAL REVENUE FUND
Year Ended June 30, 2012**

	<u>Budget</u> Original/Final	<u>Actual</u>	<u>Variance</u>
REVENUES			
Federal Forest	\$ 425,040	\$ 455,111	\$ 30,071
EXPENDITURES			
Materials and services	<u>190,000</u>	<u>190,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	235,040	265,111	30,071
OTHER FINANCING SOURCES (USES):			
Transfer out	0	-	
Transfer out	<u>(266,373)</u>	<u>(266,373)</u>	<u>-</u>
Net change in fund balance	(31,333)	(1,262)	30,071
Fund balance at beginning of year	<u>31,333</u>	<u>30,000</u>	<u>(1,333)</u>
Fund balance at end of year	<u>\$ -</u>	<u>28,738</u>	<u>\$ 28,738</u>
Reconciliation to GAAP basis:			
Fund balance (GAAP basis) at end of year		<u>\$ 28,738</u>	

LINN COUNTY

INTERNAL SERVICE FUND

Unemployment Insurance – This fund began in 1990-91 with funding obtained through action by the County Commissioners in requesting monies that had accumulated in the State Employment Division Local Government Benefit Trust Fund. Currently, this fund is self-financed by obtaining monies from other County funds. Expenditures from the Unemployment Insurance Fund pertain to current year unemployment claims.

LINN COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 UNEMPLOYMENT INSURANCE - INTERNAL SERVICE FUND
 Year Ended June 30, 2012

	Budget	Actual	Variance
REVENUES			
Reimbursements	\$ 228,000	\$ 244,498	\$ 16,498
Interest earnings	2,500	498	(2,002)
TOTAL REVENUES	<u>230,500</u>	<u>244,996</u>	<u>14,496</u>
EXPENDITURES			
Program management	3,500	1,600	1,900
Claim payments	350,000	219,780	130,220
Contingency	44,500	-	44,500
TOTAL EXPENDITURES	<u>398,000</u>	<u>221,380</u>	<u>176,620</u>
Excess (deficiency) of revenues over expenditures	(167,500)	23,616	(162,124)
OTHER FINANCING SOURCES (USES)			
Transfer to General Fund	(150,000)	(150,000)	-
Transfer from General Fund	-	-	-
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balance	(317,500)	(126,384)	(162,124)
Fund balance at beginning of year	<u>317,500</u>	<u>253,164</u>	<u>64,336</u>
Fund balance at end of year	<u>\$ -</u>	<u>126,780</u>	<u>\$ (97,788)</u>
Reconciliation to GAAP basis:			
Due from other funds and available		20,068	
Due to other governments		(111,758)	
Claims liability		<u>(160,580)</u>	
Net assets at end of year		<u>\$ (125,490)</u>	

LINN COUNTY
AGENCY FUNDS

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

Taxing Districts – These funds are used to record transactions pertaining to individual taxing districts within the County.

Treasurer's Departmental – These funds consist of undistributed taxes and other receipts held by the Treasurer for various County departments and other governments.

Property Taxes – This fund accounts for uncollected but collectible property taxes.

Justice Courts, Sheriff and Certain Others – These funds consist of undistributed collections, some of which will be due to the State.

Regional Fuel Facility – This fund handles cash transactions involving the buying of diesel and unleaded fuel, and the selling of such to certain local governments including the County.

LINN COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2012

	Balances June 30, 2011	Additions	Deductions	Balances June 30, 2012
Taxing Districts				
<u>Assets</u>				
Cash and investments	\$ 1,215,589	\$ 140,448,584	\$ 140,412,021	\$ 1,252,152
<u>Liabilities</u>				
Amounts held in trust	\$ 1,215,589	\$ 140,448,584	\$ 140,412,021	\$ 1,252,152
 Treasurer's Departmental				
<u>Assets</u>				
Cash and investments	\$ 203,147	\$ 887,426	\$ 768,061	\$ 322,512
Accounts receivable	466,682	758,631	466,682	758,631
Total assets	<u>\$ 669,829</u>	<u>\$ 1,646,057</u>	<u>\$ 1,234,743</u>	<u>\$ 1,081,143</u>
<u>Liabilities</u>				
Due to other governments	\$ 466,682	758,631	466,682	\$ 758,631
Amounts held in trust	203,147	\$ 887,426	\$ 768,061	322,512
Total liabilities	<u>\$ 669,829</u>	<u>\$ 1,646,057</u>	<u>\$ 1,234,743</u>	<u>\$ 1,081,143</u>
 Property Taxes				
<u>Assets</u>				
Cash and investments	\$ 1,025,034	\$ 123,579,420	\$ 124,383,195	\$ 221,259
Property taxes receivable	8,940,656	9,250,476	8,940,656	9,250,476
Total assets	<u>\$ 9,965,690</u>	<u>\$ 132,829,896</u>	<u>\$ 133,323,851</u>	<u>\$ 9,471,735</u>
<u>Liabilities</u>				
Due to other governments	\$ 466,682	758,631	\$ 466,682	\$ 758,631
Amounts held in trust	9,499,008	123,579,420	124,365,324	8,713,104
Total liabilities	<u>\$ 9,965,690</u>	<u>\$ 124,338,051</u>	<u>\$ 124,832,006</u>	<u>\$ 9,471,735</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)**

	Balances June 30, 2011	Additions	Deductions	Balances June 30, 2012
Justice Courts, Sheriff and Certain Others				
<u>Assets</u>				
Cash and investments	\$ 157,261	924,865	\$ 963,926	\$ 118,200
Accounts receivable	<u>353,887</u>	<u>371,115</u>	<u>353,887</u>	<u>371,115</u>
Total assets	<u>\$ 511,148</u>	<u>\$ 1,295,980</u>	<u>\$ 1,317,813</u>	<u>\$ 489,315</u>
<u>Liabilities</u>				
Due to other governments	\$ 20,149	\$ 19,630	\$ 20,149	\$ 19,630
Amounts held in trust	<u>490,999</u>	<u>1,276,350</u>	<u>1,297,664</u>	<u>469,685</u>
Total liabilities	<u>\$ 511,148</u>	<u>\$ 1,295,980</u>	<u>\$ 1,317,813</u>	<u>\$ 489,315</u>
Regional Fuel Facility				
<u>Assets</u>				
Cash and investments	\$ 70,476	\$ 1,325,271	\$ 1,376,652	\$ 19,095
Due from other governments	<u>110,558</u>	<u>7,827</u>	<u>110,558</u>	<u>7,827</u>
Total assets	<u>\$ 181,034</u>	<u>\$ 1,333,098</u>	<u>\$ 1,487,210</u>	<u>\$ 26,922</u>
<u>Liabilities</u>				
Accounts payable	\$ 30,294	\$ 61,994	\$ 30,294	\$ 61,994
Amounts held in trust	<u>150,740</u>	<u>1,271,104</u>	<u>1,456,916</u>	<u>(35,072)</u>
Total liabilities	<u>\$ 181,034</u>	<u>\$ 1,333,098</u>	<u>\$ 1,487,210</u>	<u>\$ 26,922</u>
Totals - All Agency Funds				
<u>Assets</u>				
Cash and investments	\$ 2,671,507	\$ 267,165,566	\$ 267,903,855	\$ 1,933,218
Property taxes receivable	8,940,656	9,250,476	8,940,656	9,250,476
Accounts receivable	820,569	1,129,746	820,569	1,129,746
Due from other governments	<u>110,558</u>	<u>7,827</u>	<u>110,558</u>	<u>7,827</u>
Total assets	<u>\$ 12,543,290</u>	<u>\$ 277,553,615</u>	<u>\$ 277,775,638</u>	<u>\$ 12,321,267</u>
<u>Liabilities</u>				
Accounts payable	\$ 30,294	\$ 61,994	\$ 30,294	\$ 61,994
Due to other governments	953,513	1,536,892	953,513	1,536,892
Amounts held in trust	<u>11,559,483</u>	<u>267,462,884</u>	<u>268,299,986</u>	<u>10,722,381</u>
Total liabilities	<u>\$ 12,543,290</u>	<u>\$ 269,061,770</u>	<u>\$ 269,283,793</u>	<u>\$ 12,321,267</u>

LINN COUNTY
OTHER SCHEDULES

Financial schedules in this subsection display accountability for elected officials and property tax transactions.

LINN COUNTY

**SCHEDULE OF ACCOUNTABILITY FOR ELECTED OFFICIALS
Year Ended June 30, 2012**

	Assessor	Clerk	Commis- sioners	District Attorney	Justice Courts Central Linn/ Lebanon	Sheriff	Surveyor	Tax Collector	Treasurer	Totals
On hand - June 30, 2011 (1)	\$ 870	\$ 200	\$ 50	\$ 2,000	\$ 92,805	\$ 48,565	\$ 50	\$ 650	\$ 32,117,123	\$ 32,262,313
Receipts	726,189	946,936	416,069	394,183	924,865	4,906,233	571,938	123,579,420	\$ 851,843	133,317,676
Turnovers and disbursements:										
To County Treasurer	(726,189)	(946,936)	(416,069)	(394,183)	(739,214)	(4,920,343)	(571,938)	(123,579,420)	(2,702,218)	(134,996,510)
To Others	-	-	-	-	(221,752)	-	-	-	-	(221,752)
On hand - June 30, 2012 (1)	<u>\$ 870</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 2,000</u>	<u>\$ 56,704</u>	<u>\$ 34,455</u>	<u>\$ 50</u>	<u>\$ 650</u>	<u>\$ 30,266,748</u>	<u>\$ 30,361,727</u>
(1) Consists of:										
Deposits with County Treasurer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,432,423	\$ 19,432,423
Deposits with Local Government Investment Pool	-	-	-	-	-	-	-	-	10,833,712	10,833,712
Due to County Treasurer	-	-	-	-	(42,016)	-	-	-	-	(42,016)
Due to State of Oregon	-	-	-	-	(19,630)	-	-	-	-	(19,630)
Change and revolving funds	870	200	50	2,000	118,350	34,455	50	650	613	157,238
Totals	<u>\$ 870</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 2,000</u>	<u>\$ 56,704</u>	<u>\$ 34,455</u>	<u>\$ 50</u>	<u>\$ 650</u>	<u>\$ 30,266,748</u>	<u>\$ 30,361,727</u>

LINN COUNTY

SCHEDULE OF PROPERTY TAX TRANSACTIONS
Year Ended June 30, 2012

Tax Year	Receivable 6/30/2011	Current Levy	Discounts Allowed	Interest on Delinquent Taxes	Cash Collections	Corrections and Adjustments	Receivable 6/30/2012
2011-2012		129,471,780	(3,266,410)	71,619	119,779,654	(1,067,727)	5,429,608
2010-2011	5,949,372		499	194,863	2,020,029	(790,273)	3,334,432
2009-10	2,816,609		20	197,179	521,469	(734,041)	1,758,298
2008-09	1,601,128		0	243,477	782,847	(266,671)	795,087
2007-08	546,739			144,163	377,527	(159,722)	153,653
2006-07	134,105			30,587	57,040	(45,059)	62,593
2005-06	51,284			13,430	20,977	(26,345)	17,392
prior years	139,807			19,625	19,877	(30,580)	108,975
Totals	\$ 11,239,044	\$ 129,471,780	\$ (3,265,891)	\$ 914,943	\$ 123,579,420	\$ (3,120,418)	\$ 11,660,038

Fund	
General	\$ 890,031
Law Enforcement 4-Year Levy	1,469,733
Veterans Home Loan Agency	49,798
	9,250,476
Total	\$ 11,660,038

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STATISTICAL SECTION

STATISTICAL SECTION

Linn County
Net Assests by Component
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Primary government activities									
Invested in capital assets, net of related debt	139,944	144,132	151,247	160,222	166,879	170,723	173,806	175,712	178,725
Restricted	469	5,991	4,239	4,723	553	0	0	0	
Unrestricted	36,156	39,953	40,843	36,252	39,634	42,598	38,995	25,003	23,634
Total Primary government net assets	<u>176,569</u>	<u>190,076</u>	<u>196,329</u>	<u>201,197</u>	<u>207,066</u>	<u>213,321</u>	<u>212,801</u>	<u>200,715</u>	<u>200,359</u>

Linn County implimented GASB 34 in fiscal year 2003-2004, therefore comparative figures are only available for years after 2004.

Linn County
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Expenses										
Governmental Activities										
General administration and support	\$ 4,665	\$ 4,607	\$ 5,757	\$ 6,730	\$ 6,025	\$ 7,595	\$ 6,569	\$ 6,288	\$ 6,160	
Local government services	2,820	3,006	3,152	3,362	3,389	3,565	3,442	3,199	3,371	
Public safety	23,030	23,615	25,073	26,417	27,628	31,132	32,367	31,306	31,413	
Health services	15,976	17,047	17,974	19,119	15,344	16,502	17,566	18,799	20,247	
Community development	6,153	6,651	6,149	7,101	6,643	7,775	8,269	19,636	6,477	
Highways and streets	9,863	10,642	12,584	9,449	11,604	12,032	12,597	13,019	12,404	
Apportionments to school districts	3,456	3,695	0	2,928	2,851	2,676	2,667	2,321	1,314	
Interest on long term debt	271	163	113	79	54	24	13	0		
Total primary government expenses	66,234	69,424	70,802	75,185	73,538	81,301	83,490	94,568	81,386	
Program Revenues										
Governmental Activities										
Fees, Fines, and Charges for service										
General government	2,064	1,932	1,907	2046	1924	1,929	1,944	1,617	1491	
Public Safety	3,157	3,077	3,019	3347	3278	3,647	3,835	3,194	2902	
Health services	1,063	1,160	1,322	1591	1501	1,356	1,432	1,191	1185	
Roads	992	1,632	2,780	1676	1758	1,335	1,371	1,141	1760	
Community Development	2,753	2,940	2,794	2889	2952	2,790	2,647	2,204	2,958	
Operating Grants and Contributions	35,490	35,021	36,323	36822	34830	41,017	34,500	37,367	36,972	
Capital Grants and Contributions	82	6,349	677	0	0	0	0	0		
Total program revenues	\$ 45,601	\$ 52,111	\$ 48,822	\$ 48,371	\$ 46,243	\$ 52,074	\$ 45,729	\$ 46,714	\$ 47,268	
General Revenue change in Net Assets	\$ (20,633)	\$ (17,313)	\$ (21,980)	\$ (26,814)	\$ (27,295)	\$ (29,227)	\$ (37,761)	\$ (47,854)	\$ (34,118)	
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$17,788	\$19,083	\$19,745	21,456	24,644	25,389	25,285	25,137	26,373	
Interest and investment earnings	498	882	1,717	2,360	1,930	1,082	479	338	107	
Capital contribution	0	(460)	(246)	0	0	0	0	0		
Loss of sale of capital assets	95	(88)	(483)	(149)	2					
Unrestricted grants and contributions	9,098	11,489	7,499	7,367	7,236	9,010	11,478	10,292	7,283	
Total primary governmental activities	27,478	30,907	28,232	31,034	33,812	35,481	37,242	35,767	33,763	
Change In Net Assets										
Governmental activities	\$ 6,845	\$ 13,593	\$ 6,252	\$ 4,220	\$ 6,517	\$ 6,254	\$ (519)	\$ (12,087)	\$ (355)	

Linn County implimented GASB 34 in fiscal year 2003-2004, therefore comparative figures are only available for years after 2004.

Linn County
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>	<u>Licenses, Permits and Fines</u>	<u>Interest and Miscellaneous</u>	<u>Total</u>
2003	16,122	44,610	5,062	3,517	1,503	70,814
2004	17,680	45,497	5,245	3,662	819	72,904
2005	19,055	55,218	4,515	3,137	1,244	83,169
2006	19,966	47,278	5,196	3,611	2,039	78,091
2007	21,434	45,707	5,342	3,712	3,336	79,531
2008	24,644	43,082	5,712	3,820	2,797	80,055
2009	24,966	47,818	6,631	4,608	2,413	86,436
2010	25,284	45,360	6,667	4,445	1,215	82,971
2011	25,137	46,771	5,708	3,842	1,022	82,480
2012	26,341	44,014	6,178	4,118	505	81,156

Linn County
Fund Balances of Governmental Funds
Last 10 fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Non spendable										
Committed to										
Interfund loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,258)	(\$2,629)
Assigned to										
Unassigned									59	(1,882)
Reserved	383	780	242	0	0	(1,188)	0	(2,720)	0	
Unreserved	688	2,501	3,776	2,856	(598)	741	(743)	1,532	0	
Total general fund	1,070	3,281	4,018	2,856	(598)	(447)	(743)	(1,188)	(2,199)	(4,511)
All other governmental funds										
Non spendable										
Inventories									1,452	1,164
Committed to										
Interfund loan									2,258	2,629
Capital Projects									5,419	3,070
Restricted for										
Roads									14,010	16,355
Public Safety									(758)	
Health Services									5,112	6,629
Grants/Minor Funds									1,160	1,467
Assigned to										
Unassigned									(758)	(850)
Reserved	4,735	4,456	6,733	5,232	5,738	2,094	1,580	1,719		
Unreserved, reported in:										
Special revenue funds	2,439	28,799	32,033	36,726	35,719	37,797	42,576	40,026	0	
Capital projects funds	(830)	(409)	6	0	0	0	0	0	0	
Undesignated funds	25,857	0	2,416	0	0	0	0	0	0	
Total all other governmental funds	\$ 32,203	\$ 32,845	\$ 41,188	\$ 41,958	\$ 41,457	\$ 39,891	\$ 44,156	\$ 41,745	\$ 27,895	\$ 30,464

Linn County
Changes in Fund Balances of Governmental Funds
Last 10 Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	16,268	17,896	18,958	19,966	21,434	24,506	24,961	25,170	24,941	26,341
Licenses and Permits	5,062	5,047	4,514	5,197	5,342	6,632	6,630	6,631	5,608	6,177
Intergovernmental	44,610	45,497	55,218	47,277	45,708	43,082	47,819	45,360	46,771	44,015
Charges for services	3,517	3,508	3,137	3,611	3,712	3,049	4,607	4,421	3,739	4,118
Investment earnings	1,061	399	872	1,521	2,614	1,889	1,054	487	422	121
Miscellaneous	442	408	372	518	720	909	1,358	727	600	384
Total revenues	70,960	72,755	83,070	78,090	79,530	80,067	86,429	82,796	82,081	81,156
Expenditures										
General government	7,438	7,009	7,515	8,651	9,897	9,025	9,957	9,179	9,039	8,993
Public Safety	26,816	23,838	23,544	24,982	26,451	27,485	30,267	31,908	30,965	30,991
Health Services	17,896	15,919	16,950	17,892	19,023	15,288	16,387	17,419	18,822	20,175
Community development	6,590	6,450	7,008	6,884	7,053	8,343	7,769	7,904	19,663	6,224
Highways and streets	14,244	12,162	14,208	15,404	15,832	16,488	15,905	16,267	15,374	13,959
Apportionments to school districts	3,661	3,456	3,695	3,472	2,928	2,851	2,676	2,667	2,321	1,314
Purchase of Land					1,450	-	-	-	-	-
Capital outlay						-	-	-	-	-
Debt service										
Principal	751	796	908	932	840	759	663	295	-	-
Interest	381	271	163	113	79	54	25	13	-	-
Total expenditures	77,777	69,901	73,991	78,330	83,553	80,293	83,649	85,652	96,184	81,656
Excess of revenues over (under) expenditures	(6,817)	2,854	9,079	(240)	(4,023)	(226)	2,780	(2,856)	(14,103)	(500)
Other financing sources (uses)										
Transfers in	4,308	3,727	2,729	2,796	5,606	6,191	5,547	4,293	3,643	4,046
Transfers out	(4,208)	(3,727)	(2,729)	(2,796)	(5,606)	(6,191)	(5,547)	(4,293)	(3,643)	(4,046)
Refunding Bond issue		2,580								
Payments to refunded bond escrow agent		(2,580)								
Total other financing sources (uses)	100	0	0	0	0	-	-	-	-	-
Net change in fund balances	(6,717)	2,854	9,079	(240)	-4,023	(226)	2,780	(2,856)	(14,103)	(500)
Debt service as a percentage on noncapital expenditures	1.5%	1.5%	1.4%	1.3%	1.1%	1.0%	0.8%	0.4%	0.0%	0.0%

LINN COUNTY
INTERGOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Federal	State	Cities and Other	Totals	Per Capita
2002-2003	14,456,639	29,035,285	1,118,361	44,610,285	425
2003-2004	14,361,262	28,578,502	2,557,440	45,497,204	429
2004-2005	12,857,146	36,723,164	5,637,726	55,218,036	515
2005-2006	13,045,120	30,879,890	3,352,354	47,277,364	438
2006-2007	13,252,452	29,086,336	3,369,065	45,707,853	422
2007-2008	13,427,702	27,325,611	2,328,684	43,081,997	394
2008-2009	14,806,326	25,657,910	7,354,751	47,818,987	434
2009-2010	14,288,642	27,720,567	3,351,255	45,360,464	412
2010-2011	13,256,530	29,390,032	4,125,077	46,771,639	401
2010-2012	10,658,575	29,581,523	3,774,442	44,014,540	375

Note: 2007-2008 changed to using the Federal Awards revenue information using the accrual basis.

LINN COUNTY
Assessed Value and Estimated Actual Value of Taxable property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Real Property	Manufactured Structures	Personal	Utilities	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Real Market Value	Assessed Value as a Percentage of Actual Value
2003	4,963,342	123,241	207,900	251,900	13,147	5,533,236	3.0840	6,679,575	82.84%
2004	5,120,123	120,836	193,139	242,462	13,822	5,662,737	3.3860	6,762,775	83.73%
2005	5,455,301	117,420	193,135	238,211	14,621	5,989,446	3.4280	7,366,448	81.31%
2006	5,806,416	114,437	208,497	230,451	15,412	6,344,389	3.3788	7,935,392	79.95%
2007	6,242,993	116,989	227,964	233,953	21,469	6,800,430	3.3888	9,140,480	74.40%
2008	6,514,208	118,307	241,961	241,048	21,988	7,093,536	3.6927	10,398,773	68.22%
2009	6,843,926	113,772	252,789	245,359	23,505	7,432,340	3.6232	10,710,762	69.39%
2010	7,110,783	114,486	254,022	306,826	25,380	7,760,737	3.6100	12,381,258	62.68%
2011	7,361,380	113,366	231,304	328,812	27,519	8,007,343	4.0436	10,879,896	73.60%
2012	7,416,487	108,088	228,878	393,791	28,110	8,119,134	4.0436	10,572,478	76.79%

Note: State Ballot Measure No. 50, which became effective in 1997-98, established the maximum assessed value of property in the state for the 1997-98 tax year as 90 percent of the property's real market value in the 1995-96 tax year and then limits any increase in maximum assessed value for tax years following 1997-98 to three percent per year, but permits assessed values to be adjusted for new property or property improvements and certain other events.

Source: Summary of Assessment and Tax Roll - Linn County Assessor and Tax Collector.

**Linn County
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	Cities			Rural Fire Districts		Schools Districts			Linn-Benton Community College	Total Direct & Overlapping Rates		
	Linn County	Albany	Lebanon	Sweet Home	Albany	Lebanon	Albany	(1) Lebanon			Sweet Home	Central Linn
2003	3.08	7.23	5.59	7.81	1.57	2.26	4.98	7.14	6.85	5.44	0.70	52.65
2004	3.39	7.23	5.59	8.79	2.15	2.26	4.98	7.56	6.89	5.72	0.68	55.24
2005	3.43	8.04	5.55	8.70	2.15	2.26	4.96	7.95	6.93	4.88	0.68	55.52
2006	3.38	7.96	5.36	8.39	2.15	2.26	4.93	7.48	6.62	5.26	0.69	54.46
2007	3.39	8.02	5.92	8.11	2.15	2.26	4.89	7.41	6.67	5.00	0.68	54.49
2008	3.69	7.86	6.40	8.66	2.15	2.50	6.17	7.17	6.63	5.04	0.67	56.94
2009	3.62	7.77	6.25	8.67	2.15	2.49	6.20	7.12	6.58	5.21	0.68	56.76
2010	3.61	7.78	6.19	8.66	2.15	2.48	6.23	7.09	6.60	5.06	0.68	56.53
2011	4.04	7.51	5.86	8.63	2.15	2.47	6.19	7.25	6.69	4.62	0.68	56.09
2012	4.04	7.50	6.18	8.64	2.15	2.48	6.20	7.01	7.00	6.27	0.67	58.14

Property tax rate is per \$1,000 of assessed value

1) Includes Union High School District

All of the listed districts are component parts to the total direct rate, which is the sum of the component parts.

Source: Summary of Assessment and Tax Roll - Linn County Assessor and Tax Collector.

LINN COUNTY
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2012

Principal Taxpayers	Type of Business	2012			2003		
		2011-12 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2002-2003 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Fort James Operating Co.	Timber & Forest Products	102,493	1	1.26%	123,606	2	2.23%
Pacific Power & Light (Pacficorp)	Utility	90,187	2	1.11%	67,737	4	1.22%
Lowes HIW Inc	Retail distribution	86,840	3	1.07%			
Wah Chang	Rare Metals	83,869	4	1.03%	52,277	5	0.94%
Centurylink	Communications	82,054	5	1.01%			
Target Corporation	Retail distribution	76,005	6	0.93%			
Oregon Metallurgical Corp	Rare Metals	66,046	7	0.81%			
Weyerhaeuser Company/ Willamette Industries	Timber & Forest Products	58,442	8	0.72%	232,579	1	4.19%
Northwest Natural Gas	Utility	48,118	9	0.59%	27,832	9	0.50%
Comcast Corporation	Communications	45,956	10	6.21%			
Timber Services Co. Inc.	Timber & Forest Products				37,540	6	0.68%
Entek Manufacturing Inc.	Plastic Manufacturing						
Centurytel of Oregon	Communications						
U.S West Communications	Communications				31,482	7	0.57%
Dayton Hudson Corp	Retail distribution				28,443	8	0.51%
Oregon Freeze Dry Foods Inc	Produce Processing				23,239	10	0.42%
Wilmington Trust	Reconstituted Wood Products				73,872	3	1.33%
Total Principal Taxpayers		740,010		14.73%	575,001		12.60%
Totals		8,147,244		100%	5,546,382		100%

Source: Summary of Assessment and Tax Roll - Linn County Assessor and Tax Collector.

**Linn County
Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts expressed in thousands)**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	16,408	15,164	92.42%	1,238	16,402	99.96%
2004	17,991	16,698	92.81%	1,273	17,971	99.89%
2005	19,410	18,009	92.78%	1,395	19,404	99.97%
2006	20,052	19,215	95.83%	834	20,049	99.99%
2007	21,982	20,615	93.78%	1,355	21,970	99.95%
2008	25,089	24,086	96.00%	934	25,020	99.72%
2009	25,590	24,387	95.30%	1,004	25,391	99.22%
2010	26,141	25,017	95.70%	687	25,704	98.33%
2011	26,995	25,834	95.30%	409	25,834	95.70%
2012	27,337	25,486	93.23%	-	-	93.23%

Note: Above data relates only to Linn County funds and does not include the other governments in the County.

Source: Summary of Assessment and Tax Roll - Linn County Assessor and Tax Collector.

**LINN COUNTY
COMPUTATION OF LEGAL DEBT MARGIN
Last Nine Fiscal Years
(amounts expressed in thousands)**

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
Debt limit	133,592	135,256	147,621	147,908	135,579	141,431	149,117	155,722	154,021
Total net debt applicable to limit	2,354	2,111	1,469	1,056	554	12	0	0	0
Legal debt margin	131,238	133,144	146,152	146,852	135,025	141,419	149,117	155,722	154,021
Total net debt applicable to the limit as a percentage of debt limit	1.76%	1.56%	1.00%	0.71%	0.41%	0.01%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2012

Estimated Actual Taxable Value	8,007,344
Debt limit (2% of total assessed value)	160,146,880
Debt applicable to limit:	
General obligation bonds	0
Less: Amount set aside for repayment of general obligation debt	0
Total net application to limit	<u>0</u>
Legal Debt Margin	<u>160,146,880</u>

Linn County
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

June 30,	Population	General Obligation Bonds	Notes Payable	Capital Leases	Total Primary Government	Personal Income	Percentage of Personal Income	Per Capita	
2003	104,900 *	2,830	1433	778	5,041	2,601,528	0.19%	48	
2004	106,000	2,580	1244	571	4,395	2,712,447	0.16%	41	
2005	107,150 *	2,090	1,047	352	3,489	2,790,251	0.13%	33	
2006	107,920	1,595	841	121	2,557	2,986,872	0.09%	24	
2007	108,250	1,095	622	-	1,717	(1)	(1)	(1)	
2008	109,320 *	565	393	-	958	(1)	(1)	(1)	
2009	110,185	-	295	-	295				
2010	111,355	As of June 30, 2010 linn County has no Outstanding Debt							0
2011	116,672	As of June 30, 2010 linn County has no Outstanding Debt							0
2012	117,340	As of June 30, 2010 linn County has no Outstanding Debt							

* Per Portland State Center for Population

(1) Information not available at this time

LINN COUNTY
RATIO OF BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Assessed Value (In Thousands) (1)	Amount Available in Debt Service Fund	Total	Estimated Actual Taxable Value (1)	Percentage of Estimated Actual Taxable Value ¹ of Property	Per Capita²
2003	\$ 2,830	\$ 5,546,382	\$ 476	\$ 2,354	\$ 5,533,236	0.04%	22
2004	2,580	5,676,559	469	2,111	5,662,737	0.04%	20
2005	2,090	6,004,066	619	1,471	5,989,446	0.02%	14
2006	1,595	6,359,801	539	1,056	6,344,389	0.02%	10
2007	1,095	6,821,899	541	554	6,800,430	0.01%	5
2008	565	7,115,524	553	12	7,093,536	-	-
2009	-	7,455,844	-	0	7,432,229	-	-
2010	-	7,786,117	-	0	7,760,736	-	-
2011	-	8,034,863	-	0	8,007,344	-	-
2012	-	8,147,244	-	0	8,119,134	-	-

LINN COUNTY
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2012

Jurisdiction	General Obligation Bonded Debt Outstanding (In Thousands)	Percentage Applicable to County	Amount Applicable to County (In Thousands)
Direct: Linn County	\$ -	100.00%	\$ -
Overlapping:			
Cities:			
Albany	3,760	81.21%	3,053
Brownsville	3,106	100.00%	3,106
Halsey	-	100.00%	-
Harrisburg	13	100.00%	13
Lebanon	17,280	100.00%	17,280
Mill City	1,006	76.52%	770
Sodaville	43	100.00%	43
Sweet Home	445	100.00%	445
Community Colleges:			
Chemeketa	81,375	1.06%	863
Lane	31,910	1.12%	357
School Districts:			
Linn-Benton	5,355	50.19%	2,688
Corvallis:	53,870	2.21%	1,191
Central Linn	-	100.00%	-
Eugene	134,847	0.08%	108
Lane ESD	-	0.04%	-
Greater Albany	33,520	81.53%	27,329
Harrisburg	2,780	90.37%	2,512
Jefferson	-	7.78%	-
Lebanon Community	46,655	100.00%	46,655
North Santiam	1,565	22.18%	347
Santiam Canyon	-	47.91%	-
Scio	580	100.00%	580
Sweet Home	17,590	100.00%	17,590
Willamette ESD	-	0.86%	-
Water Districts:			
Grand Prairie	720	100.00%	720
Rural Fire Districts:			
Jefferson	-	41.09%	-
Brownsville	2,040	100.00%	2,040
Idanha-Detroit	-	6.34%	-
Lebanon	2,905	100.00%	2,905
Harrisburg	-	100.00%	-
Lyons	100	100.00%	100
Stayton	570	11.53%	66
Sweet Home Fire/Ambulance	\$ 1,095	100.00%	\$ 1,095
Total Overlapping	<u>443,130</u>		<u>131,855</u>
Total Direct and Overlapping	<u>\$ 443,130</u>		<u>\$ 131,855</u>

Source: Oregon State Treasury, Debt Management Division.

Note: General obligation bonded debt outstanding does not include Bancroft and other self-supporting general obligation and limited tax bonded debt.

LINN COUNTY
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	(1) Population	County Personal Income	(2) Per Capita Income	(3) School Enrollment	(2) Unemployment Rate (%)	(4) Marriage Licenses	(6) Linn County Employees
2003	104,900 (7)	2,601,528	24,488	17,941	11.7	765	703
2004	106,000	2,712,447	25,340	18,037	9.6	823	654
2005	107,150	2,790,251	25,730	18,121	7.7	1780	627
2006	107,920	2,986,872	26,916	19,878	6.3	794	641
2007	108,250	(5)	(5)	19,163	6.2	942	657
2008	109,320	(5)	(5)	-	6.5	825	650
2009	110,185	(5)	(5)	17,855	15.4	838	660
2010	111,355	(5)	(5)	20,094	12.7	823	646
2011	116,672	(5)	(5)		11.4	744	651
2012	117,340			18,068	10.8	873	662

- (1) Portland State Center for Population**
- (2) Oregon State Division of Employment**
- (3) Linn-Benton-Lincoln Education Service District Enrollment Records**
- (4) County Clerk Detail Records**
- (5) Not available at this time**
- (6) Linn County Adopted Budget**
- (7) Regional Economic Information System, Bureau of Economic Analysis**

PRINCIPAL EMPLOYERS
June 30, 2012
(amounts expressed in thousands)

<u>Employer</u>				<u>2003</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Samaritan Health Services	1600	1	4.2%			
Greater Albany Public Schools	1021	2	2.7%			
Linn Benton Community College	978	3	2.6%			
Allvac Oremet- Wah Chang	949	4	2.5%			
Target Distribution Center	669	5	1.8%			
Linn County	662	6	1.7%			
Oregon Freeze Dry	398	7	1.0%			
City of Albany	381	8	1.0%			
National Frozen Foods	350	9	0.9%			
ATI Albany Operations	293	10	0.8%			
Selmet	275	11	0.7%			
ATI Pacific Cast Technologies	260	12	0.7%			
Totals			<u>16.3%</u>			
Number of people employed in Linn County						38,210

Source: Albany Area Chamber of Commerce: and Benton/Linn Labor Trends

Information for Principal Employers in 2003 is not available at this time.

**Linn County
Employees by Function**

Full time equivalent employees as of June 30,

Function	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Community Development	67	71	69	68	71	72	73	71	71	65	68
General Administration	36	42	42	43	41	45	52	51	48	50	48
Health Services	184	187	180	171	174	161	178	174	169	187	192
Highways and Streets	76	85	84	84	76	76	88	86	85	82	88
Local Government Service	30	33	38	40	41	41	61	61	59	58	58
Public Safety	231	258	261	278	272	286	299	295	291	315	307
Total	624	676	674	684	675	681	751	738	723	757	761

Note: The Full time equivalent for 2007 is based upon calculations of FTE employees paid during the period for actual hours worked. Prior years was based upon employee count.

Information provided by the Linn County payroll department

**Linn County
Operating Indicators by Function
Last six Fiscal Year**

Function	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Sheriff							
Jail Bookings	6206	5,938	6,574	7,089	7,425	7,779	8,328
Highways and streets							
Road surface improvements (miles)	46	62	85	57	48	60	86
Parks							
Picnic shelter rentals	260	190	211	179	168	271	191
Clerk's Office							
Documents recorded	24178	24,964	27,544	29,026	34,314	40,239	32,846
Marriage Licenses issued	873	744	823	838	825	942	794
Registered Voters	60738	59,785	58,755	61,607	59,836	57,466	57,244
District Attorney							
Charges referred by law enforcement				5,223	9,502	9,981	10,664
Planning							
Building permits	1123	1,198	1,190	1,567	1,794	1,889	2,280
Contract Cities	374	364	402	365	668	938	764
Electrical permits	1335	1,199	1,342	1,616	2,167	2,266	2,027
Planning permits	519	509	537	642	855	1,212	818
Health							
Alcohol and Drug clients	876	857	887	858	776	703	646
Developmentally Disabled clients	736	724	717	635	620	616	569
Environmental Health service contacts	2742	2,622	2,483	2,615	3,126	2,850	2,702
Mental Health clients	3857	3,773	3,902	4,487	4,084	3,940	3,419
Public Health	13251	13,085	13,197	7,713	8,307	6,614	8,300
Women, Infants, and children clients	6521	6,418	6,285	5,849	5,780	5,780	3,400
Fairgrounds							
Willamette building (hours of use)	5200	6,196	4,856	1,719	2,206	1,891	2,142
Calapooia Arena (hours of use)	1995	1,749	2,076	2,772	2,825	2,478	2,915
Santiam center (hours of use)	1315	1,594	1,388	1,791	2,356	1,507	2,317
Cascade livestock building (hours of use)	3836	3,500	3,895	1,507	1,474	1,383	1,888

Note: new schedule, ten year trend information not yet available

Information provided by Linn County elected officials and department managers.

**Linn County
Capital Asset Statistics by Function
Last five Fiscal Years**

Function	2012	2011	2010	2009	2008	2007
Public Safety						
Police:						
Stations	7	7	7	7	7	7
Patrol Units	55	53	54	53	52	51
Police service dogs	1	1	3	4	4	4
Culture and recreation						
Parks acreage	1360	1360	1360	1200	1202	1202
Parks	23	22	22	22	18	17
Picnic shelters	13	13	13	13	12	10
General Services						
Motor pool vehicles	82	80	83	83	83	80
Roads						
All Public Roads (includes local access (miles)	1153	1153	1154	1,148	1,148	1,148
Bridges	329	329	329	329	329	329

Note: new schedule, ten year trend information not yet available

Information provided by Linn County elected officials and department managers.

LINN COUNTY

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Ten Fiscal Years**

Fiscal Year	General Administration	Local Government Services	Public Safety	Health Services	Community Development	Highways and Streets	Education	Debt Service	Totals	Portland, Oregon Consumer Index (U) (1982-84)	Per Capita
2002-2003	4,568,459	2,869,725	26,815,659	17,895,733	6,590,198	14,244,292	3,608,041	1,132,110	77,724,217	186.0	740.94
2003-2004	3,894,676	2,780,739	24,537,677	15,918,848	6,439,864	12,161,768	3,455,804	1,067,018	70,256,394	189.8	662.80
2004-2005	4,563,436	2,952,426	23,544,320	16,949,984	7,008,279	14,208,366	3,694,649	1,070,616	73,992,076	194.5	690.55
2005-2006	5,473,789	3,178,720	24,981,987	17,891,880	6,883,556	15,403,915	3,471,834	1,045,284	78,330,965	199.4	725.82
2006-2007	8,034,501	3,312,232	26,450,686	19,023,335	7,052,851	15,832,158	2,928,087	918,827	83,552,677	206.7	771.85
2007-2008	6,025,085	3,389,549	27,627,944	15,343,638	6,643,544	11,604,208	2,851,176	53,750	73,538,894	214.6	672.69
2008-2009	6,399,975	3,557,132	30,267,454	16,386,585	7,769,397	15,905,243	2,675,530	687,562	83,648,878	215.3	759.17
2009-2010	5,759,678	3,419,549	31,908,090	17,419,166	7,904,443	16,266,638	2,667,222	307,832	85,652,618	217.5	769.19
2010-2011	5,697,524	3,341,122	30,965,440	18,822,560	1) 19,663,245	15,373,606	2,320,828	-	76,521,080	219.1	655.86
2011-2012	5,657,757	3,335,274	30,991,422	20,174,727	6,224,219	13,958,809	1,314,484	-	81,656,692	226.0	695.90

Note: Includes expenditures of the General, Special Revenue, Debt Service, and Capital Projects Funds.

Population based upon the 2011 center for Population Research and Census at Portland State University estimates for Linn County 117,340

1) 2010-2011 Community Development figure includes a one time \$12 million expense and transfer to the State of Oregon related to the construction of a Veterans Hospital in Lebanon, Oregon

LINN COUNTY
SCHEDULE OF INSURANCE AND FIDELITY BOND COVERAGES
Ending June 30, 2011

12/19/2012; 12:39 PM

Insurance Coverage 10-11 /Meyer/Excel

<u>POLICY NUMBER</u>	<u>COMPANY</u>	<u>COVERAGE</u>	<u>AMT OF COVERAGE</u>	<u>POLICY PERIOD</u>		
				<u>FROM</u>	<u>TO</u>	
28337	SAIF Corporation	Standard workers' compensation and employers' liability policy Bodily injury by accident - each accident Bodily injury by disease - each employee	\$ 500,000 \$ 500,000 \$ 500,000	7/1/2011	7/1/2012	
12LLINC	City/County Insurance Services (provides comprehensive general and automotive liability coverage up to \$5,000,000 on each type of coverage, subject to policy conditions and contingent on sufficient monies being available in Self-Insured Loss Funds). \$15,000,000 General Aggregate	Comprehensive general liability Automobile Bodily Injury Property Damage Combined single limit	\$ 15,000,000	7/1/2011	7/1/2012	
12APDLINC	City/County Insurance Services	Comprehensive general liability Automobile - Self-Insured Loss Funds	\$ 50,000 \$ 50,000	7/1/2011 7/1/2011	7/1/2012 7/1/2012	
12BLINC	City/County Insurance Services (Rhodes-Warden Ins, Inc.)	All boilers and machinery (\$10,000 Deductible)	Equipment breakdown \$ 100,000,000	7/1/2011	7/1/2012	
12PLINC	City/County Insurance Services (Rhodes-Warden Ins, Inc.)	All property coverage Real and Personal (\$10,000 Deductible)	Basic Coverage Inland Marine Restoration/Reproduction of books, records, etc. Electronic Data Restoration/Reproduction Off Premises Property in Transit Pollution Clean-up Earthquake Flood Revenue and Rental Value Extra Expense and Rental value	\$ 108,741,791 (incl w/basic coverage) 100,000 250,000 100,000 150,000 25,000 5,000,000 5,000,000 150,000 250,000	7/1/2011	7/1/2012

LINN COUNTY
SCHEDULE OF INSURANCE AND FIDELITY BOND COVERAGES
Ending June 30, 2011

12/19/2012; 12:39 PM

Insurance Coverage 10-11 /Meyer/Excel

<u>POLICY NUMBER</u>	<u>COMPANY</u>	<u>COVERAGE</u>	<u>AMT OF COVERAGE</u>	<u>POLICY PERIOD</u>		
				<u>FROM</u>	<u>TO</u>	
12PLINC	City/County Insurance Services (Rhodes-Warden Ins, Inc.) Continued	All property coverage Real and Personal (\$10,000 Deductible)	Hired, Rented, or Borrowed Equipment	\$ 150,000	7/1/2011	7/1/2012
			Crime Coverage	50,000		
			Police Dogs	15,000		
			Personal Property at Unscheduled Locations	15,000		
			Personal Property of Employees or Volunteers	15,000		
			Unscheduled Fine Arts	100,000		
			Miscellaneous Coverage	50,000		
12CLINC	Rhodes-Warden Ins., Inc (National Union Fire Insurance Company of Pitts, PA)	Excess Crime Coverage (Deductible \$10,000)	Employee Theft	\$ 500,000	7/1/2011	7/1/2012
			Forgery or Altercation	500,000		
			Inside Premises-Theft of Money & Securities	500,000		
			Inside Premises-Robbery, Safe Burglary, Other	500,000		
			Outside the Premises	500,000		
			Computer Fraud	500,000		
			Money Orders & Counterfeit Paper Currency	500,000		
			Funds Transfer Fraud	500,000		
			Faithful Performance of Duty (Subject to \$1,000 Deductible)	500,000		



*AUDIT COMMENTS
& DISCLOSURES*

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the financial statements of Linn County, as of and for the year ended June 30, 2012 and have issued our report thereon dated December 17, 2012. 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.

Compliance

As part of obtaining reasonable assurance about whether Linn County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.

- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials.

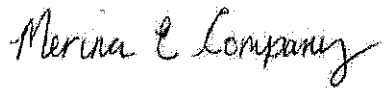
In connection with our testing, nothing came to our attention that caused us to believe Linn County was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* with the following exception.

- The County published the budget committee meeting in a newspaper and on the County's website. However, the County failed to include the website address in the newspaper publication.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Linn County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Linn County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Linn County's internal control over financial reporting.

This report is intended solely for the information and use of the Management, Board of Commissioners, and Oregon Secretary of State Audits Division, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
December 17, 2012

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**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 Commissioners
Linn County
Albany, Oregon

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Linn County, Oregon (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 17, 2012. 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

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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.



Merina & Company, LLP
West Linn, Oregon
December 17, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Linn County, Oregon
Albany, Oregon

Compliance

We have audited Linn County, Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Linn County, Oregon's major federal programs for the year ended June 30, 2012. Linn County, Oregon'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 Linn County, Oregon's management. Our responsibility is to express an opinion on Linn County, Oregon'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 Linn County, Oregon'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 of Linn County, Oregon's compliance with those requirements.

In our opinion, Linn County, Oregon complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Linn County, Oregon is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Linn County, Oregon's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Linn County, Oregon's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Linn County, Oregon, others within the entity, 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.



Merina & Company, LLP
West Linn, Oregon
December 17, 2012

LINN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are
Not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no

Significant deficiency (s) identified that are
Not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major
programs: Unqualified

LINN COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Any audit findings disclosed that are required to be
Reported in accordance with OMB Circular A-133,
section 510(a)?

yes no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

10.665 Schools and Roads -- Grants to States
15.000 O & C Grant
20.205 Highway Planning and Construction

Dollar threshold used to distinguish between type A and
Type B programs:

\$325,618

Auditee qualified as low-risk auditee?

yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

Section IV – Schedule of Prior Federal Award Findings and Questioned Costs for the Years Ended June 30, 2011

None



FEDERAL SINGLE AUDIT

GRANT COMPLIANCE – SINGLE AUDIT

LINN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>		
Food and Nutrition Service		
<i>Passed through Oregon Department of Education:</i>		
School Breakfast Program	10.553	5,945
National Lunch Program	10.555	11,076
Forest Service		
<i>Department of Human Resources Health Division:</i>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	649,446
Women, Infants, and Children Breast Feeding Performance Bonus	10.558	10,567
<i>Department of Administrative Services:</i>		
Schools and Roads – Grants to State		
Federal Forest PL 106-393 Title I	10.665	4,385,794
Federal Forest PL 110-343 Title III	10.665	456,373
Federal Forest Title II	10.665	22,575
Total Department of Agriculture		<u>5,541,776</u>
<u>Department of the Interior</u>		
Bureau of Land Management		
<i>Direct Programs:</i>		
O & C Grant		
Bureau of Land Management PL 106-393 Title I	10.665	1,140,552
Bureau of Land Management Title II	10.665	56,000
Payments in Lieu of Taxes	15.226	190,824
Fish and Wildlife Service		
<i>Passed through Oregon Marine Board:</i>		
Clean Vessel Act	15.616	<u>7,650</u>
Total Department of the Interior		<u>1,395,026</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

<u>Federal Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Justice</u>		
Office of Juvenile Justice and Delinquency Prevention		
<i>Passed through Oregon Department of Justice:</i>		
Juvenile Accountability Incentive Block Grants	16.523	10,903
Bureau of Justice Assistance		
<i>Passed through of Oregon Department of Human Resources Mental Health Division:</i>		
<i>Passed through Oregon Department of Justice:</i>		
Marijuana Eradication	16.580	10,297
Edward Byrne Memorial Grant	16.738	26,505
ARRA Edward Byrne Memorial Grant	16.803	14,193
Office of Victims of Crime		
Crime Victim Assistance	16.575	85,610
Crime Victim Assistance/Discretionary Grants	16.582	68,848
Total Department of Justice		<u>216,356</u>
<u>Department of Transportation</u>		
Federal Highway Administration		
<i>Passed through Oregon Department of Transportation:</i>		
Highway Planning and Construction	20.205	1,730,513
Grants for Other than Urbanized Areas	20.509	173,001
Capital Assistance Program for Elderly Persons	20.513	43,487
Linn County Sherrif multi Unit Enforcement Equipment	20.6	43,000
Total Department of Transportation		<u>1,990,001</u>
<u>Department of Administrative Services</u>		
<i>Passed through Department of Administrative Services:</i>		
Donation of Federal Surplus Personal Property	39.003	<u>102,500</u>
<u>Environmental Protection Agency</u>		
Office of Water		
<i>Passed through Oregon Department of Human Resources Health Division:</i>		
State Public Water System Supervision	66.432	40,252
DWP EPA-WaterRevolving Fund	66.468	<u>24,733</u>
Total Environmental Protection Agency		<u>64,985</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

	Federal CFDA Number	Expenditures
Department of Energy		
<i>Passed through Oregon Department of Energy :</i>		
	81.128	<u>28,613</u>
<u>Federal Grantor/Pass-through Grantor/Program title</u>		
Department of Education		
Office of Elementary and Secondary Education		
<i>Passed through Oregon Department of Human Resources Health Division:</i>		
Safe and Drug Free Schools and Communities	84.186	<u>55,000</u>
<u>Department of Health and Human Services</u>		
Office of Population Affairs		
Family Planning - Services	93.217	127,664
Administration for Children and Families		
Promoting Safe and Stable Families	93.556	27,738
Child Care and Development Block Grant	93.575	11,289
<i>Passed through Oregon Commission on Children and Families:</i>		
Social Services Block Grant	93.667	132,128
Title 4 -B CWS	93.645	53,152
Centers for Medicare and Medicaid Services		
Health Start/title XIX	93.778	43,202
Centers for Disease Control		
Immunization Grants	93.268	17,040
Bioterrorism preparedness & response	93.069	104,594
Strengthening Public Health Infrastructure	93.507	42,852
Health Resources and Services Administration		
TB Control and AIDS	93.116	6,602
Strategic preservation framework	93.243	20,000
Maternal and Child Health Services Block Grant to the States	93.994	171,733
Substance Abuse and Mental Health Services Administration		
<i>Passed through Oregon Department of Human Resources Mental Health Division:</i>		
Block Grants for Community Mental Health Services	93.958	83,964
Block Grants for Prevention and Treatment of Substance Abuse	93.959	298,914
Total Department of Health and Human Services		<u>1,140,872</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

<u>Federal Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>		
Federal Emergency Management Agency		
<i>Passed through Oregon State Police:</i>		
BoatingSafety Finacial Assistence	97.012	38,371
Public Assistance Grants	97.036	124,418
Emergency Management Performance Grants	97.042	129,928
Citizens Corps	97.053	13,648
State Homeland Security Program	97.073	12,450
		<u>318,815</u>
Total Department of Homeland Security		<u>318,815</u>
Totals		<u><u>10,853,944</u></u>

LINN COUNTY, OREGON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2012

Note 1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Linn County, Oregon.

Note 2. Significant Accounting Policies

Reporting Entity: The reporting entity is fully described in Note 1 to the County's basic financial statements. The Schedule includes all federal financial assistance programs administered by the County for the year ended June 30, 2012.

Basis of Presentation: The information in the Schedule is presented in accordance with OMB Circular A-133.

Federal Financial Assistance: Pursuant to the Single Audit Act and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs: The Single Audit Act and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the County are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Revenue Recognition: The receipt and expenditure of federal awards are accounted for under the modified accrual method of accounting. Revenues are recorded as received in cash or when measurable and available. Expenditures are recorded when the liability is incurred.

**This Report is Intended to Promote the
Best Possible Management of Public Resources**

You are welcome to keep this copy if it is useful to you.
If you no longer need this copy, you are encouraged to return it to:

County Commissioners' Office
Linn County Courthouse, Room 201
P.O. Box 100
Albany, OR. 97321



We care for the County and the United States of America