

Comprehensive Annual Financial Report

Linn County Oregon



**Fiscal Year Ending
June 30, 2014**



Government Finance Officers Association

**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, 2013

Executive Director/CEO



LINN COUNTY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2014

Prepared by: General Administration – Dave Alderman, Accounting Officer

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INTRODUCTORY SECTION

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LINN COUNTY GENERAL ADMINISTRATION

300 Fourth Avenue, SW (Room 201), PO Box 100, Albany OR 97321-0031
Phone (541) 967-3825 Fax (541) 926-8228

Accounting/Payroll, Personnel Services, Data Processing,
General Services/Facilities, Printing/Supplies, Veterans' Services

BOARD OF COMMISSIONERS

John K. Lindsey
Roger Nyquist
Will Tucker

RALPH E. WYATT
Administrative Officer

November 10, 2014

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, 2014 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 Pauly, Rogers and Co., P.C., a firm of licensed certified public accountants, with the audit conducted in accordance with generally accepted auditing standards and Governmental 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, 2014, 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 unmodified opinion that Linn County's financial statements for the fiscal year ending June 30, 2014 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 2013 - 2014.

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, 2013 population of 118,665. The County is governed under Oregon law as a "general law 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 plus Dog Control), District Attorney's Office, Juvenile Department including the Detention Center, Justice Court and the Law Library.

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 1,104.29 miles of road and 336 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 22. For the other funds, the comparisons are presented starting on page 54.

FACTORS AFFECTING LINN COUNTY'S FINANCIAL CONDITION

Local Economy. Linn County's economic indicators, over the twelve month period of this audit, have finally started to reflect improvements in local economies that started, for Oregon, in the Portland Metro area. That said, the County's recovery still lags the improvements shown in Oregon and national economic activities. The recovery from the historic recession remains, at best, a slow process as shown by the County's unemployment rate change - an adjusted rate of 8.4% for June 2014, down from the 9.8% rate for June 2013. The County's unemployment rate has continued to remain higher than both the State (6.8%) and National (6.1%) June 2014 rates. The improvement in the unemployment rate is reflected in the increase in employment levels over the past year with the number of nonfarm employed County residents up by 850 jobs (June 2013 to June 2014). From February 2008, the pre-recession employment peak, to June 2014, the County has lost more than 3,300 jobs, a 7.8% drop. In general, private-sector jobs are starting to produce healthy growth while public sector jobs have shown minor losses during the past year.

Along with the improved jobs data, there are other positive economic developments. As mentioned in the past few Audits, 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 the third graduating class presented in June 2014. The campus complex continues to be built out with new facilities and businesses, with a conference center now open and construction of a hotel in progress. Construction of the \$41 million, 150 bed Veterans' Home adjacent to the medical school in Lebanon is a reality with the grand opening in September 2014 and the Home open for veterans in October 2014. Activity has increased in the Planning and Building Department indicating that the housing

sector of the economy has bottomed out and is on the way back up. 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 recent recession but the problems with getting jobs back to the 2008 level continues to pose challenges.

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 first year of the State's FY 2013 – 2015 Budget has reflected the improvement in the State's economy and provided more stability in revenues but, of course, the State's revenue dependence on income taxes continues. The State's FY 2013 – 2015 Budget was balanced using the more positive revenue forecasts along with savings expected from changes to the public safety, health and retirement systems. The State's stabilizing General Fund revenues have not resulted in increases in State funding for County programs with much of that funding being changed and redirected by a variety of law changes from recent legislative sessions.

The County's service capabilities are expected to continue to shift in the future with the on-going changes in two major revenue sources – State and Federal. At this point, there is no bill authorizing Federal Forest funding for another year (FY '14-'15) thus the end of Federal "safety net" payments may occur and produce a switch to a share of actual timber receipts. The outlook for payments from another major revenue source, the State of Oregon, is also mixed with shifts in public safety and health payments to the County. A third major revenue source, the County's local option Law Enforcement Levy, has a more positive outlook. The voters approved a new four year levy starting July 1, 2014, replacing the last year of the prior levy with an increased rate of \$2.83 per thousand valuation (\$0.25 increase). The Levy revenue is being reduced by lower property values and Measure 5 compression losses as detailed below but is increased with a law change that adds urban renewal values back for local option levies approved after January 1, 2013.

The County's major source of revenue remains intergovernmental receipts (\$50,827,320; 56.34% of revenue; up 19.46%) with the increase primarily due to funding for Federal road projects and additional mental health funding. The fiscal impacts on the County from the severe decline in timber sales have continued to be offset to a lessening degree by a long series of Federal timber receipts "safety net" laws and those payments were extended for another year (Federal Forest Service and Bureau of Land Management Title I, II and III payments; \$5,972,538; 6.02% of revenue; up 3.09%). As mentioned above, Federal Forest revenues may revert to a share of actual timber sale receipts (estimated to be approximately 10% of the 2006 payment) in FY '14-'15.

State-provided funds increased (\$33,017,481; 36.6% of revenue; up 10.15%) and provided the bulk of the remaining intergovernmental receipts, with increases in State Forest payments and, as mentioned, health services. The impacts on County property taxes (\$27,099,753; 30.04%; up 1.86%) from Measure 5 and Measures 47/50 limits continue to constrain this revenue source with those limits continuing to have a negative impact even as growth (2.546%) in the County's assessed property values has improved. The County's Law Enforcement Levy (new rate of \$2.83 per thousand [note that the County's permanent tax rate is

\$1.2713 per thousand]) is critical to the County's revenue structure. The 2013 Law Enforcement Levy's net amount was significantly reduced ("compressed") by 23.43% (\$4,959,437) due to Measure 5 limit. The County's second local option levy is for the Veterans' Home (\$1,207,281; 4.45% of the total property taxes) and was approved to repay the 10 year, \$12,000,000 loan from the Road Fund used to provide the local match required to fund the project. The last major sector of County revenues, the Licenses, Permits, Fines & Services category decreased (\$9,898,452; 10.97% of revenue; down 2.45%). Overall, the outlook is, at best, for the County's total revenues to stabilize 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 the new Law Enforcement Levy revenues.

On the expense side, the cost of County operations over the long term is expected to grow due mainly to increasing costs per employee. These costs have been driven by cost-of-living (COLA) salary increases and small health benefit premium increases as established by collective bargaining agreements. For FY 2013 –2014, the total personnel cost was basically unchanged from the prior fiscal year, mostly because there were very small increases in health insurance costs and most employees accepted a zero (0%) COLA. The cost of the County's retirement programs, the Oregon Public Employees Retirement System (PERS) and the Oregon Public Service Retirement Plan (OPSRP), remained approximately the same and won't change until July 1, 2015. Future health insurance costs are still a big unknown given the Federal legislation (Affordable Care Act) continued implementation.

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 Federal Forest payments but the revenue stream's future is uncertain. However, the current recovery from the "great" recession and the newly approved Law Enforcement Levy provide an improving outlook. Oregon's tax structure and initiative/referendum processes always inject an added element of uncertainty into the State's current biennium budget sure to produce revenue change 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 which funded the required local match and purchased the property. The match funds and property were transferred to the State in May 2011 (the State will operate the Home). That funding from the County allowed construction to start while waiting for the Federal funding to be approved, which occurred last year. Construction is complete with a September 2014 Grand Opening and residents arriving in October 2014.

As mentioned last year, the County purchased a former company headquarters complex (two buildings, 31,052 sf, 147 parking spaces, 7.21 acres) in Albany for use by the Health Department. The remodeling work is complete and the Willamette Health Center is in full operation. The project has allowed the Health Department to move into improved facilities, consolidate activities, vacate rented space and provide adequate access and parking to clients. The County has also purchased an 8,400 sf building in Tangent for use by the Oregon State University Extension District and the Sheriff's Office (as a substation) and that building will be remodeled and in use in early 2015.

The County also continues to participate 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 is providing services to the InterCommunity Health Network (IHN) CCO (IHN is owned by Samaritan Health Services). The IHN-CCO provides services in Lincoln, Benton and Linn Counties and those services continue to expand as a part of Oregon's Health Transformation. That expansion of services has a growing impact on the Health Department's State revenue streams and services provided.

Another major area of activity that has continued is the expansion and improvement of the County's Park system. That expansion has involved renovating another two cabins at Clear Lake Resort (lodge, store, cabins and docks on Clear Lake in the Cascades); and development of the County's 175 acres tract adjacent Highway 34 and Interstate 5 as a park with work starting in October 2014. The County is continuing to manage and improve six US Forest Service campgrounds located along the South Santiam River east of River Bend Park, now three years into a five year lease. The Parks Department is also preparing projects for the Green Peter Quartzville areas with engineering and survey work for expansion of the Whitcomb Creek Campground and construction of a new campground at Trout Creek. In addition, the County purchased a bankrupted RV resort and marina (49 RV spaces and 40 marina spaces) on Foster Lake in Sweet Home and the resort and marina is now in operation as a Linn County Park.

The programmed road and bridge improvements by the Road Department upgraded 31.81 miles of road miles of the County's road system and completed replacement/major repairs to nine bridges.

Regarding labor contracts, the County reached an agreement with the Teamsters for a new four year CBA through May 2017 with no other contracts up for negotiations.

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 – 86.6%; 30 to 90 days – 2.19%; 90 days to 12

months – 4.83% and 12 to 18 months – 6.38%. The average yield on investments for the year was 0.63% compared to an average of 0.541% for the State’s Local Government Investment Pool. The County recorded interest revenues of \$155,578 on all County investments in the year ending June 30, 2014. This represents a decrease of \$57,461, down 26.97% from the prior year due to lower rates for reinvestments on investments maturing.

Risk Management. For the fiscal year ending June 30, 2014, 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 23, 24, 25 and 73). Additional information is included in the Financial Section of this report (page 50) with a schedule of all the County’s insurance coverages included in the Statistical Section of this report (pages 97 and 98).

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 six 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. The cost of the PERS system has been an issue with the legislature and changes were made, mainly related to retiree COLAs, in both the regular 2013 Legislative Session (SB 822) and the September/October Special Session (SBs 861A & 862A) to avoid a significant rate increase in FY ’13 – ’15. The legislative changes are being challenged directly to the Oregon Supreme Court. Legislative changes to the system were also made to allow PERS to provide the necessary information to comply with GASB Statement 68 audit requirements regarding pension-related obligations.

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. The PERS Tier 1 & 2 and OPSRP employer rates changed effective July 1, 2013 as follows: 15.66% (Tier 1 & 2), 13.73% (OPSRP General Service) and 16.46% (OPSRP Police). Overall, the July 1, 2013 rate changes increase the County’s PERS expense only slightly (approximately \$60,000 for the 2013 – 2015 biennium, rates change every two years). As mentioned earlier, a much larger increase was avoided when the 2013 Legislative Session passed SB 822 which made several changes to PERS and reduced costs. The PERS plan was also 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. Even with the legislative changes to the system, a large unfunded liability remains which is producing a projection for more increases in 2015 and 2017. Additional information on Linn County's PERS participation is included in the Financial Section of this report (pages 47, 48 and 49).

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 in the County's insurance plans does negatively impact the claims experience for the plans and thus the premiums charged.

AWARDS AND ACKNOWLEDGEMENTS

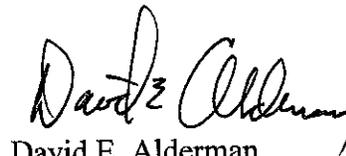
For the twenty-fourth consecutive year, the GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Linn County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing 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

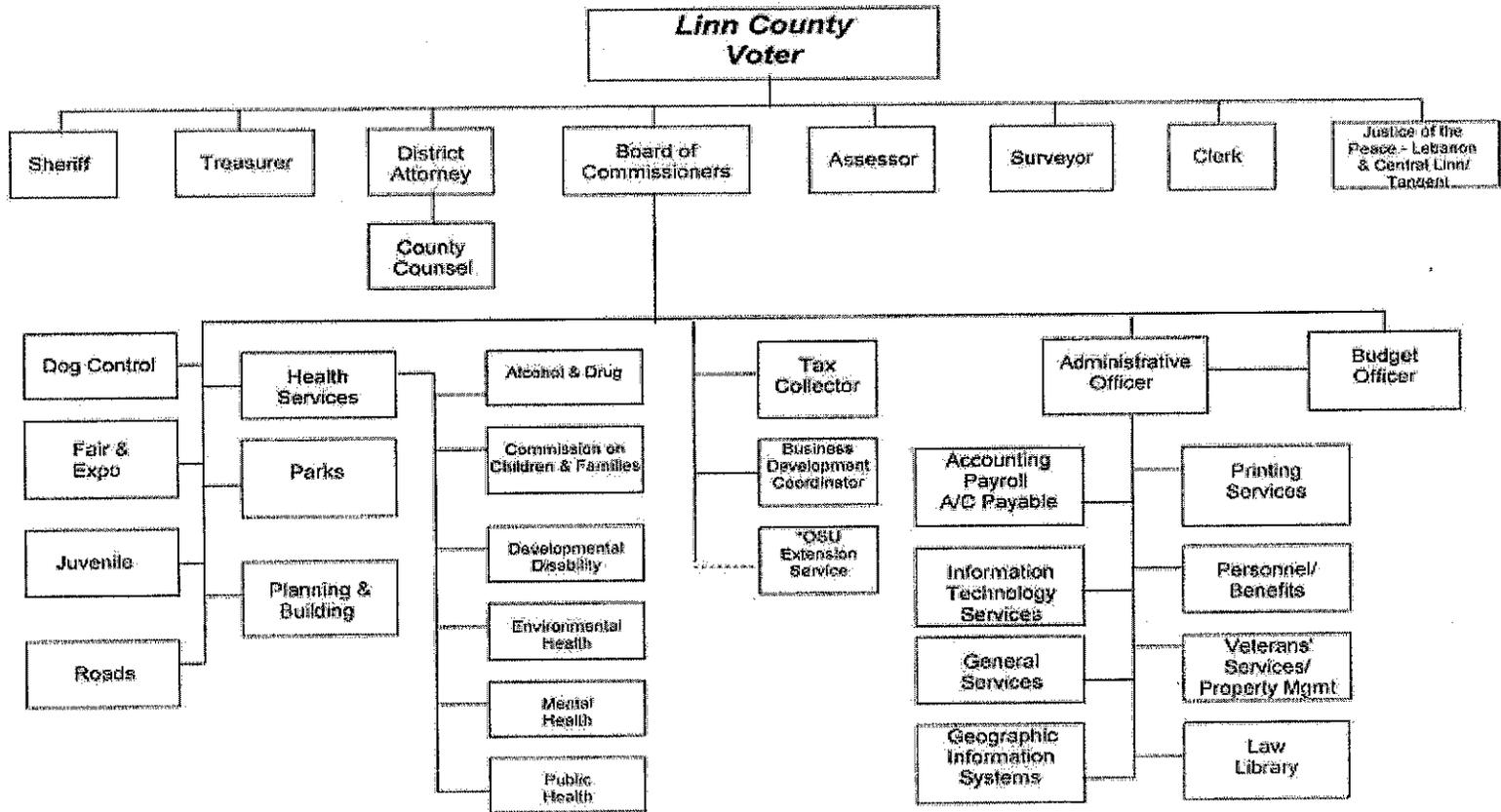


David E. Alderman
Accounting Officer



LINN COUNTY, OREGON

Organization Chart



* 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 2017
John Lindsey	Commissioner	January 2015
William Tucker	Commissioner	January 2017
David Swartzlender	Assessor and Tax Collector	January 2017
Steve Druckenmiller	Clerk	January 2015
Douglas Marteeny	District Attorney	January 2017
Honorable Jad Lemhouse	Justice of the Peace – Central Linn	January 2015
Bruce Riley	Sheriff	January 2017
Charles Gibbs	Surveyor	January 2017
Michelle Hawkins	Treasurer	January 2017

Administrative Officer

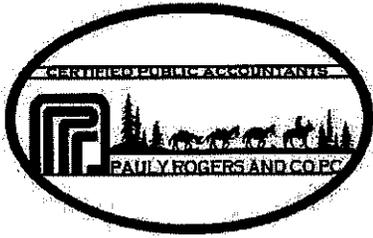
Ralph E. Wyatt

Registered Address

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



FINANCIAL SECTION



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November 10, 2014

To the Board of County Commissioners
Linn County, Oregon
Albany, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Linn County, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Linn County, Oregon as of June 30, 2014, and the respective changes in financial position and budgetary comparisons for the General Fund, General Road, Law Enforcement 4-Year Levy, Health, and Veterans Home Loan for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The County adopted the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities and GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees for the year ended June 30, 2014. Our opinion is not modified due to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

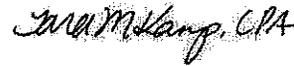
The supplementary information, as listed in the table of contents and the schedule of expenditures of federal expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents and the schedule of federal expenditures, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical sections and the other information, as listed in the table of contents 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.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2014 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 10, 2014, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

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, 2014. 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-viii of this report.

Financial Highlights

- The assets of Linn County exceeded its liabilities at the close of the most recent fiscal year by \$212,737,294 (*net position*). Of this amount, (\$3,932,706) (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$10,508,235 year over year.
- As of the close of the fiscal year, Linn County's governmental funds reported combined ending fund balances of \$27,569,058 an increase of \$2,323,295 in comparison with the prior year, with 95.28% of this total amount, \$26,269,782 *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 \$(5,514,466). The negative fund balance is primarily due to interfund debt as follows: 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). In fiscal 2012-13 an additional \$400,000 interfund loan was made to purchase property adjacent to the Linn County jail. During the current year the General Fund borrowed \$1,500,000 from the Health Services Fund for the purchase of a building to house Linn County Health Services programs. The Current combined interfund debt balance is \$14,612,684 at June 30, 2014.
- Linn County has no long term debt obligations as of June 30, 2014.

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 supplementary and other 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 position* presents information on all of Linn County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 16 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 11 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 26 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 23 through 25 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 26 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 27 through 53 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 54 of this report. In addition on page 55 is reported the Other Post Employment Benefit Schedule of Funding Progress.

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 position may serve over time as a useful indicator of a government’s financial position. In the case of Linn County, assets exceeded liabilities by \$212,737,294 the close of the fiscal year.

By far the largest portion of Linn County’s net position (88.05 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. The County currently has no long term debt.

Linn County’s Net Position

Governmental Activities

	2013	2014
Assets		
Current and other assets	\$ 33,795,385	\$37,064,554
Capital assets	179,483,981	187,331,525
Total assets	213,279,366	224,396,079
Liabilities		
Long-term liabilities outstanding	2,204,248	2,990,193
Other liabilities	8,846,059	8,668,592
Total liabilities	11,050,307	11,658,785
Net Position		
Invested in capital assets, net of related debt	179,483,981	187,331,525
Other Restricted and Unrestricted	22,745,078	25,405,769
Total net position	\$ 202,229,059	\$ 212,737,294

The balance of restricted and *unrestricted net position* \$25,405,769 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased by \$10,508,235 during the current fiscal.

Governmental activities. Governmental activities increased Linn County's net position by \$10,508,235. Key elements of this increase are as follows:

Linn County's Changes in Net Position

Governmental Activities

	2013	2014
Revenues		
Program		
Charges for services	\$ 12,528,123	\$ 9,804,787
Operating grants and contributions	32,995,197	35,717,211
General		
Property taxes	26,464,238	27,560,642
Grants and contributions not restricted to specific programs	7,464,087	15,876,820
Other	383,657	416,332
Total revenues	\$ 79,835,302	\$ 89,375,792

Linn County's Changes in Net Position

Governmental Activities (continued)

	2013	2014
Expenses		
General government	\$ 7,065,773	\$ 5,767,129
Public safety	29,598,890	30,427,163
Highways/streets	10,789,063	9,606,246
Local government services	3,222,499	3,217,233
Health services	20,065,671	20,725,009
Community development	5,551,482	6,845,496
Apportionment to school districts	1,405,596	1,999,834
Interest	266,709	279,447
 Total expenses	 77,965,683	 78,867,557
 Increase (decrease) in net position	 1,869,619	 10,508,235
Net position - beginning of the year	200,359,440	202,229,059
 Net position - end of the year	 \$ 202,229,059	 \$ 212,737,294

- Total revenues increased by \$9,540,490 between the prior fiscal year and the current fiscal year, primarily due to increase in grants not restricted to specific programs.
- Overall, County wide expenses increased by \$901,874 (1.15%) from the previous year. When combining general governmental and local government expenses, there was a decrease of \$1,303,910 from fiscal 2013-14. Public Safety expenses increased by \$828,273 due to rehiring of positions that were laid off in 2012-13, while health service expenses increased by \$659,338, and roads/highways decreased by \$1,182,817, as several bridge construction and improvement projects were completed.

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 \$27,569,058, an increase of \$2,323,295 in comparison with the prior year. Of this total amount \$42,651,883 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 unassigned fund balance was (\$5,514,466), an increase of \$547,205 compared with the previous year.

Key factors in this change are as follows:

- Overall revenue in the General Fund increased by \$2,055,621 from \$26,090,116 in 2012-13 to \$28,145,737 in 2013-14 primarily due intergovernmental revenues increasing by \$1,934,313 in the current fiscal year.
- Expenditures in the General Fund decreased slightly overall by \$7,168.
- As mentioned earlier, the General Fund negative fund balance is a result of a \$3,028,167 interfund loan payable to the Roads Fund, for various projects, and the loan payable of \$1,500,000 as mentioned earlier. All interfund loans are being repaid over a eight year period.

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 \$34,730,239 at year end. This balance increased by \$335,176 during the year.

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 (\$783,118) was increased by \$91,377 from current operations. The LE Fund property tax revenues increased by \$148,526, from \$15,718,566 in 2012-13, to \$15,867,092 in 2013-14. The effect of on the new property tax rate increase was significantly reduced (\$4,959,437) due to compression of the overall property tax ceiling imposed by Measure 5. Expenditures decreased slightly by \$17,708 from \$15,780,182 in 2012-13 to \$15,762,474 in 2013-14.

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 \$7,558,598 represents a increase of \$979,163 from the prior year. In the current fiscal year overall revenues increased by \$2,208,353 (\$19,828,474 in 2012-13 to \$22,036,827 in 2013-14). In addition, expenditures increased by \$1,059,317 (\$20,971,053 in 2012-13 to \$22,030,370 in 2013-14) 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 fund: Linn County's proprietary fund provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Unemployment Fund at the end of the year amounted to \$17,592. This is an increase in net position over last year by \$48,764 primarily due to a positive change in revenues over expenses resulting in a operating income for the period of \$48,150.

General Fund Budgetary Highlights

Differences between the adopted budget and the final amended budget as a result of resolutions and a supplemental budget were \$3,890,409 (increase in appropriations) mostly due to increased funds received by the state for mental health, public health, and children and family services of \$1,104,001, as well as, other general grants \$481,094, and general fund appropriations of \$1,196,263. Actual receipts in the General Fund were \$62,370 less than anticipated and actual expenditures were \$3,784,112 less than appropriations, demonstrating a generally prudent spending policy. Over half of spending variance was attributed to less spending in the Materials and Service category.

Capital Asset and Debt Administration

Capital assets: Linn County's investment in capital assets for its governmental type activities as of June 30, 2014 amounts to \$187,331,525 (net of accumulated depreciation) and include machinery and equipment, park facilities, roads, highways, and bridges. Beginning in fiscal 2002-03 the county's 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, in 2011-12 by \$1,013,397, in 2012-2013 by \$2,758,899 and in the current fiscal year \$7,847,544 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 made improvements to the Health Services building in the amount of \$1,429,917; the building was purchased last fiscal year.
- Additional capital expenditures of \$6,141,408 were made for road and bridge improvements during the year.
- A Marina was added to the Linn County Parks Department, as mentioned in the transmittal letter, for \$388,663.

Linn County's Capital Assets
(Net of depreciation)

Governmental Activities

	2013		2014
Land	\$ 16,855,881		\$ 17,319,451
Buildings and improvements, net	36,229,100		37,819,532
Equipment, net	7,512,995		7,957,262
Infrastructure, net	115,717,086		120,631,574
Intangibles	940,195		846,961
Construction in progress	2,228,724		2,756,745
Totals	\$ 179,483,981		\$ 187,331,525

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 next scheduled pavement inspection cycle is 2014.

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 42 and 43 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 2 percent of its total assessed valuation which would make the current debt limitation for Linn County is \$ 173,800,440.

Economic Factors

- The unemployment rate for Linn County is currently 9.9 percent, which is a decrease from a rate of 10.8 percent a year ago. This compares unfavorably to the state's average unemployment rate of 7.9 percent and the national average rate of 7.6 percent. (See the letter of transmittal for additional detail).
- Linn County's economy continues to improve at a slow pace in housing development both in new construction, refinancing and home improvements. This trend continues, into the first quarter of 2013-2014. The real market value of property continues to improve slightly, which has a positive effect on property tax revenue. 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 \$4,959,437 in property tax revenue collected for the Law Enforcement Levy Fund.
- With 51.82% of revenue dependent on resources from State and Federal governments, the State's fiscal condition is a critical issue for county government. As the state has increased and/or cut back the resources it provides to the county programs, the County has made adjustments in staff and services.
- See the letter of transmittal for additional economic factors.

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 POSITION
June 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and investments	\$ 30,131,283
Receivables, net of allowance for doubtful accounts	3,651,125
Due from other governments	1,850,325
Inventories	1,299,276
Investment in joint venture	132,545
Capital assets:	
Land, infrastructure, and construction in progress, not being depreciated	119,790,391
Other capital assets, net of accumulated depreciation	<u>67,541,134</u>
TOTAL ASSETS	<u>224,396,079</u>
 <u>LIABILITIES</u>	
Accounts payable	1,111,971
Due to other governments	69,346
Payroll, payroll taxes, and benefits payable	5,137,107
Claims liability	123,200
Long-term obligations:	
Due with in one year:	
Accumulated compensated absences	2,226,968
Due in more than one year:	
Accumulated compensated absences	1,392,264
Post employment health care benefits	<u>1,597,929</u>
TOTAL LIABILITIES	<u>11,658,785</u>
 <u>NET ASSETS</u>	
Invested in capital assets	187,331,525
Restricted for:	
Highways and Streets	20,318,279
Health Services	6,058,598
Other Purposes	2,961,598
Unrestricted	<u>(3,932,706)</u>
 TOTAL NET POSITION	<u><u>\$ 212,737,294</u></u>

See notes to basic financial statements

LINN COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

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	\$ 5,767,129	\$ 450,049	\$ 433,585	\$ (4,883,495)
Local government services	3,217,233	643,262	598,782	(1,975,189)
Public safety	30,427,163	2,466,308	2,329,112	(25,631,743)
Health services	20,725,009	951,887	19,379,499	(393,623)
Community development	6,845,496	2,558,349	262,076	(4,025,071)
Highways and streets	9,606,246	2,734,932	10,714,323	3,843,009
Apportionments to school districts	1,999,834	-	1,999,834	-
Interest	279,447	-	-	(279,447)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 78,867,557	\$ 9,804,787	\$ 35,717,211	(33,345,559)
General Revenues				
Property taxes levied for:				
				27,560,642
				15,876,820
				416,332
TOTAL GENERAL REVENUES				43,853,794
CHANGE IN NET POSITION				10,508,235
NET POSITION - BEGINNING				202,229,059
NET POSITION - ENDING				\$ 212,737,294

See notes to basic financial statements

LINN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
<u>ASSETS</u>							
Cash and investments	\$ 879,796	\$ 20,154,598	\$ 185,233	\$ 7,111,589	\$ -	\$ 1,651,549	\$ 29,982,765
Receivables, net of allowance for doubtful accounts	1,216,476	57,446	1,715,473	495,761	103,260	62,710	3,651,126
Due from other funds	39,471	1,873	-	30,442	-	3,183	74,969
Due from other governments	95,498	1,114,924	-	453,555	-	186,348	1,850,325
Advances to other funds	-	13,112,684	-	1,500,000	-	-	14,612,684
Inventories	-	1,299,276	-	-	-	-	1,299,276
Investment in joint venture	-	132,545	-	-	-	-	132,545
TOTAL ASSETS	\$ 2,231,240	\$ 35,873,346	\$ 1,900,706	\$ 9,591,347	\$ 103,260	\$ 1,903,790	\$ 51,603,689
<u>LIABILITIES</u>							
Accounts payable	\$ 196,146	\$ 534,480	\$ 67,154	\$ 263,208	\$ -	\$ 50,983	\$ 1,111,971
Due to other funds	23,785	10,347	32,499	26,992	-	1,537	95,160
Due to other governments	38,186	-	2,825	-	-	418	41,429
Advances from other funds	4,528,167	-	-	-	9,184,517	900,000	14,612,684
Unearned revenue	454	9,711	-	402,097	-	62,710	474,972
Payroll, payroll taxes, and benefits payable	2,020,130	566,931	1,070,379	1,340,452	-	139,215	5,137,107
TOTAL LIABILITIES	\$ 6,806,868	\$ 1,121,469	\$ 1,172,857	\$ 2,032,749	\$ 9,184,517	\$ 1,154,863	\$ 21,473,323

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>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable revenue - assessments	\$ -	\$ 21,638	\$ -	\$ -	\$ -	\$ -	\$ 21,638
Unavailable revenue - property taxes	938,838	-	1,510,967	-	89,865	-	2,539,670
TOTAL DEFERRED INFLOWS OF RESOURCES	938,838	21,638	1,510,967	-	89,865	-	2,561,308
<u>FUND BALANCES</u>							
Non spendable:							
Inventories	-	1,299,276	-	-	-	-	1,299,276
Restricted for:							
Roads	-	20,318,279	-	-	-	-	20,318,279
Health Services	-	-	-	6,058,598	-	-	6,058,598
Grants/ minor funds	-	-	-	-	13,395	1,648,927	1,662,322
Committed to:							
Interfund loan commitments	-	13,112,684	-	1,500,000	-	-	14,612,684
Unassigned	(5,514,466)	-	(783,118)	-	(9,184,517)	(900,000)	(16,382,101)
TOTAL FUND BALANCES	(5,514,466)	34,730,239	(783,118)	7,558,598	(9,171,122)	748,927	27,569,058
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,231,240	\$ 35,873,346	\$ 1,900,706	\$ 9,591,347	\$ 103,260	\$ 1,903,790	\$ 51,603,689

See notes to basic financial statements

LINN COUNTY

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION**

June 30, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	27,569,058
 <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	\$	223,977,418
Less accumulated depreciation	<u>(36,645,893)</u>	187,331,525
 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.		
		(3,619,232)
 Post employment healthcare benefits are not payable in the current period and therefore are not reported in the funds.		
		(1,597,929)
 Unavailable revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.		
		3,036,280
 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>17,592</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>212,737,294</u>

See notes to basic financial statements

LINN COUNTY
STATEMENT OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
REVENUES							
Property taxes	\$ 10,025,380	\$ -	\$ 15,867,092	\$ -	\$ 1,207,281	\$ -	\$ 27,099,753
Intergovernmental	9,908,859	15,495,554	-	19,665,046	-	5,757,861	50,827,320
Licenses, permits, fines and services	6,821,305	511,752	-	1,790,588	-	774,807	9,898,452
Interest earnings	15,570	338,542	7,544	53,144	1,160	6,326	422,286
Indirect cost reimbursement	1,312,247	-	-	350,629	-	73,439	1,736,315
Miscellaneous	62,376	-	(18,985)	177,420	-	3,692	224,503
TOTAL REVENUES	28,145,737	16,345,848	15,855,651	22,036,827	1,208,441	6,616,125	90,208,629
EXPENDITURES							
Current :							
General administration and support	5,081,149	-	-	-	-	-	5,081,149
Local government services	3,169,212	-	-	-	-	-	3,169,212
Public safety	12,713,276	-	14,872,669	-	-	2,303,210	29,889,155
Health services	-	-	-	20,626,039	-	-	20,626,039
Community development	4,409,609	-	-	-	-	1,985,486	6,395,095
Highways and streets	-	8,467,424	-	-	-	-	8,467,424
Apportionments to school districts	-	-	-	-	-	1,999,834	1,999,834
Capital Outlay	1,284,930	7,292,899	435,447	453,388	-	775,000	10,241,664
Indirect cost allocation	-	190,092	454,358	950,943	-	140,922	1,736,315
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	89,375	-	-	-	190,072	-	279,447
TOTAL EXPENDITURES	26,747,551	15,950,415	15,762,474	22,030,370	190,072	7,204,452	87,885,334
Excess (deficiency) of revenues over expenditures	1,398,186	395,433	93,177	6,457	1,018,369	(588,327)	2,323,295
OTHER FINANCING SOURCES (USES)							
Transfers in	548,005	11,040	-	972,706	-	426,281	1,958,032
Transfers out	(1,398,986)	(71,297)	(1,800)	-	-	(485,949)	(1,958,032)
TOTAL OTHER FINANCING SOURCES (USES)	(850,981)	(60,257)	(1,800)	972,706	-	(59,668)	-
Net change in fund balances	547,205	335,176	91,377	979,163	1,018,369	(647,995)	2,323,295
Fund balances (deficit) at beginning of year	(6,061,671)	34,395,063	(874,495)	6,579,435	(10,189,491)	1,396,922	25,245,763
Fund balances (deficit) at end of year	\$ (5,514,466)	\$ 34,730,239	\$ (783,118)	\$ 7,558,598	\$ (9,171,122)	\$ 748,927	\$ 27,569,058

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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	2,323,295
<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	\$ 10,166,664	
Capital asset deletions	(47,920)	
Less current year depreciation	(2,271,200)	7,847,544
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Change in unavailable revenue		667,448
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		(216,265)
Accumulated compensated absences		(162,551)
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		48,764
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	10,508,235

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, 2014

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes				
Current year's levy	\$ 9,627,945	\$ 9,627,945	\$ 9,600,590	\$ (27,355)
Prior years' levies	440,000	440,000	367,784	(72,216)
Total property taxes	10,067,945	10,067,945	9,968,374	(99,571)
Intergovernmental				
O & C land grant	1,052,885	1,052,885	1,115,685	62,800
Payments in lieu of taxes	170,000	170,000	201,999	31,999
State forest land sales	1,350,000	1,350,000	2,261,520	911,520
Amusement tax	24,000	24,000	27,055	3,055
Cigarette tax	122,765	122,765	103,999	(18,766)
Electric co-op tax	151,000	151,000	171,999	20,999
Liquor tax	560,000	560,000	573,062	13,062
Video lottery reimbursement	550,000	550,000	421,569	(128,431)
Private car tax	3,000	3,000	3,233	233
Assessment and taxation grant	650,000	650,000	597,881	(52,119)
Assessment and taxation contracts	39,285	39,285	22,770	(16,515)
Sheriff corrections grant-state	-	102,000	103,867	1,867
Sheriff support, state jail reinvestment	-	101,736	-	(101,736)
Veterans' officer reimbursement	59,725	69,725	77,868	8,143
State prison revenue-corrections	1,067,625	1,245,625	1,283,145	37,520
State prisoner allocation-contract - criminal	1,014,167	1,014,167	1,006,783	(7,384)
Juvenile detention contracts	307,342	307,342	307,342	-
Planning contract with cities	110,000	110,000	136,691	26,691
Central Linn Justice Court-City of Harrisburg contract	30,976	30,976	41,856	10,880
Cities and district contract with Sheriff Support	354,932	354,932	351,557	(3,375)
Emergency 911 contract with Sheriff	815,000	815,000	830,000	15,000
Cities and Justice court security - fees for jail	50,000	50,000	50,000	-
Juvenile work crew/ Fed forest title II	75,000	75,000	119,860	44,860
Juvenile- state re-integration program	-	43,365	10,000	(33,365)
Juvenile contract with cities	80,000	80,000	69,000	(11,000)
Surveyor contracts	4,000	4,000	151	(3,849)
GIS grant	5,000	5,000	-	(5,000)
Information technology service contracts	25,850	25,850	26,400	550
Total intergovernmental	8,672,552	9,107,653	9,915,292	807,639

See notes to basic financial statements

Continued on pages 9-16

**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	\$ 50	\$ 50	\$ 25	\$ (25)
Assessment and taxation	82,005	82,005	77,427	(4,578)
Clerk	1,303,989	1,303,989	959,614	(344,375)
Treasurer	2,700	2,700	16,240	13,540
Surveyor	57,700	57,700	72,575	14,875
Veterans Services	25,010	25,010	10,112	(14,898)
Planning	755,100	755,100	880,959	125,859
Parks and recreation	1,640,800	1,640,800	1,420,518	(220,282)
Historical	40,000	40,000	15,218	(24,782)
Justice court - Central Linn	612,010	612,010	670,525	58,515
District attorney	115,000	150,000	146,769	(3,231)
Sheriff				
Corrections	595,000	595,000	476,115	(118,885)
Jail	-	-	27,078	27,078
Civil	322,500	322,500	328,691	6,191
Criminal	115,000	141,162	61,524	(79,638)
Support	90,700	90,700	32,854	(57,846)
Juvenile	24,611	24,611	38,116	13,505
General administration	50,500	50,500	42,955	(7,545)
Information technology	1,030	1,030	405	(625)
General services	7,006	7,006	7,600	594
Printing	280,961	280,961	221,755	(59,206)
County Counsel	-	-	564	564
Geographic information system	5,000	5,000	4,253	(747)
Expo	986,400	986,400	955,107	(31,293)
Non departmental	187,400	187,400	179,615	(7,785)
Regence and SAIF settlement	170,000	170,000	133,486	(36,514)
Indirect cost reimbursements, net	1,317,760	1,317,760	1,312,247	(5,513)
Total licenses, permits, fines and services	8,788,232	8,849,394	8,092,347	(757,047)
Interest earnings	20,000	20,000	6,609	(13,391)
TOTAL REVENUES	27,548,729	28,044,992	27,982,622	(62,370)

*See notes to basic financial statements
Continued on pages 10-16*

**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	\$ 443,037	\$ 445,037	\$ 443,285	\$ 1,752
Materials and services	9,625	9,625	9,518	107
Total Commissioners	<u>452,662</u>	<u>454,662</u>	<u>452,803</u>	<u>1,859</u>
Assessment and Taxation				
Personal services	1,846,162	1,846,162	1,713,072	133,090
Materials and services	248,100	248,100	216,429	31,671
Capital outlay	5	5	-	5
Total Assessment and Taxation	<u>2,094,267</u>	<u>2,094,267</u>	<u>1,929,501</u>	<u>164,766</u>
Clerk				
Personal services	916,498	916,498	803,440	113,058
Materials and services	227,269	227,269	184,730	42,539
Capital outlay	1	1	-	1
Total Clerk	<u>1,143,768</u>	<u>1,143,768</u>	<u>988,170</u>	<u>155,598</u>
Treasurer				
Personal services	231,685	231,685	231,492	193
Materials and services	9,650	9,650	9,549	101
Total Treasurer	<u>241,335</u>	<u>241,335</u>	<u>241,041</u>	<u>294</u>
Surveyor				
Personal services	393,810	393,810	390,477	3,333
Materials and services	10,075	10,075	7,172	2,903
Capital Outlay	1	26,001	18,400	7,601
Total Surveyor	<u>403,886</u>	<u>429,886</u>	<u>416,049</u>	<u>13,837</u>
Veterans' Services				
Personal services	203,866	218,443	215,377	3,066
Materials and services	9,456	14,879	10,953	3,926
Total Veterans' Services	<u>213,322</u>	<u>233,322</u>	<u>226,330</u>	<u>6,992</u>

*See notes to basic financial statements
Continued on pages 11-16*

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

	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Justice Court - Central Linn				
Personal services	\$ 535,332	\$ 535,332	\$ 532,067	\$ 3,265
Materials and services	96,000	96,000	94,890	1,110
Capital outlay	5	5	-	5
	<u>631,337</u>	<u>631,337</u>	<u>626,957</u>	<u>4,380</u>
Total Justice Court - Central Linn				
District Attorney				
Personal services	735,257	710,257	685,162	25,095
Materials and services	61,076	61,076	36,329	24,747
	<u>796,333</u>	<u>771,333</u>	<u>721,491</u>	<u>49,842</u>
Total District Attorney				
County Counsel				
Personal services	404,272	404,272	344,316	59,956
Materials and services	27,762	27,762	18,015	9,747
	<u>432,034</u>	<u>432,034</u>	<u>362,331</u>	<u>69,703</u>
Total County Counsel				
Juvenile				
Personal services	1,204,799	1,209,799	1,206,575	3,224
Materials and services	60,333	103,698	45,967	57,731
	<u>1,265,132</u>	<u>1,313,497</u>	<u>1,252,542</u>	<u>60,955</u>
Total Juvenile				
Planning and Building				
Personal services	941,882	941,882	936,335	5,547
Materials and services	74,500	74,500	62,915	11,585
Capital Outlay	5	5	-	5
	<u>1,016,387</u>	<u>1,016,387</u>	<u>999,250</u>	<u>17,137</u>
Total Planning and Building				
Sheriff - Support Services				
Personal services	2,207,043	2,237,043	2,220,500	16,543
Materials and services	769,522	841,258	450,705	390,553
Capital outlay	1	1	-	1
	<u>2,976,566</u>	<u>3,078,302</u>	<u>2,671,205</u>	<u>407,097</u>
Total Sheriff - Support Services				

*See notes to basic financial statements
Continued on pages 12-16*

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

	Budget Original	Budget Final	Actual	Variance
EXPENDITURES (Continued)				
Sheriff - Civil				
Personal services	\$ 726,292	\$ 736,292	\$ 732,291	\$ 4,001
Materials and services	31,350	31,350	20,733	10,617
Capital Outlay	1	1	-	1
Total Sheriff - Civil	757,643	767,643	753,024	14,619
Sheriff - Criminal				
Personal services	3,529,105	3,388,105	3,198,867	189,238
Materials and services	86,500	98,500	92,352	6,148
Capital Outlay	2	2	-	2
Total Sheriff - Criminal	3,615,607	3,486,607	3,291,219	195,388
Sheriff - Corrections				
Personal services	2,440,838	2,555,838	2,549,469	6,369
Materials and services	773,258	933,758	632,910	300,848
Total Sheriff - Corrections	3,214,096	3,489,596	3,182,379	307,217
Sheriff - Jail Fees				
Personal services	111,923	111,923	101,042	10,881
Materials and services	980	980	499	481
Total Sheriff - Jail Fees	112,903	112,903	101,541	11,362
Medical Examiner				
Materials and services	79,600	79,600	71,659	7,941
Parks and Recreation				
Personal services	926,864	946,864	947,895	(1,031)
Materials and services	487,900	487,900	486,739	1,161
Capital outlay	150,000	150,000	-	150,000
Total Parks and Recreation	1,564,764	1,584,764	1,434,634	150,130

*See notes to basic financial statements
Continued on pages 13-16*

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

	Budget Original	Budget Final	Actual	Variance
EXPENDITURES (Continued)				
Historical				
Personal services	\$ 26,085	\$ 33,085	\$ 32,720	\$ 365
Materials and services	19,555	19,555	17,350	2,205
Capital outlay	25,000	20,000	-	20,000
Total Historical	<u>70,640</u>	<u>72,640</u>	<u>50,070</u>	<u>22,570</u>
General Administration				
Personal services	652,018	626,018	624,970	1,048
Materials and services	522,907	538,407	514,695	23,712
Capital outlay	2	30,502	29,762	740
Total General Administration	<u>1,174,927</u>	<u>1,194,927</u>	<u>1,169,427</u>	<u>25,500</u>
Information Systems				
Personal services	774,312	764,312	745,932	18,380
Materials and services	56,861	66,861	66,088	773
Capital outlay	19,800	19,800	17,878	1,922
Total Information Systems	<u>850,973</u>	<u>850,973</u>	<u>829,898</u>	<u>21,075</u>
General Services				
Personal services	955,534	969,534	963,584	5,950
Materials and services	757,361	666,361	661,034	5,327
Capital outlay	88,002	88,002	-	88,002
Total General Services	<u>1,800,897</u>	<u>1,723,897</u>	<u>1,624,618</u>	<u>99,279</u>
Printing				
Personal services	236,621	237,621	236,675	946
Materials and services	154,512	154,512	126,361	28,151
Capital outlay	1	1	-	1
Total Printing	<u>391,134</u>	<u>392,134</u>	<u>363,036</u>	<u>29,098</u>
Geographic System (GIS)				
Personal services	336,017	336,017	322,678	13,339
Materials and services	50,688	50,688	46,717	3,971
Capital outlay	1	1	-	1
Total Geographic System (GIS)	<u>386,706</u>	<u>386,706</u>	<u>369,395</u>	<u>17,311</u>

See notes to basic financial statements
Continued on pages 14-16

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

	Budget <u>Original</u>	Budget <u>Final</u>	Actual	Variance
EXPENDITURES (Continued)				
Expo				
Personal services	\$ 675,159	\$ 675,159	\$ 668,167	\$ 6,992
Materials and services	460,871	460,871	459,140	1,731
Capital Outlay	<u>100,001</u>	<u>100,001</u>	<u>29,990</u>	<u>70,011</u>
Total Expo	<u>1,236,031</u>	<u>1,236,031</u>	<u>1,157,297</u>	<u>78,734</u>
Non-departmental				
Materials and services	644,500	595,070	349,072	245,998
Personal services	1	277,001	161,964	115,037
Capital outlay	<u>485,585</u>	<u>1,097,015</u>	<u>773,770</u>	<u>323,245</u>
Total Non-departmental	<u>1,130,086</u>	<u>1,969,086</u>	<u>1,284,806</u>	<u>684,280</u>
Contingency	<u>1,109,648</u>	<u>1,047,648</u>	-	<u>1,047,648</u>
Sheriff Corrections Reserve	-	119,500	-	<u>119,500</u>
TOTAL EXPENDITURES	<u>29,162,684</u>	<u>30,354,785</u>	<u>26,570,673</u>	<u>3,784,112</u>
Excess (deficiency) of revenues over expenditures	<u>(1,613,955)</u>	<u>(2,309,793)</u>	<u>1,411,949</u>	<u>3,721,742</u>

*See notes to basic financial statements
Continued on pages 15 -16*

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

	Budget	Budget	Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds				
Transfer to Commissioners	-	700,000	700,000	-
Transfer from Roads	31,604	31,604	31,604	-
Transfer from Grants/Criminal	60,000	60,000	-	(60,000)
Road funds / Corrections	166,662	166,662	154,703	(11,959)
Corner Preservation/surveyor	100,000	100,000	55,813	(44,187)
Road funds / Surveyor	10,000	10,000	8,875	(1,125)
Road Fund / Juvenile	1,000,000	1,000,000	-	(1,000,000)
Road fund loan/Criminal	1,000,000	1,000,000	-	(1,000,000)
Road fund transfer/Criminal	27,500	27,500	27,500	-
Fair fund to expo	30,000	30,000	5,790	(24,210)
Road Fund / GIS	12,000	12,000	1,568	(10,432)
Road Fund / Information Technology Service	1,800	1,800	1,800	-
Law Enforcement Fund Sheriff to ITS	15,000	15,000	15,000	-
Federal Forest/sheriff support	161,400	161,400	186,103	24,703
Federal Forest/sheriff criminal	60,000	60,000	60,000	-
Federal Forest/sheriff corrections		62,000	-	(62,000)
General services contract- non departmental				
Transfers (to) other funds				
Dog Control	(221,056)	(221,056)	(221,056)	-
Sheriff support to general grants	(3,000)	(3,000)	-	3,000
County Fair	(60,000)	(60,000)	(60,000)	-
General Grants Sherrif criminal	-	(6,162)	(6,162)	-
Corner Preservation/Clerk	(175,000)	(175,000)	(135,328)	39,672
Law Library	(4,200)	(4,200)	(3,736)	464
Health Fund - A&D	(85,300)	(85,300)	(85,300)	-
Health Fund -Public	(887,406)	(887,406)	(887,406)	-
To roads fund for loan payment, District Attorney	(124,824)	(184,824)	(184,824)	-
To roads fund for loan payment, Assessment and Tax	(7,633)	(7,633)	(7,633)	-
Loan Repayment to Health Fund	(30,000)	(30,000)	(30,000)	-
Loan Repayment	(365,178)	(365,178)	(365,178)	-
TOTAL OTHER FINANCING SOURCES (USES)	712,369	1,408,207	(737,867)	(2,146,074)

*See notes to basic financial statements
Continued on page 16*

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

	<u>Budget</u> <u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance</u>
Net change in fund balance	\$ (901,586)	\$ (901,586)	\$ 674,082	\$ 1,575,668
Fund balance at beginning of year	<u>901,586</u>	<u>901,586</u>	<u>287,332</u>	<u>(614,254)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	961,414	<u>\$ 961,414</u>
Reconciliation to GAAP basis				
Year End Cash Adjustment			8,289	
Outstanding checks			(90,580)	
Fair value adjustment			672	
Accounts receivable			149,212	
Property taxes receivable and available			127,972	
Due from other governments and available			95,498	
Due from other funds and available			39,471	
Advance from Roads Fund			(4,528,167)	
Accounts payable			(196,146)	
Due to other governments			(38,186)	
Due to other funds			(23,785)	
Payroll, payroll taxes and benefits payable			<u>(2,020,130)</u>	
Fund balance (GAAP basis) - at end of year			<u>\$ (5,514,466)</u>	

See notes to basic financial statements

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, 2014

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Motor vehicle apportionments	\$ 7,958,308	\$ 7,958,308	\$ 7,581,844	\$ (376,464)
Federal forest	300,000	300,000	3,218,432	2,918,432
Intergovernmental	9,259,209	9,259,209	4,465,600	(4,793,609)
Interest earnings	100,000	100,000	101,737	1,737
Miscellaneous	733,750	733,750	500,900	(232,850)
TOTAL REVENUES	18,351,267	18,351,267	15,868,513	(2,482,754)
EXPENDITURES				
Personal services	7,109,787	7,109,787	6,632,362	477,425
Materials and services	4,899,920	4,899,920	3,415,327	1,484,593
Indirect cost allocation	190,092	190,092	190,092	-
Capital outlay	13,277,000	13,277,000	5,870,309	7,406,691
Contingency	4,938,660	2,938,660	-	2,938,660
Reserve for future years	5,750,000	5,750,000	-	5,750,000
TOTAL EXPENDITURES	36,165,459	34,165,459	16,108,090	18,057,369
Excess (deficiency) of revenues over expenditures	(17,814,192)	(15,814,192)	(239,577)	15,574,615
OTHER FINANCING SOURCES (USES)				
Loan repayments from other funds				
General fund /Accounting software	15,630	15,630	15,629	(1)
General Fund for park	265,615	265,615	265,615	-
General fund / Assessment and Tax	7,633	7,633	7,633	-
General fund / DA software	124,824	124,824	247,200	122,376
General fund / Boilers	70,734	70,734	70,733	(1)
Veterans Home Loan	1,329,968	1,329,968	1,199,297	(130,671)
Repayment Jackson Street	13,200	13,200	13,200	-
Transfer from Regional Fueling Facility	4,002	4,002	-	(4,002)
Corner Preservation Contract	-	-	11,040	11,040
Loan Advance / Patrol	(1,000,000)	(1,000,000)	-	1,000,000
Transfer to General Fund	(1,000,000)	(1,000,000)	-	1,000,000
Loan Advance	(250,000)	(2,250,000)	(1,600,000)	650,000
General Fund /Surveyor contract	(100,000)	(100,000)	(55,814)	44,186
Juvenile work crew/General Fund	(10,000)	(10,000)	(8,125)	1,875
ITS support/General Fund	(12,000)	(12,000)	(1,568)	10,432
GIS Contract	(30,000)	(30,000)	(5,790)	24,210
Sheriff-Road Crew	(60,000)	(60,000)	-	60,000
TOTAL OTHER FINANCING SOURCES (USES)	(630,394)	(2,630,394)	159,050	2,789,444

See notes to basic financial statements
 Continued on page 18

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

	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Net change in fund balance	\$ (18,444,586)	\$ (18,444,586)	\$ (80,527)	\$ 18,364,059
Fund balance at beginning of year	<u>18,444,586</u>	<u>18,444,586</u>	<u>20,220,409</u>	<u>1,775,823</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>20,139,882</u>	<u>\$ 20,139,882</u>
Reconciliation to GAAP basis:				
Accounts receivable and available			26,097	
Cash imprest adjustment			350	
Fair value adjustment			14,365	
Due from other funds			1,873	
Due from other governments and available			1,114,924	
Current portion of interfund loan receivable			1,805,404	
Investment in fuel facility			132,545	
Inventories			1,299,277	
Accounts payable			(119,495)	
Contracts payable			(414,985)	
Due to other funds			(10,347)	
Payroll, payroll taxes and benefits payable			<u>(566,931)</u>	
Total current reconciling items			3,283,077	
Long-term portion of interfund loan receivable			<u>11,307,280</u>	
Total all reconciling items			<u>14,590,357</u>	
Fund balance (GAAP basis) at end of year			<u>\$ 34,730,239</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, 2014

REVENUES	Original Budget	Final Budget	Actual	Variance
Property taxes:				
Current year's levy	\$ 15,385,747	\$ 15,385,747	\$ 15,156,855	\$ (228,892)
Prior year's levy	645,000	645,000	621,366	(23,634)
Total property taxes	16,030,747	16,030,747	15,778,221	(252,526)
Interest earnings	15,000	15,000	7,544	(7,456)
Title II/ Federal For.	-	-	(18,985)	(18,985)
TOTAL REVENUES	16,045,747	16,045,747	15,766,780	(278,967)
EXPENDITURES				
Personal services	13,202,055	12,767,679	12,654,062	113,617
Materials and services	1,749,557	2,271,557	2,140,220	131,337
Indirect cost allocation	454,358	454,358	454,358	-
Capital outlay	414,002	474,002	474,002	-
Operating Contingency	311,400	101,400	-	101,400
TOTAL EXPENDITURES	16,131,372	16,068,996	15,722,642	346,354
Excess (deficiency) of revenues over expenditures	(85,625)	(23,249)	44,138	67,387
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(1,800)	(1,800)	-	1,800
Loan repayment to General Road Fund	-	(62,376)	(62,376)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,800)	(64,176)	(62,376)	1,800
Net change in fund balance	(87,425)	(87,425)	(18,238)	69,187
Fund balance at beginning of year	87,425	87,425	203,471	116,046
Fund balance at end of year	\$ -	\$ -	185,233	\$ 185,233
Reconciliation to GAAP basis:				
Property taxes receivable and available			204,506	
Accounts payable			(67,154)	
Due from other governments			(2,825)	
Due to other funds			(32,499)	
Payroll, payroll taxes and benefits payable			(1,070,379)	
Fund balance (GAAP basis) at end of year			\$ (783,118)	

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, 2014**

REVENUES	Budget		Actual	Variance
	Original	Final		
Health administration:				
Grants	\$ 241,369	\$ 441,421	\$ 517,566	\$ 76,145
Indirect cost reimbursement	43,162	43,162	43,162	-
Mental health services:				
Grants	2,546,209	2,546,209	2,939,370	393,161
Group home room and board	33,603	33,603	31,857	(1,746)
Title XIX	151,162	151,162	405,415	254,253
Contracts	74,434	74,434	72,599	(1,835)
Donations/Gifts	-	-	10,000	10,000
Managed care	5,912,025	6,643,474	9,285,654	2,642,180
Reimbursements	591,630	591,630	581,207	(10,423)
Earnings on deposits	18,108	18,108	18,832	724
Miscellaneous fees	26,708	26,708	32,842	6,134
Developmental disabilities:				
Grants	1,695,870	1,695,870	2,233,376	537,506
Earnings on deposits	4,403	4,403	4,364	(39)
Alcohol and drug:				
Grants	1,514,313	1,514,313	1,438,359	(75,954)
Beer and wine tax	96,633	96,633	95,490	(1,143)
Title XIX	17,277	17,277	88,524	71,247
Managed care	892,459	892,459	804,891	(87,568)
Reimbursements	34,145	34,145	40,214	6,069
Miscellaneous fees	17,628	17,628	16,325	(1,303)
Earnings on deposits	333	333	276	(57)
Donations/Gifts	-	-	1,500	1,500
Indirect cost reimbursement	71,288	71,288	71,288	-
Public health:				
Grants	1,528,821	1,554,821	1,575,607	20,786
Medicaid administration	185,098	196,098	174,030	(22,068)
Title XIX	274,553	342,553	310,946	(31,607)
Family-PEP	399,402	399,402	260,327	(139,075)
Miscellaneous fees	133,221	133,221	128,253	(4,968)
Reimbursements	14,285	14,285	16,443	2,158
Earnings on deposits	1,200	1,200	509	(691)
Indirect cost reimbursement	188,145	188,145	188,145	-
Environmental health:				
Grants	40,252	100,252	150,320	50,068
Licenses and permits	335,780	335,780	365,904	30,124
Miscellaneous fees	325,972	325,972	306,826	(19,146)
Earnings on deposits	806	806	1,147	341
Indirect cost reimbursement	48,034	48,034	48,034	-
TOTAL REVENUES	17,458,328	18,554,829	22,259,602	3,704,773

See notes to basic financial statements
Continued on page 21

**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	\$ 17,842,985	\$ 18,035,771	\$ 16,013,644	\$ 2,022,127
Materials and services	4,932,778	5,843,992	4,917,286	926,706
Indirect cost allocation	950,943	950,943	950,943	-
Capital outlay	12	13	-	13
TOTAL EXPENDITURES (1)	23,726,718	24,830,719	21,881,873	2,948,846
Excess (deficiency) of revenues over expenditures	(6,268,390)	(6,275,890)	377,729	6,653,619
OTHER FINANCING SOURCES (USES)				
Transfers from General Fund	1,002,706	1,002,706	1,002,706	-
Net change in fund balance	(5,265,684)	(5,273,184)	1,380,435	6,653,619
Fund balance at beginning of year	5,265,684	5,273,184	5,726,086	452,902
Fund balance at end of year	\$ -	\$ -	7,106,521	\$ 7,106,521
Reconciliation to GAAP basis:				
Accounts receivable (net)			93,664	
Fair market value and cash adjustment			5,068	
Due from other governments and available			453,555	
Due from other funds and available			30,442	
Advances to other funds			1,500,000	
Accounts payable			(263,208)	
Due to other funds			(26,992)	
Payroll, payroll taxes and benefits payable			(1,340,452)	
Fund balance (GAAP basis) at end of year			\$ 7,558,598	
(1) Summary of Expenditures by Program				
Health administration	\$ 421,668	\$ 621,720	\$ 452,488	\$ 169,232
Mental - emotional disturbances	13,061,790	13,793,239	11,829,630	1,963,609
Developmental disabilities	2,487,634	2,487,634	2,285,087	202,547
Alcohol and drug	2,897,840	2,897,840	2,750,837	147,003
Public health	3,936,170	4,048,670	3,768,686	279,984
Environmental health	921,616	981,616	795,145	186,471
TOTAL EXPENDITURES BY PROGRAM	\$ 23,726,718	\$ 24,830,719	\$ 21,881,873	\$ 2,948,846

LINN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
VETERANS HOME LOAN (PROPERTIES FUND)
Year Ended June 30, 2014**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property Tax - Current	\$ 1,290,398	\$ 1,290,398	\$ 1,115,695	\$ (174,703)
Property Tax - Prior	38,570	38,570	28,381	(10,189)
Earnings on deposits	1,000	1,000	1,160	160
CATFA funding	-	-	54,061	54,061
	<u>1,329,968</u>	<u>1,329,968</u>	<u>1,199,297</u>	<u>(130,671)</u>
TOTAL REVENUES				
EXPENDITURES				
Loan Repayment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES				
Excess (deficiency) of revenues over expenditures	1,329,968	1,329,968	1,199,297	130,671
OTHER FINANCING SOURCES (USES)				
Transfer out	(1,329,968)	(1,329,968)	(1,199,297)	130,671
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	\$ -	\$ -	-	\$ -
Reconciliation to GAAP basis:				
Property tax receivable			13,395	
Advances from Other Funds			(9,184,517)	
			<u>13,395</u>	
Fund balance (GAAP basis) at end of year			\$ (9,171,122)	

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 POSITION
PROPRIETARY FUND
June 30, 2014

		Governmental Activities
		Internal Service

<u>ASSETS</u>		
Cash and investments	\$	148,518
Due from other funds		20,191

TOTAL ASSETS		168,709

<u>LIABILITIES</u>		
Due to other governments		27,917
Claims liability		123,200

TOTAL LIABILITIES		151,117

<u>NET POSITION</u>		
Unrestricted	\$	17,592
		=====

LINN COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2014

	Governmental Activities
	Internal Service
OPERATING REVENUES	
Reimbursements	\$ 235,416
OPERATING EXPENSES	
Insurance claims	187,266
Operating income	48,150
NONOPERATING REVENUES	
Interest earnings	614
Change in net assets	48,764
Total net position - beginning of year	(31,172)
Total net position - end of year	\$ 17,592

See notes to basic financial statements

LINN COUNTY

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2014**

	Governmental Activities
	Internal Service
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from reimbursements	\$ 235,161
Cash paid for insurance claims	(184,323)
Net cash provided (used) by operating activities	50,838
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	614
Net cash provided (used) by investing activities	614
Net increase in cash and cash equivalents	51,452
Cash and cash equivalents - beginning of year	97,066
Cash and cash equivalents - end of year	\$ 148,518
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 48,150
Decrease (increase) in due from other funds	(254)
Increase (decrease) in due to other government	(4,590)
Increase (decrease) in claims liability	7,532
Net cash provided by operating activities	\$ 50,838

LINN COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,676,481
Receivables	12,826,597
Due from other governments	<u>109,849</u>
TOTAL ASSETS	<u>\$ 14,612,927</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 32,093
Due to other governments	2,619,452
Amounts held in trust	<u>11,961,382</u>
TOTAL LIABILITIES	<u>\$ 14,612,927</u>

See notes to basic financial statements

NOTES TO BASIC
FINANCIAL STATEMENTS

LINN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2014

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LINN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2014

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 position and the statement of activities) report information on all of the nonfiduciary activities of the County (the primary government). 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.

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.

The basis 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: revenue sources are property taxes, intergovernmental receipts, and permits, licenses, and fees.

General Road Revenue source is primarily intergovernmental receipts

Law Enforcement 4-Year Levy: revenue source is property taxes

Health: revenue sources are intergovernmental receipts, and licenses, permits and fees.

Veterans' Home Loan: revenue source is property taxes

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. The internal service fund accounts 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.

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 March or April and the hearing is held in April. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget (Continued)

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. Expenditures for all funds were within appropriation amounts.

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.

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 unavailable 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 an unearned revenue account. Loans receivable will be recognized as revenue as they become measurable and available.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Receivables (Continued)

Assessments receivable pertain to improvements benefiting specific property owners. These receivables are offset by an unavailable 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.

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 unearned 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets (Continued)

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.

L. Investment in Joint Venture

The County reports its vested pro-rata share of the June 30, 2014 Net Position 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 position. Bond premiums and discounts 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. 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. There is no debt in the current year.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Obligations (Continued)

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 Position. 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 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.

P. Net Position and Fund Equity

Net Position

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position and Fund Equity (Continued)

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 formally set aside by the Board of Commissioners for a particular purpose. The Board of Commissioners may commit funds balances by resolution. 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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

LGIP investments are approved by the Oregon Investment Council. The fair value of the County's position in the LGIP approximates 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

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, 2014 the County had the following investments:

	Rating	Maturities	Fair Value
State Treasurer's Investment Pool	No rating	N/A	\$ 19,076,604
Corporate Bond	AA-	10/04/2014	1,237,507
US Agency Security		08/07/2015	992,594
Umpqua Investment-cash		N/A	<u>645,000</u>
Total			<u>\$ 21,951,705</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. 87% 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 \$2,875,101 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk-Deposits: This is the risk that in the event of a bank failure, the County's deposits may not be returned. Deposits with financial institutions consist of bank demand deposits. For the fiscal year ended June 30, 2014, the bank balances were \$7,931,640. Of the bank balance, \$571,728 was covered by Federal Depository Insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may now be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

A. The County's deposits and investments at June 30, 2014, are as follows:

Cash on hand	\$ 26,717
Deposits with financial institutions	
Checking and saving accounts	6,743,330
Certificates of Deposit	3,086,012
Investments	<u>21,951,705</u>
Total cash and investments – all funds	<u>\$31,807,764</u>

B. Cash and Investments by fund:

Governmental activities

Governmental funds

General	\$ 879,796
General Road	20,154,598
Law Enforcement 4-Year Levy	185,233
Health	7,111,589
Other governmental funds	<u>1,651,549</u>

Total governmental funds 29,982,765

Proprietary fund

Internal Service	<u>148,518</u>
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Total governmental activities 30,131,283

Fiduciary fund

Agency	<u>1,676,481</u>
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Total cash and investments \$31,807,764

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. RECEIVABLES

	General	General Roads	Enforcement 4-Year Levy	Veterans Home Loan	Health	Non Major Government Funds	Agency	Totals
Property taxes	\$ 1,066,810	\$ -	\$ 1,715,473	\$ 103,260	\$ -	\$ -	\$ -	\$ 2,885,543
Accounts	149,212	26,097	-	-	492,335	62,710	-	730,354
Interest	454	9,711	-	-	3,426	-	-	13,591
Assessment	-	21,638	-	-	-	-	-	21,638
Gross Receivable, net	1,216,476	57,446	1,715,473	103,260	495,761	62,710	-	3,651,126
Less Allowance for uncollectible	-	-	-	-	-	-	-	-
Receivables, net	<u>\$1,216,476</u>	<u>\$57,446</u>	<u>\$1,715,473</u>	<u>\$ 103,260</u>	<u>\$ 495,761</u>	<u>\$62,710</u>	<u>\$ -</u>	<u>\$3,651,126</u>

4. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 39,471	\$ 23,785
General Road	1,873	10,347
Law Enforcement 4-Year Levy	-	32,499
Health	30,442	26,992
Other governmental funds	3,183	1,537
Internal service	<u>20,191</u>	<u>-</u>
	<u>\$ 95,160</u>	<u>\$ 95,160</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 an \$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 \$38,856 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. Principle of \$939,923 and interest of \$212,532 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. In 2012-13, the Health Services Fund loaned \$1,500,000 to the General Fund for the purchase of a building, which will be the new home for many parts of the Linn County Health services. As of June 30, 2014, the combined balance of the interfund loans is \$14,612,684.

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	\$ 548,005	\$ 1,398,986
General Road	11,040	71,297
Law Enforcement	-	1,800
Health	972,706	-
Other Government Funds	<u>426,281</u>	<u>485,949</u>
 Total	 <u>\$ 1,958,032</u>	 <u>\$ 1,958,032</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. CAPITAL ASSETS

Changes in capital assets during the year were as follows:

	Balances June 30, 2013	Additions	Deletions	Balances June 30, 2014
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 16,855,881	\$ 463,570	\$ -	\$ 17,319,451
Infrastructure	99,608,420	105,775	-	99,714,195
Construction in progress	2,228,724	7,359,541	6,831,520	2,756,745
Total capital assets not being depreciated	<u>118,693,025</u>	<u>7,928,886</u>	<u>6,831,520</u>	<u>119,790,391</u>
Capital assets being depreciated				
Buildings and improvements	47,997,562	2,391,431	-	50,388,993
Intangibles	1,532,162	-	-	1,532,162
Equipment	22,503,122	1,382,039	477,207	23,407,954
Infrastructure	23,562,090	5,295,828	-	28,857,918
Total capital assets being depreciated	<u>95,594,936</u>	<u>9,069,298</u>	<u>477,207</u>	<u>104,187,027</u>
Less accumulated depreciation for:				
Buildings and improvements	11,768,462	800,999	-	12,569,461
Intangibles	591,967	93,234	-	685,201
Equipment	14,990,127	889,852	429,287	15,450,692
Infrastructure	7,453,424	487,115	-	7,940,539
Total accumulated depreciation	<u>34,803,980</u>	<u>2,271,200</u>	<u>429,287</u>	<u>36,645,893</u>
Total capital assets, being depreciated, net	<u>60,790,956</u>	<u>6,798,098</u>	<u>47,920</u>	<u>67,541,134</u>
Governmental activities capital assets, net	<u>\$ 179,483,981</u>	<u>\$ 14,726,984</u>	<u>\$ 6,879,440</u>	<u>\$ 187,331,525</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	\$ 186,907
Local government services	43,820
Public safety	453,743
Health services	55,415
Community development	409,198
Highways and streets	<u>1,122,117</u>
Total depreciation expense – governmental activities	<u>\$ 2,271,200</u>

8. DUE TO OTHER GOVERNMENTS

At June 30, 2014 the internal service fund owed the State of Oregon \$27,917. In Addition, Linn County's General Fund and Law Enforcement Fund owed the Regional Fueling Facility \$41,429 for gasoline used in June 2014.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS

During the year ended June 30, 2014, the following changes occurred with long-term obligations:

	Balances June 30, 2013	Additions	Reductions	Balances June 30, 2013	Balances Due Within One Year
Accumulated compensated absences	\$3,456,681	\$3,619,232	\$3,456,681	\$3,619,232	\$2,226,968
Totals	<u>\$3,456,681</u>	<u>\$3,619,232</u>	<u>\$3,456,681</u>	<u>\$3,619,232</u>	<u>\$2,226,968</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, 2014, were \$227,578. Future minimum lease payments for the non cancelable leases are as follows.

	<u>Year ending June 30,</u>
2015	\$ 182,062
2016	136,548
2017	91,031
2018	45,515
2019	<u>22,758</u>
Total	<u>\$ 477,914</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. NONEXCHANGE FINANCIAL GUARANTEES

The County guarantees an obligation involving an 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, 2014, amounts to \$585,000. A principal reduction of \$125,000 and interest payments totaling \$37,555 were paid in 2013-14 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 2014.

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. The County's annual OPEB cost, the contribution, the percentage of annual OPEB contributed to the plan, and the OPEB obligation were as follows:

Years Ended	OPEB Cost	Contributions	Cost Contributed	Obligation
6/30/2010	\$ 442,852	\$ 112,954	25.51%	\$ 900,080
6/30/2011	442,478	209,893	47.43%	900,080
6/30/2012	456,134	216,829	47.53%	1,139,385
6/30/2013	404,394	162,115	40.09%	1,381,664
6/30/2014	416,897	200,632	48.13%	1,597,929

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. POSTEMPLOYMENT HEALTHCARE BENEFIT: (Continued):

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date, the actuarially accrued liability was \$4,007,352 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 \$34,012,953, and the ratio of the unfunded actuarially accrued liability (UAAL) to covered payroll was 11.78%. The County implemented GASB 45 in fiscal 2008-09. A multi-year schedule of funding progress is presented as Required Supplementary Information.

	2011	2012	2013	2014
Annual Required Contribution (ARC)	\$ 441,285	\$ 454,523	\$ 402,357	\$ 414,427
Interest on prior year Net OPEB obligation	26,699	36,004	45,575	55,266
Adjustment to ARC	(25,506)	(34,393)	(43,538)	-52,796
Annual OPEB cost	442,478	456,134	404,394	\$ 416,897
Implicit benefit payments	(209,893)	(216,829)	(162,115)	-200,632
Increase in net OPEB obligation	232,585	239,305	242,279	216,265
Net OPEB obligation - beginning of year	667,495	900,080	1,139,385	1,381,664
Net OPEB obligation - end of year	<u>\$ 900,080</u>	<u>\$ 1,139,385</u>	<u>\$ 1,381,664</u>	<u>\$ 1,597,929</u>

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, 2012 actuarial valuation, the actuary used the projected unit credit actuarial cost method. Actuarial assumptions included a discount rate of 4 percent, inflation rate of 4 percent projected salary increases of 3 percent per year, and a healthcare cost trend rate of 8 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. The amortization method used is the level % of payroll and an open period is used.

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 15.56 percent during current fiscal year. For employees hired on or after August 29, 2003, the county's contribution rate is 13.73 percent for general service employees and 16.46 percent for police and fire employees of covered compensation. The 2012-2013, 2013-14 rates were based on a December 31, 2011 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 2013-14, the County's annual pension cost of \$4,901,413 was equal to the County's required and actual contributions. The County also paid the employees' share amounting to \$1,946,509. 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

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2012	5,179,028	100%	-
2013	5,028,215	100%	-
2014	4,901,413	100%	-

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. RETIREMENT PLAN (continued)

Schedule of Funding Progress for Retirement plan

	Actuarial Valuation as of December 31, 2011		
	2011	2009	2007
Actuarial value of assets (A V A) (a)	\$ 144,346,411	\$ 135,458,576	\$ 158,689,848
Actuarial accrued liability (A A L) (b)	184,066,697	173,289,627	160,988,659
Unfunded actuarial accrued liability (b-a)	\$ 39,720,286	\$ 37,831,051	\$ 2,298,811
Funded percent (a/b)	78%	78%	99%
Covered payroll (c)	\$ 34,012,953	\$ 32,768,668	\$ 30,341,309
Unfunded actuarial accrued liability as a Percentage of covered payroll [(b-a)/c]	117%	115%	8%

The Public Employers Retirement System (PERS) for the State of Oregon produces an actuarial report every two years, with the 2011 report being the most recent, issued December 31, 2011.

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 \$123,200 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>
2011-12	\$152,771	(\$17,524)	\$295,827	\$160,580
2012-13	160,580	(133,310)	142,938	115,668
2013-14	115,668	(51,622)	187,266	123,200

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, 2014.

	<u>Spent to date</u>	<u>Remaining Commitments</u>
Bridge/ Road Improvement	\$ <u>2,756,745</u>	\$ <u>10,400,000</u>
Totals	\$ <u>2,756,745</u>	\$ <u>10,400,000</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, 2014. All advances must be repaid by May 31, 2015.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16. FUND DEFICITS

At June 30, 2014, General Fund had a deficit fund balance of (\$5,514,466). The General Fund has an interfund loan balance with the Roads Fund of \$4,528,167 as of June 30, 2014, as well as an accrued payroll of \$1,776,782 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, 2014, the Law Enforcement 4-Year Levy Fund had a deficit fund balance of (\$783,118) primarily due to recording the accrued payroll.

At June 30, 2014, the Veterans' Home Loan fund had a deficit fund balance of (\$9,171,122) 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 34.5 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 - 2010-2014

Fiscal Year (Ending June 30)					
	2013-14	2012-13	2011-12	2010-11	2009-10
Arterials					
Planned	\$ 171,790	\$ 160,497	\$ 173,064	\$ 190,446	\$ 162,443
Actual	\$ 169,825	\$ 157,794	\$ 176,957	\$ 214,560	\$ 159,770
Collectors					
Planned	\$ 3,280,373	\$ 3,064,722	\$ 3,304,689	\$ 3,636,616	\$ 3,101,880
Actual	\$ 3,242,853	\$ 3,013,117	\$ 3,379,036	\$ 4,097,075	\$ 3,050,839
Local					
Planned	\$ 4,728,318	\$ 4,417,480	\$ 4,763,368	\$ 5,241,806	\$ 4,471,038
Actual	\$ 4,674,237	\$ 4,343,096	\$ 4,870,531	\$ 5,905,509	\$ 4,397,469
Total Planned	\$ 8,180,481	\$ 7,642,699	\$ 8,241,121	\$ 9,068,868	\$ 7,735,361
Total Actual	\$ 8,086,916	\$ 7,514,006	\$ 8,426,524	\$ 10,217,144	\$ 7,608,077
Difference	\$ 93,565	\$ 128,692	\$ (185,404)	\$ (1,148,276)	\$ 127,283

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 2012-2013 was due to not expending the \$600,000 budgeted for asphalt overlays.

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. The 2012 pavement inspection data is the most recent and is reflected in the table above. Also included are the maintenance treatments performed in the summer of 2012. The next scheduled pavement inspection cycle is 2014.

**LINN COUNTY
REQUIERD SUPPLEMENTARY INFORMATION**

**OTHER POSTE EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
7/1/2008	\$ -	\$ 3,614,984	\$ 3,614,984	\$ -	\$ 31,569,264	11.45%
7/1/2010	-	4,241,537	4,241,537	-	32,440,648	13.07%
7/1/2012	-	4,007,352	4,007,352	-	34,012,953	11.78%

The above table presents the most recent actuarial valuations for the County's post-retirement health and welfare benefits plan, nad it provides information that approximates the funding progress of the plan. The next valuation will be as of July,1 2014.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

LINN COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

	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	\$ 63,066	\$ 22,423	\$ 245,272	\$ 881,308	\$ 210,204	\$ 88,011	\$ 21,007	\$ 120,258	\$ -	\$ -	\$ 1,651,549
Receivables, net of allowance for doubtful accounts	-	-	-	62,710	-	-	-	-	-	-	62,710
Due from other funds	-	-	-	3,183	-	-	-	-	-	-	3,183
Due from other governments	-	-	-	180,540	5,808	-	-	-	-	-	186,348
TOTAL ASSETS	\$ 63,066	\$ 22,423	\$ 245,272	\$ 1,127,741	\$ 216,012	\$ 88,011	\$ 21,007	\$ 120,258	\$ -	\$ -	\$ 1,903,790
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ 1,948	\$ 45,130	\$ -	\$ -	\$ -	\$ 3,905	\$ -	\$ -	\$ 50,983
Due to other funds	506	711	3	317	-	-	-	-	-	-	1,537
Due to other governments	-	-	-	418	-	-	-	-	-	-	418
Advances from other funds	-	-	-	-	-	-	-	900,000	-	-	900,000
Unearned revenue	-	-	-	62,710	-	-	-	-	-	-	62,710
Payroll, payroll taxes and benefits payable	-	37,168	3,048	98,999	-	-	-	-	-	-	139,215
TOTAL LIABILITIES	506	37,879	4,999	207,574	-	-	-	903,905	-	-	1,154,863
FUND BALANCES											
Restricted for:											
Grants/ minor funds	62,560	(15,456)	240,273	920,167	216,012	88,011	21,007	116,353	-	-	1,648,927
Committed to:											
Intertund loan commitments	-	-	-	-	-	-	-	(900,000)	-	-	(900,000)
TOTAL FUND BALANCES	62,560	(15,456)	240,273	920,167	216,012	88,011	21,007	(783,647)	-	-	748,927
TOTAL LIABILITIES AND FUND BALANCES	\$ 63,066	\$ 22,423	\$ 245,272	\$ 1,127,741	\$ 216,012	\$ 88,011	\$ 21,007	\$ 120,258	\$ -	\$ -	\$ 1,903,790

LINN COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2014

	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	\$ 50,964	\$ -	\$ -	\$ 2,541,396	\$ 69,241	\$ 651,621	\$ -	\$ -	\$ -	\$ 1,999,363	\$ 445,276	\$ 5,757,861
Licenses, permits, fines and services	309,493	188,905	90,359	174,012	-	-	-	-	12,038	-	-	774,807
Indirect cost reimbursement	-	43,197	-	30,242	-	-	-	-	-	-	-	73,439
Interest earnings	-	(283)	1,283	3,020	958	-	585	117	175	471	-	6,326
Miscellaneous	-	-	-	-	-	-	-	3,692	-	-	-	3,692
TOTAL REVENUES	<u>360,457</u>	<u>231,819</u>	<u>91,642</u>	<u>2,748,670</u>	<u>70,199</u>	<u>651,621</u>	<u>585</u>	<u>3,809</u>	<u>12,213</u>	<u>1,999,834</u>	<u>445,276</u>	<u>6,616,125</u>
EXPENDITURES												
Public safety	-	528,964	77,448	803,708	-	651,621	-	-	-	-	241,469	2,303,210
Community development	391,282	-	-	1,539,567	25,894	-	(983)	7,697	22,029	-	-	1,985,486
Apportionments to school districts	-	-	-	-	-	-	-	-	-	1,999,834	-	1,999,834
Indirect cost allocation	-	43,197	26,655	53,580	-	-	17,490	-	-	-	-	140,922
Capital Outlay	-	-	-	-	-	-	-	-	775,000	-	-	775,000
TOTAL EXPENDITURES	<u>391,282</u>	<u>572,161</u>	<u>104,103</u>	<u>2,396,855</u>	<u>25,894</u>	<u>651,621</u>	<u>16,507</u>	<u>7,697</u>	<u>797,029</u>	<u>1,999,834</u>	<u>241,469</u>	<u>7,204,452</u>
Excess (deficiency) of revenues over expenditure	(30,825)	(340,342)	(12,461)	351,815	44,305	-	(15,922)	(3,888)	(784,816)	-	203,807	(588,327)
OTHER FINANCING SOURCES (USES)												
Transfers in	60,000	221,056	3,736	6,161	-	-	135,328	-	-	-	-	426,281
Transfers out	(25,000)	-	-	(34,103)	-	-	(165,743)	-	-	-	(261,103)	(485,949)
TOTAL OTHER FINANCING SOURCES (USE)	<u>35,000</u>	<u>221,056</u>	<u>3,736</u>	<u>(27,942)</u>	<u>-</u>	<u>-</u>	<u>(30,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,103)</u>	<u>(59,668)</u>
Net change in fund balances	4,175	(119,286)	(8,725)	323,873	44,305	-	(46,337)	(3,888)	(784,816)	-	(57,296)	(647,995)
Fund balances at beginning of year	58,385	103,830	248,998	596,294	171,707	-	134,348	24,895	1,169	-	57,296	1,396,922
Fund balances (deficit) at end of year	<u>\$ 62,560</u>	<u>\$ (15,456)</u>	<u>\$ 240,273</u>	<u>\$ 920,167</u>	<u>\$ 216,012</u>	<u>\$ -</u>	<u>\$ 88,011</u>	<u>\$ 21,007</u>	<u>\$ (783,647)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,927</u>

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, 2014**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Oregon State Lottery distribution	\$ 48,000	\$ 68,000	\$ 50,964	\$ 2,964
Parking fees	25,500	25,500	24,741	(759)
Sponsorship fees	101,000	101,000	124,960	23,960
Gate fees, carnival fees, entry fees	81,200	86,200	83,814	2,614
Booth revenues, contracts, miscellaneous	71,250	81,250	75,978	4,728
TOTAL REVENUES	326,950	361,950	360,457	33,507
EXPENDITURES				
Materials and services	361,950	409,950	391,363	(29,413)
Excess (deficiency) of revenues over expenditures	(35,000)	(48,000)	(30,906)	4,094
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	60,000	60,000	60,000	-
Transfer to General Fund	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	35,000	35,000	35,000	-
Net change in fund balance	-	(13,000)	4,094	17,094
Fund balance at beginning of year	-	13,000	58,972	45,972
Fund balance at end of year	\$ -	\$ -	63,066	\$ 63,066
Reconciliation to GAAP basis:				
Due to other Funds			(506)	
Fund balance (GAAP basis) at end of year			<u>\$ 62,560</u>	

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, 2014**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Dog licenses and penalties	\$ 160,000	\$ 160,000	\$ 148,719	\$ (11,281)
Dog fees - miscellaneous	45,825	45,825	23,689	(22,136)
Grants	13,000	27,049	4,169	(22,880)
Donations/Miscellaneous	30,000	65,763	12,328	(53,435)
Indirect cost Reimbursement	43,197	43,197	43,197	-
Interest earnings	2,000	2,000	342	(1,658)
TOTAL REVENUES	<u>294,022</u>	<u>343,834</u>	<u>232,444</u>	<u>(111,390)</u>
EXPENDITURES				
Personal services	373,530	376,530	375,818	712
Materials and services	104,698	236,749	147,243	89,506
Indirect cost allocation	43,197	43,197	43,197	-
TOTAL EXPENDITURES	<u>521,425</u>	<u>656,476</u>	<u>566,258</u>	<u>90,218</u>
Excess (deficiency) of revenues over expenditures	(227,403)	(312,642)	(333,814)	(21,172)
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	<u>221,056</u>	<u>221,056</u>	<u>221,056</u>	<u>-</u>
Net change in fund balance	(6,347)	(91,586)	(112,758)	(21,172)
Fund balance at beginning of year	<u>6,347</u>	<u>91,586</u>	<u>135,051</u>	<u>43,465</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	22,293	<u>\$ 22,293</u>
Reconciliation to GAAP basis:				
FMV Adjustment			130	
Due to other fund			(711)	
Payroll, payroll taxes and benefits payable			<u>(37,168)</u>	
Fund (deficit) (GAAP basis) at end of year			<u>\$ (15,456)</u>	

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, 2014**

	Budget Original/Final	Actual	Variance
REVENUES			
Law library fees	\$ 87,080	\$ 90,139	\$ 3,059
Research and card fees	10	40	30
Interest earnings	900	1,283	383
Miscellaneous	400	180	(220)
TOTAL REVENUES	88,390	91,642	3,252
EXPENDITURES			
Personal services	41,376	37,680	3,696
Materials and services	99,800	40,006	59,794
Indirect cost allocation	26,655	26,655	-
Capital outlay	20,000	-	20,000
Contingency	167,200	-	167,200
TOTAL EXPENDITURES	355,031	104,341	250,690
Excess (deficiency) of revenues over expenditures	(266,641)	(12,699)	253,942
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund	4,200	3,736	(464)
Net change in fund balance	(262,441)	(8,963)	253,478
Fund balance at beginning of year	262,441	254,235	(8,206)
Fund balance at end of year	\$ -	245,272	\$ 245,272
Reconciliation to GAAP basis:			
Accounts payable		(1,948)	
Due to other fund		(3)	
Payroll, payroll taxes and benefits payable		(3,048)	
Fund balance (GAAP basis) at end of year		\$ 240,273	

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, 2014

REVENUES	Budget		Actual	Variance
	Original	Final		
Commissioners:				
Commissioners' grants	\$ 208,000	\$ 208,000	\$ 181,704	\$ (26,296)
Earnings on deposits	700	700	1,423	723
Reimbursements and miscellaneous fees	162,000	162,000	196,547	34,547
Veteran's Services:				
Rental payments	20,000	20,000	20,079	79
Parks:				
Rental payments	9,600	9,600	9,600	-
Reimbursements	5,000	5,000	1,024	(3,976)
Donations/ Gifts	1,000	1,000	400	(600)
Grants	250,000	250,000	-	(250,000)
Earnings on deposits	525	525	147	(378)
Marine gas tax	68,425	68,425	70,975	2,550
RV license fees	420,000	420,000	328,047	(91,953)
Fair	26,200	26,200	31,252	5,052
Sheriff grants	448,691	448,691	465,044	16,353
District attorney grants	136,995	228,195	214,411	(13,784)
Juvenile:				
Grants	588,687	758,581	346,174	(412,407)
Matching funds	424	424	169,036	168,612
Children and families:				
Grants	702,017	702,017	262,076	(439,941)
Title XIX	34,000	34,000	43,936	9,936
Earnings on deposits	-	-	1,025	1,025
Linn Benton Mediation Grant	72,400	72,400	76,506	4,106
Earnings on deposit	495	495	562	67
General services Grants	10,002	230,002	115,154	(114,848)
Energy Utility Reimbursement	-	-	136,727	136,727
Indirect Cost Reimbursement	30,242	30,242	30,242	-
TOTAL REVENUES	3,195,403	3,676,497	2,702,091	(974,406)

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	\$ 592,700	\$ 592,700	\$ 459,641	\$ 133,059
Veteran's services	36,077	36,077	6,105	29,972
Parks grants	801,975	801,975	428,792	373,183
Fair	54,700	54,700	33,672	21,028
Sheriff	621,802	621,802	299,916	321,886
District attorney grants	114,230	205,430	113,333	92,097
Juvenile high risk	561,046	730,940	388,586	342,354
Children and families	737,218	737,218	295,238	441,980
General Administration	102,703	102,703	71,999	30,704
General Services	39,173	259,173	237,481	21,692
Investment Incentive contracts	20,331	20,331	-	20,331
Indirect Cost allocation	59,093	59,093	53,580	5,513
Contingency/Obligated reserves	203,212	203,212	-	203,212
TOTAL EXPENDITURES	3,944,260	4,425,354	2,388,343	2,037,011
Excess (deficiency) of revenues over expenditures	(748,857)	(748,857)	313,748	1,062,605
OTHER FINANCING SOURCES (USES):				
Transfers in	3,000	3,000	6,161	3,161
Transfers out	(34,104)	(34,104)	(34,103)	1
Total other financing sources (uses)	(31,104)	(31,104)	(27,942)	3,162
Net change in fund balance	(779,961)	(779,961)	285,806	1,065,767
Fund balance of beginning of year	779,961	779,961	594,674	(185,287)
Fund balance at end of year	\$ -	\$ -	880,480	\$ 880,480
Reconciliation to GAAP basis:				
FMV adjustment			628	
Adjust cash on hand			200	
Due from other governments and available			180,540	
Due from other funds			3,183	
Accounts payable			(45,130)	
Due to other governments			(418)	
Due to other funds			(317)	
Payroll, payroll taxes and benefits payable			(98,999)	
Fund balance (GAAP basis) at end of year		62	\$ 920,167	

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, 2014**

	Budget Original/Final	Actual	Variance
REVENUES			
Motor vehicle apportionments	\$ 80,387	\$ 69,657	\$ (10,730)
Interest earnings	600	958	358
TOTAL REVENUES	80,987	70,615	(10,372)
 EXPENDITURES			
Capital outlay	250,987	25,894	225,093
Net change in fund balance	(170,000)	44,721	214,721
Fund balance at beginning of year	170,000	165,483	(4,517)
Fund balance at end of year	\$ -	210,204	\$ 210,204
 Reconciliation to GAAP basis:			
Due from other governments		5,808	
Fund balance (GAAP basis) at end of year		\$ 216,012	

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, 2014**

	<u>Budget Original/Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
9-1-1 emergency communications tax	\$ 200,000	\$ 230,759	\$ 30,759
Cities' 9-1-1 emergency communication tax	<u>750,000</u>	<u>420,861</u>	<u>(329,139)</u>
 TOTAL REVENUES	 <u>950,000</u>	 <u>651,620</u>	 <u>(298,380)</u>
 EXPENDITURES			
Materials and services	<u>950,000</u>	<u>651,620</u>	<u>298,380</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>

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, 2014**

	Budget Original/Final	Actual	Variance
REVENUES			
Interest earnings	\$ 600	\$ 585	\$ 15
TOTAL REVENUES	<u>600</u>	<u>585</u>	<u>1,088</u>
EXPENDITURES			
Materials and services	42,049	198	41,851
Indirect cost allocation	17,490	17,490	-
Capital outlay	10,000	-	10,000
Contingency	20,000	-	20,000
Reserve for Future Years	16,362	-	16,362
TOTAL EXPENDITURES	<u>105,901</u>	<u>17,688</u>	<u>88,213</u>
Excess (deficiency) of revenues over expenditures	(105,301)	(17,103)	88,198
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund - Clerks Office	175,000	135,328	(39,672)
Transfer to Surveyor Contract/GIS Contract	(166,662)	(165,743)	919
Total other financing sources (uses)	<u>8,338</u>	<u>(30,415)</u>	<u>(38,753)</u>
Net change in fund balance	(96,963)	(47,518)	49,445
Fund balance at beginning of year	96,963	135,529	38,566
Fund balance at end of year	<u>\$ -</u>	<u>\$ 88,011</u>	<u>\$ 88,011</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, 2014**

	<u>Budget</u> <u>Original/Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest earnings	\$ 300	\$ 117	\$ (183)
Donations and gifts	<u>4,500</u>	<u>3,692</u>	<u>(808)</u>
TOTAL REVENUES	<u>4,800</u>	<u>3,809</u>	<u>(991)</u>
 EXPENDITURES			
Material and services	4,552	1,323	3,229
Capital outlay	<u>20,905</u>	<u>6,374</u>	<u>14,531</u>
TOTAL EXPENDITURES	<u>25,457</u>	<u>7,697</u>	<u>17,760</u>
Net change in fund balance	(20,657)	(3,888)	16,769
Fund balance at beginning of year	<u>20,657</u>	<u>24,895</u>	<u>4,238</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 21,007</u>	<u>\$ 21,007</u>

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 2014**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Firewood sales and U.S.F.S Camp Grounds	\$ 4,000	\$ 4,000	\$ 12,038	\$ 8,038
Edgewater sales				
Timber sales	100,500	100,500	-	(100,500)
Interest earnings	1,000	1,000	175	(825)
TOTAL REVENUES	<u>105,500</u>	<u>105,500</u>	<u>12,213</u>	<u>(93,287)</u>
EXPENDITURES				
Materials and services	26,125	151,125	18,124	133,001
Capital outlay	529,375	1,304,375	775,000	529,375
TOTAL EXPENDITURES	<u>555,500</u>	<u>1,455,500</u>	<u>793,124</u>	<u>662,376</u>
Excess (deficiency) of revenues over expenditures	(450,000)	(1,350,000)	(780,911)	569,089
OTHER FINANCING SOURCES (USES)				
Road Fund Transfer In	250,000	1,150,000	-	(1,150,000)
Net change in fund balance	(200,000)	(200,000)	(780,911)	(580,911)
Fund balance at beginning of year	200,000	200,000	1,169	(198,831)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (779,742)</u>	<u>\$ (779,742)</u>

Reconciliation to GAAP basis:

Accounts Payable

(3,905)

Fund balance at end of year

\$ (783,647)

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, 2014

	Budget Original/Final	Actual	Variance
REVENUES			
State forest land sales	\$ 1,350,000	\$ 837,686	\$ (512,314)
Federal forest land sales	1,100,000	1,073,287	(26,713)
Private Car Co Tax	5,000	2,509	(2,491)
Electric co-op tax	85,000	85,870	870
Miscellaneous fees	300	11	(289)
Interest earnings	800	471	(329)
TOTAL REVENUES	<u>2,541,100</u>	<u>1,999,834</u>	<u>(541,266)</u>
EXPENDITURES			
Materials and Services	<u>2,541,100</u>	<u>1,999,834</u>	<u>541,266</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2014**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Federal Forest	\$ 420,200	\$ 446,200	\$ 445,276	\$ (924)
EXPENDITURES				
Materials and services	241,100	241,470	241,469	1
Excess (deficiency) of revenues over expenditures	179,100	204,730	203,807	(923)
OTHER FINANCING SOURCES (USES):				
Transfer out	(236,400)	(262,030)	(261,103)	927
Net change in fund balance	(57,300)	(57,300)	(57,296)	4
Fund balance at beginning of year	57,300	57,300	57,296	(4)
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

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, 2014

	Budget		Actual	Variance
	Original Budget	Final		
REVENUES				
Reimbursements	\$ 230,000	\$ 230,000	\$ 235,162	\$ 5,162
Interest earnings	310	310	614	304
TOTAL REVENUES	<u>230,310</u>	<u>230,310</u>	<u>235,776</u>	<u>5,466</u>
EXPENDITURES				
Program management	3,500	3,500	1,600	1,900
Claim payments	257,100	257,100	182,724	74,376
Contingency	39,210	39,210	-	39,210
TOTAL EXPENDITURES	<u>299,810</u>	<u>299,810</u>	<u>184,324</u>	<u>115,486</u>
Net change in fund balance	(69,500)	(69,500)	51,452	120,952
Fund balance at beginning of year	69,500	69,500	97,066	27,566
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	148,518	<u>\$ 148,518</u>
Reconciliation to GAAP basis:				
Due from other funds and available			20,191	
Due to other governments			(27,917)	
Claims liability			(123,200)	
Net assets at end of year			<u>\$ 17,592</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, 2014

	Balances June 30, 2013	Additions	Deductions	Balances June 30, 2014
Taxing Districts				
<u>Assets</u>				
Cash and investments	\$ 971,754	\$ 111,409,877	\$ 111,637,207	\$ 744,424
<u>Liabilities</u>				
Amounts held in trust	\$ 971,754	\$ 111,409,877	\$ 111,637,207	\$ 744,424
Treasurer's Departmental				
<u>Assets</u>				
Cash and investments	\$ 315,240	\$ 801,822	\$ 932,390	\$ 184,672
Accounts receivable	721,263	1,300,047	721,263	1,300,047
Total assets	\$ 1,036,503	\$ 2,101,869	\$ 1,653,653	\$ 1,484,719
<u>Liabilities</u>				
Due to other governments	\$ 721,263	\$ 1,300,047	\$ 721,263	\$ 1,300,047
Amounts held in trust	315,240	801,822	932,390	184,672
Total liabilities	\$ 1,036,503	\$ 2,101,869	\$ 1,653,653	\$ 1,484,719
Property Taxes				
<u>Assets</u>				
Cash and investments	\$ 707,741	\$ 129,186,635	\$ 129,311,482	\$ 582,894
Property taxes receivable	8,687,052	10,990,571	8,687,052	10,990,571
Total assets	\$ 9,394,793	\$ 140,177,206	\$ 137,998,534	\$ 11,573,465
<u>Liabilities</u>				
Due to other governments	\$ 721,263	\$ 1,300,047	\$ 721,263	\$ 1,300,047
Amounts held in trust	8,673,530	129,186,635	127,586,747	10,273,418
Total liabilities	\$ 9,394,793	\$ 130,486,682	\$ 128,308,010	\$ 11,573,465

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

	Balances June 30, 2013	Additions	Deductions	Balances June 30, 2014
Justice Courts, Sheriff and Certain Others				
<u>Assets</u>				
Cash and investments	\$ 114,766	\$ 712,380	\$ 701,423	\$ 125,723
Accounts receivable	510,398	535,979	510,398	535,979
Total assets	<u>\$ 625,164</u>	<u>\$ 1,248,359</u>	<u>\$ 1,211,821</u>	<u>\$ 661,702</u>
<u>Liabilities</u>				
Due to other governments	\$ 17,987	\$ 19,358	\$ 17,987	\$ 19,358
Amounts held in trust	607,177	1,229,001	1,193,834	642,344
Total liabilities	<u>\$ 625,164</u>	<u>\$ 1,248,359</u>	<u>\$ 1,211,821</u>	<u>\$ 661,702</u>
Regional Fuel Facility				
<u>Assets</u>				
Cash and investments	\$ 31,170	\$ 1,250,069	\$ 1,242,471	\$ 38,768
Due from other governments	102,173	109,849	102,173	109,849
Total assets	<u>\$ 133,343</u>	<u>\$ 1,359,918</u>	<u>\$ 1,344,644</u>	<u>\$ 148,617</u>
<u>Liabilities</u>				
Accounts payable	\$ 68,479	\$ 32,093	\$ 68,479	\$ 32,093
Amounts held in trust	64,864	1,327,825	1,276,165	116,524
Total liabilities	<u>\$ 133,343</u>	<u>\$ 1,359,918</u>	<u>\$ 1,344,644</u>	<u>\$ 148,617</u>
Totals - All Agency Funds				
<u>Assets</u>				
Cash and investments	\$ 2,140,671	\$ 243,360,783	\$ 243,824,973	\$ 1,676,481
Property taxes receivable	8,687,052	10,990,571	8,687,052	10,990,571
Accounts receivable	1,231,661	1,836,026	1,231,661	1,836,026
Due from other governments	102,173	109,849	102,173	109,849
Total assets	<u>\$ 12,161,557</u>	<u>\$ 256,297,229</u>	<u>\$ 253,845,859</u>	<u>\$ 14,612,927</u>
<u>Liabilities</u>				
Accounts payable	\$ 68,479	\$ 32,093	\$ 68,479	\$ 32,093
Due to other governments	1,460,513	2,619,452	1,460,513	2,619,452
Amounts held in trust	10,632,565	243,955,160	242,626,343	11,961,382
Total liabilities	<u>\$ 12,161,557</u>	<u>\$ 246,606,705</u>	<u>\$ 244,155,335</u>	<u>\$ 14,612,927</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, 2014

	Assessor	Clerk	Commis- sioners	District Attorney	Justice Courts Central Linn/ Lebanon	Sheriff	Surveyor	Tax Collector	Treasurer	Totals
On hand - June 30, 2013 (1)	\$ 870	\$ 200	\$ 50	\$ 2,000	\$ 33,226	\$ -	\$ 50	\$ 650	\$ 30,693,402	\$ 30,730,448
Receipts	698,078	959,616	379,674	364,179	1,095,717	6,214,807	418,569	129,186,635	130,240,226	269,557,501
Turnovers and disbursements:										
To County Treasurer	(698,078)	(959,616)	(379,674)	(364,179)	(712,380)	-	(418,569)	(129,186,635)	-	(132,719,131)
To Others	-	-	-	-	(290,841)	(6,214,807)	-	-	(129,186,635)	(135,692,283)
On hand - June 30, 2014 (1)	<u>\$ 870</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 2,000</u>	<u>\$ 125,722</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 650</u>	<u>\$ 31,746,993</u>	<u>\$ 31,876,535</u>
(1) Consists of:					-					
Deposits with County Treasurer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,669,777	\$ 12,669,777
Deposits with Local Government Investment Pool	-	-	-	-	-	-	-	-	19,076,603	19,076,603
Due to County Treasurer	-	-	-	-	(56,956)	-	-	-	-	(56,956)
Due to State of Oregon	-	-	-	-	(20,691)	-	-	-	-	(20,691)
Change and revolving funds	870	200	50	2,000	203,369	-	50	650	613	207,802
Totals	<u>\$ 870</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 2,000</u>	<u>\$ 125,722</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 650</u>	<u>\$ 31,746,993</u>	<u>\$ 31,876,535</u>

LINN COUNTY

SCHEDULE OF PROPERTY TAX TRANSACTIONS
Year Ended June 30, 2014

Tax Year	Receivable 6/30/2013	Current Levy	Discounts Allowed	Interest on Delinquent Taxes	Cash Collections	Corrections and Adjustments	Receivable 6/30/2014
2013-14	\$ -	\$ 133,342,334	\$ (3,431,026)	\$ 66,882	\$ 124,216,566	\$ (180,781)	\$ 5,580,843
2012-13	5,007,515	0	223	176,434	2,242,660	508,196	3,449,708
2011-12	2,874,358	0	73	216,396	1,115,431	400,671	2,376,067
2010-11	1,956,190	0	0	298,767	966,227	234,683	1,523,413
2009-10	779,124	0	0	205,541	549,779	291,266	726,152
2008-09	124,215	0	0	25,979	48,917	(36,374)	64,903
2007-08	72,895	0	0	19,732	30,446	(31,379)	30,802
prior years	142,233	0	0	18,779	16,609	(20,178)	124,225
Totals	\$ 10,956,530	\$ 133,342,334	\$ (3,430,730)	\$ 1,028,510	\$ 129,186,635	\$ 1,166,104	\$ 13,876,113

Fund	
General	\$ 1,066,809
Law Enforcement 4-Year Levy	1,715,473
Veterans Home Loan Agency	103,260
	<u>10,990,571</u>
Total	\$ <u>13,876,113</u>

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the county's overall financial health.

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<i>These schedules contain trend information to help the reader understand how the county's financial performance and well-being have changed over time.</i>	
Revenue Capacity	82-85
<i>These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.</i>	
Debt Capacity	86-89
<i>These schedules present information to help the reader assess the affordability of the county's current level of outstanding debt and the County's ability to issue debt in the future.</i>	
Demographic and Economic Information	90-91
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Operating Information	92-95
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the county's financial report relates to the services the county provides and the activities it performs.</i>	

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Linn County
Changes in Net Position
Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
General administration and support	\$ 4,607	\$5,757	\$ 6,730	\$ 6,025	\$ 7,595	\$ 6,569	\$ 6,288	\$ 6,160	\$ 7,066	\$ 5,767
Local government services	3,006	3,152	3,362	3,389	3,565	3,442	3,199	3,371	3,222	3,217
Public safety	23,615	25,073	26,417	27,628	31,132	32,367	31,306	31,413	29,599	30,427
Health services	17,047	17,974	19,119	15,344	16,502	17,566	18,799	20,247	20,066	20,725
Community development	6,651	6,149	7,101	6,643	7,775	8,269	19,636	6,477	5,552	6,846
Highways and streets	10,642	12,584	9,449	11,604	12,032	12,597	13,019	12,404	10,789	9,606
Apportionments to school districts	3,695	0	2,928	2,851	2,676	2,667	2,321	1,314	1,405	2,000
Interest on long term debt	163	113	79	54	24	13	0		267	279
Total primary government expenses	69,424	70,802	76,185	73,538	81,301	83,490	94,568	81,386	77,966	78,867
Program Revenues										
Governmental Activities										
Fees, Fines, and Charges for service										
General government	1,932	1,907	2046	1924	1,929	1,944	1,617	1491	1826	1093
Public Safety	3,077	3,019	3347	3278	3,647	3,835	3,194	2902	3119	2,466
Health services	1,160	1,322	1591	1501	1,356	1,432	1,191	1185	2820	952
Roads	1,632	2,780	1676	1758	1,335	1,371	1,141	1760	1540	2,735
Community Development	2,940	2,794	2889	2952	2,790	2,647	2,204	2,958	3,223	2,558
Operating Grants and Contributions	35,021	36,323	36822	34830	41,017	34,500	37,367	36,972	32,996	35,718
Capital Grants and Contributions	6,349	677	0	0	0	0	0			
Total program revenues	\$ 52,111	\$ 48,822	\$ 48,371	\$ 46,243	\$ 52,074	\$ 45,729	\$ 46,714	\$ 47,268	\$ 45,524	\$ 45,522
General Revenue change in Net Position	\$ (17,313)	\$ (21,980)	\$ (26,814)	\$ (27,295)	\$ (29,227)	\$ (37,761)	\$ (47,854)	\$ (34,118)	\$ (32,442)	\$ (33,345)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$19,083	\$19,745	21,456	24,644	25,389	25,285	25,137	26,373	26,464	27,561
Interest and investment earnings	882	1,717	2,360	1,930	1,082	479	338	107	117	416
Capital contribution	(460)	(246)	0	0	0	0	0			
Loss of sale of capital assets	(88)	(483)	(149)	2						
Unrestricted grants and contributions	11,489	7,499	7,367	7,236	9,010	11,478	10,292	7,283	9,952	15,876
Total primary governmental activities	30,907	28,232	31,034	33,812	35,481	37,242	35,767	33,763	36,533	43,853
Change in Net Position	\$ 13,593	\$ 6,252	\$ 4,220	\$ 6,517	\$ 6,254	\$ (519)	\$ (12,087)	\$ (355)	\$ 4,091	\$ 10,508
Governmental activities										

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

Linn County
Net Position by Component
Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Primary government activities										
Net Investment in capital assets										
Restricted	144,132	151,247	160,222	166,879	170,723	173,806	175,712	176,725	179,484	187,332
Unrestricted	5,991	4,239	4,723	553	0	0	0	0	0	29,338
Total Primary government net position	39,953	40,843	36,252	39,634	42,598	38,995	25,003	23,634	22,745	(3,933)
	190,076	196,329	201,197	207,066	213,321	212,801	200,715	200,359	202,229	212,737



STATISTICAL SECTION

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>
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
2013	26,464	42,546	7,517	5,011	518	82,056
2014	27,561	50,827	6,343	4,228	416	89,375

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Non spendable										
Committed to										
Interfund loan	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,258)	(\$2,629)	(\$4,389)	\$0
Assigned to										
Unassigned							59	(1,882)	(1,673)	(5,514)
Reserved	242	0	0	(1,188)	0	(2,720)	0			
Unreserved	3,776	2,856	(598)	741	(743)	1,532	0			
Total general fund	4,018	2,856	(598)	(447)	(743)	(1,188)	(2,199)	(4,511)	(6,062)	(5,514)
All other governmental funds										
Non spendable										
Inventories							1,452	1,164	1,051	1,299
Committed to										
Interfund loan							2,258	2,629	4,389	14,613
Capital Projects							5,419	3,070	2,229	0
Restricted for										
Roads							14,010	16,355	20,262	20,318
Public Safety							(758)	0	57	0
Health Services							5,112	6,629	5,079	6,059
Grants/Minor Funds							1,160	1,467	1,344	1,662
Assigned to										
Unassigned							(758)	(850)	(15,227)	(16,382)
Reserved	6,733	5,232	5,738	2,094	1,580	1,719				
Unreserved, reported in:										
Special revenue funds	32,033	36,726	35,719	37,797	42,576	40,026	0			
Capital projects funds	6	0	0	0	0	0	0			
Undesignated funds	2,416	0	0	0	0	0	0			
Total all other governmental funds	\$ 41,188	\$ 41,958	\$ 41,457	\$ 39,891	\$ 44,156	\$ 41,745	\$ 27,895	\$ 30,464	\$ 19,184	\$ 27,569

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 18,958	\$ 19,966	\$ 21,434	\$ 24,506	\$ 24,961	\$ 25,170	\$ 24,941	\$ 26,341	\$ 26,595	\$ 27,100
Licenses and Permits	3,137	3,611	3,712	3,049	4,607	4,421	3,739	4,118	4,016	3,959
Intergovernmental	55,218	47,277	45,708	43,082	47,819	45,360	46,771	44,015	42,546	50,827
Charges for services	4,514	5,197	5,342	6,632	6,630	6,631	5,608	6,177	6,025	5,940
Investment earnings	872	1,521	2,614	1,889	1,054	487	422	121	480	422
Miscellaneous	372	518	720	909	1,358	727	600	384	212	225
Indirect cost reimbursement									1,710	1,736
Total revenues	83,071	78,090	79,530	80,067	86,429	82,796	82,081	81,156	81,584	90,209
Expenditures										
General government (local government)	7,515	8,651	9,897	9,025	9,957	9,179	9,039	8,993	8,703	8,250
Public Safety	23,544	24,982	26,451	27,485	30,267	31,908	30,965	30,991	29,155	29,889
Health Services	16,950	17,892	19,023	15,288	16,387	17,419	18,822	20,175	20,043	20,626
Community development	7,008	6,884	7,053	8,343	7,769	7,904	19,663	6,224	6,458	6,395
Highways and streets	14,208	15,404	15,832	16,488	15,905	16,267	15,374	13,959	9,808	8,468
Apportionments to school districts	3,695	3,472	2,928	2,851	2,676	2,667	2,321	1,314	1,406	2,000
Capital outlay			1,450	-					4,741	10,242
Indirect cost allocation									1,710	1,736
Debt service										
Principal	908	932	840	759	663	295	-	-	-	-
Interest	163	113	79	54	25	13	-	-	267	279
Total expenditures	73,991	78,330	83,553	80,293	83,649	85,652	96,184	81,656	82,291	87,885
Excess of revenues over (under) expenditures	9,080	(240)	(4,023)	(226)	2,780	(2,856)	(14,103)	(500)	(707)	2,324
Other financing sources (uses)										
Transfers in	2,729	2,796	5,606	6,191	5,547	4,293	3,643	4,046	2,201	1,958
Transfers out	(2,729)	(2,796)	(5,606)	(6,191)	(5,547)	(4,293)	(3,643)	(4,046)	(2,201)	(1,958)
Refunding Bond issue										
Payments to refunded bond escrow agent										
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0
Net change in fund balances	\$ 9,080	\$ (240)	\$ (4,023)	\$ (226)	\$ 2,780	\$ (2,856)	\$ (14,103)	\$ (500)	\$ (707)	\$ 2,324
Debt service as a percentage on noncapital expenditures	1.4%	1.3%	1.1%	1.0%	0.8%	0.4%	0.0%	0.0%	0.3%	0.3%

LINN COUNTY
INTERGOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Federal	State	Cities and Other	Totals	Per Capita
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
2011-2012	10,658,575	29,581,523	3,774,442	44,014,540	375
2012-2013	9,828,607	29,974,876	2,742,715	42,546,198	360
2013-2014	12,168,849	33,017,481	5,640,990	50,827,320	431

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
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%
2013	7,639,006	107,561	240,404	396,669	27,141	8,356,499	4.0436	10,815,138	77.27%
2014	7,932,202	108,688	254,054	425,703	30,625	8,690,022	4.2900	11,395,676	76.26%

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
Average Property Tax Rates
Direct and Overlapping Governments
Per \$1000 of Assessed value
Last Ten Fiscal Years**

Fiscal Year	Cities			Rural Fire Districts			Schools Districts			Linn-Benton Community College	
	Linn County	Albany	Lebanon	Sweet Home	Albany	Lebanon	(1) Albany	Lebanon	Sweet Home		Central Linn
2004	3.39	7.23	5.59	8.79	2.15	2.26	4.98	7.56	6.89	5.72	0.68
2005	3.43	8.04	5.55	8.70	2.15	2.26	4.96	7.95	6.93	4.88	0.68
2006	3.38	7.96	5.36	8.39	2.15	2.26	4.93	7.48	6.62	5.26	0.69
2007	3.39	8.02	5.92	8.11	2.15	2.26	4.89	7.41	6.67	5.00	0.68
2008	3.69	7.86	6.40	8.66	2.15	2.50	6.17	7.17	6.63	5.04	0.67
2009	3.62	7.77	6.25	8.67	2.15	2.49	6.20	7.12	6.58	5.21	0.68
2010	3.61	7.78	6.19	8.66	2.15	2.48	6.23	7.09	6.60	5.06	0.68
2011	4.04	7.51	5.86	8.63	2.15	2.47	6.19	7.25	6.69	4.62	0.68
2012	4.04	7.50	6.18	8.64	2.15	2.48	6.20	7.01	7.00	6.27	0.67
2013	4.04	7.66	5.67	8.64	2.15	2.48	6.31	7.02	7.01	4.62	0.69
2014	4.29	7.59	5.64	8.64	2.15	2.47	6.32	7.08	6.99	4.62	0.68

1) Includes Union High School District

All of the listed districts are componet 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, 2014

Principal Taxpayers	Type of Business	2014			2005		
		2013-14 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2004-2005 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Fort James Operating Co.	Timber & Forest Products	\$ 132,681	1	1.53%	\$ 141,704	2	2.36%
Pacific Power & Light (Pacficorp)	Utility	94,080	2	1.08%	56,481	3	0.94%
Lowes HIW Inc	Retail distribution	88,994	3	1.02%			
Wah Chang	Rare Metals	85,571	4	0.98%	44,263	7	0.74%
Target Corporation	Retail distribution	72,289	5	0.83%			
Centurylink	Communications	69,374	6	0.80%			
Weyerhaeuser Company/ Willamette Industries	Timber & Forest Products	60,413	8	0.70%	300,280	1	5.00%
Oregon Metallurgical Corp	Rare Metals	0		0.00%	26,491	8	0.44%
Comcast Corporation	Communications	54,872	9	0.63%			
Northwest Natural Gas	Utility	62,788	7	0.72%	33,274	6	0.55%
Timber Services Co. Inc.	Timber & Forest Products	45,329	10	0.52%	34,648	10	0.58%
Entek Manufacturing Inc.	Plastic Manufacturing				22,499	9	0.37%
Centurytel of Oregon	Communications						
U.S West Communications	Communications						
Dayton Hudson Corp	Retail distribution				32,557	5	0.54%
Oregon Freeze Dry Foods Inc	Produce Processing						
Wilmington Trust	Reconstituted Wood Products				66,858	4	1.11%
Total Principal Taxpayers		<u>766,391</u>		<u>8.82%</u>	<u>759,055</u>		<u>12.64%</u>
Totals		<u>\$ 8,690,022</u>		<u>100%</u>	<u>\$ 6,004,067</u>		<u>100%</u>

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
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%	1,361	21,977	99.98%
2008	25,089	24,086	96.00%	988	25,074	99.94%
2009	25,590	24,387	95.30%	1,177	25,564	99.90%
2010	26,141	25,017	95.70%	963	25,979	99.38%
2011	26,995	25,834	95.30%	755	26,589	98.50%
2012	27,337	25,486	93.23%	1,255	26,741	97.82%
2013	27,650	26,572	96.61%	1,078	27,650	100.00%
2014	30,566	29,282	95.80%	1,284	30,566	100.00%

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.
Summary of Property Tax Collections**

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

	2005	2006	2007	Fiscal Year 2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 147,621	\$ 147,908	\$ 135,579	\$ 141,431	\$ 149,117	\$ 155,722	\$ 154,021	\$ 160,147	\$ 16,269	\$ 173,800
Total net debt applicable to limit	1,469	1,056	554	12	0	0	0	0	0	0
Legal debt margin	\$ 146,152	\$ 146,852	\$ 135,025	\$ 141,419	\$ 149,117	\$ 155,722	\$ 154,021	\$ 160,147	\$ 16,269	\$ 173,800
Total net debt applicable to the limit as a percentage of debt limit	1.00%	0.71%	0.41%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2013

Estimated Actual Taxable Value	\$ 8,690,022
Debt limit (2% of total assessed value)	173,800,440
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>\$ 173,800,440</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
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						
2013	118,035	As of June 30, 2010 linn County has no Outstanding Debt						
2014	118,665	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
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	-	-
2013	-	8,354,695	-	0	8,013,475	-	-
2014	-	8,690,022	-	0	8,690,022	-	-

LINN COUNTY
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2014

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	1,335	71.40%	953
Brownsville	3,036	100.00%	3,036
Halsey	-	100.00%	-
Harrisburg	-	100.00%	-
Lebanon	15,935	100.00%	15,935
Mill City	948	74.87%	710
Sodaville	32,471	100.00%	32,471
Sweet Home	-	100.00%	-
Community Colleges:			
Chemeketa	89,630	1.00%	896
Lane	62,290	1.10%	685
Linn-Benton	2,594	47.23%	1,225
School Districts:			
Corvallis	41,395	2.22%	919
Central Linn	-	100.00%	-
Eugene	148,910	0.07%	104
Lane ESD	-	0.04%	-
Greater Albany	21,620	74.30%	16,064
Harrisburg	2,105	90.36%	1,902
Jefferson	-	6.87%	-
Lebanon Community	44,330	100.00%	44,330
North Santiam	22,685	21.20%	4,809
Santiam Canyon	-	44.36%	-
Scio	200	100.00%	200
Sweet Home	16,555	100.00%	16,555
Willamette ESD	-	0.80%	-
Water Districts:			
Grand Prairie	674	100.00%	674
Rural Fire Districts:			
Jefferson	-	40.13%	-
Brownsville	1,755	100.00%	1,755
Idanha-Detroit	-	5.02%	-
Lebanon	2,415	100.00%	2,415
Harrisburg	-	99.99%	-
Lyons	-	68.72%	-
Stayton	205	11.19%	23
Sweet Home Fire/Ambulance	710	100.00%	710
Total Overlapping	<u>511,798</u>		<u>146,372</u>
Total Direct and Overlapping	<u>\$ 511,798</u>		<u>\$ 146,372</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
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	3,292,512	29,115	19,163	6.2	942	657
2008	109,320	3,462,515	30,117	(5)	6.5	825	650
2009	110,185	3,345,707	28,842	17,855	15.4	838	660
2010	111,355	3,397,054	29,070	20,094	12.7	823	646
2011	116,672	3,553,431	30,083	(5)	11.4	744	651
2012	117,340	3,667,273	30,984	18,068	10.8	873	662
2013	118,035	(5)	(5)	18,325	9.9	792	603
2014	118,665	(5)	(5)	22,523	8.4	812	605

- (1) Portland State Center for Population**
- (2) Bureau of Economic Analysis**
- (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**

**LINN COUNTY
PRINCIPAL EMPLOYERS
June 30, 2014**

<u>Employer</u>	<u>2014</u>			<u>2006</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	1,600	1	4.0%	1,300	1	3.1%
Linn Benton Community College	1,100	2	2.7%	1,012	3	2.4%
Greater Albany Public Schools	1,080	3	2.7%	947	4	2.3%
Allvac Oremet- Wah Chang	949	4	2.4%	1,198	2	2.9%
Target Distribution Center	631	5	1.6%	631	7	1.5%
Linn County	627	6	1.6%	700	5	1.7%
Assurant Solutions	500	7	1.2%			
Oregon Freeze Dry	398	8	1.0%			
City of Albany	390	9	1.0%	333	9	0.8%
National Frozen Foods	350	10	0.9%			
ATI Albany Operations	293	11	0.7%			
Selmet	275	12	0.7%			
ATI Pacific Cast Technologies	260	13	0.6%	303	10	0.7%
Weyerhaeuser Co.				652	6	1.6%
Georgia-Pacific/GP				530	8	1.3%
Smoke-Craft				290	11	0.7%
Totals			<u>14.3%</u>			<u>13.3%</u>
Number of people employed in Linn County			40,270			41,910

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

Information for Principal Employers in 2004 is not available at this time. (2006 is provided for reference)

**Linn County
Employees by Function
Full time equivalent employees as of June 30, 2014**

Function	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Community Development	66	65	67	71	69	68	71	72	73	71
General Administration	42	42	36	42	42	43	41	45	52	51
Health Services	176	178	184	187	180	171	174	161	178	174
Highways and Streets	75	73	76	85	84	84	76	76	88	86
Local Government Service	31	31	30	33	38	40	41	41	61	61
Public Safety	232	233	231	258	261	278	272	286	299	295
Total	622	622	624	676	674	684	675	681	751	738

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 Eight Fiscal Year**

Function	Fiscal Year							
	2014	2013	2012	2011	2010	2009	2008	2007
Sheriff								
Jail Bookings	6322	6,144	6,206	5,938	6,574	7,089	7,425	7,779
Highways and streets								
Road surface improvements (miles)	32	50	46	62	85	57	48	60
Parks								
Picnic shelter rentals	212	169	260	190	211	179	168	271
Clerk's Office								
Documents recorded	20878	26,758	24,178	24,964	27,544	29,026	34,314	40,239
Marriage Licenses issued	749	792	873	744	823	838	825	942
Registered Voters	62509	63,622	60,738	59,785	58,755	61,607	59,836	57,466
Planning								
Building permits	1353	1,226	1,123	1,198	1,190	1,567	1,794	1,889
Contract Cities	497	426	374	364	402	365	668	938
Electrical permits	1335	1,312	1,335	1,199	1,342	1,616	2,167	2,266
Planning permits	670	613	519	509	537	642	855	1,212
Health								
Alcohol and Drug clients	684	754	876	857	887	858	776	703
Developmentally Disabled clients	759	747	736	724	717	635	620	616
Environmental Health service contacts	2642	2,460	2,742	2,622	2,483	2,615	3,126	2,850
Mental Health clients	4273	4,662	3,857	3,773	3,902	4,487	4,084	3,940
Public Health	13756	12,672	13,251	13,085	13,197	7,713	8,307	6,614
Women, Infants, and children clients	6021	6,052	6,521	6,418	6,285	5,849	5,780	5,780
Fairgrounds								
Willamette building (hours of use)	5550	5,604	5,200	6,196	4,856	1,719	2,206	1,891
Calapooia Arena (hours of use)	2042	1,918	1,995	1,749	2,076	2,772	2,825	2,478
Santiam center (hours of use)	1146	1,203	1,315	1,594	1,388	1,791	2,356	1,507
Cascade livestock building (hours of use)	3793	3,900	3,836	3,500	3,895	1,507	1,474	1,383

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 Eight Fiscal Years**

Function	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety								
Police:								
Stations	7	7	7	7	7	7	7	7
Patrol Units	55	55	55	53	54	53	52	51
Police service dogs	1	1	1	1	3	4	4	4
Culture and recreation								
Parks acreage	1364	1360	1360	1360	1360	1200	1202	1202
Parks	24	23	23	22	22	22	18	17
Picnic shelters	13	13	13	13	13	13	12	10
General Services								
Motor pool vehicles	78	78	82	80	83	83	83	80
Roads								
All Public Roads (includes local access (miles)	1153	1153	1153	1153	1154	1,148	1,148	1,148
Bridges	336	329	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, OREGON

General Government Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Administration	Local Government Services	Public Safety	Health Services	Community Development	Highways and Streets	Education	Capital Outlay	Indirect Cost Allocation	Debt Service	Totals	Portland, Oregon Consumer Index (U) (1982-84)	Per Capita
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	6,843,544	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	13,956,809	1,314,484			-	81,656,692	226.0	695.90
2012-2013	5,511,126	3,191,808	29,155,216	20,043,224	6,457,929	9,808,537	1,405,596	4,741,212	1,710,610	266,709	82,291,967	231.8	697.18
2013-2014	5,081,149	3,169,212	29,889,155	20,626,039	6,395,095	8,467,424	1,999,835	10,241,664	1,736,315	279,447	87,885,335	233.6	740.62

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

Population based upon the 2013 center for Population Research and Census at Portland State University estimates for Linn County 118,665

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, 2013

11/17/2014; 11:16 AM

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	\$ 500,000	7/1/2013	7/1/2014	
		Bodily injury by accident - each accident	\$ 500,000			
		Bodily injury by disease - each employee	\$ 500,000			
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	7/1/2013	7/1/2014	
12APDLINC	City/County Insurance Services	Comprehensive general liability	\$ 50,000	7/1/2013	7/1/2014	
		Automobile - Self-Insured Loss Funds	\$ 50,000	7/1/2013	7/1/2014	
12BLINC	City/County Insurance Services (Rhodes-Warden Ins, Inc.)	All boilers and machinery (\$10,000 Deductible)	Equipment breakdown \$ 100,000,000	7/1/2013	7/1/2014	
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	\$ 125,181,843 (Incl w/basic coverage) 100,000 250,000 100,000 150,000 25,000 5,000,000 5,000,000 150,000 250,000	7/1/2013	7/1/2014

LINN COUNTY
SCHEDULE OF INSURANCE AND FIDELITY BOND COVERAGES
Ending June 30, 2013

11/17/2014; 11:16 AM

Insurance Coverage 10-11 /Meyer/Excel

<u>POLICY NUMBER</u>	<u>COMPANY</u>	<u>COVERAGE</u>	<u>AMT OF COVERAGE</u>	<u>POLICY PERIOD 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 Crime Coverage Police Dogs Personal Property at Unscheduled Locations Personal Property of Employees or Volunteers Unscheduled Fine Arts Miscellaneous Coverage	\$ 150,000 50,000 15,000 15,000 15,000 100,000 50,000	7/1/2013	7/1/2014
12CLINC	Rhodes-Warden Ins., Inc (National Union Fire Insurance Company of Pitts, PA)	Excess Crime Coverage (Deductible \$10,000)	Employee Theft Forgery or Altercation Inside Premises-Theft of Money & Securities Inside Premises-Robbery, Safe Burglary, Other Outside the Premises Computer Fraud Money Orders & Counterfeit Paper Currency Funds Transfer Fraud Faithful Performance of Duty (Subject to \$1,000 Deductible)	\$ 500,000 500,000 500,000 500,000 500,000 500,000 500,000 500,000 500,000	7/1/2013	7/1/2014



*AUDIT COMMENTS
& DISCLOSURES*

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS



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November 10, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Linn County, Oregon, as of and for the year ended June 30, 2014, and have issued our report thereon dated November 10, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Linn County, Oregon's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in 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 statements 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:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **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, 279C).**
- **Schedule of Accountability of Elected Officials**

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

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered 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 Linn County, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Linn County, Oregon's internal control over financial reporting.

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



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

GRANT COMPLIANCE REVIEW



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November 10, 2014

To the Board of County Commissioners
Linn County, Oregon
Albany, Oregon

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Linn County, Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.



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November 10, 2014

To the Board of County Commissioners
Linn County, Oregon
Albany, Oregon

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

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 the major federal programs for the year ended June 30, 2014. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, Linn County, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

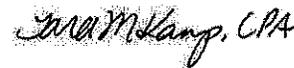
Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C

LINN COUNTY, OREGON
ALBANY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued

Unmodified

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 to financial statements noted?

yes no

Any GAGAS audit findings disclosed that are required to be reported
in accordance with section 505(d)(2) of OMB Circular A-133?

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 auditors' report issued on compliance for major programs:

Unmodified

LINN COUNTY, OREGON
ALBANY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

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 CLUSTER

10.665

Schools and Roads – Grants to Counties

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

yes

no

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE



FEDERAL SINGLE AUDIT

GRANT COMPLIANCE – SINGLE AUDIT

LINN COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<hr/>		
Department of Agriculture		
Food and Nutrition Service		
<i>Passed through Oregon Department of Education:</i>		
School Breakfast Program	10.553	\$ 8,238
National Lunch Program	10.555	19,952
Forest Service		
<i>Department of Human Resources Health Division:</i>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	713,811
<i>Department of Administrative Services:</i>		
Schools and Roads – Grants to State		
Federal Forest PL 106-393 Title I	10.665	4,291,243
Federal Forest PL 110-343 Title III	10.665	502,571
Federal Forest Title II	10.665	119,860
Total Department of Agriculture		<u>5,655,675</u> (1)
<hr/>		
Department of the Interior		
Bureau of Land Management		
<i>Direct Programs:</i>		
O & C Grant		979
Bureau of Land Management PL 106-393 Title I	10.665	1,115,685 (1)
Payments in Lieu of Taxes	15.226	201,999
Fish and Wildlife Service		
<i>Passed through Oregon Marine Board:</i>		
Clean Vessel Act	15.616	<u>14,000</u>
Total Department of the Interior		<u>\$ 1,332,663</u>

(1) - major program

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	\$ 2,676
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>		
ARRA Edward Byrne Memorial Grant	16.803	16,403
Office of Victims of Crime	16.575	66,018
Crime Victim Assistance		
Total Department of Justice		<u>85,097</u>
<u>Department of Transportation</u>		
Federal Highway Administration		
<i>Passed through Oregon Department of Transportation:</i>		
Highway Planning and Construction	20.205	3,604,039
Grants for Other than Urbanized Areas	20.509	104,906
Capital Assistance Program for Elderly Persons	20.513	307,744
Total Department of Transportation		<u>4,016,689</u>
<u>Department of Administrative Services</u>		
<i>Passed through Department of Administrative Services:</i>		
Donation of Federal Surplus Personal Property	39.003	1,001
Environmental Protection Agency		
Office of Water		
<i>Passed through Oregon Department of Human Resources Health Division:</i>		
State Public Water System Supervision	66.432	27,180
DWP EPA-Water Revolving Fund	66.468	24,147
Total Environmental Protection Agency		<u>\$ 51,327</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

<u>Department of Health and Human Services</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Office of Population Affairs		
Family Planning - Services	93.217	\$ 41,907
Administration for Children and Families		
CDC Immunization program	93.268	1,500
Healthy Communities grant	93.544	16,404
Promoting Safe and Stable Families	93.556	27,783
<i>Passed through Oregon Commission on Children and Families:</i>		
Social Services Block Grant	93.667	51,802
Centers for Medicare and Medicaid Services		
Health Start/title XIX	93.778	29,407
Centers for Disease Control		
<i>Passed through Oregon Department of Human Resources Health Division:</i>		
Immunization ACA Adult	93.539	9,184
Bioterrorism preparedness & response	93.069	105,285
Heath Resources and Services Administration		
TB Control and AIDS	93.116	1,997
Collaborative chronic diseases prevention	93.283	11,085
Strategic preservation framework	93.243	
Empowering Older Adults	93.734	26,695
National Bioterrorism Hospital Preparedness Program	93.889	3,794
Assistances Program for Chronic Disease Prevention	93.945	8,243
Maternal and Child Health Services Block Grant to the States	93.994	62,589
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	397,597
Total Department of Health and Human Services		<u>879,236</u>
<u>Department of Homeland Security</u>		
Federal Emergency Management Agency		
<i>Passed through Oregon State Police:</i>		
Boating Safety Financial Assistance	97.012	59,648
Emergency Management Performance Grants	97.042	87,513
Total Department of Homeland Security		<u>147,161</u>
Totals		<u><u>\$12,168,849</u></u>

LINN COUNTY, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Note 1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the 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, 2013.

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, nonmonetary 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 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