

Comprehensive Annual Financial Report

Linn County Oregon



Fiscal Year Ending
June 30, 2013



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, 2012

Executive Director/CEO



LINN COUNTY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2013

Prepared by: General Administration – Dave Alderman, Accounting Officer

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INTRODUCTORY SECTION



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

BOARD OF COMMISSIONERS

John K. Lindsey
Roger Nyquist
Will Tucker

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

RALPH E. WYATT
Administrative Officer

November 18, 2013

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, 2013 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. 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, 2013, 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, 2013 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 2012 - 2013.

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, 2012 population of 118,035. 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), District Attorney's Office, Juvenile Department including the Detention Center, Justice Court, Law Library and Dog Control.

HEALTH SERVICES including Public Health, Environmental Health, Mental Health, Alcohol & Drug, and Developmental Disabilities.

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

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

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

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

The annual budget serves as the foundation for Linn County's financial planning and control. Based on guidelines provided by the Board of Commissioners, all offices and departments of Linn County submit their budget requests to the Budget Officer in March/April of each year. The Budget Officer develops a proposed budget based on these requests with the proposed budget presented to the Budget Committee (three Commissioners and three lay members) who review, discuss, balance and approve the budget during public budget hearings in April/May. The approved budget is then adopted by the Board of Commissioners in June prior to the July 1st start of the County's fiscal year. The adopted budget sets appropriation amounts by fund (e.g., General or Road) and office or department (e.g., Assessor or Planning & Building) for the following categories: personal services, materials & supplies, capital outlay, other requirements and operating contingency. Elected officials and department heads may make transfers within categories but transfers between categories or offices/departments require the approval of the Board of Commissioners. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and Major Special Revenue Funds, this comparison is presented on pages 8 through 22. For the other funds, the comparisons are presented starting on page 58.

FACTORS AFFECTING LINN COUNTY'S FINANCIAL CONDITION

Local Economy. Linn County's economic indicators, over the twelve month period of this audit, continue to reflect the ongoing economic problems and issues affecting Oregon, especially outside the Portland metro area, and the Nation. The recovery from the historic recession remains, at best, a very slow process as shown by the County's unemployment rate change - an adjusted rate of 9.9% for June 2013, down from the 10.8% rate for June 2012. The County's unemployment rate has continued to remain higher than both the State (7.9%) and National (7.6%) June rates. The slow improvement in the unemployment rate is reflected in the small increase in employment levels over the past year with the number of nonfarm employed County residents up by 60 jobs (June 2012 to June 2013). From February 2008, the pre-recession employment peak, to June 2013, the County has lost more than 4,600 jobs, a 10.8% drop. In general, private-sector jobs have produced the gains with public sector jobs continuing to decline during the past year.

Recession impacts aside, there are 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 second graduating class presented in June 2013. The campus complex continues to be built out with new facilities and businesses, with a conference center opening in October 2013 and a hotel starting site work. Construction of the \$41 million, 150 bed Veterans' Home adjacent to the medical school in Lebanon is becoming a reality with facility work now in progress. Construction

is expected to be complete mid-summer 2014 with 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 current recession but the problems with job growth continues to pose questions for the next few years.

Revenues and Expenditures. Linn County's revenues continue to reflect the variety of impacts and changes to the revenue sources - Federal, State and Local. The second year of the State's FY 2011 – 2013 Budget produced an end to the declining revenue forecasts and 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 forecast 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 decline of the major revenue sources – State and Federal. A new bill authorizing Federal Forest funding for another year (FY '13-'14) was approved in early October 2013 and will provide an estimated 95% of FY '12-'13 payment amounts. Thus the end of the Federal "safety net" and switch to a share of actual timber receipts is now delayed again to October 1, 2014. 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, which started a four year term July 1, 2011 with a \$2.58 per thousand valuation rate is being reduced by lower property values and Measure 5 compression losses as detailed below.

The County's major source of revenue remains intergovernmental receipts (\$42,546,198; 52.18% of revenue; down 3.34%) with the decrease due to reduced Federal timber payments (Federal Forest Service and Bureau of Land Management Title I, II and III payments; \$5,407,062; 6.63% of revenue; down 10.76%). 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. As mentioned above, the payments were just extended for another year, like last year, so the reversions to a share of actual timber sale receipts (estimated to be approximately 10% of the 2006 payment) is now expected to occur in FY '14-'15.

State-provided funds increased slightly (\$29,974,876; 36.76% of revenue; up 1.33%) and provided the bulk of the remaining intergovernmental receipts, with increases for health services offsetting reductions in other areas (mostly in jail bed rental). The impacts on County property taxes (\$26,595,181; 32.62%; up 1.27%) 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 (1.747%) in the County's assessed property values has stabilized. The County's Law Enforcement Levy (rate of \$2.58 per thousand [note that the County's permanent tax rate is \$1.2713 per thousand]) is critical to the County's revenue structure. The 2012 Law Enforcement Levy's net amount was significantly

reduced (“compressed”) by 21.95% (\$4,535,300) due to Measure 5 limit. The County’s second local option levy is for the Veterans’ Home (\$1,150,946; 4.32% 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 decrease (\$10,040,583; 12.31% of revenue; down 2.47%). The primary reason for the decrease is due to reclassification of the indirect cost reimbursements to its own revenue line, thus reducing this category. Overall, the outlook is, at best, for the County’s total revenues to decline over the next few years depending on how State funding combines with the declining Federal Forest payments (or a new law addressing future Federal Forest payments) and future Law Enforcement Levy revenues.

On the expense side, the cost of County operations 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 2012 –2013, the total personnel cost decreased 1.75% from the prior fiscal year, mostly because the County reduced the number of employees 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), will increase slightly by approximately 0.43 % of salary effective July 1, 2013. Future health insurance costs are still a big unknown given the Federal legislation (Affordable Care Act) approved earlier.

In sum, given Oregon’s tax structure and current statutory and constitutional restrictions, Linn County’s General Fund budget will continue to be difficult to balance with the same holding true for the County’s total budget. This difficulty has been moderated to a degree by the continued Federal Forest revenue stream but that revenue stream continues to decline even with another one year extension into FY ’13 – ’14. In addition, the current slow recovery from the “great” recession and 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 this past summer. Construction is in progress, with completion in mid-2014 with residents arriving in October 2014.

As mentioned last year, the County purchased a former trucking freight terminal (office, warehouse, dock and yard; 1.21 acres) in Albany adjacent the County Jail and remodeled it for use as a an evidence/storage facility. That project is complete and the facility is in use by the Sheriff's Office. The County also 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 and a remodeling project is currently in progress. That project will allow the Health Department to move into improved facilities, consolidate activities, vacate rented space and provide adequate access and parking to clients.

The County is also continuing to participate, starting August 1, 2012, in a new State health care initiative ("Health Care Transformation") involving the creation of Coordinated Care Organizations (CCOs). The CCOs will provide physical, mental and dental health care for people who receive coverage under the Oregon Health Plan (Medicaid). The Health Department 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 completing more improvements (added a third new cabin, the fourth and final shower/restroom building and two vault toilets) at River Bend Park (70 acres adjacent the upper South Santiam River on the western slopes of the Cascade Mountains); continued infrastructure improvements (renovated 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 with a five year lease. The Parks Department is also planning projects for the Green Peter Quartzville areas to provide additional outdoor recreation resources.

The programmed road and bridge improvements by the Road Department upgraded 50.33 miles of road miles of the County's road system and completed replacement/major repairs to one bridge and awarded contracts for the construction of four additional bridges. The County had one labor contract (Teamster) expire during this audit period with negotiations not starting until September 2013.

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 – 62.82%; 30 to 90 days – 7.35%; 90 days to 12 months – 14.51% and 12 to 18 months – 15.32%. The average yield on investments for the year was 0.884% compared to an average

of 0.578% for the State's Local Government Investment Pool. The County recorded interest revenues of \$213,039 on all County investments in the year ending June 30, 2013. This represents a increase of \$91,925, up 75.89% from the prior year due to rates not going lower, repayments on internal loans and investments maturing in June 2013.

Risk Management. For the fiscal year ending June 30, 2013, 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 70). Additional information is included in the Financial Section of this report (page 51) with a schedule of all the County's insurance coverages included in the Statistical Section of this report (pages 96 and 97).

Pension and Other Post Employment Benefits. Linn County participates in the State of Oregon Public Employees Retirement System (PERS), which includes PERS Tier 1 and 2 and the Oregon Public Service Retirement Plan (OPSRP), which is a statewide multiple-employer pension plan that provides retirement, disability and death benefits to plan members and beneficiaries. The Tier 1 and 2 portion of PERS is a hybrid defined benefit/defined contribution retirement plan which is now "closed" to new employees who instead enter OPSRP, a defined benefit retirement plan. PERS is administered under Oregon Revised Statutes Chapter 238 and 238A by the PERS Board of Trustees. In addition, effective January 1, 2004, both PERS Tier 1 and 2 and OPSRP member employees are required to contribute 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 changes are expected to be challenged directly to the Oregon Supreme Court.

Every other year, an independent actuary engaged by PERS, calculates the County's employer rate required to ensure that the County will be able to fully meet its obligation to retired employees on a timely basis. Effective July 1, 2011 through June 30, 2013, the County's Tier 1 & 2 employer rate was 16.06% of salary, with the OPSRP rates 12.40% for General Service employees and 15.11% for Police. The PERS Tier 1 & 2 and OPSRP employer rates 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). 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 but another round of Court challenges which

have now started. 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 48 through 50.)

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-third 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, 2012. 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, (including OSU accounting student intern, Shayna Myers) 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.

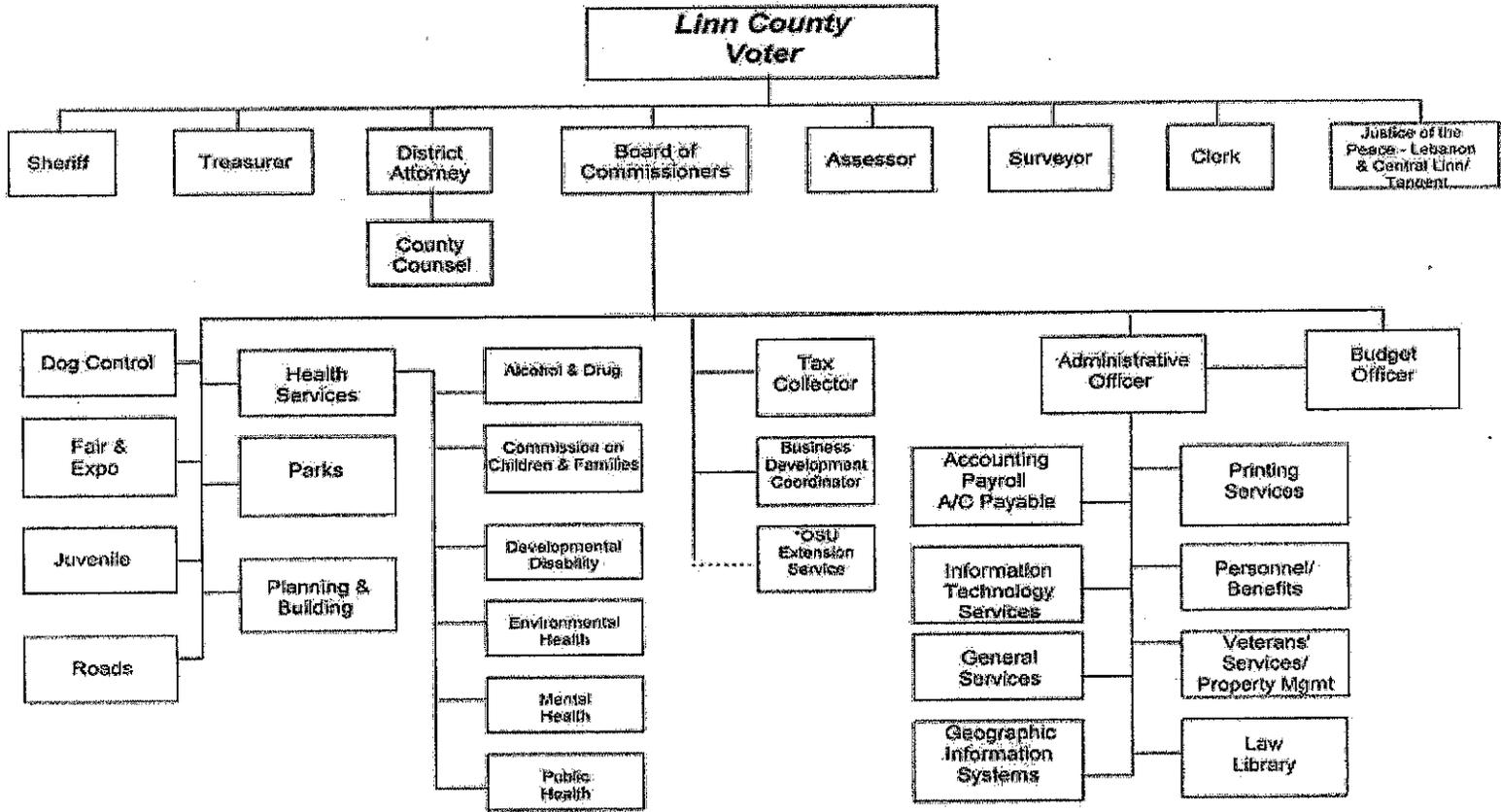
Respectfully Submitted,


Ralph E. Wyatt
Administrative Officer


David E. Alderman
Accounting Officer



LINN COUNTY, OREGON
Organization Chart



--- OSU Extension Service is a branch of OSU with OSU 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
Tim Mueller	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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(503) 620-2632 (503) 684-7523 FAX
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November 18, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The financial statements as of June 30, 2012 were audited by other auditors whose report dated December 17, 2012, issued an unmodified opinion on those statements.

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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2013, 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 and, where applicable, cash flows thereof 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. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position for the year ended June 30, 2013. 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 18, 2013 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 18, 2013, 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, 2013. 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 \$202,229,059 (*net position*). Of this amount, (\$3,997,409) (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased slightly by \$1,869,619 year over year.
- As of the close of the fiscal year, Linn County's governmental funds reported combined ending fund balances of \$25,245,763, a decrease of \$707,561, in comparison with the prior year, with 95.84% of this total amount, \$24,195,121 *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 \$(6,061,671). 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 2011-12 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 \$4,388,800 at June 30, 2013.
- Linn County has no long term debt obligations as of June 30, 2013.

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 22 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 70 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 \$202,229,059 the close of the fiscal year.

By far the largest portion of Linn County's net position (88.75 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Linn County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Linn County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Linn County's Net Position

Governmental Activities

	2012	2013
Expenses		
General government	\$ 6,159,954	\$ 7,065,773
Public safety	31,412,888	29,598,890
Highways/streets	12,404,327	10,789,063
Local government services	3,371,136	3,222,499
Health services	20,246,809	20,065,671
Community development	6,476,574	5,551,482
Apportionment to school districts	1,314,484	1,405,596
Interest	-	266,709
	<u>81,386,177</u>	<u>77,965,683</u>
Total expenses		
	(355,180)	1,889,619
Increase (decrease) in net position		
Net position - beginning of the year	<u>200,714,620</u>	<u>200,359,440</u>
Net position - end of the year	<u>\$ 200,359,440</u>	<u>\$ 202,229,059</u>

The balance of *restricted* and *unrestricted net position* \$22,745,078 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased slightly, by \$1,869,619 during the current fiscal.

Governmental activities. Governmental activities increased Linn County's net position by \$1,869,619. Key elements of this increase are as follows:

Linn County's Changes in Net Position

Governmental Activities

	2012	2013
Revenues		
Program		
Charges for services	\$ 10,295,517	\$ 12,528,123
Operating grants and contributions	36,972,438	32,995,197
General		
Property taxes	26,372,966	26,464,238
Grants and contributions not restricted to specific programs	7,283,460	7,464,087
Other	106,617	383,657
Total revenues	\$ 81,030,998	\$ 79,835,302

Linn County's Changes in Net Position

Governmental Activities (continued)

	2012	2013
Expenses		
General government	\$ 6,159,954	\$ 7,065,773
Public safety	31,412,893	29,598,890
Highways/streets	12,404,327	10,789,063
Local government services	3,371,136	3,222,499
Health services	20,246,809	20,065,671
Community development	6,476,574	5,551,482
Apportionment to school districts	1,314,484	1,405,596
Interest	-	266,709
	<u>81,386,177</u>	<u>77,965,683</u>
 Total expenses		
	(355,180)	1,869,619
Increase (decrease) in net position	200,714,620	200,359,440
Net position - beginning of the year		
	<u>\$ 200,359,440</u>	<u>\$ 202,229,059</u>
Net position - end of the year		

- Total revenues decreased by \$1,195,696 between the prior fiscal year and the current fiscal year, primarily due to removing the indirect cost reimbursements (\$1,710,610), and indirect cost allocations expenditures (\$1,710,610) from the Statement of Activities. Without this accounting change, revenues increased by \$541,914.
- Overall, County wide expenses decreased by \$3,420,494, without the accounting classification change, the decrease is \$1,709,884 from the previous year. When combining general governmental and local government expenses, there was an increase of \$ 757,182 from fiscal 2012-13. Public Safety expenses decreased by \$1,814,003 due to layoffs in 2012-13, while health service expenses decreased by \$181,138, and roads/highways decreased by \$1,615,264 as a result of the timing of road construction projects.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, Linn County's governmental funds reported combined ending fund balances of \$25,245,763, a decrease of \$707,561 in comparison with the prior year. Of this total amount \$41,324,874 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 (\$6,061,671). The Linn County's general fund balance decreased by \$1,550,808 during the current fiscal year.

Key factors in this change are as follows:

- Overall revenue in the General Fund increased by \$887,502 from \$25,202,614 in 2011-12 to \$ 26,090,116 in 2012-13 primarily due to licenses, permits, fines, and services increasing by \$535,852 in the current fiscal year, when adjusted for the change in revenue classification which displays indirect cost reimbursement on it's own revenue line.
- Expenditures in the General Fund decreased slightly overall by \$166,846.
- As mentioned earlier, the General Fund negative fund balance is a result of a \$2,888,800 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 nine 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 \$34,395,063 at year end. This balance increased by \$44,132 during the year due to less construction project costs being incurred.

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 (\$874,485) was increased by \$24,537 from current operations. The LE Fund property tax revenues increased by \$44,184, from \$15,674,382 in 2011-12, to \$15,718,566 in 2012-13. The effect of on the new property tax rate increase was significantly reduced (\$4,535,299) due to compression of the overall property tax ceiling imposed by Measure 5. Expenditures increased slightly by \$1,586 from \$15,778,596 in 2011-12 to \$15,780,182 in 2012-13.

Health – County health related activities are recorded in the Health Fund. Resources of this fund are from various State of Oregon grants, Title XIX, managed care and transfers from the General Fund. County provided health care services rise and fall as a function of federal and state government fund levels. The ending fund balance of \$6,579,435 represents a decrease of \$50,041 from the prior year. In the current fiscal year overall revenues decreased by \$700,862 (\$20,529,336 in 2011-12 to \$19,828,474 in 2012-13). In addition, expenditures increased by \$796,326 (\$20,174,727 in 2011-12 to \$20,971,053 in 2012-13) due to increased services provide as mentioned above as well as increased personnel costs.

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

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

Unrestricted net position of the Unemployment Fund at the end of the year amounted to (\$31,172). This is a increase in net position over last year by \$94,318 primarily due to fewer unemployment insurance claims being processed and paid. (\$295,827 in 2011-12 compared to \$142,938 in 2012-13). Operating income for the period was \$94,010.

General Fund Budgetary Highlights

Differences between the adopted budget and the final amended budget in the General Fund as a result of resolutions and a supplemental budget were \$3,013,079 (increase in appropriations) due to increase in appropriations for the purchase of building to accommodate health services, (\$1,500,000) for the purchase of a warehouse for the sheriff department needs (\$260,000), and additional appropriations to various departments as a result of federal forest funds received, that were not in the original adopted budget. Actual receipts in the General Fund were \$1,272,690 less than anticipated and actual expenditures were \$4,461,702 less than appropriations, demonstrating a generally prudent spending policy.

Capital Asset and Debt Administration

Capital assets. Linn County's investment in capital assets for its governmental type activities as of June 30, 2013 amounts to \$179,483,981 (net of accumulated depreciation) and include machinery and equipment, park facilities, roads, highways, and bridges. Beginning in fiscal 2002-03 the counties infrastructure assets were added to its capital assets, which increased the total capital assets by \$83,990,910 (net of accumulated depreciation). Each year since then, capital assets have increased and most recently in 2008-09 by \$3,181,096, in 2009-2010 by \$2,788,267, in 2010-2011 by \$1,905,445, in 2011-12 by \$ 1,013,397 and in the current fiscal year \$2,758,899 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 purchased a building, and the improvements for \$1,500,000 for Health Services.
- Additional capital expenditures of \$1,300,110 were made for road and bridge improvements during the year.

Linn County's Capital Assets
(Net of depreciation)

Governmental Activities

	2012		2013
Land	\$ 16,832,420	\$	16,855,881
Buildings and improvements, net	34,788,507		36,229,100
Equipment, net	7,329,128		7,512,995
Infrastructure, net	113,864,018		115,717,086
Intangibles	840,989		940,195
Construction in progress	3,070,020		2,228,724
Totals	\$ 176,725,082	\$	179,483,981

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

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

Additional information on capital assets can be found in the letter of transmittal under "initiatives and projects" on page v, and in the footnotes on pages 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 \$160,269,510.

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 \$4,535,299 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, 2013

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and investments	\$ 27,997,148
Receivables, net of allowance for doubtful accounts	3,102,638
Due from other governments	1,506,951
Inventories	1,050,643
Investment in joint venture	138,005
Capital assets:	
Land, infrastructure, and construction in progress, not being depreciated	118,693,025
Other capital assets, net of accumulated depreciation	<u>60,790,956</u>
TOTAL ASSETS	<u>213,279,366</u>
 <u>LIABILITIES</u>	
Accounts payable	882,184
Due to other governments	71,219
Payroll, payroll taxes, and benefits payable	5,142,891
Claims liability	115,668
Long-term obligations:	
Due with in one year:	
Accumulated compensated absences	2,634,097
Due in more than one year:	
Accumulated compensated absences	822,584
Post employment health care benefits	<u>1,381,664</u>
TOTAL LIABILITIES	<u>11,050,307</u>
 <u>NET POSITION</u>	
Invested in capital assets	179,483,981
Restricted for:	
Highways and Streets	20,262,034
Health Services	5,079,435
Other Purposes	1,401,018
Unrestricted	<u>(3,997,409)</u>
TOTAL NET POSITION	<u>\$ 202,229,059</u>
<i>See notes to basic financial statements</i>	

LINN COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental activities				
General administration and support	\$ 7,065,773	\$ 708,754	\$ 195,866	\$ (6,161,153)
Local government services	3,222,499	1,116,729	669,852	(1,435,918)
Public safety	29,598,890	3,119,246	2,102,867	(24,376,777)
Health services	20,065,671	2,820,406	17,004,800	(240,465)
Community development	5,551,482	3,223,210	901,895	(1,426,377)
Highways and streets	10,789,063	1,539,778	10,714,322	1,465,037
Apportionments to school districts	1,405,596	-	1,405,595	-
Interest	266,709	-	-	(266,709)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 77,965,683	\$ 12,528,123	\$ 32,995,197	(32,442,362)

General Revenues

Property taxes levied for:	
General purposes	26,464,238
Grants and contributions not restricted to specific programs	7,464,087
Interest and investment earnings	383,657
TOTAL GENERAL REVENUES	34,311,982
CHANGE IN NET POSITION	1,869,619
NET POSITION - BEGINNING	200,359,440
NET POSITION - ENDING	\$ 202,229,059

See notes to basic financial statements

LINN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
<u>ASSETS</u>							
Cash and investments	\$ 286,482	\$ 20,247,967	\$ 203,471	\$ 5,733,138	\$ -	\$ 1,429,024	\$ 27,900,082
Receivables, net of allowance for doubtful accounts	946,116	44,813	1,354,408	527,142	72,095	158,064	3,102,638
Due from other funds	45,864	9,399	-	18,932	-	800	74,995
Due from other governments	102,681	885,245	-	456,780	-	62,245	1,506,951
Advances to other funds	-	13,082,387	-	1,500,000	-	-	14,582,387
Inventories	-	1,050,643	-	-	-	-	1,050,643
Investment in joint venture	-	138,005	-	-	-	-	138,005
TOTAL ASSETS	\$ 1,381,143	\$ 35,458,459	\$ 1,557,879	\$ 8,235,992	\$ 72,095	\$ 1,650,133	\$ 48,355,701
<u>LIABILITIES</u>							
Accounts payable	\$ 182,244	\$ 464,651	\$ 35,195	\$ 146,205	\$ -	\$ 53,889	\$ 882,184
Due to other funds	32,132	8,784	39,238	12,076	-	2,702	94,932
Due to other governments	8,114	-	30,027	-	-	571	38,712
Advances from other funds	4,388,800	-	-	-	10,193,587	-	14,582,387
Deferred revenue	772,686	37,094	1,238,773	174,402	67,999	77,878	2,368,832
Payroll, payroll taxes, and benefits payable	2,058,838	552,867	1,089,141	1,323,874	-	118,171	5,142,891
TOTAL LIABILITIES	\$ 7,442,814	\$ 1,063,396	\$ 2,432,374	\$ 1,656,557	\$ 10,261,586	\$ 253,211	\$ 23,109,938

See notes to basic financial statements
Continued on page 4

BALANCE SHEET

GOVERNMENTAL FUNDS (Continued)

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
<u>FUND BALANCES</u>							
Non spendable:							
Inventories	\$ -	\$ 1,050,642	\$ -	\$ -	\$ -	\$ -	\$ 1,050,642
Restricted for:							
Roads	-	20,262,034	-	-	-	-	20,262,034
Public Safety	-	-	-	-	-	57,296	57,296
Health Services	-	-	-	5,079,435	-	-	5,079,435
Grants/ minor funds	-	-	-	-	4,096	1,339,626	1,343,722
Committed to:							
Interfund loan commitments	-	13,082,387	-	1,500,000	-	-	14,582,387
Unassigned	(6,061,671)	-	(874,495)	-	(10,193,587)	-	(17,129,753)
TOTAL FUND BALANCES	(6,061,671)	34,395,063	(874,495)	6,579,435	(10,189,491)	1,396,922	25,245,763
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,381,143	\$ 35,458,459	\$ 1,557,879	\$ 8,235,992	\$ 72,095	\$ 1,650,133	\$ 48,355,701

See notes to basic financial statements

LINN COUNTY

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

June 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 25,245,763

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	214,287,961	
Less accumulated depreciation	<u>(34,803,980)</u>	179,483,981

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. (3,456,681)

Post employment healthcare benefits are not payable in the current period and therefore are not reported in the funds. (1,381,664)

Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds. 2,368,832

Internal service funds are used by management to charge the costs of certain activities to individual funds. Net position of the internal service funds that are reported with governmental activities. (31,172)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 202,229,059

LINN COUNTY
STATEMENT OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	General Road	Law Enforcement 4-Year Levy	Health	Veterans Home Loan	Other Governmental Funds	Totals
REVENUES							
Property taxes	\$ 9,725,201	\$ -	\$ 15,718,566	\$ -	\$ 1,151,414	\$ -	\$ 26,595,181
Intergovernmental	7,974,546	11,824,726	-	17,709,541	-	5,037,385	42,546,198
Licenses, permits, fines and services	7,090,975	522,547	-	1,560,734	-	866,327	10,040,583
Interest earnings	6,775	415,592	18,094	30,996	1,509	6,781	479,747
Indirect cost reimbursement	1,292,619	-	-	345,502	-	72,489	1,710,610
Miscellaneous	-	-	18,985	181,701	-	11,401	212,087
TOTAL REVENUES	26,090,116	12,762,865	15,755,645	19,828,474	1,152,923	5,994,383	81,584,406
EXPENDITURES							
Current :							
General administration and support	5,511,126	-	-	-	-	-	5,511,126
Local government services	3,191,808	-	-	-	-	-	3,191,808
Public safety	11,970,344	-	15,174,969	-	-	2,009,903	29,155,216
Health services	-	-	-	20,043,224	-	-	20,043,224
Community development	4,621,393	-	-	-	-	1,836,536	6,457,929
Highways and streets	-	9,808,537	-	-	-	-	9,808,537
Apportionments to school districts	-	-	-	-	-	1,405,596	1,405,596
Indirect cost allocation	-	205,682	431,101	927,829	-	145,998	1,710,610
Capital Outlay	1,405,873	2,574,773	174,112	-	-	586,454	4,741,212
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	54,175	-	-	-	212,534	-	266,709
TOTAL EXPENDITURES	26,754,719	12,588,992	15,780,182	20,971,053	212,534	5,984,487	82,291,967
Excess (deficiency) of revenues over expenditures	(664,603)	173,873	(24,537)	(1,142,579)	940,389	9,896	(707,561)
OTHER FINANCING SOURCES (USES)							
Transfers in	657,214	-	-	1,092,538	-	450,883	2,200,635
Transfers out	(1,543,419)	(129,741)	-	-	-	(527,475)	(2,200,635)
TOTAL OTHER FINANCING SOURCES (USES)	(886,205)	(129,741)	-	1,092,538	-	(76,592)	-
Net change in fund balances	(1,550,808)	44,132	(24,537)	(50,041)	940,389	(66,696)	(707,561)
Fund balances (deficit) at beginning of year	(4,510,863)	34,350,931	(849,958)	6,629,476	(11,129,880)	1,463,618	25,953,324
Fund balances (deficit) at end of year	\$ (6,061,671)	\$ 34,395,063	\$ (874,495)	\$ 6,579,435	\$ (10,189,491)	\$ 1,396,922	\$ 25,245,763

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, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(707,561)
<i>Amounts reported for governmental activities in the statement of activities 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		
Additions of capital assets, net of deletions	4,986,789	
Less current year depreciation	<u>(2,227,889)</u>	2,758,900
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Change in deferred revenue		(275,750)
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		(242,279)
Accumulated compensated absences		241,991
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds is reported with governmental activities		
		<u>94,318</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,869,619</u>

See notes to basic financial statements

LINN COUNTY
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes				
Current year's levy	\$ 9,389,934	\$ 9,389,934	\$ 9,386,880	\$ (3,054)
Prior years' levies	405,000	405,000	341,391	(63,609)
Total property taxes	9,794,934	9,794,934	9,728,270	(66,664)
Intergovernmental				
O & C land grant	350,000	997,470	1,051,776	54,306
Payments in lieu of taxes	190,000	190,000	186,431	(3,569)
State forest land sales	1,350,000	1,350,000	667,997	(682,003)
Amusement tax	27,095	27,095	27,586	491
Cigarette tax	122,525	122,525	116,251	(6,274)
Electric co-op tax	157,186	157,186	168,672	11,486
Liquor tax	500,000	500,000	549,028	49,028
Video lottery reimbursement	544,000	544,000	520,556	(23,444)
Private car tax	3,800	3,800	-	(3,800)
Assessment and taxation grant	635,000	635,000	668,782	33,782
Assessment and taxation contracts	36,715	36,715	25,245	(11,470)
Sheriff support grants	60,500	60,500	72,161	11,661
Veterans' officer reimbursement	59,725	59,725	58,791	(934)
State prison revenue-corrections	1,067,625	1,067,625	1,121,443	53,818
State prisoner allocation-contract criminal	953,290	953,290	951,828	(1,462)
Juvenile detention contracts	295,614	295,614	295,614	-
Planning contract with cities	120,000	120,000	104,964	(15,037)
Central Linn Justice Court-City of Harrisburg contract	48,598	48,598	52,651	4,053
Cities and district contract with Sheriff	338,030	338,030	338,030	-
Emergency 911 contract with Sheriff	815,000	815,000	815,000	-
Cities and Justice courts - fees for jail	30,000	30,000	11,093	(18,907)
Juvenile work crew/ Fed forest title II	90,000	90,000	73,215	(16,785)
Surveyor contracts	4,000	4,000	1,073	(2,927)
Juvenile contract with cities	15,000	151,000	131,152	(19,848)
GIS grant	8,500	8,500	1,200	(7,300)
Information technology service contracts	29,700	29,700	26,400	(3,300)
Total intergovernmental	7,851,903	8,635,373	8,036,938	(598,435)

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	\$ 38	\$ 38	\$ 35	\$ (3)
Assessment and taxation	76,005	76,005	136,753	60,748
Clerk	1,240,264	1,240,264	1,180,085	(60,179)
Treasurer	3,200	3,200	1,775	(1,425)
Surveyor	50,000	50,000	59,321	9,321
Veterans Services	30,000	30,000	109	(29,891)
Planning	730,100	730,100	795,609	65,509
Parks and recreation	1,640,800	1,640,800	1,305,940	(334,860)
Historical	40,000	40,000	15,918	(24,082)
Justice court - Central Linn	835,455	835,455	586,197	(249,258)
District attorney	115,000	115,000	122,313	7,313
Sheriff				
Corrections	570,000	645,000	508,436	(136,564)
Jail	81,000	81,000	70,557	(10,443)
Civil	326,500	326,500	342,274	15,774
Criminal	115,000	115,000	43,909	(71,091)
Support	66,700	66,700	49,707	(16,993)
Juvenile	23,900	23,900	34,440	10,540
General administration	51,500	51,500	46,424	(5,076)
Information technology	2,200	2,200	1,030	(1,170)
General services	1,620	7,006	53,497	46,491
Printing	273,825	273,825	267,505	(6,320)
County Counsel	-	-	321	321
Geographic information system	5,000	5,000	2,106	(2,894)
Expo	847,000	847,000	888,906	41,906
Non departmental	225,000	246,959	328,246	81,287
Regence and SAIF settlement	140,000	140,000	176,674	36,674
Indirect cost reimbursements, net	1,292,621	1,292,621	1,292,619	(2)
Total licenses, permits, fines and services	8,782,728	8,885,073	8,310,707	(574,366)
Interest earnings	40,000	40,000	6,775	(33,225)
TOTAL REVENUES	26,469,565	27,355,380	26,082,691	(1,272,689)

*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	\$ 434,439	\$ 437,439	\$ 435,127	\$ 2,313
Materials and services	9,775	9,775	9,553	222
Total Commissioners	444,214	447,214	444,680	2,534
Assessment and Taxation				
Personal services	1,856,860	1,856,860	1,800,603	56,257
Materials and services	117,300	117,300	89,600	27,700
Capital outlay	5	5	-	5
Total Assessment and Taxation	1,974,165	1,974,165	1,890,203	83,962
Clerk				
Personal services	894,453	894,453	864,949	29,504
Materials and services	225,269	225,269	222,706	2,563
Capital outlay	1	1	-	1
Total Clerk	1,119,723	1,119,723	1,087,655	32,068
Treasurer				
Personal services	208,368	208,368	208,323	45
Materials and services	9,850	9,850	9,803	47
Total Treasurer	218,218	218,218	218,126	92
Surveyor				
Personal services	568,001	572,101	571,519	582
Materials and services	10,075	9,575	8,232	1,343
Capital Outlay	1	1	-	1
Total Surveyor	578,077	581,677	579,751	1,926

*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)**

EXPENDITURES (Continued)	Budget		Actual	Variance
	Original	Final		
Justice Court - Central Linn				
Personal services	\$ 546,990	\$ 546,990	\$ 518,768	\$ 28,222
Materials and services	99,250	99,250	89,343	9,907
Capital outlay	5	5	-	5
Total Justice Court - Central Linn	<u>646,245</u>	<u>646,245</u>	<u>608,110</u>	<u>38,135</u>
District Attorney				
Personal services	860,467	860,467	626,439	234,028
Materials and services	54,598	54,598	51,823	2,775
Total District Attorney	<u>915,065</u>	<u>915,065</u>	<u>678,262</u>	<u>236,803</u>
County Counsel				
Personal services	412,406	412,406	304,373	108,033
Materials and services	27,762	27,762	15,343	12,419
Total County Counsel	<u>440,168</u>	<u>440,168</u>	<u>319,716</u>	<u>120,452</u>
Juvenile				
Personal services	1,281,784	1,437,784	1,326,785	110,999
Materials and services	61,239	41,239	36,193	5,046
Total Juvenile Detention	<u>1,343,023</u>	<u>1,479,023</u>	<u>1,362,979</u>	<u>116,044</u>
Planning and Building				
Personal services	947,619	947,619	912,866	34,753
Materials and services	73,500	73,500	54,852	18,648
Capital Outlay	5	5	-	5
Total Planning and Building	<u>1,021,124</u>	<u>1,021,124</u>	<u>967,719</u>	<u>53,405</u>
Sheriff - Civil				
Personal services	710,014	760,014	747,450	12,564
Materials and services	31,074	31,074	24,383	6,691
Capital Outlay	1	1	-	1
Total Sheriff - Civil	<u>741,089</u>	<u>791,089</u>	<u>771,833</u>	<u>19,256</u>

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)**

EXPENDITURES (Continued)	Budget		Actual	Variance
	Original	Final		
Sheriff - Criminal				
Personal services	\$ 3,494,124	\$ 3,494,124	\$ 2,727,312	\$ 766,812
Materials and services	71,500	268,402	71,928	196,474
Capital Outlay	1	17,201	17,200	1
Total Sheriff - Criminal	<u>3,565,625</u>	<u>3,779,727</u>	<u>2,816,439</u>	<u>963,288</u>
Sheriff - Corrections				
Personal services	2,540,851	2,615,851	2,157,718	458,133
Materials and services	806,015	866,015	778,718	87,297
Total Sheriff - Corrections	<u>3,346,866</u>	<u>3,481,866</u>	<u>2,936,436</u>	<u>545,430</u>
Sheriff - Jail Fees				
Personal services	104,012	109,012	106,526	2,486
Materials and services	6,988	1,988	452	1,536
Total Sheriff - Jail Fees	<u>111,000</u>	<u>111,000</u>	<u>106,978</u>	<u>4,022</u>
Sheriff - Support Services				
Personal services	2,255,294	2,255,294	2,172,881	82,413
Materials and services	574,774	589,774	502,912	86,862
Capital outlay	1	20,001	-	20,001
Total Sheriff - Support Services	<u>2,830,069</u>	<u>2,865,069</u>	<u>2,675,793</u>	<u>189,276</u>
Medical Examiner				
Materials and services	50,998	67,498	66,707	791
Parks and Recreation				
Personal services	920,818	927,818	926,311	1,507
Materials and services	512,050	517,736	512,754	4,982
Capital outlay	150,000	148,000	12,414	135,586
Total Parks and Recreation	<u>1,582,868</u>	<u>1,593,554</u>	<u>1,451,479</u>	<u>142,075</u>

*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		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Historical				
Personal services	\$ 25,004	\$ 27,004	\$ 26,041	\$ 963
Materials and services	20,636	20,636	20,462	174
Capital outlay	25,000	25,000	-	25,000
Total Historical	<u>70,640</u>	<u>72,640</u>	<u>46,503</u>	<u>26,137</u>
General Administration				
Personal services	693,380	693,380	693,229	151
Materials and services	511,155	511,155	454,422	56,733
Capital outlay	1	1	-	1
Total General Administration	<u>1,204,536</u>	<u>1,204,536</u>	<u>1,147,651</u>	<u>56,885</u>
Information Systems				
Personal services	847,662	817,662	814,765	2,897
Materials and services	60,378	88,378	83,278	5,100
Capital outlay	1	20,001	14,989	5,012
Total Information Systems	<u>908,041</u>	<u>926,041</u>	<u>913,033</u>	<u>13,008</u>
Geographic System (GIS)				
Personal services	319,674	319,674	318,166	1,508
Materials and services	48,688	48,688	32,278	16,410
Capital outlay	1	1	-	1
Total Geographic System (GIS)	<u>368,363</u>	<u>368,363</u>	<u>350,444</u>	<u>17,919</u>
General Services				
Personal services	941,179	966,179	963,349	2,830
Materials and services	709,951	680,135	658,990	21,145
Capital outlay	15,000	40,202	40,202	-
Total General Services	<u>1,666,130</u>	<u>1,686,516</u>	<u>1,662,541</u>	<u>23,975</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		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Veterans' Services				
Personal services	\$ 219,074	\$ 215,074	\$ 207,515	\$ 7,559
Materials and services	8,456	12,456	10,085	2,371
Total Veterans' Services	<u>227,530</u>	<u>227,530</u>	<u>217,600</u>	<u>9,930</u>
Printing				
Personal services	234,624	234,624	233,629	995
Materials and services	154,512	154,512	136,991	17,521
Capital outlay	1	1	-	1
Total Printing	<u>389,137</u>	<u>389,137</u>	<u>370,621</u>	<u>18,516</u>
Expo				
Personal services	664,234	666,692	666,691	1
Materials and services	439,055	450,054	445,756	4,298
Capital Outlay	-	-	-	-
Total Expo	<u>1,103,289</u>	<u>1,116,746</u>	<u>1,112,447</u>	<u>4,299</u>
Non-departmental				
Materials and services	1,076,208	1,417,928	858,662	559,266
Personal services	1	1	-	1
Capital outlay	-	1,450,000	1,072,977	377,023
Total Non-departmental	<u>1,076,209</u>	<u>2,867,929</u>	<u>1,931,639</u>	<u>936,290</u>
Contingency	<u>326,888</u>	<u>805,183</u>	<u>-</u>	<u>805,183</u>
TOTAL EXPENDITURES	<u>28,269,300</u>	<u>31,197,046</u>	<u>26,735,344</u>	<u>4,461,702</u>
Excess (deficiency) of revenues over expenditures	(1,799,735)	(3,841,666)	(652,654)	3,189,012

*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		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers from other funds				
Transfer to Commissioners	\$ -	\$ 260,000	\$ 260,000	\$ -
Transfer from Roads	-	17,200	-	(17,200)
Transfer from Grants/Criminal	-	60,000	2,124	(57,877)
Road funds / Corrections	60,000	60,000	230,000	-
Corner Preservation/surveyor	230,000	230,000	-	(125,000)
Transfer from Unemployment fund	125,000	125,000	-	(99,959)
Road funds / Surveyor	210,000	210,000	110,041	(2,375)
Road Fund / Juvenile	10,000	10,000	7,625	(1,000,000)
Road fund loan/Criminal	1,000,000	1,000,000	-	(1,000,000)
Road fund transfer/Criminal	1,000,000	1,000,000	-	-
Fair fund to expo	25,500	25,500	25,500	-
Road Fund / GIS	30,000	30,000	8,220	(21,780)
Road Fund / Information Technology Service	35,000	35,000	1,731	(33,269)
Federal Forest/sheriff support	-	15,000	15,000	-
Federal Forest/sheriff criminal	-	196,902	148,465	(48,437)
Federal Forest/sheriff corrections	-	60,000	60,000	-
Non departmental from grants	48,137	48,137	48,510	373
Non departmental from health	-	1,500,000	1,500,000	-
Transfers (to) other funds				
Dog Control	(229,055)	(229,055)	(229,055)	-
County Fair	(42,750)	(42,750)	(42,750)	-
General Grants Sherriff criminal	(25,372)	(25,372)	(2,386)	22,986
Corner Preservation/Clerk	(174,600)	(174,600)	(172,397)	2,204
Law Library	(4,200)	(4,200)	(4,294)	(94)
Health Fund - A&D	(135,520)	(135,520)	(135,520)	-
Health Fund -Public	(957,018)	(957,018)	(957,018)	-
To roads fund for loan payment, District Attorney	(3,672)	(4,848)	(4,847)	1
To roads fund for loan payment, Assessment and Tax	(6,851)	(7,634)	(7,633)	1
Loan Repayment	(36,485)	(41,697)	(41,696)	1
TOTAL OTHER FINANCING SOURCES (USES)	1,158,114	3,200,045	819,621	(2,380,425)

*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)**

	Budget		Actual	Variance
	Original	Final		
Net change in fund balance	\$ (641,621)	\$ (641,621)	\$ 166,967	\$ 808,588
Fund balance at beginning of year	641,621	641,621	120,365	(521,256)
Fund balance at end of year	\$ -	\$ -	287,332	\$ 287,332

Reconciliation to GAAP basis

Accounts receivable, net of deferred revenue	101,615
Property taxes receivable and available, net of deferred revenue	70,965
Due from other governments and available	102,681
Due from other funds and available	45,864
Advance from Roads Fund	(4,388,800)
Accounts payable	(182,244)
Due to other governments	(8,114)
Due to other funds	(32,132)
Payroll, payroll taxes and benefits payable	<u>(2,058,838)</u>
Fund balance (GAAP basis) - at end of year	<u>\$ (6,061,671)</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, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Motor vehicle apportionments	\$ 7,752,023	\$ 7,752,023	\$ 7,161,448	\$ (590,575)
Federal forest	2,467,009	2,467,009	3,197,315	730,306
Intergovernmental	8,609,013	8,609,013	1,738,367	(6,870,646)
Interest earnings	100,000	100,000	142,221	42,221
Miscellaneous	722,500	722,500	511,941	(210,559)
TOTAL REVENUES	19,650,545	19,650,545	12,751,293	(6,899,252)
EXPENDITURES				
Personal services	6,637,762	6,681,762	6,443,859	237,903
Materials and services	4,962,400	4,991,400	3,993,226	998,174
Indirect cost allocation	205,682	205,682	205,682	-
Capital outlay	12,455,000	12,455,000	1,890,374	10,564,626
Contingency	5,020,000	4,687,000	-	4,687,000
Reserve for future years	5,921,677	5,921,677	-	5,921,677
TOTAL EXPENDITURES	35,202,521	34,942,521	12,533,141	22,409,380
Excess (deficiency) of revenues over expenditures	(15,551,976)	(15,291,976)	218,152	15,510,128
OTHER FINANCING SOURCES (USES)				
Loan repayments from other funds				
General fund /Accounting software	14,027	14,027	15,629	1,602
General Fund for park	12,377	12,377	15,320	2,943
General fund / Assessment and Tax	6,851	6,851	7,633	782
General fund / DA software	3,672	3,672	4,847	1,175
General fund / Elevators	2,081	2,081	2,747	666
Veterans Home Loan	1,329,968	1,329,968	1,152,455	(177,513)
Repayment Jackson Street	8,000	8,000	8,000	-
Repay Patrol Loan	20,000	20,000	-	(20,000)
Loan to general fund/property	-	(260,000)	(260,000)	-
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
General Fund /Surveyor contract	(210,000)	(210,000)	(110,041)	99,959
Juvenile work crew/General Fund	(10,000)	(10,000)	(7,625)	2,375
ITS support/General Fund	(35,000)	(35,000)	(1,731)	33,269
GIS Contract	(30,000)	(30,000)	(8,220)	21,780
Sheriff-Road Crew	(60,000)	(60,000)	(2,124)	57,877
TOTAL OTHER FINANCING SOURCES (USES)	(948,024)	(1,208,024)	816,890	2,024,914

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)**

	Budget		Actual	Variance
	Original	Final		
Net change in fund balance	\$ (16,500,000)	\$ (16,500,000)	\$ 1,035,042	\$ 17,535,042
Fund balance at beginning of year	16,500,000	16,500,000	18,979,885	2,479,885
Fund balance at end of year	\$ -	\$ -	20,014,927	\$ 20,014,927
Reconciliation to GAAP basis:				
Accounts receivable and available, net of deferred revenue			7,719	
Cash imprest adjustment			150	
Due from other funds			9,399	
Fair value adjustment			27,208	
Due from other governments and available			885,245	
Current portion of interfund loan receivable			1,142,895	
Investment in fuel facility			138,005	
Inventories			1,050,643	
Accounts payable			(464,651)	
Due to other funds			(8,784)	
Indirect cost allocation			205,682	
Payroll, payroll taxes and benefits payable			(552,867)	
Total current reconciling items			2,440,644	
Long-term portion of interfund loan receivable			11,939,492	
Total all reconciling items			14,380,136	
Fund balance (GAAP basis) at end of year			\$ 34,395,063	

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, 2013

REVENUES	Original Budget	Final Budget	Actual	Variance
Property taxes:				
Current year's levy	\$ 14,412,056	\$ 15,412,056	\$ 15,033,510	\$ (378,546)
Prior year's levy	460,000	660,000	556,475	(103,525)
Total property taxes	14,872,056	16,072,056	15,589,985	(482,071)
Interest earnings	5,000	5,000	18,094	13,094
Title II/ Federal For.	-	-	18,985	18,985
CATFA Funding	-	-	135,121	135,121
TOTAL REVENUES	14,877,056	16,077,056	15,762,185	(314,871)
EXPENDITURES				
Personal services	12,348,419	13,543,419	13,396,261	147,158
Materials and services	1,947,096	1,949,096	1,643,926	305,170
Indirect cost allocation	431,101	431,101	431,101	-
Capital outlay	231,002	236,002	233,332	2,670
TOTAL EXPENDITURES	14,957,618	16,159,618	15,704,620	454,998
Excess (deficiency) of revenues over expenditures	(80,562)	(82,562)	57,565	140,127
OTHER FINANCING SOURCES (USES)				
Transfer from Road Fund	(1,800)	(1,800)	-	-
Loan repayment to General Road Fund	(20,000)	(18,000)	-	18,000
TOTAL OTHER FINANCING SOURCES (USES)	(21,800)	(19,800)	-	18,000
Net change in fund balance	(102,362)	(102,362)	57,565	158,127
Fund balance at beginning of year	102,362	102,362	145,906	43,544
Fund balance at end of year	\$ -	\$ -	203,471	\$ 201,671
Reconciliation to GAAP basis:				
Property taxes receivable and available, net of deferred revenue			115,635	
Accounts payable			(35,195)	
Due from other governments			(30,027)	
Due to other funds			(39,238)	
Payroll, payroll taxes and benefits payable			(1,089,141)	
Fund balance (GAAP basis) at end of year			\$ (874,495)	

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, 2013

REVENUES	Budget		Actual	Variance
	Original	Final		
Health administration:				
Grants	\$ 164,179	\$ 207,179	\$ 303,901	\$ 96,722
Indirect cost reimbursement	43,162	43,162	43,164	2
Mental health services:				
Grants	2,984,282	2,984,282	2,892,168	(92,114)
Group home room and board	26,343	26,343	30,293	3,950
Title XIX	485,306	485,306	443,601	(41,705)
Contracts	74,005	74,005	73,003	(1,002)
Managed care	3,376,894	4,926,048	6,893,564	1,967,516
Reimbursements and charges	443,162	443,162	555,860	112,698
Earnings on deposits	6,696	6,696	20,591	13,895
Miscellaneous fees	21,203	21,203	28,486	7,283
Developmental disabilities:				
Grants	1,441,502	1,617,822	1,978,132	360,310
Miscellaneous fees	-	-	3,731	3,731
Earnings on deposits	1,454	1,454	4,340	2,886
Alcohol and drug:				
Grants	1,825,918	1,845,918	1,904,576	58,658
Beer and wine tax	103,050	103,050	88,909	(14,141)
Title XIX	77,428	77,428	36,737	(40,691)
Managed care	630,513	630,513	529,886	(100,627)
Reimbursements and contracts	27,824	27,824	43,929	16,105
Miscellaneous fees	19,314	19,314	16,937	(2,377)
Earnings on deposits	360	360	372	12
Donations/Gifts	-	-	4,627	4,627
Indirect cost reimbursement	71,288	71,288	71,288	-
Public health:				
Grants	1,569,064	1,676,564	1,870,855	194,291
Medicaid administration	192,501	192,501	196,978	4,477
Title XIX	190,952	195,952	242,067	46,115
Family-PEP	387,500	387,500	391,988	4,488
Miscellaneous fees	125,932	126,932	132,547	5,615
Reimbursements	16,300	16,300	15,032	(1,268)
Earnings on deposits	182	182	1,465	1,283
Deposit suspense	-	-	38	38
Indirect cost reimbursement	180,841	180,841	180,841	-
Environmental health:				
Grants	40,252	40,252	42,752	2,500
Licenses and permits	327,231	327,231	364,545	37,314
Miscellaneous fees	312,583	312,583	323,316	10,733
Earnings on deposits	188	188	890	702
Indirect cost reimbursement	50,209	50,209	50,209	-
TOTAL REVENUES	15,217,618	17,119,592	19,781,618	2,662,026

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	\$ 16,923,309	\$ 17,182,601	\$ 16,071,434	\$ 1,111,167
Materials and services	5,012,629	5,149,960	3,994,298	1,155,662
Indirect cost allocation	927,829	927,829	927,829	
Capital outlay	12	12	-	12
TOTAL EXPENDITURES (1)	<u>22,863,779</u>	<u>23,260,402</u>	<u>20,993,562</u>	<u>2,266,840</u>
Excess (deficiency) of revenues over expenditures	(7,646,161)	(6,140,810)	(1,211,944)	4,928,866
OTHER FINANCING SOURCES (USES)				
Transfers from General Fund	1,092,538	1,092,538	1,092,538	-
Transfers out	-	(1,505,351)	(1,500,000)	5,351
Net change in fund balance	(6,553,623)	(6,553,623)	(1,619,406)	4,934,217
Fund balance at beginning of year	6,553,623	6,553,623	7,345,492	791,869
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>5,726,086</u>	<u>\$ 5,726,086</u>
Reconciliation to GAAP basis:				
Accounts receivable, net of deferred revenue			352,740	
Fair market value and cash adjustment			7,052	
Due from other governments and available			456,780	
Due from other funds and available			18,932	
Advances to other funds			1,500,000	
Accounts payable			(146,205)	
Due to other funds			(12,076)	
Payroll, payroll taxes and benefits payable			(1,323,874)	
Fund balance (GAAP basis) at end of year			<u>\$ 6,579,435</u>	
(1) Summary of Expenditures by Program				
Health administration	\$ 403,635	\$ 446,635	\$ 436,407	\$ 10,228
Mental - emotional disturbances	12,288,593	12,337,747	11,267,093	1,070,654
Developmental disabilities	2,391,078	2,567,398	1,848,423	718,975
Alcohol and drug	2,998,037	3,018,037	2,862,005	156,032
Public health	4,029,240	4,137,389	3,892,987	244,402
Environmental health	753,196	753,196	686,647	66,549
TOTAL EXPENDITURES BY PROGRAM	<u>\$ 22,863,779</u>	<u>\$ 23,260,402</u>	<u>\$ 20,993,562</u>	<u>\$ 2,266,840</u>

See notes to basic financial statements

LINN COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 VETERANS HOME LOAN (PROPERTIES FUND)
 Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property Tax - Current	\$ 1,290,398	\$ 1,290,398	\$ 1,127,163	(163,235)
Property Tax - Prior	38,570	38,570	13,832	(24,738)
Earnings on deposits	1,000	1,000	1,509	509
CATFA funding	-	-	9,951	9,951
TOTAL REVENUES	<u>1,329,968</u>	<u>1,329,968</u>	<u>1,152,455</u>	<u>(177,513)</u>
Excess (deficiency) of revenues over expenditures	1,329,968	1,329,968	1,152,455	177,513
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(1,329,968)</u>	<u>(1,329,968)</u>	<u>(1,152,455)</u>	<u>177,513</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP basis:				
Property tax receivable, net of deferred revenue			4,096	
Advances from Other Funds			<u>(10,193,587)</u>	
Fund balance (GAAP basis) at end of year			<u>\$ (10,189,491)</u>	

LINN COUNTY
INTERNAL SERVICE FUND

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

LINN COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

		Governmental Activities
		Internal Service

<u>ASSETS</u>		
Cash and investments	\$	97,066
Due from other funds		19,937

TOTAL ASSETS		117,003

<u>LIABILITIES</u>		
Due to other governments		32,507
Claims liability		115,668

TOTAL LIABILITIES		148,175

<u>NET POSITION</u>		
Unrestricted	\$	(31,172)

LINN COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

	Governmental Activities
	Internal Service
OPERATING REVENUES	
Reimbursements	\$ 236,948
OPERATING EXPENSES	
Insurance claims	142,938
Operating income	94,010
NONOPERATING REVENUES	
Interest earnings	308
Change in net position	94,318
Total net position - beginning of year	(125,490)
Total net position - end of year	\$ (31,172)

See notes to basic financial statements

LINN COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2013

	Governmental Activities
	Internal Service
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from reimbursements	\$ 237,079
Cash paid for insurance claims	<u>(267,101)</u>
Net cash provided (used) by operating activities	(30,022)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>308</u>
Net cash provided (used) by investing activities	308
Net increase in cash and cash equivalents	(29,714)
Cash and cash equivalents - beginning of year	<u>126,780</u>
Cash and cash equivalents - end of year	<u>\$ 97,066</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 94,010
Decrease (increase) in due from other funds	131
Increase (decrease) in due to other government	(79,251)
Increase (decrease) in claims liability	<u>(44,912)</u>
Net cash provided by operating activities	<u>\$ (30,022)</u>

LINN COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 2,140,671
Receivables	9,918,713
Due from other governments	<u>102,173</u>
 TOTAL ASSETS	 <u>\$ 12,161,557</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 68,479
Due to other governments	1,460,513
Amounts held in trust	<u>10,632,565</u>
 TOTAL LIABILITIES	 <u>\$ 12,161,557</u>

See notes to basic financial statements

NOTES TO BASIC
FINANCIAL STATEMENTS

LINN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2013

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LINN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2013

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.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 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

Additionally, the County reports the following fund types:

Special revenue funds are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

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

Fiduciary funds account for resources received and held by the County in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund, which in Linn County include a regional fueling facility, justice courts and various other receipts held by the County Treasurer's Office.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget

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

The County begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in 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, indirect cost allocation, transfers, contingency, and all other requirement) levels for all funds except the General Fund and the General Grants Fund budgetary controls are established at the department level.

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

F. Investments

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Receivables

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

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

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

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

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

H. Interfund loans

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

I. Inventories

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Foreclosed Properties Held for Sale

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

K. Capital Assets

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Investment in Joint Venture

The County reports its vested pro-rata share of the June 30, 2013 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and the excess of bond amounts issued to refund previously issued debt over the refunded debt are reported as deferred charges and amortized over the term of the related debt. There is no debt in the current year.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position and Fund Equity

Net Position

In the government-wide financial statements, net position are reported in three categories: invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt represents capital 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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position and Fund Equity (continued)

Accounting Pronouncement – GASB Statement No. 54

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

Q. Property Tax Calendar

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

2. DEPOSITS AND INVESTMENTS

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

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

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

LGIP investments are approved by the Oregon Investment Council. The fair value of the County's position in the LGIP is the same as the value of the pool shares. For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid department instruments purchased with a maturity of three months or less.

Credit risk: Oregon statutes authorize the County to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool. The Pool is not registered with the SEC as an investment company and is unrated. As of June 30, 2013 the County had the following investments:

	Rating	Maturities	Fair Value
State Treasurer's Investment Pool	No rating	N/A	\$ 16,947,076
Corporate note	AA3	07/29/2013	1,010,138
Corporate note	A1	08/15/2013	1,026,013
Corporate note	A2	09/30/2013	1,504,695
Corporate note	A1	01/07/2014	690,669
Corporate Bond	AA2	06/30/2014	640,479
Corporate Bond	AO	10/04/2014	1,288,038
US Agency Security		09/07/2015	205,048
Total			\$ 24,089,748

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Interest Rate Risk: The County does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates. 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. 70% 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 \$24,089,748 have custodial credit risk because the related securities are uninsured, unregistered and held by the County's brokerage firm, which is the counterparty to those securities. Investments in the LGIP are not exposed to custodial credit risk. The County's investment policy does not limit the amount of investments that can be held by counterparties.

Custodial Credit Risk-Deposits: This is the risk that in the event of a bank failure, the County's deposits may not be returned. Deposits with financial institutions consist of bank demand deposits. For the fiscal year ended June 30, 2013, the bank balances were \$9,222,523. Of the bank balance, \$921,675 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, 2013, are as follows:

Cash on hand	\$ 12,809
Deposits with financial institutions	
Checking and saving accounts	3,853,865
Certificates of Deposit	2,181,397
Investments	<u>24,089,748</u>
Total cash and investments – all funds	<u>\$30,137,819</u>

B. Cash and Investments by fund:

<u>Governmental activities</u>	
Governmental funds	
General	\$ 286,482
General Road	20,247,967
Law Enforcement 4-Year Levy	203,471
Health	5,733,138
Other governmental funds	<u>1,429,022</u>
Total governmental funds	27,900,082
Proprietary fund	
Internal Service	<u>97,066</u>
Total governmental activities	27,997,148
Fiduciary fund	
Agency	<u>2,140,671</u>
Total cash and investments	<u>\$30,137,819</u>

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	\$ 842,975	\$ -	\$ 1,354,408	\$ 72,095	\$ -	\$ -	\$ 8,687,048	\$ 10,956,526
Accounts	102,464	7,719	-	-	1,074,058	80,166	3,556,814	4,821,221
Interest	677	15,172	-	-	4,289	466	-	20,604
Contracts and loans	-	-	-	-	-	77,432	-	77,432
Assessment	-	21,922	-	-	-	-	-	21,922
Gross Receivable, net	946,116	44,813	1,354,408	72,095	1,078,347	158,064	12,243,862	15,897,705
Less Allowance for uncollectible	-	-	-	-	(551,205)	-	(2,325,149)	(2,876,354)
Receivables, net	<u>\$946,116</u>	<u>\$44,813</u>	<u>\$1,354,408</u>	<u>\$ 72,095</u>	<u>\$ 527,142</u>	<u>\$158,064</u>	<u>\$9,918,713</u>	<u>\$13,021,351</u>

4. INTERFUND RECEIVABLES AND PAYABLES

Fund	Due from Other Funds	Due to Other Funds
General	\$ 45,864	\$ 32,132
General Road	9,399	8,784
Law Enforcement 4-Year Levy	-	39,238
Health	18,932	12,076
Other governmental funds	800	2,702
Internal service	19,937	-
	<u>\$ 94,932</u>	<u>\$ 94,932</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. INTERFUND LOANS

On June 19, 2007, the General Road Fund made an interfund loan, which will be repaid over a ten-year period, to the General Fund in the amount of \$1,450,000 for the purchase of land. During the year, \$15,320 of interest was paid to the Road Fund on this loan. In Fiscal Year 2008-09, the General Road Fund made a \$860,001 interfund loan to the General Fund for the purchase of a new financial applications software and reporting system. During Fiscal Year 2009-10, interfund loans between the General Fund and the Road Fund amounted to \$890,000 (new assessment and taxation system \$420,000, new District Attorney tracking system \$300,000, and a new elevator in the County Courthouse \$170,000). Those loans will be repaid over a five to ten-year period. Interest payments of \$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. Principal 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 the current fiscal year, 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, 2013, the combined balance of the interfund loans is \$14,582,387.

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	\$ 657,214	\$ 1,543,419
General Road	-	129,741
Health	1,092,538	-
Other Government Funds	<u>450,883</u>	<u>527,475</u>
 Total	 <u>\$2,200,635</u>	 <u>\$ 2,200,635</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. CAPITAL ASSETS

Changes in capital assets during the year were as follows:

	Balances June 30, 2012	Additions	Deletions	Balances June 30, 2013
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 16,832,420	\$ 23,461	\$ -	\$ 16,855,881
Infrastructure	98,204,642	1,403,778	-	99,608,420
Construction in progress	3,070,020	2,062,716	2,904,012	2,228,724
Total capital assets not being depreciated	<u>118,107,082</u>	<u>3,489,955</u>	<u>2,904,012</u>	<u>118,693,025</u>
Capital assets being depreciated				
Buildings and improvements	45,794,687	2,202,875	-	47,997,562
Intangibles	1,332,532	199,630	-	1,532,162
Equipment	22,121,307	1,198,817	817,002	22,503,122
Infrastructure	22,687,390	874,700	-	23,562,090
Total capital assets being depreciated	<u>91,935,916</u>	<u>4,476,022</u>	<u>817,002</u>	<u>95,594,936</u>
Less accumulated depreciation for:				
Buildings and improvements	11,006,180	762,282	-	11,768,462
Intangibles	491,543	100,424	-	591,967
Equipment	14,792,179	939,773	741,825	14,990,127
Infrastructure	7,028,014	425,410	-	7,453,424
Total accumulated depreciation	<u>33,317,916</u>	<u>2,227,889</u>	<u>741,825</u>	<u>34,803,980</u>
Total capital assets, being depreciated, net	<u>58,618,000</u>	<u>2,248,133</u>	<u>75,177</u>	<u>60,790,956</u>
Governmental activities capital assets, net	<u>\$ 176,725,082</u>	<u>\$ 5,738,088</u>	<u>\$ 2,979,189</u>	<u>\$ 179,483,981</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	\$ 207,534
Local government services	43,129
Public safety	459,449
Health services	55,415
Community development	413,267
Highways and streets	<u>1,049,095</u>
Total depreciation expense – governmental activities	<u>\$ 2,227,889</u>

8. DUE TO OTHER GOVERNMENTS

At June 30, 2013 the internal service fund owed the State of Oregon \$32,507. In Addition, Linn County's General Fund and Law Enforcement Fund owed the Regional Fueling Facility \$38,712 for gasoline used in June 2013.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. LONG-TERM OBLIGATIONS

During the year ended June 30, 2013, the following changes occurred with long-term obligations:

	Balances June 30, 2012	Additions	Reductions	Balances June 30, 2013	Balances Due Within One Year
Accumulated compensated absences	\$3,698,672	\$3,456,681	\$3,698,672	\$3,456,681	\$2,634,097
Totals	\$3,698,672	\$3,456,681	\$3,698,672	\$3,456,681	\$2,634,097

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

A. 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, 2013, were \$211,800. Future minimum lease payments for the non cancelable leases are as follows.

	Year ending <u>June 30,</u>
2014	\$ 132,449
2015	105,959
2016	79,469
2017	52,979
2018	<u>26,490</u>
Total	\$ <u>397,346</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. CONDUIT DEBT

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

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

This conduit debt obligation at June 30, 2013, amounts to \$710,000. A principal reduction of \$120,000 and interest payments totaling \$44,600 were paid in 2012-13 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:

Fiscal Years Ended	Annual OPEB Cost	Contributions	% of OPEB Cost Contributed	Net OPEB 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

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
Annual Required Contribution (ARC)	\$ 441,285	\$ 454,523	\$ 402,357
Interest on prior year Net OPEB obligation	26,699	36,004	45,575
Adjustment to ARC	25,506	34,393	(43,538)
Annual OPEB cost	442,478	456,134	404,394
Implicit benefit payments	(209,893)	(216,829)	(162,115)
Increase in net OPEB obligation	232,585	239,305	242,279
Net OPEB obligation - beginning of year	667,495	900,080	1,139,385
Net OPEB obligation - end of year	<u>\$ 900,080</u>	<u>\$ 1,139,385</u>	<u>\$ 1,381,664</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, 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 16.06 percent during current fiscal year. For employees hired on or after August 29, 2003, the county's contribution rate is 12.40 percent for general service employees and 15.11 percent for police and fire employees of covered compensation. The 2011-12, 2012-2013 rates were based on a December 31, 2009 actuarial valuation. The contribution requirements of plan members and the County are established and may be amended by the Public Employees' Retirement Board. The 2003 Oregon Legislature passed laws revising the Oregon Public Employees' Retirement Plan (PERS) making the existing PERS plan a closed plan effective August 28, 2003 meaning no employees will be added after that date. The legislature established the Oregon Public Service Retirement Plan (OPSRP) for all employees hired on or after August 29, 2003.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. RETIREMENT PLAN (Continued)

Annual Pension Cost

For 2012-13, the County's annual pension cost of \$5,028,215 was equal to the County's required and actual contributions. The County also paid the employees' share amounting to \$2,004,308. 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>
2011	4,002,998	100%	-
2012	5,179,028	100%	-
2013	5,028,215	100%	-

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. RETIREMENT PLAN (continued)

Schedule of Funding Progress for Retirement Plan

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

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 \$115,668 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>
2010-11	\$134,751	(\$46,382)	\$241,140	\$152,771
2011-12	152,771	(17,524)	295,827	160,580
2012-13	160,580	(133,310)	142,938	115,668

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, 2013.

	<u>Spent to date</u>	<u>Remaining Commitments</u>
Bridge/ Road Improvement	\$ 2,143,724	\$ 13,995,000
Health Services Building	<u>75,000</u>	<u>450,000</u>
Totals	<u>\$ 2,228,724</u>	<u>\$ 14,070,000</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, 2012. All advances must be repaid by May 31, 2013.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16. FUND DEFICITS

At June 30, 2013, General Fund had a deficit fund balance of (\$6,061,671). The General Fund has an interfund loan balance with the Roads Fund of \$4,388,800 as of June 30, 2013, as well as an accrued payroll of \$2,058,838 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, 2013, the Law Enforcement 4-Year Levy Fund had a deficit fund balance of (\$874,495) primarily due to recording the accrued payroll.

At June 30, 2013, the Veterans' Home Loan fund had a deficit fund balance of (\$10,189,491) 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 34.6 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

**Infrastructure Condition and Maintenance Data for Capital Assets Reported Under the Modified Approach
Planned versus Actual Maintenance**

Five Years - 2009-2013

Fiscal Year (Ending June 30)						
	2012-13	2011-12	2010-11	2009-10	2008-09	
Arterials						
Planned	\$ 160,497	\$ 173,064	\$ 190,446	\$ 162,443	\$ 186,401	
Actual	\$ 157,794	\$ 176,957	\$ 214,560	\$ 159,770	\$ 195,084	
Collectors						
Planned	\$ 3,064,722	\$ 3,304,689	\$ 3,636,616	\$ 3,101,880	\$ 3,559,366	
Actual	\$ 3,013,117	\$ 3,379,036	\$ 4,097,075	\$ 3,050,839	\$ 3,725,170	
Local						
Planned	\$ 4,417,480	\$ 4,763,368	\$ 5,241,806	\$ 4,471,038	\$ 5,130,458	
Actual	\$ 4,343,096	\$ 4,870,531	\$ 5,905,509	\$ 4,397,469	\$ 5,369,447	
Total Planned	\$ 7,642,699	\$ 8,241,121	\$ 9,068,868	\$ 7,735,361	\$ 8,876,225	
Total Actual	\$ 7,514,006	\$ 8,426,524	\$ 10,217,144	\$ 7,608,077	\$ 9,289,701	
Difference	\$ 128,692	\$ (185,404)	\$ (1,148,276)	\$ 127,283	\$ (413,476)	

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, 2013**

<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, and it provides information that approximates the funding progress of the plan.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

LINN COUNTY

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	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	\$ 58,972	\$ 135,806	\$ 254,235	\$ 595,639	\$ 165,483	\$ 135,529	\$ 24,895	\$ 1,169	\$ -	\$ 57,296	\$ 1,429,024
Receivables, net of allowance for doubtful accounts	-	-	-	158,064	-	-	-	-	-	-	158,064
Due from other funds	-	-	-	800	-	-	-	-	-	-	800
Due from other governments	-	-	-	56,021	6,224	-	-	-	-	-	62,245
TOTAL ASSETS	<u>\$ 58,972</u>	<u>\$ 135,806</u>	<u>\$ 254,235</u>	<u>\$ 810,524</u>	<u>\$ 171,707</u>	<u>\$ 135,529</u>	<u>\$ 24,895</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 57,296</u>	<u>\$ 1,650,133</u>
LIABILITIES											
Accounts payable	\$ -	\$ 545	\$ 2,050	\$ 51,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,889
Due to other funds	587	611	17	306	-	1,181	-	-	-	-	2,702
Due to other governments	-	-	-	571	-	-	-	-	-	-	571
Deferred revenue	-	-	-	77,878	-	-	-	-	-	-	77,878
Payroll, payroll taxes and benefits payable	-	30,820	3,170	84,181	-	-	-	-	-	-	118,171
TOTAL LIABILITIES	<u>587</u>	<u>31,976</u>	<u>5,237</u>	<u>214,230</u>	<u>-</u>	<u>1,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,211</u>
FUND BALANCES											
Restricted for:											
Public Safety	-	-	-	-	-	-	-	-	-	57,296	57,296
Grants/ minor funds	58,385	103,830	248,998	596,294	171,707	134,348	24,895	1,169	-	-	1,339,626
TOTAL FUND BALANCES	<u>58,385</u>	<u>103,830</u>	<u>248,998</u>	<u>596,294</u>	<u>171,707</u>	<u>134,348</u>	<u>24,895</u>	<u>1,169</u>	<u>-</u>	<u>57,296</u>	<u>1,396,922</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,972</u>	<u>\$ 135,806</u>	<u>\$ 254,235</u>	<u>\$ 810,524</u>	<u>\$ 171,707</u>	<u>\$ 135,529</u>	<u>\$ 24,895</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 57,296</u>	<u>\$ 1,650,133</u>

LINN COUNTY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2013**

	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	\$ 48,110	\$ -	\$ -	\$ 2,415,001	\$ 72,446	\$ 659,839	\$ -	\$ -	\$ -	\$ 1,404,294	\$ 437,695	\$ 5,037,385
Licenses, permits, fines and services	265,850	191,304	87,230	305,198	-	-	1,073	-	15,672	-	-	866,327
Indirect cost reimbursement	-	43,148	-	29,341	-	-	-	-	-	-	-	72,489
Interest earnings	-	126	1,207	2,770	623	-	576	143	34	1,302	-	6,781
Miscellaneous	-	-	-	-	-	-	-	8,486	2,915	-	-	11,401
TOTAL REVENUES	313,960	234,578	88,437	2,752,310	73,069	659,839	1,649	8,629	18,621	1,405,596	437,695	5,994,383
EXPENDITURES												
Public safety	-	384,950	80,047	699,395	-	659,839	-	-	-	-	185,672	2,009,903
Community development	347,255	-	-	1,461,747	-	-	3,888	6,167	17,479	-	-	1,836,536
Apportionments to school districts	-	-	-	-	-	-	-	-	-	1,405,596	-	1,405,596
Indirect cost allocation	-	43,148	25,584	60,104	-	-	17,162	-	-	-	-	145,998
Capital Outlay	-	-	-	586,454	-	-	-	-	-	-	-	586,454
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	347,255	428,098	105,631	2,807,700	-	659,839	21,050	6,167	17,479	1,405,596	185,672	5,984,487
Excess (deficiency) of revenues over expenditures	(33,295)	(193,520)	(17,194)	(55,390)	73,069	-	(19,401)	2,462	1,142	-	252,023	9,896
OTHER FINANCING SOURCES (USES)												
Transfers in	42,750	229,055	4,294	2,386	-	-	172,397	-	-	-	-	450,882
Transfers out	(23,000)	-	-	(51,009)	-	-	(230,000)	-	-	-	(223,465)	(527,474)
TOTAL OTHER FINANCING SOURCES (USES)	19,750	229,055	4,294	(48,623)	-	-	(57,603)	-	-	-	(223,465)	(76,592)
Net change in fund balances	(13,545)	35,535	(12,900)	(104,013)	73,069	-	(77,004)	2,462	1,142	-	28,558	(66,696)
Fund balances at beginning of year	71,930	68,295	261,898	700,307	98,638	-	211,352	22,433	27	-	28,738	1,463,618
Fund balances (deficit) at end of year	\$ 58,385	\$ 103,830	\$ 248,998	\$ 596,294	\$ 171,707	\$ -	\$ 134,348	\$ 24,895	\$ 1,169	\$ -	\$ 57,296	\$ 1,396,922

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, 2013**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Oregon State Lottery distribution	\$ 50,000	\$ 50,000	\$ 48,110	\$ (1,890)
Parking fees	25,000	25,000	25,785	785
Sponsorship fees	110,000	110,000	81,117	(28,883)
Gate fees, carnival fees, entry fees	74,550	83,550	83,042	8,492
Booth revenues, contracts, miscellaneous	66,100	77,100	75,906	9,806
TOTAL REVENUES	325,650	345,650	313,960	(11,690)
EXPENDITURES				
Materials and services	345,400	365,400	346,668	(1,268)
Excess (deficiency) of revenues over expenditures	(19,750)	(19,750)	(32,708)	(12,958)
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	42,750	42,750	42,750	-
Transfer to General Fun	(23,000)	(23,000)	(23,000)	-
Net change in fund balance	-	-	(12,958)	(12,958)
Fund balance at beginning of year	-	-	71,930	71,930
Fund balance at end of year	\$ -	\$ -	58,972	\$ 58,972
Reconciliation to GAAP basis:				
Due to other Funds			(587)	
Accounts payable			-	
Fund balance (GAAP basis) at end of year			\$ 58,385	

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, 2013**

	Budget Original/Final	Actual	Variance
REVENUES			
Dog licenses and penalties	\$ 159,812	\$ 149,301	\$ (10,511)
Dog fees - miscellaneous	64,918	38,463	(26,455)
Grants	18,500	3,540	(14,960)
Indirect cost Reimbursement	43,148	43,148	-
Interest earnings	200	424	224
TOTAL REVENUES	286,578	234,876	(51,702)
EXPENDITURES			
Personal services	371,525	341,490	30,035
Materials and services	148,160	42,537	105,623
Indirect cost allocation	43,148	43,148	-
TOTAL EXPENDITURES	562,833	427,175	135,658
Excess (deficiency) of revenues over expenditures	(276,255)	(192,299)	83,956
OTHER FINANCING SOURCES (USES):			
Transfer from General Fund	229,055	229,055	-
Transfer out	-	-	-
Net change in fund balance	(47,200)	36,756	83,956
Fund balance at beginning of year	47,200	98,295	51,095
Fund balance at end of year	\$ -	135,051	\$ 135,051
Reconciliation to GAAP basis:			
FMV Adjustment		755	
Accounts payable		(545)	
Due to other fund		(611)	
Payroll, payroll taxes and benefits payable		(30,820)	
Fund (deficit) (GAAP basis) at end of year		\$ 103,830	

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, 2013**

	Budget Original/Final	Actual	Variance
REVENUES			
Law library fees	\$ 88,024	\$ 87,200	\$ (824)
Research and card fees	10	30	20
Interest earnings	500	1,207	707
Miscellaneous	400	-	(400)
	<u>88,934</u>	<u>88,437</u>	<u>(497)</u>
TOTAL REVENUES			
	<u>88,934</u>	<u>88,437</u>	<u>(497)</u>
EXPENDITURES			
Personal services	40,732	38,748	1,984
Materials and services	99,800	41,202	58,598
Indirect cost allocation	25,584	25,584	-
Capital outlay	20,000	-	20,000
Contingency	161,820	-	161,820
	<u>347,936</u>	<u>105,534</u>	<u>242,402</u>
TOTAL EXPENDITURES			
	<u>347,936</u>	<u>105,534</u>	<u>242,402</u>
Excess (deficiency) of revenues over expenditures	(259,002)	(17,097)	241,905
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund	4,200	4,294	94
	<u>4,200</u>	<u>4,294</u>	<u>94</u>
Net change in fund balance	(254,802)	(12,803)	241,999
Fund balance at beginning of year	254,802	267,038	12,236
	<u>254,802</u>	<u>267,038</u>	<u>12,236</u>
Fund balance at end of year	\$ -	254,235	\$ 254,235
Reconciliation to GAAP basis:			
Accounts payable		(2,050)	
Due to other fund		(17)	
Payroll, payroll taxes and benefits payable		(3,170)	
		<u>(5,237)</u>	
Fund balance (GAAP basis) at end of year		<u>\$ 248,998</u>	

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

Year Ended June 30, 2013

REVENUES	Budget		Actual	Variance
	Original	Final		
Commissioners:				
Commissioners' grants	\$ 208,500	208,500	\$ 191,805	\$ (16,695)
Earnings on deposits	900	900	1,659	759
Reimbursements and miscellaneous fees	164,000	164,000	216,289	52,289
Veteran's Services:				
Rental payments	20,000	20,000	19,669	(331)
Parks:				
Rental payments	9,600	9,600	9,600	-
Reimbursements	5,000	5,000	2,690	(2,310)
Donations/ Gifts	1,000	1,000	300	(700)
Grants	112,000	112,000	119,746	7,746
Earnings on deposits	500	500	229	(271)
Marine gas tax	65,600	65,600	68,425	2,825
Miscellaneous	-	-	1,669	1,669
RV license fees	330,000	330,000	312,185	(17,815)
Fair	24,150	24,150	33,362	9,212
Sheriff grants	484,327	534,373	425,049	(109,324)
District attorney grants	141,312	141,312	95,766	(45,546)
Juvenile:				
Grants	369,576	406,275	336,204	(70,071)
Matching funds	788	788	863	75
Children and families:				
Grants	739,469	970,892	773,423	(197,469)
Title XIX	51,763	51,763	47,444	(4,319)
Earnings on deposits	-	-	537	537
Linn Benton Mediation Grant	75,404	75,404	72,179	(3,225)
Earnings on deposit	300	300	490	190
General services Grants	33,000	33,000	-	(33,000)
Energy Utility Reimbursement	10,000	10,000	4,062	(5,938)
Indirect Cost Reimbursement	29,341	29,341	29,341	-
TOTAL REVENUES	2,876,530	3,194,698	2,762,987	(431,711)

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	\$ 778,600	\$ 778,600	\$ 549,591	\$ 229,009
Veteran's services	30,577	30,577	12,760	17,817
Parks grants	574,732	574,732	553,199	21,533
Fair	44,770	44,770	18,384	26,386
Sheriff	552,199	591,207	275,895	315,312
District attorney grants	128,883	128,883	108,312	20,571
Juvenile high risk	362,697	399,396	341,657	57,739
Children and families	772,569	1,003,992	935,283	68,709
General Administration	183,704	183,704	73,239	110,465
General Services	89,531	89,531	28,932	60,599
Indirect Cost allocation	60,104	60,104	60,104	-
TOTAL EXPENDITURES	3,578,366	3,885,496	2,957,356	928,140
Excess (deficiency) of revenues over expenditures	(701,836)	(690,798)	(194,370)	496,428
OTHER FINANCING SOURCES (USES):				
Transfers in	38,460	44,622	15,098	(29,524)
Transfers out	(63,723)	(80,923)	(63,721)	17,202
Total other financing sources (uses)	(25,263)	(36,301)	(48,623)	(12,322)
Net change in fund balance	(727,099)	(727,099)	(242,993)	484,106
Fund balance of beginning of year	727,099	727,099	837,667	110,568
Fund balance at end of year	\$ -	\$ -	594,674	\$ 594,674
Reconciliation to GAAP basis:				
FMV adjustment			765	
Adjust cash on hand			200	
Accounts Receivable			56,021	
Due from other governments and available, net of deferred revenue			80,186	
Due from other funds			800	
Accounts payable			(51,294)	
Due to other governments			(571)	
Due to other funds			(306)	
Payroll, payroll taxes and benefits payable			(84,181)	
Fund balance (GAAP basis) at end of year			\$ 596,294	

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, 2013

	Budget Original/Final	Actual	Variance
REVENUES			
Motor vehicle apportionments	\$ 78,303	\$ 72,338	\$ (5,965)
Interest earnings	<u>500</u>	<u>623</u>	<u>123</u>
TOTAL REVENUES	<u>78,803</u>	<u>72,961</u>	<u>(5,842)</u>
EXPENDITURES			
Capital outlay	<u>163,303</u>	<u>-</u>	<u>163,303</u>
Net change in fund balance	(84,500)	72,961	157,461
Fund balance at beginning of year	<u>84,500</u>	<u>92,522</u>	<u>8,022</u>
Fund balance at end of year	<u>\$ -</u>	165,483	<u>\$ 165,483</u>
Reconciliation to GAAP basis:			
Due from other governments		<u>6,224</u>	
Fund balance (GAAP basis) at end of year		<u>\$ 171,707</u>	

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
9-1-1 EMERGENCY COMMUNICATIONS - SPECIAL REVENUE FUND
Year Ended June 30, 2013**

	<u>Budget</u> <u>Original/Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
9-1-1 emergency communications tax	\$ 200,000	\$ 233,444	\$ 33,444
Cities' 9-1-1 emergency communication tax	<u>750,000</u>	<u>426,395</u>	<u>(323,605)</u>
TOTAL REVENUES	950,000	659,839	(290,161)
EXPENDITURES			
Materials and services	<u>950,000</u>	<u>659,839</u>	<u>290,161</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, 2013**

	Budget Original/Final	Actual	Variance
REVENUES			
Contracts	\$ -	\$ 1,073	\$ 1,073
Interest earnings	<u>600</u>	<u>576</u>	<u>24</u>
TOTAL REVENUES	<u>600</u>	<u>1,649</u>	<u>1,097</u>
 EXPENDITURES			
Materials and services, and indirect cost	42,049	2,751	39,298
Indirect cost allocation	17,162	17,162	-
Capital outlay	10,000	-	10,000
Contingency	20,000	-	20,000
Reserve for Future Years	<u>63,142</u>	<u>-</u>	<u>63,142</u>
TOTAL EXPENDITURES	<u>152,353</u>	<u>19,913</u>	<u>132,440</u>
Excess (deficiency) of revenues over expenditures	(151,753)	(18,264)	133,489
 OTHER FINANCING SOURCES (USES)			
Transfer from General Fund - Clerks Office	174,600	172,397	(2,203)
Transfer to Surveyor Contract/GIS Contract	<u>(230,000)</u>	<u>(230,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(55,400)</u>	<u>(57,603)</u>	<u>(2,203)</u>
Net change in fund balance	(207,153)	(75,867)	131,286
Fund balance at beginning of year	<u>207,153</u>	<u>211,396</u>	<u>4,243</u>
Fund balance at end of year	<u>\$ -</u>	<u>135,529</u>	<u>\$ 135,529</u>
Reconciliation to GAAP basis:			
Due to other Funds		<u>(1,181)</u>	
Fund balance (GAAP basis) at end of year		<u>\$ 134,348</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, 2013**

	Budget Original/Final	Actual	Variance
REVENUES			
Interest earnings	\$ 300	\$ 143	\$ (157)
Donations and gifts	4,500	8,486	3,986
TOTAL REVENUES	<u>4,800</u>	<u>8,629</u>	<u>3,829</u>
EXPENDITURES			
Material and services	4,552	1,453	3,099
Capital outlay	21,800	4,714	17,086
TOTAL EXPENDITURES	<u>26,352</u>	<u>6,167</u>	<u>20,185</u>
Net change in fund balance	(21,552)	2,462	24,014
Fund balance at beginning of year	<u>21,552</u>	<u>22,433</u>	<u>881</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 24,895</u>	<u>\$ 24,895</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 2013

	Budget Original/Final	Actual	Variance
REVENUES			
Firewood sales and U.S.F.S Camp Grounds	\$ -	\$ 15,672	\$ 15,672
Timber sales	200,000	2,915	(197,085)
Interest earnings	1,000	34	(966)
TOTAL REVENUES	<u>201,000</u>	<u>18,621</u>	<u>(182,379)</u>
EXPENDITURES			
Materials and services	22,125	17,479	4,646
Capital outlay	178,903	-	178,903
TOTAL EXPENDITURES	<u>201,028</u>	<u>17,479</u>	<u>183,549</u>
Net change in fund balance	(28)	1,142	1,170
Fund balance at beginning of year	<u>28</u>	<u>27</u>	<u>(1)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 1,169</u>

LINN COUNTY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
COUNTY SCHOOL - SPECIAL REVENUE FUND
Year Ended June 30, 2013**

	Budget		Variance
	Original/Final	Actual	
REVENUES			
State forest land sales	\$ 1,500,000	\$ 249,463	\$ (1,250,537)
Federal forest land sales	1,100,000	1,065,772	(34,228)
Private Car Co Tax	7,000	4,822	(2,178)
Electric co-op tax	80,000	84,209	4,209
Miscellaneous fees	600	28	(572)
Interest earnings	1,000	1,302	302
 TOTAL REVENUES	 2,688,600	 1,405,596	 (1,283,004)
 EXPENDITURES			
Materials and Services	2,688,600	1,405,596	1,283,004
 Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
 Fund balance at end of year	\$ -	\$ -	\$ -

LINN COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 FEDERAL FOREST - SPECIAL REVENUE FUND
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Federal Forest	\$ -	\$ 442,350	\$ 437,695	\$ 437,695
EXPENDITURES				
Materials and services	-	193,500	185,672	(185,672)
Excess (deficiency) of revenues over expenditures	-	248,850	252,023	252,023
OTHER FINANCING SOURCES (USES):				
Transfer out	-	(277,588)	(223,465)	(223,465)
Net change in fund balance	-	(28,738)	28,558	28,558
Fund balance at beginning of year	-	28,738	28,738	28,738
Fund balance at end of year	\$ -	\$ -	\$ 57,296	\$ 57,296

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, 2013

	Budget		Actual	Variance
	Original Budget	Final		
REVENUES				
Reimbursements	\$ 235,000	\$ 235,000	\$ 237,079	\$ 2,079
Interest earnings	500	500	307	(193)
TOTAL REVENUES	<u>235,500</u>	<u>235,500</u>	<u>237,386</u>	<u>1,886</u>
EXPENDITURES				
Program management	3,500	3,500	1,600	1,900
Claim payments	225,000	350,000	265,501	(40,501)
Reserve for future years	10,000	10,000	-	10,000
TOTAL EXPENDITURES	<u>238,500</u>	<u>363,500</u>	<u>267,101</u>	<u>(28,601)</u>
Excess (deficiency) of revenues over expenditures	(3,000)	(128,000)	(29,714)	98,286
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(125,000)	-	-	(125,000)
Total other financing sources (uses)	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>
Net change in fund balance	(128,000)	(128,000)	(29,714)	98,286
Fund balance at beginning of year	128,000	128,000	126,780	(1,220)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	97,066	<u>\$ 97,066</u>
Reconciliation to GAAP basis:				
Due from other funds and available			19,937	
Due to other governments			(32,507)	
Claims liability			(115,668)	
Net position at end of year		70	<u>\$ (31,172)</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, 2013

	Balances June 30, 2012	Additions	Deductions	Balances June 30, 2013
Taxing Districts				
<u>Assets</u>				
Cash and investments	\$ 1,252,152	\$ 140,433,601	\$ 140,713,999	\$ 971,754
<u>Liabilities</u>				
Amounts held in trust	\$ 1,252,152	\$ 140,433,601	\$ 140,713,999	\$ 971,754
 Treasurer's Departmental				
<u>Assets</u>				
Cash and investments	\$ 322,512	\$ 865,544	\$ 872,816	\$ 315,240
Accounts receivable	758,631	721,263	758,631	721,263
Total assets	<u>\$ 1,081,143</u>	<u>\$ 1,586,807</u>	<u>\$ 1,631,447</u>	<u>\$ 1,036,503</u>
<u>Liabilities</u>				
Due to other governments	\$ 758,631	721,263	\$ 758,631	\$ 721,263
Amounts held in trust	322,512	865,544	872,816	315,240
Total liabilities	<u>\$ 1,081,143</u>	<u>\$ 1,586,807</u>	<u>\$ 1,631,447</u>	<u>\$ 1,036,503</u>
 Property Taxes				
<u>Assets</u>				
Cash and investments	\$ 221,259	\$ 126,156,375	\$ 125,669,893	\$ 707,741
Property taxes receivable	9,250,476	8,687,052	9,250,476	8,687,052
Total assets	<u>\$ 9,471,735</u>	<u>\$ 134,843,427</u>	<u>\$ 134,920,369</u>	<u>\$ 9,394,793</u>
<u>Liabilities</u>				
Due to other governments	\$ 758,631	721,263	\$ 758,631	\$ 721,263
Amounts held in trust	8,713,104	126,156,375	126,195,949	8,673,530
Total liabilities	<u>\$ 9,471,735</u>	<u>\$ 126,877,638</u>	<u>\$ 126,954,580</u>	<u>\$ 9,394,793</u>

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

	Balances June 30, 2012	Additions	Deductions	Balances June 30, 2013
Justice Courts, Sheriff and Certain Others				
<u>Assets</u>				
Cash and investments	\$ 118,200	\$ 635,413	\$ 638,847	\$ 114,766
Accounts receivable	<u>371,115</u>	<u>510,398</u>	<u>371,115</u>	<u>510,398</u>
Total assets	<u>\$ 489,315</u>	<u>\$ 1,145,811</u>	<u>\$ 1,009,962</u>	<u>\$ 625,164</u>
<u>Liabilities</u>				
Due to other governments	\$ 19,630	\$ 17,987	\$ 19,630	\$ 17,987
Amounts held in trust	<u>469,685</u>	<u>1,127,824</u>	<u>990,332</u>	<u>607,177</u>
Total liabilities	<u>\$ 489,315</u>	<u>\$ 1,145,811</u>	<u>\$ 1,009,962</u>	<u>\$ 625,164</u>
Regional Fuel Facility				
<u>Assets</u>				
Cash and investments	\$ 19,095	\$ 1,285,057	\$ 1,272,982	\$ 31,170
Due from other governments	<u>7,827</u>	<u>102,173</u>	<u>7,827</u>	<u>102,173</u>
Total assets	<u>\$ 26,922</u>	<u>\$ 1,387,230</u>	<u>\$ 1,280,809</u>	<u>\$ 133,343</u>
<u>Liabilities</u>				
Accounts payable	\$ 61,994	\$ 36,779	\$ 30,294	\$ 68,479
Amounts held in trust	<u>(35,072)</u>	<u>1,350,451</u>	<u>1,250,515</u>	<u>64,864</u>
Total liabilities	<u>\$ 26,922</u>	<u>\$ 1,387,230</u>	<u>\$ 1,280,809</u>	<u>\$ 133,343</u>
Totals - All Agency Funds				
<u>Assets</u>				
Cash and investments	\$ 1,933,218	\$ 269,375,990	\$ 269,168,537	\$ 2,140,671
Property taxes receivable	9,250,476	8,687,052	9,250,476	8,687,052
Accounts receivable	1,129,746	1,231,661	1,129,746	1,231,661
Due from other governments	<u>7,827</u>	<u>102,173</u>	<u>7,827</u>	<u>102,173</u>
Total assets	<u>\$ 12,321,267</u>	<u>\$ 279,396,876</u>	<u>\$ 279,556,586</u>	<u>\$ 12,161,557</u>
<u>Liabilities</u>				
Accounts payable	\$ 61,994	\$ 36,779	\$ 30,294	\$ 68,479
Due to other governments	1,536,892	1,460,513	1,536,892	1,460,513
Amounts held in trust	<u>10,722,381</u>	<u>269,933,795</u>	<u>270,023,611</u>	<u>10,632,565</u>
Total liabilities	<u>\$ 12,321,267</u>	<u>\$ 271,431,087</u>	<u>\$ 271,590,797</u>	<u>\$ 12,161,557</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, 2013**

	Assessor	Clerk	Commis- sioners	District Attorney	Justice Courts Central Linn/ Lebanon	Sheriff	Surveyor	Tax Collector	Treasurer	Totals
On hand - June 30, 2012 (1)	\$ 870	\$ 200	\$ 50	\$ 2,000	\$ 56,704	\$ 34,455	\$ 50	\$ 650	\$ 30,266,748	\$ 30,361,727
Receipts	830,780	1,180,085	400,753	218,080	886,210	4,771,649	512,437	126,156,375	127,021,916	261,978,285
Turnovers and disbursements:										
To County Treasurer	(830,780)	(1,180,085)	(400,753)	(218,080)	(638,847)	-	(512,437)	(126,156,375)	-	(129,937,357)
To Others	-	-	-	-	(270,841)	(4,787,067)	-	-	(126,614,299)	(131,672,207)
On hand - June 30, 2013 (1)	<u>\$ 870</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 2,000</u>	<u>\$ 33,226</u>	<u>\$ 19,037</u>	<u>\$ 50</u>	<u>\$ 650</u>	<u>\$ 30,674,365</u>	<u>\$ 30,730,448</u>
(1) Consists of:										
Deposits with County Treasurer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,726,676	\$ 13,726,676
Deposits with Local Government Investment Pool	-	-	-	-	-	-	-	-	16,947,076	16,947,076
Due to County Treasurer	-	-	-	-	(44,679)	-	-	-	-	(44,679)
Due to State of Oregon	-	-	-	-	(17,823)	-	-	-	-	(17,823)
Change and revolving funds	870	200	50	2,000	95,728	19,037	50	650	613	119,198
Totals	<u>\$ 870</u>	<u>\$ 200</u>	<u>\$ 50</u>	<u>\$ 2,000</u>	<u>\$ 33,226</u>	<u>\$ 19,037</u>	<u>\$ 50</u>	<u>\$ 650</u>	<u>\$ 30,674,365</u>	<u>\$ 30,730,448</u>

LINN COUNTY

SCHEDULE OF PROPERTY TAX TRANSACTIONS
Year Ended June 30, 2013

Tax Year	Receivable 6/30/2012	Current Levy	Discounts Allowed	Interest on Delinquent Taxes	Cash Collections	Corrections and Adjustments	Receivable 6/30/2013
2012-13	\$ -	\$ 130,234,843	\$ (3,323,646)	\$ 68,363	\$ 120,863,950	\$ (1,108,095)	\$ 5,007,515
2011-12	5,429,608	-	1,906	195,266	2,430,781	(321,640)	2,874,359
2010-11	3,334,432	-	1,043	229,134	1,156,888	(451,531)	1,956,190
2009-10	1,758,298	-	-	291,363	950,608	(319,929)	779,124
2008-09	795,087	-	-	242,718	654,599	(258,992)	124,214
2007-08	153,653	-	-	34,132	65,062	(49,828)	72,895
2006-07	62,593	-	-	16,507	25,251	(27,874)	25,975
prior years	126,367	-	-	12,113	9,236	(12,990)	116,254
Totals	\$ 11,660,038	\$ 130,234,843	\$ (3,320,697)	\$ 1,089,596	\$ 126,156,375	\$ (2,550,879)	\$ 10,956,526

Fund	
General	\$ 842,975
Law Enforcement 4-Year Levy	1,354,408
Veterans Home Loan	72,095
Agency	<u>8,687,048</u>
Total	\$ <u>10,956,526</u>

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STATISTICAL SECTION

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.

	Page
Contents	
Financial Trends	76-81
<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
<i>These schedules present information to help the reader understand the environment within which the county's financial activities take place.</i>	
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>	

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Primary government activities										
Invested in capital assets, net of related debt \$	139,944	\$ 144,132	\$ 151,247	\$ 160,222	\$ 166,879	\$ 170,723	\$ 173,806	\$ 175,712	\$ 176,725	\$ 179,484
Restricted	469	5,991	4,239	4,723	553	-	-	-	-	27,793
Unrestricted	36,156	39,953	40,843	36,252	39,634	42,598	38,995	25,003	23,634	(5,048)
Total Primary government net position	<u>176,569</u>	<u>190,076</u>	<u>196,329</u>	<u>201,197</u>	<u>207,066</u>	<u>213,321</u>	<u>212,801</u>	<u>200,715</u>	<u>200,359</u>	<u>202,229</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
General administration and support	\$ 4,665	\$ 4,607	\$ 5,757	\$ 6,730	\$ 6,025	\$ 7,595	\$ 6,569	\$ 6,288	\$ 6,160	\$ 7,068
Local government services	2,820	3,008	3,152	3,362	3,389	3,565	3,442	3,199	3,371	3,222
Public safety	23,030	23,615	25,073	26,417	27,628	31,132	32,367	31,306	31,413	29,599
Health services	15,976	17,047	17,974	19,119	15,344	16,502	17,566	18,799	20,247	20,066
Community development	6,153	6,651	6,149	7,101	6,643	7,775	8,269	19,636	6,477	5,552
Highways and streets	9,863	10,642	12,584	9,449	11,604	12,032	12,597	13,019	12,404	10,789
Apportionments to school districts	3,456	3,695	-	2,928	2,851	2,676	2,667	2,321	1,314	1,405
Interest on long term debt	271	163	113	79	54	24	13	-	-	267
Total primary government expenses	66,234	69,424	70,802	75,185	73,538	81,301	83,490	94,568	81,386	77,966
Program Revenues										
Governmental Activities										
Fees, Fines, and Charges for service										
General government	2,064	1,932	1,907	2,046	1,924	1,929	1,944	1,617	1,491	1,825
Public Safety	3,157	3,077	3,019	3,347	3,278	3,647	3,835	3,194	2,902	3,119
Health services	1,063	1,160	1,322	1,591	1,501	1,356	1,432	1,191	1,185	2,820
Roads	992	1,632	2,780	1,676	1,758	1,335	1,371	1,141	1,760	1,540
Community Development	2,753	2,940	2,794	2,889	2,952	2,790	2,647	2,204	2,958	3,223
Operating Grants and Contributions	35,490	35,021	36,323	36,822	34,830	41,017	34,500	37,367	36,972	32,996
Capital Grants and Contributions	82	6,349	677	-	-	-	-	-	-	-
Total program revenues	\$ 45,601	\$ 62,111	\$ 48,822	\$ 48,371	\$ 46,243	\$ 52,074	\$ 45,729	\$ 46,714	\$ 47,268	\$ 45,523
General Revenue change in Net Position	\$ (20,633)	\$ (17,313)	\$ (21,980)	\$ (26,814)	\$ (27,295)	\$ (29,227)	\$ (37,761)	\$ (47,854)	\$ (34,118)	\$ (32,443)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 17,788	\$ 19,083	\$ 19,745	\$ 21,456	\$ 24,644	\$ 25,389	\$ 25,285	\$ 25,137	\$ 26,373	\$ 26,464
Interest and investment earnings	498	882	1,717	2,360	1,930	1,082	479	338	107	384
Capital contribution	-	(460)	(246)	-	-	-	-	-	-	-
Loss of sale of capital assets	95	(88)	(483)	(149)	2	-	-	-	-	-
Unrestricted grants and contributions	9,098	11,489	7,499	7,367	7,236	9,010	11,478	10,292	7,283	7,464
Total primary governmental activities	27,478	30,907	28,232	31,034	33,812	35,481	37,242	35,767	33,763	34,312
Change in Net Position	\$ 6,845	\$ 13,593	\$ 6,252	\$ 4,220	\$ 6,517	\$ 6,254	\$ (519)	\$ (12,087)	\$ (355)	\$ 1,869
Governmental activities	\$ 6,845	\$ 13,593	\$ 6,252	\$ 4,220	\$ 6,517	\$ 6,254	\$ (519)	\$ (12,087)	\$ (355)	\$ 1,869

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

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>	<u>Licenses, Permits and Fines</u>	<u>Interest and Miscellaneous</u>	<u>Indirect cost Reimbursement</u>	<u>Total</u>
2004	\$ 17,680	\$ 45,497	\$ 3,662	\$ 5,245	\$ 819	\$ -	\$ 72,904
2005	19,055	55,218	3,137	4,515	1,244	-	83,169
2006	19,966	47,278	3,611	5,196	2,039	-	78,091
2007	21,434	45,707	3,712	5,342	3,336	-	79,531
2008	24,644	43,082	3,820	5,712	2,797	-	80,055
2009	24,966	47,818	4,608	6,631	2,413	-	86,436
2010	25,284	45,360	4,445	6,667	1,215	-	82,971
2011	25,137	46,771	3,842	5,708	1,022	-	82,480
2012	26,341	44,014	4,118	6,178	505	-	81,156
2013	26,595	42,546	4,016	6,025	691	1,710	81,583

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Non spendable										
Committed to										
Interfund loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(\$2,258)	(\$2,629)	\$ -
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	59	(1,882)	(6,062)
Reserved	780	242	-	-	(1,188)	-	(2,720)	-	-	-
Unreserved	2,501	3,776	2,856	(598)	741	(743)	1,532	-	-	-
Total general fund	3,281	4,018	2,856	(598)	(447)	(743)	(1,188)	(2,199)	(4,511)	(6,062)
All other governmental funds										
Non spendable										
Inventories								1,452	1,164	1,051
Committed to										
Interfund loan								2,258	2,629	14,582
Capital Projects								5,419	3,070	-
Restricted for										
Roads								14,010	16,355	20,262
Public Safety								(758)	-	57
Health Services								5,112	6,629	5,079
Grants/Minor Funds								1,160	1,467	1,344
Assigned to										
Unassigned								(758)	(850)	(11,068)
Reserved	4,456	6,733	5,232	5,738	2,094	1,580	1,719			
Unreserved, reported in:										
Special revenue funds	28,799	32,033	36,726	35,719	37,797	42,576	40,026	-	-	-
Capital projects funds	(409)	6	-	-	-	-	-	-	-	-
Undesignated funds	-	2,416	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 32,845	\$ 41,188	\$ 41,958	\$ 41,457	\$ 39,891	\$ 44,156	\$ 41,745	\$ 27,895	\$ 30,464	\$ 31,307

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 17,896	\$ 18,958	\$ 19,966	\$ 21,434	\$ 24,506	\$ 24,961	\$ 25,170	\$ 24,941	\$ 26,341	\$ 26,595
Licenses and Permits	5,047	4,514	5,197	5,342	6,632	6,630	6,631	5,608	6,177	6,025
Intergovernmental	45,497	55,218	47,277	45,708	43,082	47,819	45,360	46,771	44,015	42,546
Charges for services	3,508	3,137	3,611	3,712	3,049	4,607	4,421	3,739	4,118	4,016
Investment earnings	399	872	1,521	2,614	1,889	1,054	487	422	121	480
Miscellaneous	408	372	518	720	909	1,358	727	600	384	212
Indirect cost reimbursement	-	-	-	-	-	-	-	-	-	1,710
Total revenues	72,755	83,070	78,090	79,530	80,067	86,429	82,796	82,081	81,156	81,584
Expenditures										
General government	7,009	7,515	8,651	9,897	9,025	9,957	9,179	9,039	8,993	8,703
Public Safety	23,838	23,544	24,982	26,451	27,485	30,267	31,908	30,965	30,991	29,155
Health Services	15,919	16,950	17,892	19,023	15,288	16,387	17,419	18,822	20,175	20,043
Community development	6,450	7,008	6,884	7,053	8,343	7,769	7,904	19,663	6,224	6,458
Highways and streets	12,162	14,208	15,404	15,832	16,488	15,905	16,267	15,374	13,959	9,808
Apportionments to school districts	3,456	3,695	3,472	2,928	2,851	2,676	2,667	2,321	1,314	1,406
Purchase of Land	-	-	-	1,450	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	4,741
Indirect cost allocation	-	-	-	-	-	-	-	-	-	1,710
Debt service										
Principal	796	908	932	840	759	663	295	-	-	-
Interest	271	163	113	79	54	25	13	-	-	267
Total expenditures	69,901	73,991	78,330	83,553	80,293	83,649	85,652	96,184	81,656	82,291
Excess of revenues over (under) expenditures	2,854	9,079	(240)	(4,023)	(226)	2,780	(2,856)	(14,103)	(500)	(707)
Other financing sources (uses)										
Transfers in	3,727	2,729	2,796	5,606	6,191	5,547	4,293	3,643	4,046	2,201
Transfers out	(3,727)	(2,729)	(2,796)	(5,606)	(6,191)	(5,547)	(4,293)	(3,643)	(4,046)	(2,201)
Refunding Bond issue	2,580	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(2,580)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 2,854	\$ 9,079	\$ (240)	\$ (4,023)	\$ (226)	\$ 2,780	\$ (2,856)	\$ (14,103)	\$ (500)	\$ (707)
Debt service as a percentage on noncapital expenditures	1.5%	1.4%	1.3%	1.1%	1.0%	0.8%	0.4%	0.0%	0.0%	0.3%

LINN COUNTY
INTERGOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

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

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
2004	\$ 5,120,123	\$ 120,836	\$ 193,139	\$ 242,462	\$ 13,822	\$ 5,662,737	3.3860	\$ 6,762,775	83.73%
2005	5,455,301	117,420	193,135	238,211	14,621	5,989,446	3.4280	7,366,448	81.31%
2006	5,806,416	114,437	208,497	230,451	15,412	6,344,389	3.3788	7,935,392	79.95%
2007	6,242,993	116,989	227,964	233,953	21,469	6,800,430	3.3888	9,140,480	74.40%
2008	6,514,208	118,307	241,961	241,048	21,988	7,093,536	3.6927	10,398,773	68.22%
2009	6,843,926	113,772	252,789	245,359	23,505	7,432,340	3.6232	10,710,762	69.39%
2010	7,110,783	114,486	254,022	306,826	25,380	7,760,737	3.6100	12,381,258	62.68%
2011	7,361,380	113,366	231,304	328,812	27,519	8,007,343	4.0436	10,879,896	73.60%
2012	7,416,487	108,088	228,878	393,791	28,110	8,119,134	4.0436	10,572,478	76.79%
2013	7,639,006	107,561	240,404	396,669	27,141	8,356,499	4.0436	10,815,138	77.27%

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

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

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

Fiscal Year	Cities			Rural Fire Districts		Schools Districts			Linn-Benton		
	Linn County	Albany	Lebanon	Sweet Home	Albany	Lebanon	Albany	(1) Lebanon	Sweet Home	Central Linn	Community College
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

1) Includes Union High School District

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

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

LINN COUNTY
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2013

Principal Taxpayers	Type of Business	2013			2004		
		2012-13 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2003-2004 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Fort James Operating Co.	Timber & Forest Products	\$ 103,068	1	1.23%	\$ 125,697	2	2.09%
Pacific Power & Light (Pacficorp)	Utility	91,094	2	1.09%	72,111	3	1.20%
Lowe's HIW Inc	Retail distribution	89,394	3	1.07%			
Wah Chang	Rare Metals	79,524	4	0.95%	43,175	5	0.72%
Target Corporation	Retail distribution	74,484	5	0.89%			
Centurylink	Communications	72,782	6	0.87%			
Weyerhaeuser Company/ Willamette Industries	Timber & Forest Products	60,709	7	0.73%	281,735	1	4.69%
Oregon Metallurgical Corp	Rare Metals	53,071	8	0.64%	29,548	9	0.49%
Comcast Corporation	Communications	49,796	9	0.60%			
Northwest Natural Gas	Utility	49,446	10	0.59%	29,500	10	0.49%
Timber Services Co. Inc.	Timber & Forest Products				40,755	7	0.68%
Entek Manufacturing Inc.	Plastic Manufacturing						
Centurytel of Oregon	Communications						
U.S West Communications	Communications				29,675	8	0.49%
Dayton Hudson Corp	Retail distribution				41,256	6	0.69%
Oregon Freeze Dry Foods Inc	Produce Processing						
Wilmington Trust	Reconstituted Wood Products				43,683	4	0.73%
Total Principal Taxpayers		723,368		8.66%	611,438		12.28%
Totals		\$ 8,354,695		100%	\$ 6,004,067		100%

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

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	-	-	96.61%

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

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

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

	2004	2005	2006	2007	Fiscal Year 2008	2009	2010	2011	2012
Debt limit	\$ 135,256	\$ 147,621	\$ 147,908	\$ 135,579	\$ 141,431	\$ 149,117	\$ 155,722	\$ 154,021	\$ 160,147
Total net debt applicable to limit	2,111	1,469	1,056	554	12	-	-	-	-
Legal debt margin	\$ 133,144	\$ 146,152	\$ 146,852	\$ 135,025	\$ 141,419	\$ 149,117	\$ 155,722	\$ 154,021	\$ 160,147
Total net debt applicable to the limit as a percentage of debt limit	1.56%	1.00%	0.71%	0.41%	0.01%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2013

Estimated Actual Taxable Value	\$ 8,013,475
Debt limit (2% of total assessed value)	160,269,500
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net application to limit	-
Legal Debt Margin	<u>\$ 160,269,500</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	
2004	106,000	\$ 2,580	\$ 1,244	\$ 571	\$ 4,395	\$ 2,712,447	0.16%	41	
2005	107,150 *	2,090	1,047	352	3,489	2,790,251	0.13%	33	
2006	107,920	1,595	841	121	2,557	2,986,872	0.09%	24	
2007	108,250	1,095	622	-	1,717	(1)	(1)	(1)	
2008	109,320 *	565	393	-	958	(1)	(1)	(1)	
2009	110,185	-	295	-	295				
2010	111,355	As of June 30, 2010 linn County has no Outstanding Debt							-
2011	116,672	As of June 30, 2010 linn County has no Outstanding Debt							-
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							-

* 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
2004	\$ 2,580	\$ 5,676,559	\$ 469	\$ 2,111	\$ 5,662,737	0.04%	20
2005	2,090	6,004,066	619	1,471	5,989,446	0.02%	14
2006	1,595	6,359,801	539	1,056	6,344,389	0.02%	10
2007	1,095	6,821,899	541	554	6,800,430	0.01%	5
2008	565	7,115,524	553	12	7,093,536	-	-
2009	-	7,455,844	-	-	7,432,229	-	-
2010	-	7,786,117	-	-	7,760,736	-	-
2011	-	8,034,863	-	-	8,007,344	-	-
2012	-	8,147,244	-	-	8,119,134	-	-
2013	-	8,354,695	-	-	8,013,475	-	-

LINN COUNTY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
GENERAL OBLIGATION BONDS
June 30, 2013

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	2,590	71.45%
	Brownsville	3,071	100.00%
	Halsey	-	100.00%
	Harrisburg	-	100.00%
	Lebanon	16,555	100.00%
	Mill City	978	75.60%
	Sodaville	38	100.00%
	Sweet Home	390	100.00%
Community Colleges:	Chemeketa	78,805	1.03%
	Lane	66,220	1.10%
	Linn-Benton	3,954	47.48%
School Districts:	Corvallis	47,840	2.10%
	Central Linn	-	100.00%
	Eugene	121,382	0.10%
	Lane ESD	-	0.05%
	Greater Albany	27,795	74.23%
	Harrisburg	2,425	90.14%
	Jefferson	-	7.39%
	Lebanon Community	45,550	100.00%
	North Santiam	1,565	22.19%
	Santiam Canyon	-	46.45%
	Scio	395	100.00%
	Sweet Home	17,095	100.00%
	Willamette ESD	-	0.83%
Water Districts:	Grand Prairie	674	100.00%
Rural Fire Districts:	Jefferson	-	40.73%
	Brownsville	1,905	100.00%
	Idanha-Detroit	-	6.13%
	Lebanon	2,670	100.00%
	Harrisburg	-	100.00%
	Lyons	-	100.00%
	Stayton	395	11.65%
	Sweet Home Fire/Ambulance	\$ 910	100.00%
Total Overlapping		<u>443,202</u>	<u>119,598</u>
	Total Direct and Overlapping	<u>\$ 886,404</u>	<u>\$ 239,196</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
2004	106,000	\$ 2,712,447	\$ 25,340	18,037	9.6	823	654
2005	107,150	2,790,251	25,730	18,121	7.7	1780	627
2006	107,920	2,986,872	26,916	19,878	6.3	794	641
2007	108,250	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	(5)	(5)	18,068	10.8	873	662
2013	118,035	(5)	(5)	18,325	9.9	792	603

- (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, 2013**

Employer				2006		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Samaritan Health Services	1,600	1	4.2%	1,300	1	3.1%
Linn Benton Community College	1,100	2	2.9%	1,012	3	2.4%
Greater Albany Public Schools	1,080	3	2.8%	947	4	2.3%
Allvac Oremet- Wah Chang	949	4	2.5%	1,198	2	2.9%
Target Distribution Center	631	5	1.7%	631	7	1.5%
Linn County	622	6	1.6%	700	5	1.7%
Oregon Freeze Dry	398	7	1.0%			
City of Albany	390	8	1.0%	333	9	0.8%
National Frozen Foods	350	9	0.9%			
ATI Albany Operations	293	10	0.8%			
Selmet	275	11	0.7%			
ATI Pacific Cast Technologies	260	12	0.7%	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>13.7%</u>			<u>13.3%</u>
Number of people employed in Linn County			38,210			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,**

Function	<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>	<u>2004</u>	<u>2003</u>
Community Development	65	67	71	69	68	71	72	73	71	71	65
General Administration	42	36	42	42	43	41	45	52	51	48	50
Health Services	178	184	187	180	171	174	161	178	174	169	187
Highways and Streets	73	76	85	84	84	76	76	88	86	85	82
Local Government Service	31	30	33	38	40	41	41	61	61	59	58
Public Safety	233	231	258	261	278	272	286	299	295	291	315
Total	622	624	676	674	684	675	681	751	738	723	757

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 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
Sheriff								
Jail Bookings	6,144	6,206	5,938	6,574	7,089	7,425	7,779	8,328
Highways and streets								
Road surface improvements (miles)	50	46	62	85	57	48	60	86
Parks								
Picnic shelter rentals	169	260	190	211	179	168	271	191
Clerk's Office								
Documents recorded	26,758	24,178	24,964	27,544	29,026	34,314	40,239	32,846
Marriage Licenses issued	792	873	744	823	838	825	942	794
Registered Voters	63,622	60,738	59,785	58,755	61,607	59,836	57,466	57,244
District Attorney								
Charges referred by law enforcement					5,223	9,502	9,981	10,664
Planning								
Building permits	1,226	1,123	1,198	1,190	1,567	1,794	1,889	2,280
Contract Cities	426	374	364	402	365	668	938	764
Electrical permits	1,312	1,335	1,199	1,342	1,616	2,167	2,266	2,027
Planning permits	613	519	509	537	642	855	1,212	818
Health								
Alcohol and Drug clients	754	876	857	887	858	776	703	646
Developmentally Disabled clients	747	736	724	717	635	620	616	569
Environmental Health service contacts	2,460	2,742	2,622	2,483	2,615	3,126	2,850	2,702
Mental Health clients	4,662	3,857	3,773	3,902	4,487	4,084	3,940	3,419
Public Health	12,672	13,251	13,085	13,197	7,713	8,307	6,614	8,300
Women, Infants, and children clients	6,052	6,521	6,418	6,285	5,849	5,780	5,780	3,400
Fairgrounds								
Willamette building (hours of use)	5,604	5,200	6,196	4,856	1,719	2,206	1,891	2,142
Calapooia Arena (hours of use)	1,918	1,995	1,749	2,076	2,772	2,825	2,478	2,915
Santiam center (hours of use)	1,203	1,315	1,594	1,388	1,791	2,356	1,507	2,317
Cascade livestock building (hours of use)	3,900	3,836	3,500	3,895	1,507	1,474	1,383	1,888

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

Information provided by Linn County elected officials and department managers.

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

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

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Ten Fiscal Years

Fiscal Year	General Administration	Local Government Services	Public Safety	Health Services	Community Development	Highways and Streets	Education	Capital Outlay	Indirect Cost Allocation	Debt Service	Totals	Portland, Oregon Consumer Index (U) (1982-84)	Per Capita
2003-2004	\$ 3,894,676	\$ 2,780,739	\$ 24,537,677	\$ 15,918,848	\$ 6,439,864	\$ 12,161,768	\$ 3,455,804	\$ -	\$ -	\$ 1,067,018	\$ 70,256,394	189.8	662.80
2004-2005	4,563,436	2,952,426	23,544,320	16,949,984	7,008,279	14,208,366	3,694,649	-	-	1,070,816	73,992,076	194.5	690.55
2005-2006	5,473,789	3,178,720	24,981,987	17,891,880	6,883,556	15,403,915	3,471,834	-	-	1,045,284	78,330,965	199.4	725.82
2006-2007	8,034,501	3,312,232	26,450,686	19,023,335	7,052,851	15,832,158	2,928,087	-	-	918,827	83,552,677	206.7	771.85
2007-2008	6,025,085	3,389,549	27,627,944	15,343,638	6,643,544	11,604,208	2,851,176	-	-	53,750	73,538,894	214.6	672.69
2008-2009	6,399,975	3,557,132	30,267,454	16,386,585	7,769,397	15,905,243	2,675,530	-	-	687,562	83,648,678	215.3	759.17
2009-2010	5,759,678	3,419,549	31,908,090	17,419,166	7,904,443	16,266,638	2,667,222	-	-	307,832	85,652,618	217.5	769.19
2010-2011	5,697,524	3,341,122	30,965,440	18,822,560	1) 19,663,245	15,373,606	2,320,828	-	-	-	76,521,080	219.1	655.86
2011-2012	5,657,757	3,335,274	30,991,422	20,174,727	6,224,219	13,958,809	1,314,484	-	-	-	81,656,692	228.0	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

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

Population based upon the 2012 center for Population Research and Census at Portland State University estimates for Linn County 118,035

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

11/6/2013; 9:44 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 Bodily injury by accident - each accident Bodily injury by disease - each employee	\$ 500,000 \$ 500,000 \$ 500,000	7/1/2012	7/1/2013	
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	7/1/2012	7/1/2013	
12APDLINC	City/County Insurance Services	Comprehensive general liability Automobile - Self-Insured Loss Funds	\$ 50,000 \$ 50,000	7/1/2012 7/1/2012	7/1/2013 7/1/2013	
12BLINC	City/County Insurance Services (Rhodes-Warden Ins, Inc.)	All boilers and machinery (\$10,000 Deductible)	Equipment breakdown \$ 100,000,000	7/1/2012	7/1/2013	
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	7/1/2012	7/1/2013

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

11/6/2013; 9:44 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>	
12PLINC	City/County Insurance Services (Rhodes-Warden Ins, Inc.) Continued	All property coverage			
		Real and Personal	Hired, Rented, or Borrowed	\$ 150,000	7/1/2012 7/1/2013
		(\$10,000 Deductible)	Equipment		
			Crime Coverage	50,000	
			Police Dogs	15,000	
			Personal Property at	15,000	
			Unscheduled Locations		
			Personal Property of	15,000	
			Employees or Volunteers		
		Unscheduled Fine Arts	100,000		
		Miscellaneous Coverage	50,000		
<hr/>					
12CLINC	Rhodes-Warden Ins., Inc (National Union Fire Insurance Company of Pitts, PA)	Excess Crime Coverage	Employee Theft	\$ 500,000	7/1/2012 7/1/2013
		(Deductible \$10,000)	Forgery or Altercation	500,000	
			Inside Premises-Theft of Money	500,000	
			& Securities		
			Inside Premises-Robbery,	500,000	
			Safe Burglary, Other		
			Outside the Premises	500,000	
			Computer Fraud	500,000	
			Money Orders & Counterfeit	500,000	
			Paper Currency		
			Funds Transfer Fraud	500,000	
			Faithful Performance of Duty	500,000	
	(Subject to \$1,000 Deductible)				



*AUDIT COMMENTS
& DISCLOSURES*

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS



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November 18, 2013

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, 2013, and have issued our report thereon dated November 18, 2013. 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 its 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

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

GRANT COMPLIANCE REVIEW



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November 18, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 18, 2013.

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

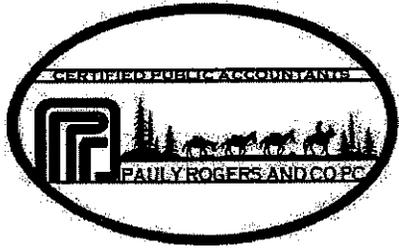
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 18, 2013

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, 2013. 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, 2013.

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, 2013

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

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
93.959	Block Grants for Prevention and Treatment of Substance Abuse
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
16.803	Recovery Act – Edward Byrne Memorial Justice Assistance Grant Cluster

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

GRANT COMPLIANCE – SINGLE AUDIT



FEDERAL SINGLE AUDIT

LINN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>		
Food and Nutrition Service		
<i>Passed through Oregon Department of Education:</i>		
School Breakfast Program	10.553	\$ 5,037
National Lunch Program	10.555	9,716
Forest Service		
<i>Department of Human Resources Health Division:</i>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	735,439
Child and Adult Care Food Program	10.558	27,052
<i>Department of Administrative Services:</i>		
Schools and Roads -- Grants to State		
Federal Forest PL 106-393 Title I	10.665	4,263,086
Federal Forest PL 110-343 Title III	10.665	409,137
Federal Forest Title II	10.665	73,215
Total Department of Agriculture		<u>5,522,682</u>
<u>Department of the Interior</u>		
Bureau of Land Management		
<i>Direct Programs:</i>		
O & C Grant Schools and Roads - Grants to State		
Bureau of Land Management PL 106-393 Title I	10.665	1,051,776
Payments in Lieu of Taxes	15.226	186,431
	15.227	35
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>1,252,242</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

<u>Federal Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Justice</u>		
Office of Juvenile Justice and Delinquency Prevention		
<i>Passed through Oregon Department of Justice:</i>		
Juvenile Accountability Incentive Block Grants	16.523	\$ 4,590
Enforcing Underage Drinking Laws Program	16.727	12,000
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 Justice Assistance Grant	16.803	152,694
Office of Victims of Crime		
Crime Victim Assistance	16.575	37,215
Total Department of Justice		<u>206,499</u>
<u>Department of Transportation</u>		
Federal Highway Administration		
<i>Passed through Oregon Department of Transportation:</i>		
Highway Planning and Construction	20.205	890,675
Grants for Other than Urbanized Areas	20.509	104,878
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	74,223
Total Department of Transportation		<u>1,069,776</u>
<u>Department of Administrative Services</u>		
<i>Passed through Department of Administrative Services:</i>		
Donation of Federal Surplus Personal Property	39.003	<u>440</u>
<u>Environmental Protection Agency</u>		
Office of Water		
<i>Passed through Oregon Department of Human Resources Health Division:</i>		
State Public Water System Supervision	66.432	40,252
Capitalization Grants for Drinking Water State Revolving Funds	66.468	19,110
Total Environmental Protection Agency		<u>59,362</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

	<u>Federal CFDA</u>	<u>Expenditures</u>
<u>Federal Grantor/Pass-through Grantor/Program title</u>		
<u>Department of Education</u>		
Office of Elementary and Secondary Education		
<i>Passed through Oregon Department of Human Resources Health Division:</i>		
Rehabilitation services-Vocational Rehabilitation Grant	84.126	\$ 8,453
Support Employment services for individual with disabilities	84.187	600
Total Office of Elementary and Secondary Education		9,053
<u>Department of Health and Human Services</u>		
Office of Population Affairs		
Family Planning - Services	93.217	157,290
Administration for Children and Families		
Promoting Safe and Stable Families	93.556	39,327
Temporary Assistance for Needy Families	93.558	81,665
<i>Passed through Oregon Commission on Children and Families:</i>		
Social Services Block Grant	93.667	214,362
Stephanie Tubbs Jones Child Welfare Services Program	93.645	25,195
Centers for Medicare and Medicaid Services		
Medical Assistance Program Title XIX	93.778	23,722
Centers for Disease Control		
<i>Passed through Oregon Department of Human Resources Health Division:</i>		
Immunization Cooperative Agreements	93.268	210
Immunization ACA Adult	93.539	46,624
Bioterrorism preparedness & response	93.069	107,212
Strengthening Public Health Infrastructure	93.507	15,063
Heath Resources and Services Administration		
TB Control and AIDS	93.116	1,997
Collaborative chronic diseases prevention	93.283	56,875
HIV Care Formula Grants	93.917	135,310
Maternal and Child Health Services Block Grant to the States	93.994	216,416
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	305,843
Social Security Disability insurance	96.001	629
Total Department of Health and Human Services		1,511,704

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

<u>Federal Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>		
Federal Emergency Management Agency		
<i>Passed through Oregon State Police:</i>		
Boating Safety Financial Assistance	97.012	\$ 54,961
Emergency Management Performance Grants	97.042	141,888
Total Department of Homeland Security		<u>196,849</u>
Totals		<u>\$ 9,828,607</u>

LINN COUNTY, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

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