

NOTES TO BASIC FINANCIAL STATEMENTS

INDEX

	<u>Page(s)</u>
I. <u>Summary of significant accounting policies</u>	
A. Reporting entity	35 – 36
B. Government-wide and fund financial statements	36
C. Measurement focus, basis of accounting, and basis of presentation	37 – 39
D. Assets, liabilities, and net assets or equity	
1. Deposits and investments	39 – 40
2. Restricted assets	40
3. Receivables and payables	40 – 41
4. Inventories and prepaid items	41 – 42
5. Capital assets	42
6. Compensated absences	43
7. Long-term obligations, bond discounts, premiums, and issuance costs	43
8. Leases	43
9. Net assets	43 – 44
10. Fund balances	44
11. Use of estimates	45
II. <u>Stewardship, compliance, and accountability</u>	
A. Budgetary information	45
B. Excess of expenditures over appropriations	46
C. Deficit fund balances/net assets	46
III. <u>Detailed notes on all funds</u>	
A. Deposits and investments	46 – 50
B. Receivables and deferred revenues	50 – 51
C. Capital assets	52 – 53
D. Interfund receivables, payables, and transfers	53 – 55
E. Leases	55
F. Noncurrent liabilities	56 – 62
G. Invested in capital assets, net of related debt	63
IV. <u>Other information</u>	
A. Risk management	63 – 65
B. Retirement plan	65 – 67
C. Other post-employment benefits	67 – 70
D. Deferred compensation plan	70
E. Joint ventures and jointly governed organizations	70 – 72
F. Commitments and contingencies	72 – 73
G. Subsequent event	73

I. Summary of Significant Accounting Policies

A. Reporting Entity

Lane County, Oregon (the County) was established in 1851 and is organized under the Oregon Revised Statutes (ORS) as a municipal corporation. A Board of County Commissioners governs the County and consists of five independently elected members who serve full-time and are compensated.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

New Accounting Pronouncements

Effective July 1, 2008, the County adopted the following accounting and financial reporting standards:

- *GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. See Note IV.F. for required disclosures.
- *GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments.* This Statement requires endowments to report their land and other real estate investments at fair value. Because the County does not currently report any endowments, there is no impact on the financial statements in the current fiscal year.
- *GASB Statement No. 55 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement codifies the hierarchy of GAAP for state and local governments that previously existed only in professional auditing literature. The Statement does not require any changes in current practice.
- *GASB Statement No. 56 – Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* This Statement codifies guidance for related party transactions, subsequent events, and going concern considerations that previously existed only in professional auditing literature. The Statement does not require any changes in current practice.

Component Units

As required by GAAP, these financial statements present the County and its component units -- legally separate entities for which the County is considered to be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will on the organization, or b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government.

Component units may be either blended into the County's operations or reported discretely in a separate column based on the closeness of their relationship to the County. The County reports the following component units:

I. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Component Units, continued

Blended Component Units

Lane County Metropolitan Wastewater Service District (the "District") contracts with the Metropolitan Wastewater Management Commission, an intergovernmental organization formed by the City of Eugene, City of Springfield, and Lane County for construction and operation of wastewater facilities. The District serves the citizens of the County located within the Eugene and Springfield city limits and is governed by the Board of County Commissioners. Because the District's governing body is identical to Lane County's, the funds of the District are blended with those of the County by including them in the appropriate statements and schedules of this Comprehensive Annual Financial Report. The District does not prepare separately issued financial statements.

The Housing and Community Services Agency of Lane County ("HACSA") is the public housing authority for the City of Eugene, City of Springfield, and Lane County. Its mission is to provide affordable, decent, safe, and sanitary housing to low and moderate income families and households. The County Board of Commissioners and two resident members govern the Agency. Because the HACSA governing body is substantially the same as Lane County's, the funds of HACSA are blended with those of the County for its fiscal year end September 30, 2008 by including them in the appropriate statements and schedules of this Comprehensive Annual Financial Report.

Complete financial statements may be obtained at the following administrative office:

Housing and Community Services Agency
177 Day Island Road
Eugene, Oregon 97401

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the County and its component units. *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 charges for services.

The statement of activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or program are offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or program. *Indirect expenses* are those costs, usually administrative in nature, that support all County functions and enable direct services to be provided. Indirect expenses are allocated to business-type activities in an amount equal to their actual indirect charges paid. The balance of indirect expense is allocated to governmental activities as a percentage of direct expenses. *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 program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included in program revenues are reported as *general revenues*.

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

Notes to Basic Financial Statements

June 30, 2009

I. Summary of Significant Accounting Policies, continued

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of presentation refers to the application of measurement focus and basis of accounting to financial statement types.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and the fiduciary fund financial statements. 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 the eligibility requirements imposed by the provider have been met. An exception to these rules exists for agency funds (a type of fiduciary fund) which account for resources held in a purely custodial capacity. Although agency funds use the *accrual basis of accounting* and are reported in the Statement of Fiduciary Net Assets, they have no measurement focus and do not present a Statement of Changes in Fiduciary Net Assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in the government-wide, proprietary fund, and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector standards for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidelines.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between County proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. 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 revenue of the County's enterprise funds is housing assistance receipts, grants, and charges to customers for services. The County also recognizes as operating revenue admissions, concessions, fees, and rental of property. Operating expenses for the enterprise and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Notes to Basic Financial Statements

June 30, 2009

I. Summary of Significant Accounting Policies, continued

C. Measurement Focus, Basis of Accounting, and Basis of Presentation, continued

Government-wide, Proprietary, and Fiduciary Fund Financial Statements, continued

The County has the following major proprietary funds:

- *Lane Events Center Fund* – This fund accounts for the management and operation of a 55-acre complex consisting of a regional convention facility, major indoor sports facilities, and a regional celebration space. Lane County operates a “split” model operation of the Lane Events Center/Lane County Fair in which operational responsibility is vested in a Fair Board for the Fair, and in the County for the remainder of the year. The Fair Board is appointed by the Board of County Commissioners in accordance with ORS 565.210. Capital reinvestment and infrastructure support is provided by a transfer of hotel and motel room taxes from the Special Revenue/Services Fund.
- *Solid Waste Disposal Fund* – This fund accounts for waste management services provided to County residents through a network of one landfill and 16 transfer stations.
- *Housing and Community Services Fund* – This fund accounts for the operations of the Housing and Community Services Agency of Lane County. HACSA’s primary functions are the planning, development, and operation of low-income housing projects funded by the U.S. Department of Housing and Urban Development, and the administration and operation of other programs related to low-income housing assistance.

Additionally, the County reports the following fund types:

- *Internal Service* – These funds account for operations that provide services primarily to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis. The County’s internal service funds provide risk management, employee benefits, pension bond debt service, motor and equipment pool, intergovernmental services, computer information and replacement services, and retiree medical benefits.
- *Fiduciary* – The County’s fiduciary fund consists of a property tax agency fund that accounts for property taxes and timber receipts collected, held, and distributed by the County as an agent on behalf of other governments.

Governmental Fund Financial Statements

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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and vested compensated absences.

Taxes and assessments are recognized as revenues of the current fiscal period if received within 60 days of year-end. Intergovernmental revenues (entitlements, shared revenues, and grants) are recorded at the time of receipt or earlier if susceptible to accrual. Revenues on expenditure-driven grants are recognized when both the eligibility requirements have been met by the incurrence of qualifying expenditures, and the revenue is received soon enough after year end to liquidate grant related payables recorded as of year-end. Investment earnings are recognized when earned since they are considered both measurable and available at that time. All other receipts are recognized as revenues of the current fiscal period if susceptible to accrual and received within 45 days of year-end.

Notes to Basic Financial Statements

June 30, 2009

I. Summary of Significant Accounting Policies, continued

C. Measurement Focus, Basis of Accounting, and Basis of Presentation, continued

Governmental Fund Financial Statements, continued

The County has the following major governmental funds:

- *General Fund* – This is the County’s primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.
- *Road Fund* – This fund accounts for the receipt and expenditure of resources dedicated to the construction, operation, maintenance, and preservation of the County’s road system.
- *Special Revenue/Services Fund* – This fund accounts for several dedicated revenue sources and programs. Transient Room Tax funds tourism programs, and revenue generated from the sale of tax-foreclosed real property supports the property management division. Video lottery proceeds fund economic development while court fines support the traffic team. Grants awarded to the Children and Families, Youth Services, Sheriff’s Office, and District Attorney’s departments are also reported in this fund. Other dedicated revenue sources include Title III revenues that fund forestland emergency services and federal forest work crews, and systems development charges managed by Parks.
- *Health and Human Services Fund* – This fund accounts for resources, primarily from grants and state monies, used to promote and protect the health and well-being of individuals, families, and the communities within Lane County.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The County’s cash and cash equivalents consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and equity in the County’s common cash and investments pool.

The County’s common cash and investments pool is utilized by all County funds except the HACSA enterprise fund, which manages its own cash and investments. Interest earned on the pool is allocated monthly based on each fund’s average daily cash and investment balance in proportion to the County’s total pooled cash and investments. For purposes of the statement of cash flows, the County considers “cash and cash equivalents” to include pooled cash and investments since the pool has the general characteristics of a demand deposit account, in that any participating fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

I. Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Assets or Equity, continued

1. Deposits and Investments, continued

ORS 294.035 authorizes the County to invest in general obligations of the United States and its agencies, debt obligations of the state of Oregon, California, Idaho, and Washington and their political subdivisions, banker's acceptances, corporate indebtedness, commercial paper, repurchase agreements, time certificates of deposit, fixed or variable life insurance contracts, and the State Treasurer's Local Government Investment Pool. Furthermore, ORS 456.120(18) allows HACSA to invest in limited partnerships related to certain housing projects. For bank balances in excess of federal depository insurance, the County participates in Oregon's Public Funds Collateralization Program.

The County reports, at amortized cost, all short-term highly liquid money market investments and participating interest-bearing investment contracts with a remaining maturity at purchase of one year or less. Such investments are stated at cost, increased by the accretion of discounts and reduced by amortization of premiums; both computed using the straight-line method. Investments with a remaining maturity at time of purchase of more than one year are valued at fair value, except for HACSA investments which are reported at amortized cost which approximates fair value.

2. Restricted Assets

Restricted cash and investments are reported in connection with certain deposits and special accounts where resources are physically segregated, or where restrictions on use change the nature or normal understanding of the availability of the asset. Lane County reports the following restricted assets:

- Cash and investments held by fiscal agents to accumulate resources for bond and note repayments
- Certificate of deposit held by the State of Oregon for the payment of workers' compensation claims

Restricted demand deposits are considered "cash and cash equivalents" for cash flow reporting purposes, while restricted certificates of deposit and investments are not.

3. Receivables and Payables

Receivables represent claims held against others for money, goods, or services. The County carries receivables for investment earnings, property taxes, accounts, intergovernmental, other, and interest on balances, all net of an allowance for uncollectibles when appropriate. As of June 30, 2009, an allowance was recorded in the Special Revenue / Services Fund equal to 25% of outstanding Justice Court receivables not turned over to a collection agent and 77% turned over to a collection agent. All adjustments to the allowance accounts are charged against the related revenues of the current period.

Intergovernmental receivables include uncollected grant revenues where all eligibility and timing requirements have been met. Eligibility requirements usually mandate monies be expended on the specific purpose or project before any amounts will be paid to the County; therefore, all eligibility requirements are considered met when the underlying expenditures are recorded. Timing requirements are usually met at the time when the allowable use of the monies has begun.

Notes to Basic Financial Statements

June 30, 2009

I. Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Assets or Equity, continued

3. Receivables and Payables, continued

In the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds". Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payable" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). Advances between funds reported in the governmental fund financial statements are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Real and personal property taxes attach as an enforceable lien on July 1 for each fiscal year on values assessed as of January 1. Taxes are levied July 1 and are payable in three installments on November 15, February 15, and May 15. The County levies, collects, and distributes property taxes for all taxing jurisdictions within its boundaries, and reports the activity in an agency fund. Taxes unpaid as of May 16 are considered delinquent. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred revenues. In the government-wide financial statements, the County reports property tax revenue when levied and considers them fully collectible. Therefore, no allowance for uncollectible property taxes is made.

Property Tax Limitations: In 1997 taxing districts in Oregon were given permanent operating tax rates according to a formula set out by constitutional amendment, Measure 50, and are expressed as a tax rate per thousand dollars of assessed value. Rates cannot be increased however a district can levy less. An amendment to Measure 50 established a maximum assessed value for each property equal to its 1995 real market value less 10%. The growth of a property's maximum assessed value is limited to no more than 3 percent per year, with exceptions for specific situations including but not limited to: new improvements, renovations and other construction to existing improvements above a certain threshold, subdivisions or partitions of land, removal from an exemption or special assessment program, rezoning and new use of the property. Tax is levied on the taxable value of the property which is the lesser of the maximum assessed value or the real market value minus any exemptions. As of the 2008 tax roll, assessed property values in the County are currently 55.69% of real market values. The Oregon Constitution also sets limits on the amount of property taxes that can be billed to each property tax account at \$10 per \$1,000 of real market value for general government taxes. Bond levies are exempt from this limitation. If taxes exceed the limit for that property, the taxes are reduced proportionately for all general government levies, or "compressed", until the limit is reached.

4. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased. However, significant inventories in governmental funds are reported as an asset with a corresponding reservation of fund balance. In the government-wide and proprietary fund financial statements, inventory is capitalized upon purchase and expensed as the materials and supplies are used.

Notes to Basic Financial Statements

June 30, 2009

I. Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Assets or Equity, continued

4. Inventories and Prepaid Items, continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as expenditures in governmental funds and prepaid items in the government-wide and proprietary fund financial statements.

5. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more (\$2,500 for HACSA) and an estimated useful life in excess of 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 value at the date of donation.

Infrastructure, which includes bridges and culverts, roads, and right-of-ways are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. As permitted by GASB, the County has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ending after June 30, 1980. Although the majority of infrastructure was placed in service before that date, it has not been included in these financial statements.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. 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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Of the \$299,852 in interest expense incurred in enterprise funds during fiscal year 2009, none was required to be capitalized.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process used to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair value, nor is capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Capital assets of the County, including blended component units, are depreciated using the straight-line method over the following estimated lives:

<u>Capital Asset</u>	<u>Years</u>
Buildings and related improvements	24 – 60
Certain other improvements	8 – 30
Machinery and equipment	3 – 10
Infrastructure:	
Bridges and culverts	80
Roads	7 – 40

Notes to Basic Financial Statements

June 30, 2009

I. Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Assets or Equity, continued

6. Compensated Absences

Vested vacation and time management benefits are recognized as a liability when earned in the government-wide and proprietary fund financial statements. In the governmental funds, the liability is recognized only when due and payable, i.e. as a result of employee resignations and retirements.

7. Long-Term Obligations, Bond Discounts, Premiums, and Issuance Costs

Long-term obligations and rebatable arbitrage are reported in the government-wide and proprietary fund financial statements as liabilities. The governmental fund financial statements do not report long-term obligations or rebatable arbitrage because these obligations do not require the use of current financial resources.

Bond premiums, discounts, and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method in the government-wide and proprietary fund financial statements, but are recognized during the current period in the governmental fund financial statements. The bonds-outstanding method does not differ significantly from the effective interest rate method.

Interest accretion on deep discount obligations is calculated based on the initial yield to maturity as set forth in the bond's Official Statement. Accreted interest increases bonds payable and interest expense as reported in the government-wide and proprietary fund financial statements. Interest accretion is not reported in the governmental fund financial statements.

8. Leases

Leases which meet certain criteria established by the Financial Accounting Standards Board are classified as capital leases, and the assets and related liabilities are recorded at amounts equal to the lesser of the present value of minimum lease payments or the fair value of the leased property at the beginning of the respective lease term. Leases which do not meet the criteria of a capital lease are classified as operating leases. The County currently has no capital leases to report.

9. Net Assets

Net assets represent the difference between assets and liabilities. The County reports the following subcategories of net assets:

Invested in capital assets, net of related debt – Represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt (excluding unexpended proceeds) directly attributable to the acquisition, construction, or improvement of those assets. See note III.G. for a detailed computation.

Restricted net assets – Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The following are major classes of restricted net assets:

I. Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Assets or Equity, continued

9. Net Assets, continued

Restricted net assets, continued

Debt service – Represents net assets in debt service funds legally restricted by Oregon statute for payment of principal and interest on outstanding general obligation and limited tax bonds.

Health and human services – Represents net assets in the Health and Human Services special fund generated by grant revenue restricted to approved activities.

Special revenue / services – Represents net assets in the Special Revenue / Services fund generated by federal, state, and local grants restricted to approved activities.

Roads – Represents net assets in the Road special revenue fund generated by fuel tax and related revenues legally restricted by Oregon statute for road and road related projects.

Title III projects – Represents net assets in the Title III Projects special revenue fund generated by grant revenue legally restricted by Federal law to services on federally owned forest land within the County.

LaneCare – Represents net assets in the LaneCare special revenue fund generated by per capita revenue legally restricted by State statute to mental health services for County residents participating in the Oregon Health Plan.

Housing and community services – Represents investments of tax, insurance, replacement, and other reserves of the Housing and Community Services enterprise fund for federal housing projects and community development programs.

Self insurance – Represents investments of the Self Insurance internal service fund that are held jointly with the State of Oregon to cover uninsured workers' compensation claims.

Other purposes – Represents restricted net assets for all other non-major special revenue funds of the County.

Unrestricted – Represents all other net assets that are not restricted and do not meet the definition of investing in capital assets, net of related debt.

10. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific future use. The following are major categories of fund balances:

Reserved for Inventories – Represents the cost of supplies and merchandise inventories that are not available for expenditure since they exist in commodity form only. The County anticipates using the supplies or selling the merchandise in the normal course of operations.

Unreserved – Represents all other fund balances that are not reserved.

I. Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Assets or Equity, continued

11. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Legally required budgets are adopted for all funds. HACSA and the Property Tax Agency Fund are exempted from Oregon Local Budget Law under ORS 294.316(8), although HACSA prepares and adopts a budget for management purposes. The budget is adopted on a modified accrual basis with the exception of the following:

- Unrealized changes in the fair value of investments are not recognized on a budget basis.
- Intrafund transfers are recognized on a budget basis.
- The Lane Events Center reports prepaid expenditures for the County Fair on a budget basis.

The Board of County Commissioners adopts a resolution by June 30 of each year authorizing appropriations for the next fiscal year beginning July 1. This resolution establishes appropriations at the department level within each fund and sets the spending level by which expenditures cannot legally be exceeded. A detailed budget is also prepared, containing more in-depth information than the above-mentioned expenditure appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget as allowed by state statute. A supplemental budget involves hearings before the public, legal notice publication, and approval by the County Commissioners. Unexpected additional specific purpose grants expended in the year received do not require supplemental board action when an appropriation ordinance or resolution authorizing the expenditure has been adopted by the Board.

The County's department directors may transfer appropriations between categories within a department so long as the overall appropriation does not exceed that authorized by the original budget resolution plus any supplemental budget. Transfers of appropriations between departments or funds require a resolution or ordinance adopted by the governing board. For fiscal year 2009, the County Commissioners adopted four supplemental budget resolutions. Appropriations lapse at fiscal year-end.

The County does not utilize encumbrance accounting.

Notes to Basic Financial Statements

June 30, 2009

II. Stewardship, Compliance, and Accountability, continued

B. Excess of Expenditures over Appropriations

Expenditures (on a budgetary basis) exceeded appropriations authorized by the Board of County Commissioners as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Over Expenditure</u>
<u>Internal Service Funds:</u>			
Employee benefits fund:			
General expense -			
Materials and services	\$ 39,518,460	\$ 41,623,208	\$ 2,104,748
Retiree medical benefit trust fund:			
General expense -			
Materials and services	2,861,122	2,883,491	22,369

C. Deficit Fund Balances/Net Assets

The Capital Improvements capital projects fund reported negative fund balance of \$1,611,434. This resulted when \$1,876,955 in interfund loans were affected to provide short-term financing for selected capital projects. On November 2, 2009, Lane County issued Full Faith and Credit Obligations, Series 2009 to repay the interfund loans. As of that date, the fund no longer carried a negative fund balance.

The Pension Bond internal service fund reported negative net assets of \$4,991,038. This resulted from timing differences between the amortization of the deep discount on pension bonds and net pension asset, and actual revenues required to meet debt service requirements. The deficit does not affect the fund's ability to pay debt service because departmental charges are budgeted and collected to coincide with debt service requirements. Over the life of the bond as debt service increases, the deficit will be eliminated.

III. Detailed Notes on All Funds

A. Deposits and Investments

Total deposits and investments by financial statement reporting unit at June 30, 2009 are as follows:

	<u>Government- wide Statement of Net Assets</u>	<u>Statement of Fiduciary Net Assets</u>	<u>Total</u>
Cash and cash equivalents	\$ 170,964,706	\$ 3,340,376	\$ 174,305,082
Investments	3,921,881	-	3,921,881
Restricted cash	417,729	-	417,729
Restricted investments	3,509,259	-	3,509,259
Investments in limited partnerships	2,069,223	-	2,069,223
Total cash and investments	\$ <u>180,882,798</u>	\$ <u>3,340,376</u>	\$ <u>184,223,174</u>

Notes to Basic Financial Statements

June 30, 2009

III. Detailed Notes on All Funds, continued**A. Deposits and Investments, continued**

Total cash and investments at June 30, 2009 are comprised of the following:

<u>Cash and cash equivalents</u>	
Cash on hand	\$ <u>140,161</u>
Deposits:	
Demand deposits	3,070,962
Certificates of deposit	8,000,000
Money market accounts	10,821,429
Total deposits	<u>21,892,391</u>
Investments	<u>152,272,530</u>
Total cash and cash equivalents	<u>174,305,082</u>
<u>Investments</u>	<u>3,921,881</u>
<u>Restricted assets</u>	
Deposits:	
Demand deposits	370,759
Cash with fiscal agent	46,970
Total deposits	<u>417,729</u>
Certificates of deposit	1,261,000
Investments	<u>2,248,259</u>
	<u>3,509,259</u>
Total restricted assets	<u>3,926,988</u>
<u>Investments in limited partnerships</u>	<u>2,069,223</u>
<u>Total cash and investments</u>	<u>\$ 184,223,174</u>

Policies

Lane County has adopted investment policies to address credit risk, concentration of credit risk, and custodial credit risk – deposits which mirror parameters for the investment of public funds set forth in the ORS. However, where statute limits investment maturities to 18 months, Lane County may invest up to three years. Although HACSA has not adopted formal written investment policies, HACSA adheres to State statutes and regulations issued by the federal Department of Housing and Urban Development regarding the investment of surplus funds.

III. Detailed Notes on All Funds, continued

A. Deposits and Investments, continued

Interest Rate Risk

The County reports the following investments and maturities at June 30, 2009. For purpose of this schedule, the County assumes its callable investments will not be called.

Investments	Fair Value	Investment Maturities			
		1 – 181 Days	182 – 364 Days	365 – 729 Days	730 – 1,094 Days
United States treasury	\$ 4,758,150	\$ -	\$ -	\$ 1,924,252	\$ 2,833,898
United States agencies:					
Notes:					
Federal Agricultural Mortgage Corporation	2,051,050	1,004,980	-	1,046,070	-
Federal Farm Credit Bank	16,137,751	-	-	7,037,399	9,100,352
Federal Home Loan Bank	16,991,647	1,598,735	1,022,657	2,038,129	12,332,126
Federal Home Loan Mortgage Corporation	25,562,945	-	1,521,387	1,965,724	22,075,834
Federal National Mortgage Association	23,734,434	600,000	-	6,061,452	17,072,982
Tennessee Valley Authority	1,897,336	-	-	-	1,897,336
Corporate indebtedness:					
Promissory Notes	23,237,729	8,843,469	5,123,551	6,117,995	3,152,714
Commercial Paper	995,000	995,000	-	-	-
Local government investment pool	41,030,448	30,772,836	4,923,654	5,333,958	-
Investment with fiscal agent	2,046,180	-	-	-	2,046,180
Limited partnerships	2,069,223	-	-	-	2,069,223
	<u>\$ 160,511,893</u>	<u>\$ 43,815,020</u>	<u>\$ 12,591,249</u>	<u>\$ 31,524,979</u>	<u>\$ 72,580,645</u>

Summary

Cash and cash equivalents	\$ 152,272,530
Investments	3,921,881
Restricted investments	2,248,259
Limited partnerships	2,069,223
Total investments	<u>\$ 160,511,893</u>

As a means of limiting exposure to fair value losses arising from rising interest rates, the County's investment policy limits its investment maturities to a percent of the investment portfolio:

<u>Maturity</u>	<u>Minimum Investment</u>
Less than 180 days	20%
Less than 360 days	30%
Less than 720 days	50%
Less than 1,080 days	100%

III. Detailed Notes on All Funds, continued

A. Deposits and Investments, continued

Credit Risk

Standard and Poor's rates certain debt securities to assess risk and reflect the ability of the debtor to meet promised principal and interest payments. The upper echelons of ratings are defined as follows: "AAA" = Highest Quality, "AA" = High Quality, and "A" = Upper medium quality. All ratings below "A" are considered medium or low grade investments.

State law and County policy require that minimum ratings be maintained for certain debt securities. At June 30, 2009, the minimum ratings and Standard and Poor's actual ratings for the County's investment portfolio are:

<u>Debt Security</u>	<u>Minimum Rating</u>	<u>Actual Rating</u>
United States agencies:		
Federal Agricultural Mortgage Corporation	None	None
Federal Farm Credit Bank	None	AAA
Federal Home Loan Bank	None	AAA
Federal Home Loan Mortgage Corporation	None	AAA
Federal National Mortgage Association	None	AAA
Tennessee Valley Authority	None	None
Corporate Indebtedness:		
Promissory notes:		
Oregon	A	AA
Non-Oregon	AA	AA to AAA
Commercial Paper	AA	AAA

The Local Government Investment Pool is unrated.

Concentration of Credit Risk

State law and County policy require investments not exceed the following as a percent of all monies available for investment:

- 33% in general obligations of the United States or any one of its agencies
- 25% in bankers acceptances
- 35% in corporate indebtedness, or 5% in any single corporate issuer

County investments in excess of 5% of total investments are as follows:

• United States agencies:	<u>% of Total</u>
▪ Federal Farm Credit Bank	10.05%
▪ Federal Home Loan Bank	10.59%
▪ Federal Home Loan Mortgage Corporation	15.93%
▪ Federal National Mortgage Association	14.79%
• Local government investment pool	25.56%
• Corporate Debt	
▪ Promissory Notes	14.48%

III. Detailed Notes on All Funds, continued

A. Deposits and Investments, continued

Custodial Credit Risk - Deposits

Custodial credit risk on deposits is the risk that in the event of a bank failure, the County's deposits may not be returned. In order to minimize this risk, state statutes require banks holding public funds become members of the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected. Of the County's June 30, 2009 bank balance of \$25,427,567, \$9,283,219 was insured by the FDIC and \$16,144,348 was collateralized by the PFCP.

Custodial Credit Risk - Investments

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. The County does not have an investment policy for custodial credit risk. All investments were held by the County in its own name.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. The OSTF is a cash and investment pool available for use by all state funds and eligible local governments. The OSTF is managed by the Investment Division of the Oregon State Treasury within the guidelines established in the OSTF Portfolio Rules. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. At June 30, 2009, the fair value of Lane County deposits with LGIP approximates cost. The OSTF financial statements and the OSTF Portfolio Rules can be obtained at www.ost.state.or.us.

B. Receivables and Deferred Revenues

Receivables at June 30, 2009, including the applicable allowance for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General</u>	<u>Road</u>	<u>Special Revenue / Services</u>	<u>Health and Human Services</u>	<u>Lane Events Center</u>	<u>Solid Waste Disposal</u>
Investment earnings	\$ 167,210	\$ 272,166	\$ 15,533	\$ 28,376	\$ 2,621	\$ 144,216
Property taxes	1,882,614	-	-	-	-	-
Accounts	382,556	492,541	15,249,185	553,541	78,266	1,095,509
Intergovernmental	2,139,236	1,467,679	1,427,884	2,412,734	-	765
Other	-	-	-	-	-	-
Interest on balances	467,693	-	5,915,641	-	-	-
Gross receivables	5,039,309	2,232,386	22,608,243	2,994,651	80,887	1,240,490
Less: allowance for uncollectibles	-	-	15,256,435	-	-	-
Net total receivables	\$ 5,039,309	\$ 2,232,386	\$ 7,351,808	\$ 2,994,651	\$ 80,887	\$ 1,240,490

III. Detailed Notes on All Funds, continued

B. Receivables and Deferred Revenues, continued

<u>Receivables (continued)</u>	Housing and Community Services	Other Govern- mental Funds	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Investment earnings	\$ -	\$ 166,645	\$ 25,972	\$ 241,356	\$ 1,638	\$ 1,065,733
Property taxes	-	199,903	-	-	20,521,908	22,604,425
Accounts	25,191	329,925	30,483	55,451	108,459	18,401,107
Intergovernmental	572,749	1,581,103	50,000	-	-	9,652,150
Other	2,660,004	165,498	-	-	-	2,825,502
Interest on balances	-	67,898	-	-	-	6,451,232
Gross receivables	<u>3,257,944</u>	<u>2,510,972</u>	<u>106,455</u>	<u>296,807</u>	<u>20,632,005</u>	<u>61,000,149</u>
Less: allowance for uncollectibles	-	-	-	-	-	15,256,435
Net total receivables	<u>\$ 3,257,944</u>	<u>\$ 2,510,972</u>	<u>\$ 106,455</u>	<u>\$ 296,807</u>	<u>\$ 20,632,005</u>	<u>\$ 45,743,714</u>

Interest on balances is computed on outstanding property taxes and accounts at the justice courts. Allowance for doubtful accounts is computed on accounts at the justice courts only.

Deferred revenues are reported in governmental funds in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds report deferred revenue in connection with resources that have been received but not yet earned. Various components of deferred revenue consist of the following at June 30, 2009:

<u>Fund by Type</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable:			
General	\$ 1,749,050	\$ -	\$ 1,749,050
Other governmental funds	187,503	-	187,503
Other receivables:			
Road	138,823	116,716	255,539
Special revenue / services	4,777,859	-	4,777,859
Health and human services	-	810	810
Lane events center	-	279,981	279,981
Housing and community services	-	697,335	697,335
	<u>\$ 6,853,235</u>	<u>\$ 1,094,842</u>	<u>\$ 7,948,077</u>

III. Detailed Notes on All Funds, continued

C. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows.

Governmental activities:	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 9,402,839	\$ 505,682	\$ (74,537)	\$ -	\$ 9,833,984
Construction in progress	<u>1,318,840</u>	<u>1,664,253</u>	<u>-</u>	<u>(178,229)</u>	<u>2,804,864</u>
Total capital assets not being depreciated	<u>10,721,679</u>	<u>2,169,935</u>	<u>(74,537)</u>	<u>(178,229)</u>	<u>12,638,848</u>
Capital assets being depreciated:					
Buildings and land improvements	112,943,879	4,597,907	-	178,229	117,720,015
Equipment and furniture	42,696,442	2,205,241	(4,460,192)	101,334	40,542,825
Infrastructure	<u>309,417,708</u>	<u>15,277,416</u>	<u>(3,255,850)</u>	<u>-</u>	<u>321,439,274</u>
Total capital assets being depreciated	<u>465,058,029</u>	<u>22,080,564</u>	<u>(7,716,042)</u>	<u>279,563</u>	<u>479,702,114</u>
Less accumulated depreciation for:					
Buildings and land improvements	(47,674,687)	(2,300,747)	-	-	(49,975,434)
Equipment and furniture	(27,948,619)	(3,076,431)	4,247,394	72,616	(26,705,040)
Infrastructure	<u>(81,122,740)</u>	<u>(9,804,381)</u>	<u>3,255,850</u>	<u>-</u>	<u>(87,671,271)</u>
Total accumulated depreciation	<u>(156,746,046)</u>	<u>(15,181,559)</u>	<u>7,503,244</u>	<u>72,616</u>	<u>(164,351,745)</u>
Total capital assets being depreciated, net	<u>308,311,983</u>	<u>6,899,005</u>	<u>(212,798)</u>	<u>352,179</u>	<u>315,350,369</u>
Governmental activities capital assets, net	<u>\$ 319,033,662</u>	<u>\$ 9,068,940</u>	<u>\$ (287,335)</u>	<u>\$ 173,950</u>	<u>\$ 327,989,217</u>
Business-type activities:	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 11,053,451	\$ 218,118	\$ (94,597)	\$ -	\$ 11,176,972
Construction in progress	<u>17,707,482</u>	<u>3,172,797</u>	<u>(777,165)</u>	<u>(9,766,687)</u>	<u>10,336,427</u>
Total capital assets not being depreciated	<u>28,760,933</u>	<u>3,390,915</u>	<u>(871,762)</u>	<u>(9,766,687)</u>	<u>21,513,399</u>
Capital assets being depreciated:					
Buildings and land improvements	76,566,947	1,514,707	(191,258)	9,766,687	87,657,083
Equipment and furniture	<u>11,476,280</u>	<u>392,478</u>	<u>(1,493,535)</u>	<u>(101,334)</u>	<u>10,273,889</u>
Total capital assets being depreciated	<u>88,043,227</u>	<u>1,907,185</u>	<u>(1,684,793)</u>	<u>9,665,353</u>	<u>97,930,972</u>
Less accumulated depreciation for:					
Buildings and land improvements	(37,156,255)	(2,563,040)	188,204	420,589	(39,110,502)
Equipment and furniture	<u>(8,259,357)</u>	<u>(643,751)</u>	<u>1,452,652</u>	<u>(672,605)</u>	<u>(8,123,061)</u>
Total accumulated depreciation	<u>(45,415,612)</u>	<u>(3,206,791)</u>	<u>1,640,856</u>	<u>(252,016)</u>	<u>(47,233,563)</u>
Total capital assets being depreciated, net	<u>42,627,615</u>	<u>(1,299,606)</u>	<u>(43,937)</u>	<u>9,413,337</u>	<u>50,697,409</u>
Business-type activities capital assets, net	<u>\$ 71,388,548</u>	<u>\$ 2,091,309</u>	<u>\$ (915,699)</u>	<u>\$ (353,350)</u>	<u>\$ 72,210,808</u>

Notes to Basic Financial Statements

June 30, 2009

III. Detailed Notes on All Funds, continued

C. Capital Assets, continued

Depreciation was charged as a direct expense to the following functions for the year ended June 30, 2009:

Governmental Activities

General government	\$ 3,471,347
Public safety	1,452,013
Public health and welfare	34,146
Parks	74,831
Roads and bridges	<u>10,149,222</u>
Total depreciation expense - governmental activities	<u>\$ 15,181,559</u>

Business-type Activities

Lane events center	\$ 1,034,368
Solid waste disposal	693,043
Housing and community services	1,098,183
Other enterprise funds	<u>381,197</u>
Total depreciation expense – business-type activities	<u>\$ 3,206,791</u>

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables at June 30, 2009 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Other governmental funds	\$ <u>31,057</u>
Internal service funds	General	864,359
Internal service funds	Road	310,228
Internal service funds	Special revenue / services	212,673
Internal service funds	Health and human services	334,380
Internal service funds	Other governmental funds	140,363
Internal service funds	Lane events center	24,896
Internal service funds	Solid waste disposal	109,146
Internal service funds	Other enterprise funds	101,291
Internal service funds	Internal service funds	<u>127,261</u>
		<u>2,224,597</u>
Total due to/from other funds		<u>\$ 2,255,654</u>

III. Detailed Notes on All Funds, continued

D. Interfund Receivables, Payables, and Transfers, continued

The outstanding balances between funds result mainly from the time lag between the accrual and subsequent payment of payroll and related benefit charges to internal service funds at June 30, 2009.

Interfund loans receivable/payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General	Special revenue / services	\$	75,000
Solid waste disposal	Other governmental funds		876,955
Solid waste disposal	Other enterprise funds		283,000
Internal service funds	Other governmental funds		1,000,000
Total interfund loans receivable/payable		\$	<u>2,234,955</u>

- The General Fund loaned \$75,000 to the tax foreclosed property program in the Special Revenue / Services special revenue fund for cash flow purposes. The loan is due June 30, 2010.
- The Solid Waste Disposal enterprise fund loaned \$876,955 to the Capital Improvements governmental fund for costs associated with replacing the AIRS public safety computer system. The loan was repaid November 2, 2009.
- The Solid Waste Disposal enterprise fund loaned \$283,000 to the Land Management enterprise fund for cash flow purposes. The loan is due June 30, 2010.
- The Motor and Equipment internal service fund loaned \$1,000,000 to the Capital Improvements governmental fund to provide resources to improve the Public Health Facility. The loan was repaid November 2, 2009.

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. Interfund transfers for the year ended June 30, 2009 are as follows:

<u>Fund</u>	<u>General</u>	<u>Road</u>	<u>Special Revenue / Services</u>	<u>Health and Human Services</u>	<u>Lane Events Center</u>
General	\$ -	\$ -	\$ 891,807	\$ 2,082,066	\$ -
Road	-	-	1,790,000	-	-
Special revenue / services	1,002,363	-	-	-	911,594
Health and human services	110,962	-	195,634	-	-
Solid waste disposal	-	51,205	25,000	-	-
Other governmental funds	546,401	451,678	432,435	453,688	-
Internal service funds	520,694	165,537	62,448	215,379	-
Total transfers in	<u>\$ 2,180,420</u>	<u>\$ 668,420</u>	<u>\$ 3,397,324</u>	<u>\$ 2,751,133</u>	<u>\$ 911,594</u>

<u>Fund (continued)</u>	<u>Solid Waste Disposal</u>	<u>Other Governmental Funds</u>	<u>Other Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total Transfers Out</u>
General	\$ -	\$ 2,902,399	\$ 650,000	\$ -	\$ 6,526,272
Road	-	-	-	-	1,790,000
Special revenue / services	-	1,058,574	-	-	2,972,531
Health and human services	-	252,992	-	-	559,588
Solid waste disposal	-	-	-	173,950	250,155
Other governmental funds	-	482,933	178,580	132,290	2,678,005
Internal service funds	224,601	68,761	117,964	57,941	1,433,325
Total transfers in	<u>\$ 224,601</u>	<u>\$ 4,765,659</u>	<u>\$ 946,544</u>	<u>\$ 364,181</u>	<u>\$ 16,209,876</u>

Notes to Basic Financial Statements

June 30, 2009

III. Detailed Notes on All Funds, continued

D. Interfund Receivables, Payables, and Transfers, continued

Transfers are routinely made for the following purposes:

- To move revenues from the fund in which statute or budget requires them to be collected to the fund from which statute or budget requires them to be expended;
- To move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due;
- To move unrestricted revenues collected in the General Fund to finance various programs and activities accounted for in other funds in accordance with budgetary authorizations; and
- To move revenues collected from restricted sources to other funds to pay for direct expenses.

During fiscal year 2009, the following non-routine transfers were made:

1. Employee Benefit internal service fund reserves were reduced and \$1,135,000 was returned to paying funds to help offset budget reductions.
2. The Special Revenue / Services special revenue fund transferred \$900,000 in unrestricted Justice Court receipts to support General Fund operations.

E. Leases

The County is lessee to several buildings and office facilities under noncancellable operating leases. Lease expense to the County for such leases was \$350,319 for the year ended June 30, 2009. The future minimum lease payments to be paid under these leases are as follows:

<u>Year Ended June 30</u>		
2010	\$	304,261
2011		<u>156,498</u>
	\$	<u><u>460,759</u></u>

The County acts as lessor under non-cancellable operating leases that arise primarily from leasing office space in various County facilities. Lease income to the County for such leases was \$886,384 for the year ended June 30, 2009. The future minimum lease payments to be received under these leases are as follows:

<u>Year Ended June 30</u>		
2010	\$	345,529
2011		184,474
2012		93,557
2013		42,672
2014		<u>25,896</u>
	\$	<u><u>692,128</u></u>

The carrying amount of leased assets under operating leases is as follows:

<u>Governmental Activities</u>		
Buildings and improvements	\$	6,576,271
Less accumulated depreciation		<u>(1,221,398)</u>
Total	\$	<u><u>5,354,873</u></u>

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities

General Obligation Bonds

The County issues general obligation (GO) bonds to finance major construction projects in governmental activities. GO bonds are backed by the full faith and credit of the County and are serviced by general property tax revenues. Brief descriptions of outstanding GO bonds are as follow:

General Obligation Refunding Bonds, Series 2003A – Original issue amount \$27,410,000 used to refund the GO Juvenile Justice Center Bonds, Series 1995 issued to finance the land acquisition, construction, furnishing, and equipping of the County Juvenile Justice Center. Remaining annual principal and semi-annual interest payments are approximately \$3 million per year with final payment scheduled on June 1, 2015. Payment of principal and interest is insured by FSA.

Total GO bonds outstanding as of June 30, 2009 are as follows:

<u>Governmental Activities</u>	<u>Interest Rates (%)</u>	<u>Ending Balance</u>
General obligation bonds serviced by general property taxes:		
GO Refunding Bonds, Series 2003A	3.500% to 5.250%	\$ <u>15,155,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,215,000	\$ 692,625
2011	2,330,000	596,875
2012	2,440,000	515,325
2013	2,585,000	387,225
2014	2,715,000	279,250
2015	2,870,000	143,500
	<u>\$ 15,155,000</u>	<u>\$ 2,614,800</u>

The County is subject to a legal debt limit for GO bonds of 2% of the real market value of all taxable property within the County. As of June 30, 2009, the County is in compliance with this limit.

Limited Tax Bonds

The County issues limited tax bonds in governmental activities. All limited tax bonds are backed by the full faith and credit of the County, within the limitations of Article XI of the Oregon Constitution, and are to be repaid from existing revenue sources. Brief descriptions of outstanding limited tax bonds are as follows:

Full Faith and Credit Obligations, Series 2000 - Original issue amount \$7,790,000 used to construct a new mental health facility and convert/upgrade the AIRS public safety and information computer system. Remaining annual principal and semi-annual interest payments are approximately \$500,000 per year with final payment scheduled on November 1, 2020. Payment of principal and interest is insured by MBIA.

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Limited Tax Bonds, continued

Full Faith and Credit Obligations, Series 2002A - Original issue amount \$7,615,000 used to refund the 1998 Municipal Loan Agreement issued to finance public improvements to the County fairgrounds. Remaining annual principal and semi-annual interest payments range from \$638,000 to \$819,000 per year (increasing) with final payment scheduled on June 1, 2022. Payment of principal and interest is insured by MBIA.

Full Faith and Credit Obligations, Series 2003B - Original issue amount \$5,655,000 used in part to refund the Special Obligations, Series 1993 and Limited Tax Revenue Bonds, Series 1995 bonds issued to finance public improvements to the county courthouse and jail, and to finance new costs of a facility for the County Elections Division and the Plaza/Free Speech area at the County Courthouse. Remaining annual principal and semi-annual interest payments range from \$219,000 to \$342,000 per year (decreasing) with final payment scheduled on June 1, 2023. Payment of principal and interest is insured by MBIA.

Limited Tax Pension Bonds, Series 2002 – Original issue amount \$71,408,377 (\$14,853,377 in deferred interest bonds and \$56,555,000 in current interest bonds) used to finance a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System. Remaining annual principal and semi-annual interest payments fluctuate from \$4.9 million to \$11.2 million per year (increasing) with final payment scheduled on June 1, 2028. Payment of principal and interest is insured by AMBAC.

Limited tax bonds outstanding as of June 30, 2009 are as follows:

<u>Governmental Activities</u>	<u>Interest Rates (%)</u>	<u>Ending Balance</u>
Limited tax bonds:		
Limited Tax Full Faith & Credit Bonds, Series 2000	4.700% to 5.375%	\$ 4,395,000
Limited Tax Full Faith & Credit Bonds, Series 2002A	4.000% to 5.000%	6,805,000
Limited Tax Full Faith & Credit Bonds, Series 2003B	3.000% to 4.450%	<u>2,980,000</u>
		14,180,000
Limited Tax Pension Bonds, Series 2002 (net of deep discount of \$11,528,088)	6.630% to 7.410%	<u>69,371,912</u>
Total limited tax bonds		<u>\$ 83,551,912</u>

Annual debt service requirements to maturity for limited tax bonds are as follows:

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Limited Tax Bonds, continued

Year Ending June 30	Governmental Activities					
	Limited Tax Bonds, excluding Limited Tax Pension Bonds		Limited Tax Pension Bonds		Total Limited Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 815,000	\$ 648,933	\$ 850,730	\$ 4,024,126	\$ 1,665,730	\$ 4,673,059
2011	865,000	616,357	917,467	4,197,388	1,782,467	4,813,745
2012	920,000	580,435	977,246	4,392,609	1,897,246	4,973,044
2013	970,000	541,249	1,029,948	4,604,907	1,999,948	5,146,156
2014	1,025,000	498,861	1,075,284	4,834,571	2,100,284	5,333,432
2015-2019	5,650,000	1,752,903	5,693,992	28,430,284	11,343,992	30,183,187
2020-2024	3,935,000	362,553	25,168,282	17,840,012	29,103,282	18,202,565
2025-2028	-	-	25,970,000	4,855,477	25,970,000	4,855,477
	<u>\$ 14,180,000</u>	<u>\$ 5,001,291</u>	<u>\$ 61,682,949</u>	<u>\$ 73,179,374</u>	<u>\$ 75,862,949</u>	<u>\$ 78,180,665</u>

The Limited Tax Pension Bonds, Series 2002 are deep discount bonds and reported net of accretion. However, the annual debt service requirements to maturity are reported on the cash basis and do not account for accreted amounts. The following table reconciles the annual debt service requirements to maturity schedule to the ending balance of limited tax bonded debt:

Limited Tax Bonds	Ending Balance	Due Within One Year
Pension debt service requirements	\$ 61,682,949	\$ 850,730
Accretion of deep discount	7,688,963	599,270
Total limited tax pension bonds outstanding	69,371,912	1,450,000
Non-pension debt service requirements	14,180,000	815,000
Total limited tax bonds outstanding	<u>\$ 83,551,912</u>	<u>\$ 2,265,000</u>

The County is subject to a legal debt limit for limited tax bonds of 1% of the real market value of all taxable property within the County. The County is also subject to a legal debt limit for pension bonds of 5% of the real market value of all taxable property within the County. As of June 30, 2009, the County is in compliance with both limits.

Revenue Bonds

HACSA issues revenue bonds to finance major construction projects in business-type activities. Revenue bonds are not backed by the full faith and credit of the County, but rather, are secured by pledges of certain revenues, receipts, and deeds of trust on underlying real estate. Brief descriptions of outstanding revenue bonds are as follow:

Revenue Bonds, Series 1995A and 1995B – Original issue amount \$1,440,000 (\$965,000 senior lien bonds and \$470,000 junior lien bonds) used to finance the acquisition and rehabilitation of the Firwood Apartment Complex. Remaining annual principal and semi-annual interest payments are approximately \$100,000 per year with final payment scheduled on November 1, 2020. The bonds are not insured.

Notes to Basic Financial Statements

June 30, 2009

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Revenue Bonds, continued

<u>Business-type Activities</u>	<u>Interest Rates (%)</u>	<u>Ending Balance</u>
Revenue bonds serviced by net operating income of HACSA:		
HACSA Revenue Bonds, Series 1995A	5.000% to 6.700%	\$ 675,000
HACSA Revenue Bonds, Series 1995B	6.700%	185,000
		<u>\$ 860,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 50,000	\$ 56,984
2011	55,000	53,389
2012	60,000	49,630
2013	60,000	45,680
2014	65,000	41,535
2015-2019	360,000	132,093
2020-2022	210,000	21,725
	<u>\$ 860,000</u>	<u>\$ 401,036</u>

All HASCA revenue bonds are to be repaid from a pledge of 100% of the net operating income of the Firwood Apartment Complex in an amount equal to the sum of outstanding principal and interest, or \$1,261,036 as of June 30, 2009. The pledge will remain in effect until the revenue bonds are paid in full in 2022. As of June 30, 2009 pledged net operating income was \$123,547 and debt service was \$105,256.

Notes Payable

The County issues notes to finance major construction projects in governmental and business-type activities.

<u>Governmental Activities</u>	<u>Interest Rates (%)</u>	<u>Ending Balance</u>
Notes payable:		
Commercial banks	8.300%	\$ <u>6,134,713</u>
<u>Business-type Activities</u>		
Notes payable:		
Eugene Water and Electric Board	7.000%	\$ 114,732
Commercial banks	7.500% to 7.750%	232,146
City of Eugene	2.000% to 5.000%	1,289,650
State agencies	0.250% to 7.750%	1,239,058
FHA	5.375% to 6.875%	2,416,919
Other	5.000% to 7.500%	490,294
		<u>\$ 5,782,799</u>

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Notes Payable, continued

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 6,134,713	\$ 211,566	\$ 353,007	\$ 209,487
2011	-	-	341,399	189,086
2012	-	-	313,071	169,447
2013	-	-	251,274	153,253
2014	-	-	172,310	144,306
2015-2019	-	-	961,133	606,244
2020-2024	-	-	899,113	415,445
2025-2029	-	-	761,851	239,326
2030-2034	-	-	496,483	101,687
2035-2039	-	-	1,233,158	41,003
	<u>\$ 6,134,713</u>	<u>\$ 211,566</u>	<u>\$ 5,782,799</u>	<u>\$ 2,269,284</u>

Rebatable Arbitrage

Arbitrage reviews are performed annually on all County tax-exempt bonds and obligations, and rebates of interest earned on arbitrage are made as required by the federal tax code. Liabilities are reported in the government-wide and proprietary fund financial statements when incurred, but liabilities are not reported in the governmental fund financial statements until due and payable. As of June 30, 2009, there were no rebatable arbitrage liabilities to report.

Landfill Closure and Postclosure Care Cost

The County operates the Short Mountain Landfill under a Solid Waste Disposal Permit (No. 290) from the Oregon Department of Environment Quality (ODEQ). The current permit was issued January 11, 2005 and will expire March 31, 2010.

State and federal laws and regulations require the County to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although final closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these final closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,394,662 reported as the landfill closure and postclosure care liability at June 30, 2009 represents current cost estimates based on the use of 17.45% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of final closure and post-closure care of \$16,064,089 as the remaining estimated capacity is filled. Cost estimates are based on what it would cost to perform all final closure and postclosure care in 2009. Actual costs may be different due to inflation, deflation, changes in technology, or changes in regulations. The County expects to close the landfill in approximately 78 years, or the year 2087.

Notes to Basic Financial Statements

June 30, 2009

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Landfill Closure and Postclosure Care Cost, continued

Site Development Plan: In July 2006, the County updated its Site Development Plan (SDP). The plan was reviewed and approved by the ODEQ in July 2007.

Financial Assurance: Each year the County demonstrates financial assurance in connection with the closure and postclosure care activities for the Short Mountain Landfill by using the local government financial assurance test described in Title 40 of the Code of Federal Regulations, paragraph 258.74. As of June 30, 2008 (the most recent analysis), the County is in compliance with the local government financial assurance test as required by Oregon Administrative Rule 340-94-0140.

Internal Service Fund Debt

Based on an analysis of billings, governmental activities have been determined to be the predominant source of revenue for all internal service funds. Therefore, long-term debt in governmental activities includes those in internal service funds. As of June 30, 2009, internal service fund debt includes the Limited Tax Pension Bonds of \$69,371,912, less deferred bond discounts of \$151,961.

Compensated Absences

County employees accumulate earned but unused leave with pay which combines into a time management bank. Upon termination of employment one-half of the time management bank pays out at the employees current pay rate. An analysis of vested compensated absences County-wide shows that more time management is taken the subsequent year than vests the previous year. As a result, all compensated absences are considered current.

Compensated absences included in governmental activities are anticipated to be liquidated as follow:

<u>Government-type Activities</u>	<u>Due Within One Year</u>
General	\$ 3,088,425
Road	859,403
Special revenue / services	639,279
Health and human services	644,436
Other governmental funds	333,794
Internal service funds	380,936
	<u>\$ 5,946,273</u>

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Changes in Noncurrent Liabilities

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 5,758,313	\$ 10,018,538	\$ 9,830,578	\$ 5,946,273	\$ 5,946,273
Claims	3,630,000	1,494,779	1,315,779	3,809,000	3,809,000
Net OPEB obligation	1,249,760	899,445	-	2,149,205	-
Notes payable	6,225,600	-	90,887	6,134,713	34,420
Bonds payable:					
General obligation bonds	17,290,000	-	2,135,000	15,155,000	2,215,000
Limited tax bonds	84,409,133	1,372,779 *	2,230,000	83,551,912	2,265,000
Deferred amounts:					
Issuance discounts, net of premiums	(204,094)	-	(20,843)	(183,251)	-
Total bonds payable	101,495,039	1,372,779	4,344,157	98,523,661	4,480,000
	\$ 118,358,712	\$ 13,785,541	\$ 15,581,401	\$ 116,562,852	\$ 14,269,693
<u>Business-type activities:</u>					
Compensated absences	\$ 1,078,360	\$ 1,036,980	\$ 1,187,919	\$ 927,421	\$ 927,421
Claims	-	252,000	-	252,000	252,000
Escrow deposits	-	350,370	-	350,370	-
Notes payable:					
Lane events center	204,892	-	90,160	114,732	72,428
HACSA	5,929,462	-	261,395	5,668,067	280,579
Total notes payable	6,134,354	-	351,555	5,782,799	353,007
Bonds payable:					
Revenue bonds	905,000	-	45,000	860,000	50,000
Deferred amounts:					
Issuance discounts	(17,830)	-	(2,055)	(15,775)	-
Total bonds payable	887,170	-	42,945	844,225	50,000
Landfill closure and postclosure care liability	3,333,099	61,563	-	3,394,662	-
	\$ 11,432,983	\$ 1,700,913	\$ 1,582,419	\$ 11,551,477	\$ 1,582,428

* Addition of \$1,372,779 represents change (accretion) in deep discount on limited tax pension bonds

Notes payable in governmental activities represent a loan secured to make improvements to the new Public Health Building (Charnelton Place). The remaining balance was scheduled to be paid back as a balloon payment in January 2010, but Lane County refinanced this amount by issuing bonds in November 2009. The new bonds do not require that principal associated with the refinance of the loan be repaid until fiscal year 2011. Therefore, only the amount of principal paid on the loan prior to refinancing has been classified as "due within one year".

Notes to Basic Financial Statements

June 30, 2009

III. Detailed Notes on All Funds, continued

G. Invested in Capital Assets, Net Assets of Related Debt

Invested in capital assets, net of related in the Statement of Net Assets is computed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets:		
Land and construction in progress	\$ 12,638,848	\$ 21,513,399
Other capital assets (net of accumulated depreciation)	<u>315,350,369</u>	<u>50,697,409</u>
Total capital assets	<u>327,989,217</u>	<u>72,210,808</u>
Long-term debt:		
Note payable	6,134,713	5,782,799
Bonds payable	<u>98,523,661</u>	<u>844,225</u>
	104,658,374	6,627,024
Less unrelated debt:		
Limited tax pension bonds less discount of \$151,961	(69,219,951)	-
Limited tax full faith and credit bonds, Series 2002A plus premium of \$3,824 related to improvement of the Lane Events Center enterprise fund	(6,808,824)	6,808,824
Limited tax full faith and credit bonds, Series 2000 related to improvements of the AIRS public safety system reported in the Regional Information System enterprise fund	<u>(665,000)</u>	<u>665,000</u>
	27,964,599	14,100,848
Unspent proceeds – Limited tax full faith and credit bonds, Series 2003A	<u>(3,099,491)</u>	-
Related debt	<u>24,865,108</u>	<u>14,100,848</u>
Invested in capital assets, net of related debt	<u>\$ 303,124,109</u>	<u>\$ 58,109,960</u>

IV. Other Information

A. Risk Management

The County has established an internal service fund to account for and finance its risk of loss. The County is self-insured for workers' compensation claims and general liability claims, and carries commercial insurance for all other significant risks.

Coverage for workers' compensation claims in excess of \$500,000 is purchased from commercial insurers. Claims for catastrophic fire, earthquake, and flood insurance coverage up to \$100,000,000 is subject to a \$100,000 deductible per occurrence. During the past three fiscal years, no settled claims have exceeded insurance coverage levels.

IV. Other Information, continued

A. Risk Management, continued

Claims liabilities reported in the County’s basic financial statements are based on a bi-annual actuarial estimate of the ultimate cost of settling claims, including incurred but not reported (IBNR) claims as of June 30, 2009. Claims liabilities include all incremental costs incurred directly as a result of the claim, and consider estimated recoveries on both settled and unsettled claims. Claims expense has been reduced by amounts recovered, or expected to be recovered, through excess insurance.

At June 30, 2009, a total claims liability of \$3,384,000 is reported in an internal service fund. All prior and current year claims are fully reserved and have not been discounted. The County does not utilize annuity contracts from commercial insurers, nor are they party to any structured settlements. All known liabilities have been disclosed.

The following changes occurred in the internal service fund claims liability in the current and previous fiscal year by type of claim:

Workers' Compensation					
Year Ending June 30	Liability Balance at Beginning of Year	Current- year Claims	Changes to Prior Year Estimates	Claim Payments	Liability Balance at End of Year
2008	\$ 2,459,000	\$ 721,093	\$ -	\$ (721,093)	\$ 2,459,000
2009	2,459,000	770,176	236,000	(770,176)	2,695,000

General Liability					
Year Ending June 30	Liability Balance at Beginning of Year	Current- year Claims	Changes to Prior Year Estimates	Claim Payments	Liability Balance at End of Year
2008	\$ 421,000	\$ 653,182	\$ -	\$ (653,182)	\$ 421,000
2009	421,000	220,603	268,000	(220,603)	689,000

In addition to internal service fund claims liability, two other claims liability are reported as follows:

Health and Human Services special revenue fund - A \$750,000 claim for disallowed Title XIX (Medicare) claims reported at June 30, 2008 was reduced to \$425,000 as of June 30, 2009. See Note IV. F. for more information.

Solid Waste Disposal enterprise fund – A \$252,000 claim for pollution remediation was reported as of June 30, 2009. See Note IV. F. for more information.

IV. Other Information, continued

A. Risk Management, continued

Total claims payable at June 30, 2009 are as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Health and human services	\$ 425,000
Internal service fund:	
Workers' compensation	2,695,000
General liability	<u>689,000</u>
	<u>3,384,000</u>
 Total governmental activities	 <u>3,809,000</u>
 <u>Business-type Activities</u>	
Solid waste disposal	<u>252,000</u>
 Total claims payable	 \$ <u><u>4,061,000</u></u>

B. Retirement Plan

Plan Descriptions/Funding Policies

The County, exclusive of HACSA, is a participating employer in the Oregon Public Employee Retirement System (OPERS), a multiple-employer defined benefit public employee pension plan, and maintains a defined contribution plan for the purpose of individual retirement savings through OPERS. OPERS is administered under Oregon Revised Statutes Chapter 238 and Internal Revenue Service 401(a) by the Public Employees Retirement Board (PERB). County employees are eligible to participate in OPERS after six months of employment and benefits vest after completing at least 600 hours in each of five years (the years do not need to be consecutive) or at normal retirement age provided the employee is an active member at the time. OPERS, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281, by calling (503) 598-7377, or by accessing the PERS web site at <http://www.oregon.gov/PERS/>.

County employees participate in one or more OPERS retirement plans that provide pension, death, disability, and post-employment healthcare benefits to members or their beneficiaries:

- PERS (Public Employee Retirement System) is an agent multiple-employer defined benefit pension plan provided to members who were hired prior to August 29, 2003. Employer contributions to PERS are required by state statute and are made at actuarially determined rates as adopted by the PERB. The County's PERS rate was 11.34% as of July 1, 2007 in accordance with the December 31, 2005 valuation. This rate includes a 7.68% factor for the Tier One/Tier Two unfunded actuarial liability (UAL). The contributions rates effective July 1, 2009 dropped to 8.18% in accordance with the December 31, 2007 valuation report. However, rates are expected to increase in the future based on economic conditions and corresponding retirement plan losses that have occurred since the last valuation report.

IV. Other Information, continued

B. Retirement Plan, continued

Plan Descriptions/Funding Policies, continued

OPSRP (Oregon Public Service Retirement Plan) is a cost-sharing multiple-employer defined benefit and defined contribution pension plan created by the Oregon Legislative Assembly in 2003 as a successor plan for PERS.

- The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rates for the OPSRP defined benefit pension plan were 13.76% for general service employees and 17.03% for police and fire employees as of July 1, 2007. Similar to the PERS rate, these rates include a 7.68% factor for the Tier One / Tier Two UAL. The contributions rates effective July 1, 2009 dropped to 8.42% for general service employees and 11.13% for police and fire employees in accordance with the December 31, 2007 valuation report.
- The defined contribution pension plan (called the Individual Account Program or IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Lane County has currently elected to pay all of the employees' required IAP contributions. Although PERS members retain their existing PERS accounts, all current member contributions are deposited into the member's IAP.

Annual Pension Cost

All OPERS participating employers are required by law to submit the contributions as adopted by the PERB. For the fiscal year ended June 30, 2009, the County's annual pension expenditures/expense of \$14,441,051 consisted of contributions on behalf of employees to the IAP of \$4,405,515, employer annual required contributions to the defined benefit pensions plans of \$8,732,173 (6.00% and 11.89% of covered payroll, respectively), and \$1,303,363 in amortization of the net pension asset. The County's contributions for the defined benefit plan were equal to the annual required contribution, which were less than the annual pension cost as a result of the amortization of pension assets.

The County's annual pension cost and net pension asset for the year ended June 30, 2009 were as follows:

Annual required contribution (ARC)	\$ 8,732,173
Interest earned on net pension asset	(4,521,228)
Adjustment to the ARC	<u>5,824,591</u>
Annual pension cost	10,035,536
Contributions made	<u>(8,732,173)</u>
Decrease in net pension asset	1,303,363
Net pension asset, beginning of year	<u>64,563,118</u>
Net pension asset, end of year	<u>\$ 63,259,755</u>

The "projected unit credit" (PUC) method has been used to determine actuarial cost since December 31, 2004. The unfunded actuarial accrued liabilities are being amortized as a level percentage of combined valuation payroll over 22 years from the valuation date of December 31, 2005 using the closed group fixed term method. 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.

IV. Other Information, continued

B. Retirement Plan, continued

Annual Pension Cost, continued

The actuarial assumptions, from the December 31, 2005 actuarial evaluation include an investment return of 8% on system assets, consumer price inflation of 2.75% per year, future general wage inflation of 3.75% per year, and health care cost inflation of 9.0% in 2007, grading down by .5% per year to 5% in 2013.

The actuarial value of OPERS assets is reported at fair market value. In order to reduce year-to-year volatility in contribution requirements due to changes in asset value, new contribution rates are confined to a collar based on the prior contribution rate. New contribution rates will not increase or decrease by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage drops below 80% or increases above 120%, the size of the collar doubles.

The following table presents three-year trend information for Lane County's defined benefit pension plans:

	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Asset
June 30, 2007	\$11,536,021	\$10,468,401	91%	\$65,744,452
June 30, 2008	9,993,896	8,812,562	88%	64,563,118
June 30, 2009	10,035,536	8,732,173	87%	63,259,755

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation (for rates that go into effect July 1, 2009), Lane County's OPERS plan was 111% funded. The actuarial accrued liability for benefits was \$550.4 million and the actuarial value of assets was \$612.3 million, resulting in a negative Unfunded Actuarial Accrued Liability (UAAL) of \$61.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$74.3 million resulting in ratio of UAAL to covered payroll of negative 83%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. Other Post-employment Benefits

Plan Description

Lane County (excluding HACSA) administers a single-employer defined benefit healthcare plan that provides for payment of medical insurance premiums for eligible retirees under age 65, and for payment of Medicare Part B and supplemental premiums for eligible retirees who are covered by Medicare. Benefits under the plan are limited to participants employed prior to certain dates who meet certain service and age requirements, depending on the employee's collective bargaining agreement. The age requirement is tied to eligibility for retirement under OPERS, and is generally age 55 for general service employees, or age 50 for police and fire employees.

IV. Other Information, continued

C. Other Post-employment Benefits, continued

Plan Description, continued

Eligibility for these benefits has been phased out during the past 15 years. Non-represented employees who worked in permanent positions on or before March 5, 1991, and who worked ten continuous years of service, become eligible for the benefits upon retirement. Eligibility for represented employees is also based on hire date and continuous years of service, with some modifications. Employees hired after June 30, 1997 will not be eligible for the benefits, thus the plan is closed to new employees.

The County's post-retirement healthcare benefits are provided in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs, which are generally higher in comparison to all plan members as a result of age, and the amount of retiree healthcare premiums represents the County's implicit employer contribution.

At the time of the most recent actuarial valuation (June 30, 2008), there were 633 retirees receiving benefits under the plan; 294 pre-Medicare retirees and 339 retirees receiving Medicare Part B reimbursements and participating in the Medicare supplement insurance plan. In addition, there were 489 active employees who meet the criteria but have not yet retired. There were also 940 active employees who are not eligible for the benefit but could receive the implicit employer contribution should they continue to self pay medical insurance upon retirement.

Lane County did not establish an irrevocable trust (or equivalent arrangement) to account for the retiree health insurance plan. Instead, the activities of the plan are reported in the County's Retiree Medical Benefit Trust Fund that is classified as an internal service fund for financial reporting purposes. The retiree health insurance plan does not issue a separate report.

Funding Policy

The County has the authority to establish and amend contribution requirements. Lane County has adopted a pay-as-you-go approach to fund retiree healthcare by assessing County departments 5% of OPERS-eligible payroll. Resources received in excess of pay-as-you-go expenditures are set aside for the payment of future benefits. For the fiscal year ending June 30, 2009, contributions to the Retiree Medical Benefit Trust Fund totaled \$3,685,175. Of that amount, \$2,843,244 was made as plan contributions to insurers or payments directly to retirees.

Additionally, eligible participants may purchase dependent coverage for the pre-Medicare coverage at the County's premium rate. Eligible participants who have met the service requirements, but not the age requirements for county-paid coverage may "self-pay" continuously until the age requirement is met, to qualify for county-paid coverage.

Annual OPEB Cost and Net OPEB Asset

Lane County's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 5.31 percent of annual covered payroll.

IV. Other Information, continued

C. Other Post-employment Benefits, continued

Annual OPEB Cost and Net OPEB Asset, continued

The following table shows the components of the County's annual OPEB cost for the fiscal year ending June 30, 2009, the amount actually contributed to the plans, and changes in the County's net OPEB asset:

Annual required contribution (ARC)	\$ 3,686,450
Interest earned on net OPEB obligation	56,239
Adjustment to the ARC	-
Annual OPEB cost (expense)	<u>3,742,689</u>
Contributions made	<u>(2,843,244)</u>
Increase in net OPEB obligation	899,445
Net OPEB obligation, beginning of year	<u>1,249,760</u>
Net OPEB obligation, end of year	<u>\$ 2,149,205</u>

The County's annual OPEB cost, contribution, percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for fiscal years 2008 and 2009 were as follows:

	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	3,686,450	2,436,690	66%	1,249,760
June 30, 2009	3,742,689	2,843,244	76%	2,149,205

Funded Status and Funding Progress

As of the actuarial valuation of June 30, 2008, the actuarial accrued liability for benefits was \$65,208,658, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$65,208,658. The covered payroll (annual payroll of active OPERS-eligible employees) was \$69,379,562 resulting in a ratio of UAAL to covered payroll of 93 percent.

For the fiscal year ending June 30, 2009, the County has accumulated \$7,382,749 to pay for future retiree healthcare benefits, which is included in the unrestricted portion of net assets in the Retiree Medical Benefit Trust internal service fund. Since these assets have not been placed in a qualified trust (or equivalent arrangement) they have not been recognized as part of the actuarial valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

IV. Other Information, continued

C. Other Post-employment Benefits, continued

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% initially, grading down by .5% per year to 6% by the year 2016. The unfunded actuarially accrued liability is amortized as a level percent of payroll over an open period of 30 years.

D. Deferred Compensation Plan

The County offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The Plan is available to all County employees (except HASCA) and permits them to defer a portion of their current earnings until the employee's termination, retirement, death, or unforeseeable emergency.

The County contributes between 0% and 4% of each employee's wage to the Plan depending on their represented status and their respective bargaining unit. The Plan's participants have the right to designate how the funds will be invested. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries and are considered property of the Plan's participants, not subject to the County's general creditors. As a result, Plan balances and activities are not reflected in these financial statements and the County has no liability for losses under the Plan.

The deferred compensation plan is administered by Great-West Retirement Services who agree to hold harmless and indemnify the County, its appointed and elected officers, and participating employees from any loss resulting from Great-West Retirement Services or their respective agent's failure to perform their duties and services pursuant to the deferred compensation program.

E. Joint Ventures and Jointly Governed Organizations

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to ongoing control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The County participates in the following joint ventures:

Notes to Basic Financial Statements

June 30, 2009

IV. Other Information, continued

E. Joint Ventures and Jointly Governed Organizations, continued

Joint Ventures, continued

Metropolitan Wastewater Management Commission - The County is a participant with the City of Eugene and the City of Springfield in the Metropolitan Wastewater Management Commission (MWMC), a joint venture established by intergovernmental agreement to construct, maintain, and operate regional sewer facilities. The MWMC consists of a seven-member Commission to which the County appoints two voting members. The County does not have an ongoing financial interest in MWMC nor is it obligated for its debts, but the County does have an ongoing financial responsibility in that it is required to adopt rates and charges not less than those required by the commission. MWMC, which is reflected as a component unit of the City of Springfield, reported an increase in net assets of \$3,489,705 and total net assets of \$157,979,460 for the fiscal year ended June 30, 2008. Separate financial statements for MWMC can be obtained from the City of Springfield Finance Department.

Regional Fiber Consortium - The County is a participant with Klamath County and the cities of Klamath Falls, Coburg, Springfield, Lowell, Oakridge, Westfir, Merrill, and Chiloquin in the Regional Fiber Consortium (RFC), a joint venture established by intergovernmental agreement to develop, own, and control fiber optic cable to serve the public interest within the jurisdictional territories of the member governments. The RFC consists of a ten-member Board of Directors to which the County appoints one voting member. The County does not have access to RFC assets, nor is it obligated for its debts, but the County does have an ongoing financial interest in the RFC in that it has rights to revenues in excess of operation costs. The RFC, which is reflected as a component unit of the City of Springfield, reported a decrease in net assets of \$1,165,091 and total net assets of \$19,444,326 for the fiscal year ended June 30, 2008. Separate financial statements for the RFC can be obtained from the City of Springfield Finance Department.

Regional Executive Group - The County is a participant with the City of Eugene, the City of Springfield, the Eugene Water and Electric Board and the Lane Council of Governments in the Regional Executive Group (REG). The REG is governed by seven Members consisting of the representatives of each of the participating governments, plus the County Assessor and the County Sheriff, all of whom have an equal vote in the REG operations. The REG is a joint venture established by intergovernmental agreement to administer and set policy for the Regional Information Service (RIS), the computer center serving the participating governments. The County has an ongoing financial responsibility to the REG as the administrator and a major purchaser of services. The REG does not prepare separately issued financial statements. Lane County, as Host Agency of the REG, accounts for all REG financial activity in the Regional Information Services fund, a non-major enterprise fund of the County.

Human Services Commission - The County is a participant with the City of Eugene and the City of Springfield in the Human Services Commission (HSC). The HSC is governed by seven Members consisting of the representatives of each of the participating governments. The HSC is a joint venture established by intergovernmental agreement dedicated to helping the County's neediest residents achieve stability, improved health, greater independence and a higher quality of life. The County has an ongoing financial responsibility to the HSC as the administrator and a major purchaser of services. The HSC does not prepare separately issued financial statements. Lane County's Department of Health and Human Services is responsible for the general administration of the HSC and accounts for all its financial activity as a program within the Health and Human Services fund, a major special revenue fund of the County.

Notes to Basic Financial Statements

June 30, 2009

IV. Other Information, continued

E. Joint Ventures and Jointly Governed Organizations, continued

Jointly Governed Organizations

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, yet is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The County is a member of the following jointly governed organizations:

Lane Workforce Partnership - The County in conjunction with business and community leaders created the Lane Workforce Partnership (LWP). The LWP's board is composed of 38 members from private businesses, state agencies, local government, community organizations, and organized labor of which the County has one vote. Under an administrative agreement between LWP and the County, the executive director of LWP is a joint employee of LWP and the County. All other LWP employees are provided by the County to LWP on a cost-reimbursement basis. The County accounts for all LWP financial activity in the Workforce Partnership fund, a non-major special revenue fund of the County.

Lane Regional Air Protection Agency - The County in conjunction with the Cities of Eugene, Springfield, Cottage Grove and Oakridge created the Lane Regional Air Protection Agency (LRAPA) in accordance with ORS 468A, an organization dedicated to protecting public health, community well-being, and the environment for the improvement and maintenance of air quality in Lane County. LRAPA's board is composed of 9 members of which the County has one vote. The county contributed \$45,000 LRAPA during the current fiscal year. Separate financial statements for LRAPA can be obtained from the LRAPA Finance Department.

F. Commitments and Contingencies

City of Florence

During 1994, Lane County entered into an Intergovernmental Agreement with the City of Florence to pay the City \$200,000 per year for payment of debt related to the construction of the City of Florence All Events Center, a new conference and meeting facility. In 2004 the agreement was amended to reduce the payment to \$190,000, \$40,000 of which may be used for operational purposes. Effective for fiscal year ended June 30, 2008, the agreement was further modified to reduce their payment to \$182,171. Funding for the City of Florence debt has been appropriated from transient room tax revenues and will continue to be paid annually, up to a total of \$3,985,000, to the extent such funds are available and appropriated from the transient room tax revenues. At June 30, 2009, \$850,658 remains appropriable and available under the agreement.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal and state government. Any unforeseen disallowed claims, including amounts already collected, could become a liability of the General Fund or other applicable funds. Management believes that adjustments, if any, will not materially affect the County's financial position except as follows:

The County continues to negotiate with the State of Oregon regarding the disallowance of Title XIX (Medicare) claims for mental health services provided. The most recent estimate of claims liability is \$425,000 and is recorded in the Health and Human Services special revenue fund.

IV. Other Information, continued

F. Commitments and Contingencies, continued

Pollution remediation

The County is a defendant in two pollution related lawsuits, both of which involve closed landfills approved by the DEQ. In accordance with accounting standards the County has accrued \$252,000 in claims computed using the probability-weighted average of possible outcomes. The claims may change over time due to changes in required goods and services, remediation technology, and governing laws and regulations. The estimate does not include cost components that are not yet reasonably measurable. Prior periods have not been restated due to a lack of objective, verifiable information to apply the expected cash flow technique to measurements in prior periods.

Interfund loans

The County has approved the following interfund loans which have not been funded as of June 30, 2009:

- \$3,100,000 from the Solid Waste Disposal fund to the Capital Improvements fund for interim financing of capital improvements on the new Public Health building due January 1, 2010.

Lawsuits

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of County Counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

G. Subsequent event

On November 2, 2009, the County issued a \$27,930,000 bank qualified full faith and credit obligation bond (Series 2009A) for the following purposes:

- \$11,575,000 to renovate the Charnelton Place building to house the Health and Human Services functions, primarily Public Health
- \$5,890,000 to prepay an existing loan assumed when the Charnelton Place building was purchased in 2007.
- \$2,105,000 to fund the County share of conversion/upgrade of the Area Information Records System (AIRS), and automated information system for local public safety and justice agencies
- \$2,495,000 to upgrade the heating and air conditioning system at the County correctional facility
- \$2,060,000 to purchase a facility to house the primary clinic in the County's federally qualified health center network
- \$3,805,000 to refund the County's full faith and credit obligation, Series 2000, dated November 1, 2000

The bond is 20-year serial obligation maturing November 1, 2029. Interest rates on the new bonds range from 3% to 5%.