



Popular Annual Financial Report

For Fiscal Year Ended
June 30, 2011
Lane County Government, Oregon

Providing high quality
government services in a
fair, open and economical
manner to best meet the
needs and expectations of
our citizens and guests



LANE
COUNTY
OREGON

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Message from the County Administrator

Dear Residents of Lane County,

I am pleased to present you with the County's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2011. The goal of this report is to increase the public's awareness of the County's finances in today's complex and tough economic times by providing financial information in an easy-to-read format.

This report provides an overview of the County's economy and key financial information, including where tax dollars are being spent. The financial data in this report has been taken from the Comprehensive Annual Financial Report (CAFR) and is presented in a more simplified and condensed format to make it more accessible and easy to understand for Lane County's residents. For those of our residents who are interested in a more in-depth analysis of the information you find in the PAFR, the CAFR is the document you should turn to next.

The CAFR is published to provide our citizens, Board of County Commissioners, County staff, and other readers with detailed information about the financial position of the County and the utilization of County resources. The CAFR is prepared in conformance with generally accepted accounting principles (GAAP) and audited by Moss Adams, LLP. The full report is available online at:

http://www.lanecounty.org/Departments/MS/Finance/Pages/FY11_CAFR.aspx

We hope you find this report both informative and interesting. We welcome your questions, comments and suggestions regarding this report.



Sincerely,

Liane Richardson
County Administrator for Lane County

Lane County Government

Home Rule Charter

Lane County government operates under a home rule charter approved by voters in 1962. The Charter is the basic law under which the County operates, and can be amended only by a vote of the people. The Charter grants authority to a full-time compensated, five person Board of County Commissioners to legislate and administer County government within the limits of that authority. The charter can be viewed online at <http://www.lanecounty.org/departments/cc/lanecode>.

Board of Commissioners

Lane County voters individually elect commissioners to four-year terms from specific geographic regions. The County operates under the provisions of the County Charter and the Lane County Code, as well as the Oregon Constitution and State law (Oregon Revised Statutes). Board action is effected by a simple majority vote of three of the five Board members. More information on the Board of Commissioners can be found online at <http://www.lanecounty.org/Departments/BCC>.

Other Elected Officials

Anette Spickard	County Assessor
Alex Gardner	County District Attorney
Thomas M. Turner	County Sheriff
Cindy Cable	Justice of the Peace
Gary Carl	Justice of the Peace

Mission Statement:

To provide high-quality local government services in a fair, open, and economical manner to best meet the needs and expectations of our citizens and our guests.

Board of County Commissioners



Jay Bozievich - West Lane



Rob Handy - North Eugene



Sid Leiken - Springfield



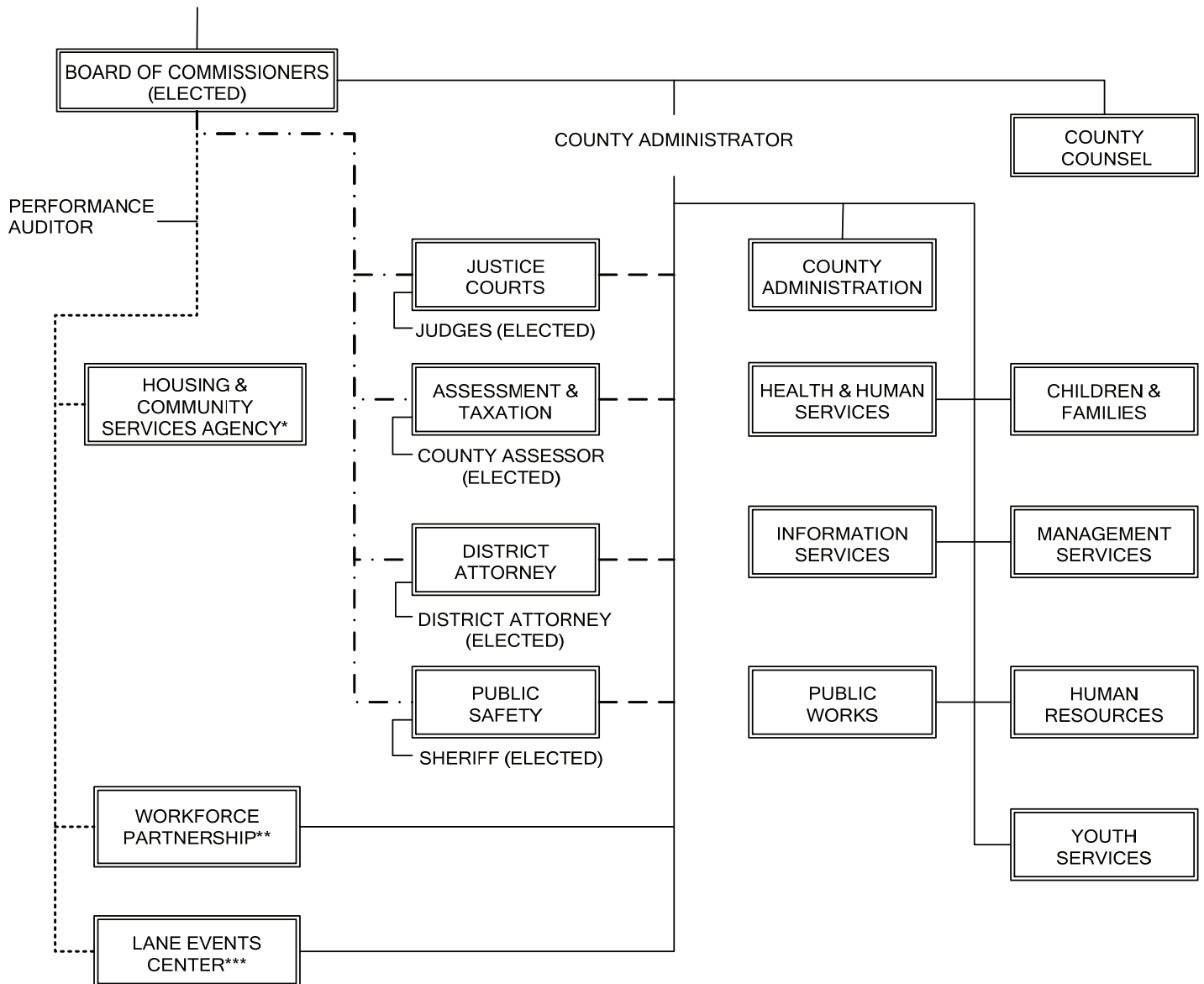
Pete Sorenson - South Eugene



Faye Stewart - East Lane

Organizational Chart

LANE COUNTY CITIZENS



LEGEND

- . . . — indicates publicly elected officials with direct budget authority by the Board of Commissioners
- indicates partial responsibility to the Commissioners (see right):
- indicates direct responsibility
- — — — indicates direct or shared responsibility over employees only

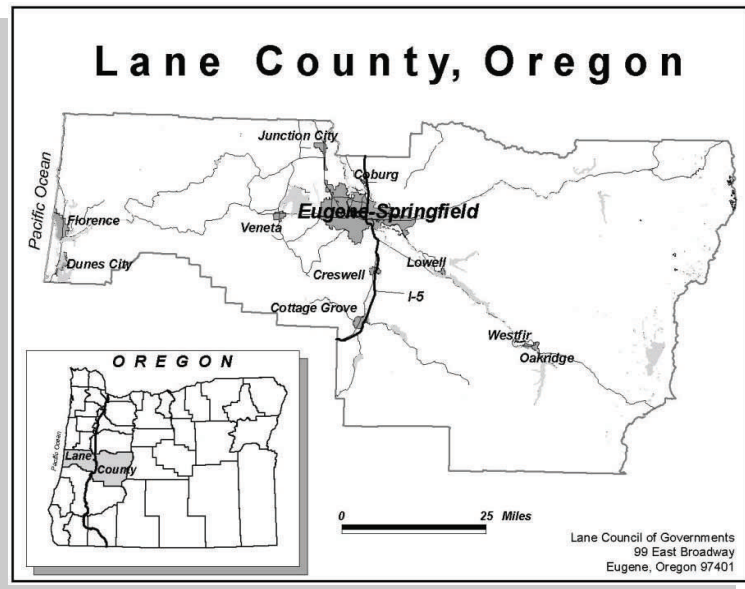
* (Not a department) Board of Commissioners is the Housing Services (HACSA) Board

** Board of Commissioners sets personnel rules; department has separate statutory operational charge, contracts with County for administrative services

*** Board of Commissioners has budget authority. Fair Board has independent management authority for the Fair; Fair Board members are appointed by the Commissioners

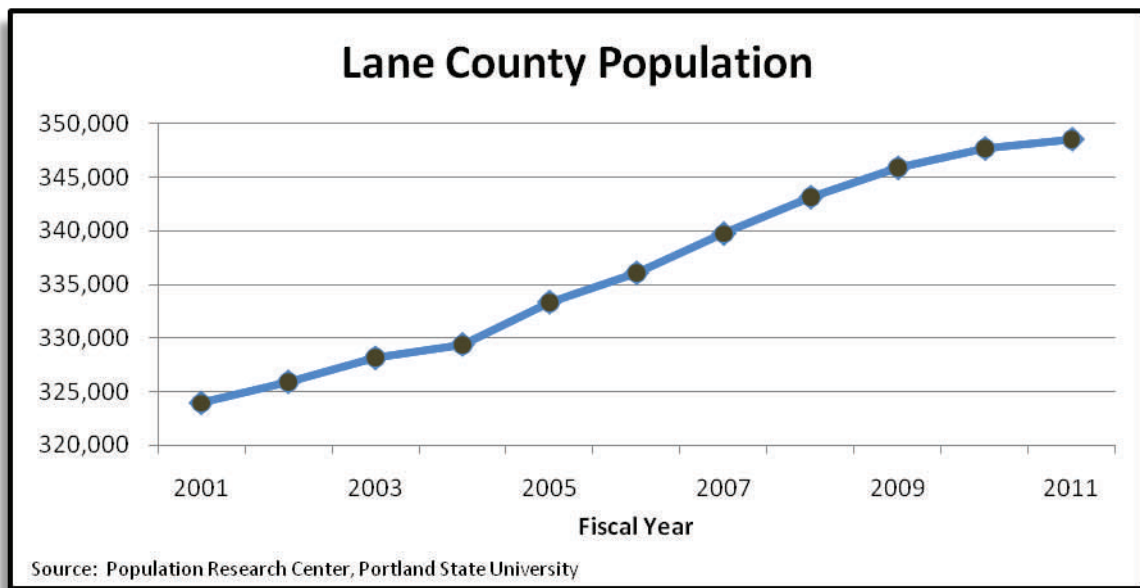
About Lane County

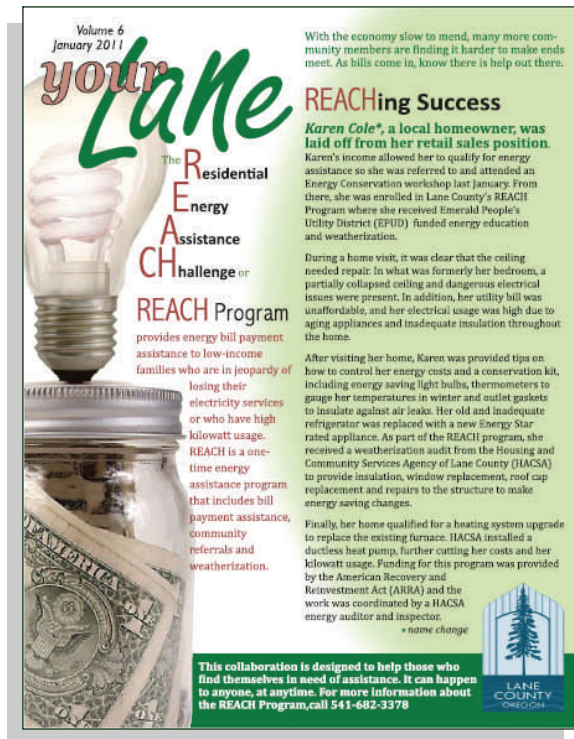
Lane County was established in 1851 and is geographically situated on the west side of Oregon, about midway down the state's coastline. It was named for General Joseph Lane, who was Oregon's first territorial governor. The County encompasses 4,620 square miles and, in many ways, typifies Oregon. The County's lands are geographically a microcosm of the state—ranging from rugged glaciated mountains in the east, through a broad valley spreading across the Willamette River mid-country, to a beautiful and rugged coastline along the western edge.



With a population of 348,550, Lane County is the fourth most populous county in Oregon and the third most populous metropolitan statistical area (MSA) in the state.

Lane County has 12 incorporated cities which include Coburg, Cottage Grove, Creswell, Dunes City, Eugene, Florence, Junction City, Lowell, Oakridge, Springfield, Veneta, and Westfir. Eugene, which is the county seat, is the largest city with a population of 157,845 and Westfir is the smallest with a population of 340.





Newsletters

Each quarter Lane County releases the Your Lane community newsletter. This newsletter shares our stories and provides information to help you access services, programs, and resources provided by Your Lane (County Government).

Read and discover more about Your Lane at:

<http://www.lanecounty.org/Media/Pages/Newsletters.aspx>

Lane County Videos

Through the Working For You video series, you will have a chance to explore how Lane County Government's system of services work to meet your needs each and every day.

These videos were produced through a collaboration of the Lane County Community and Economic Development Program, Metro Television, and the Public Information Office along with featured Lane County departments and County employees.

Some of the videos include:

- Community & Economic Development - "Sustaining Lane County"
- District Attorney - "Protecting the Victims"
- Information Services - "Supporting the Business of the County"
- Land Management - "Protecting Our Quality of Life"
- Lane County Budget - "Balancing Resources and Services"
- Lane County Public Works - "Paving the Way"
- Lane County Waste Management - "Hazards and Nuisances"
- MLK Education Center - "Opportunities for Success"
- Parks - "Working So You Can Play"
- Public Health - "Prevention is the Best Medicine"
- Sheriff's Office - "Specializing in Safety"

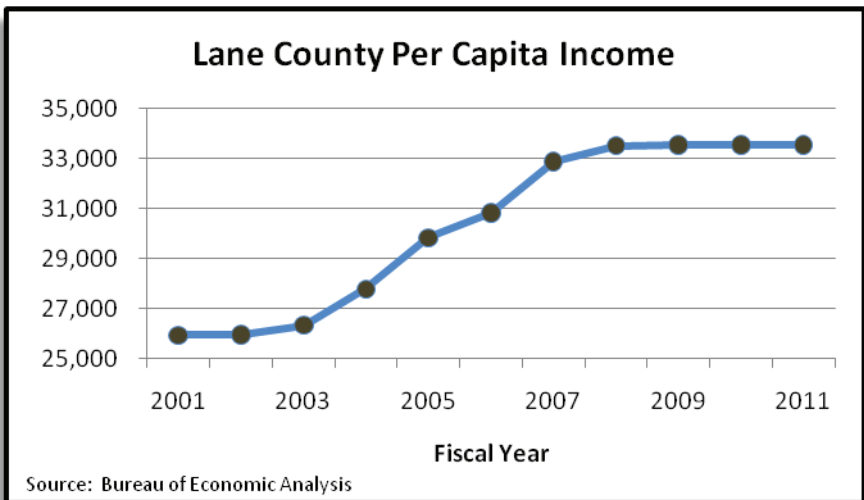
These videos and others are available online at:

<http://www.lanecounty.org/Media/Pages/Videos.aspx>

Economic Overview

For well over 100 years, Lane County's main industry had been lumber and wood-based products. When this industry went into decline in the late 1970s, Lane County, like most of the state, began to diversify into the services and retail industries. However, through the 1980s, Lane County's economy was still heavily tied to lumber and wood products and suffered as a result. During the early 1990s, Lane County's manufacturing sector made a comeback when several high-technology firms located here. At the same time, large gains in the stock markets accompanied by early retirements contributed to a tremendous growth in orders for luxury motor homes and the expansion of motor home manufacturing firms added a number of jobs in this sector.

This period of economic growth went into decline for Lane County and the rest of the State as the recession that began in 2001 forced several firms to either layoff employees or permanently shut down. The economy entered a period of slow-to-negative growth for a number of years, followed by a broad-based recovery that leveled off in late 2006, as evidenced by stable employment levels.



Economic Overview

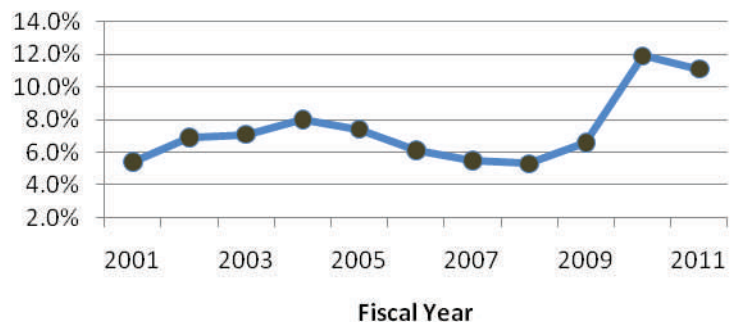
More recently, Lane County's economic conditions have mirrored the State of Oregon and the rest of the country during the recession that began in late 2007. Initially, Lane County lagged behind the rest of the nation in terms of economic slowdown, but quickly caught up and experienced the same level of downturn in leading economic indicators, such as home values and employment levels.

The 2009 unemployment rate was the highest for the area since 1983 when Oregon was at the height of the early 1980's recession. According to local economists, Lane County's unemployment rate has likely begun a slow decline that will continue for a number of years. As evidence, the County's unemployment rate dropped to 9.5% in August 2011, down from 11.0% recorded a year earlier and 11.9% recorded two years earlier (not seasonally adjusted). This is still slightly higher than the statewide average of 9.3% and the nationwide average of 9.1%.

Principal Employers in 2011

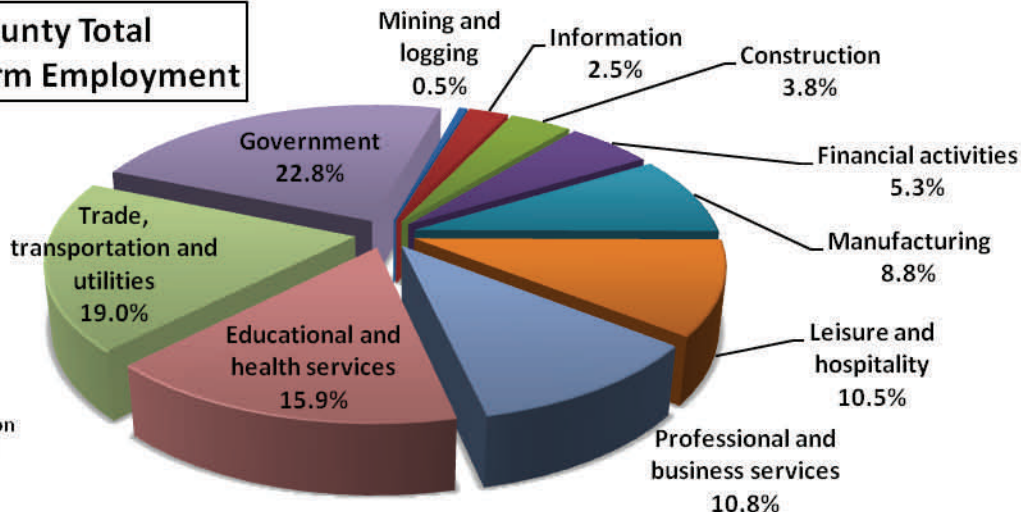
<u>Employer</u>	<u>Employees</u>	<u>Percentage of County Employment</u>
PeaceHealth Corp.	4,212	2.59%
University of Oregon	4,038	2.49%
Eugene School District	2,794	1.72%
Lane County	2,000	1.23%
State of Oregon	1,967	1.21%
US Government	1,717	1.06%
City of Eugene	1,310	0.81%
Springfield School District	1,300	0.80%
Lane Community College	1,118	0.69%
Wal-Mart	1,050	0.65%
	21,506	13.25%

Lane County Unemployment



Source: Bureau of Labor Statistics

Lane County Total Non-Farm Employment



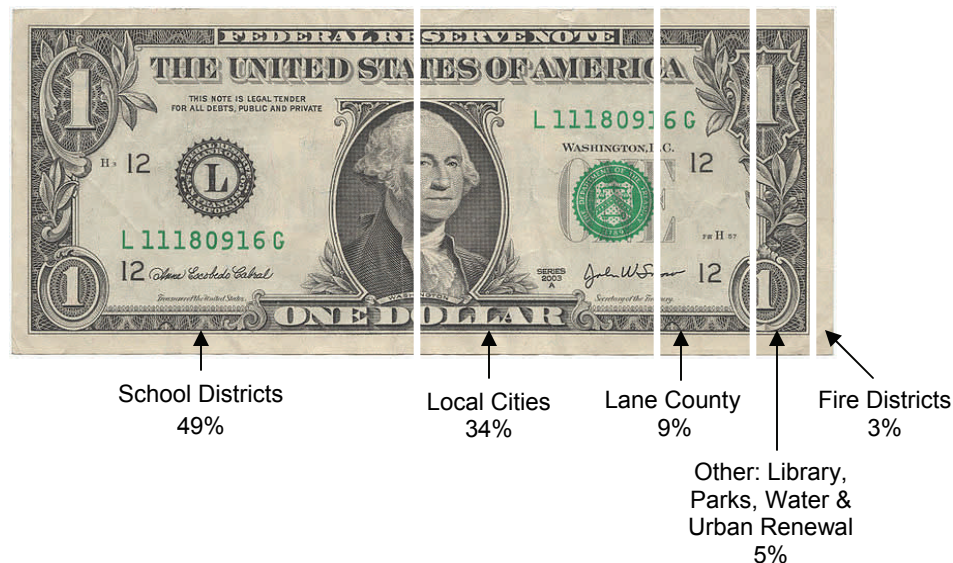
Source: Oregon Employment Department
June 2011

Property Tax

As a result of ballot measures, property taxes in Oregon are limited to no more than \$10 per \$1,000 of the market value for general government services and \$5 per \$1,000 for educational services. The growth of a property's maximum assessed value is limited to 3% per year. However, greater increases are allowed when changes occur to properties such as new construction, subdivisions, loss of special assessments or exemptions.

Lane County's property tax revenue totaled just under \$36 million in the 2011 fiscal year. The property tax rate is 1.3921 per \$1,000 of assessed value. As indicated below, this amount is roughly 9% of the total tax dollars collected in Lane County.

Where do your property tax dollars go?



Principal Property Tax Payers in 2011

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total Taxable Assessed Value</u>
PeaceHealth	\$ 513,717,632	2.00%
IP Eat Three LLC (International Paper)	174,559,097	0.68%
Comcast Corporation	135,537,400	0.53%
Weyerhaeuser Co.	128,152,715	0.50%
Hynix Semiconductor Mfg. America Inc.	122,377,695	0.48%
Qwest Corp.	113,894,000	0.44%
Valley River Center LLC	102,444,362	0.40%
Northwest Natural Gas Co.	88,509,700	0.34%
Symantec Corporation	77,550,173	0.30%
Verizon Communications	67,020,200	0.26%
	<u>\$ 1,523,762,974</u>	<u>5.93%</u>

Source: Lane County Department of Assessment and Taxation

General Fund Overview

The General Fund is the chief operating fund of the county and it accounts for all the financial resources of the general government, except those required to be accounted for in another fund. The level of unrestricted fund balance for the General Fund is considered a useful measure of short-term financial health.

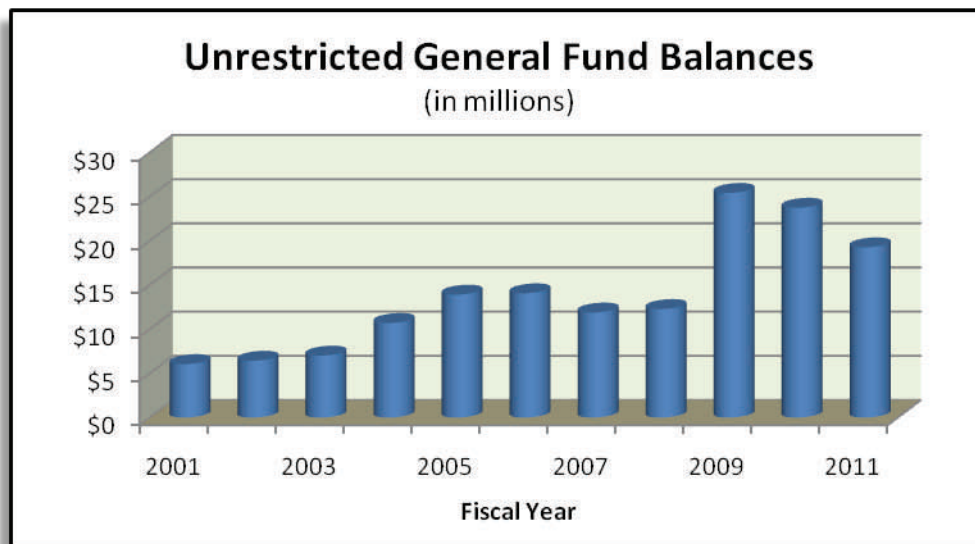
The General Fund is the only fund that Commissioners have unlimited discretion over, as the other funds are restricted. The revenues for the General Fund consists of property taxes, O&C timber receipts, and other unrestricted revenue streams. Public safety services are the largest recipients of these revenues. A great amount of energy is spent managing and analyzing the fund to provide an appropriate mix of services to citizens.

A **fund** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The County maintains 22 individual government funds made up of 1 General Fund, 16 special revenue funds, 3 debt service funds, and 2 capital project funds.

Highlights

- At the end of the fiscal year on June 30, 2011, the unrestricted fund balance for the General Fund was \$19.3 million, or 27.2% of General Fund total revenues.
- The fund balance of the General Fund decreased \$4.5 million from the prior year. The decrease is the continued spend-down of \$12.7 million in Secure Rural Schools funding that was held in reserve in fiscal year 2009 in anticipation of the eventual phase-out of the federal program in fiscal year 2012.



It is Lane County's policy to establish reserve funds which can be used to reduce the impact of substantial revenue fluctuations, thus providing for a more stable delivery of services to Lane County citizens. The adopted financial policies direct that each fund except the General Fund should have a minimum 5% prudent person reserve, and that the General Fund should maintain a reserve balance of at least 10% of General Fund operating reserves.

Statement of Net Assets

The statement of net assets presents information on the County's assets (what we own) and liabilities (what we owe), with the difference between the two reported as net assets. Measuring net assets is one way to evaluate the County's financial condition. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

For Lane County, assets exceeded liabilities by \$555.3 million for the 2011 fiscal year. The largest portion of the County's net assets (65.8%) reflects its investment in capital assets (e.g. land, building and improvements, equipment, and infrastructure), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens, and as a result is not available for future spending. An additional 14.7% of the County's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$101.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.

Government-Wide Statement of Net Assets (in thousands)	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$252,062	\$236,101	\$55,572	\$56,004	\$307,634	\$292,105
Capital assets	341,913	340,113	76,760	75,297	418,673	415,410
Total assets	593,975	576,214	132,332	131,301	726,307	707,515
Long-term liabilities outstanding	122,559	116,449	9,889	9,850	132,448	126,299
Other liabilities	34,295	29,589	4,279	6,447	38,574	36,036
Total liabilities	156,854	146,038	14,168	16,297	171,022	162,335
Net assets:						
Invested in capital assets, net of related debt	295,108	292,768	70,548	67,897	365,656	360,665
Restricted	85,579	77,672	2,925	2,340	88,504	80,012
Unrestricted	56,434	59,736	44,691	44,767	101,125	104,503
Total net assets	\$437,121	\$430,176	\$118,164	\$115,004	\$555,285	\$545,180

Key Terms

Governmental activities, which normally are supported by taxes and intergovernmental revenue, include: general government, public safety, public health and welfare, parks, roads and bridges, and community development services.

Business-type activities, which rely to a significant extent on charges for services, include: Lane Events Center, solid waste disposal, regional information systems, housing and community services, corrections commissary, and land management.

Current and other assets: Includes such items as pooled cash and investments, receivables, internal balances, inventories, deposits with others, prepaid items and deferred charges.

Statement of Activities

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. It provides a detailed account of the revenues (sources of income) and expenses (the use of money) for County operations. Actual amounts for FY11 appear in the table below, with graphic representations on the following two pages.

Government-Wide Changes in Net Assets (in thousands)	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<u>Revenues:</u>						
Program revenues:						
Charges for services	\$87,521	\$76,345	\$32,555	\$33,165	\$120,076	\$109,510
Operating grants and contributions	103,636	102,467	22,006	20,025	125,642	122,492
Capital grants and contributions	-	-	1,920	704	1,920	704
General revenues:						
Taxes	40,310	40,758	716	-	41,026	40,758
O&C timber receipts	11,000	12,205	-	-	11,000	12,205
Unrestricted investment earnings	1,306	1,746	561	805	1,867	2,551
Grants not restricted to specific programs	5,325	5,064	-	-	5,325	5,064
Total revenues	249,098	238,585	57,758	54,699	306,856	293,284
<u>Expenses:</u>						
General government	24,408	22,969	-	-	24,408	22,969
Public safety	77,100	72,157	-	-	77,100	72,157
Public health and welfare	86,424	80,728	-	-	86,424	80,728
Parks	2,477	2,265	-	-	2,477	2,265
Roads and bridges	36,817	38,029	-	-	36,817	38,029
Community development	6,914	6,437	-	-	6,914	6,437
Interest on long-term debt	6,927	6,981	-	-	6,927	6,981
Lane events center	-	-	3,752	3,941	3,752	3,941
Solid waste disposal	-	-	14,733	13,482	14,733	13,482
Regional information systems	-	-	5,542	6,185	5,542	6,185
Housing and community services	-	-	26,090	25,148	26,090	25,148
Corrections commissary	-	-	255	257	255	257
Land management	-	-	5,312	4,435	5,312	4,435
Total expenses	241,067	229,566	55,684	53,448	296,751	283,014
Change in net assets before transfers	8,031	9,019	2,074	1,251	10,105	10,270
Transfers in (out)	(1,086)	(863)	1,086	863	-	-
Increase in net assets	6,945	8,156	3,160	2,114	10,105	10,270
Net assets – beginning of year	430,176	422,020	115,004	112,890	545,180	534,910
Net assets – end of year	\$437,121	\$430,176	\$118,164	\$115,004	\$555,285	\$545,180

Revenues by Source

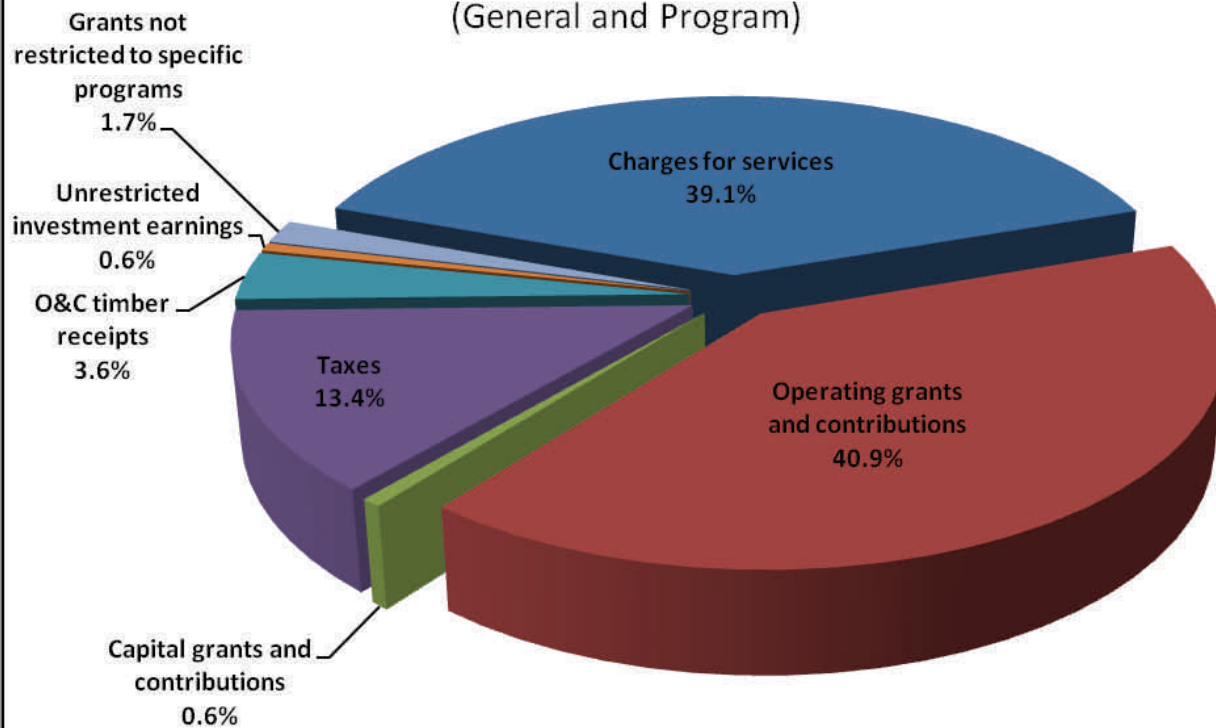
Did you know...

The County receives Federal Timber Payments from the Federal Bureau of Land Management and the Federal Forest Service. These payments were created in 2000 by the "Secure Rural School and Community Self-Determination Act" to replace declining timber revenues. The payments benefit public safety, law enforcement, education, and other public purposes. Initially, the payments were set to expire in 2007, but received a one year extension of approximately \$44 million. However, failure to renew these programs for subsequent years required that the County reduce General Fund programs and staffing levels at the end of fiscal year 2008.

In October 2008, Secure Rural Schools funding was reinstated for four years in a reduced form as part of the Emergency Economic Stabilization Act approved by Congress. The County received approximately \$34.8 million in 2011 and anticipates that future receipts will decline to approximately \$16.1 million and end by 2012.

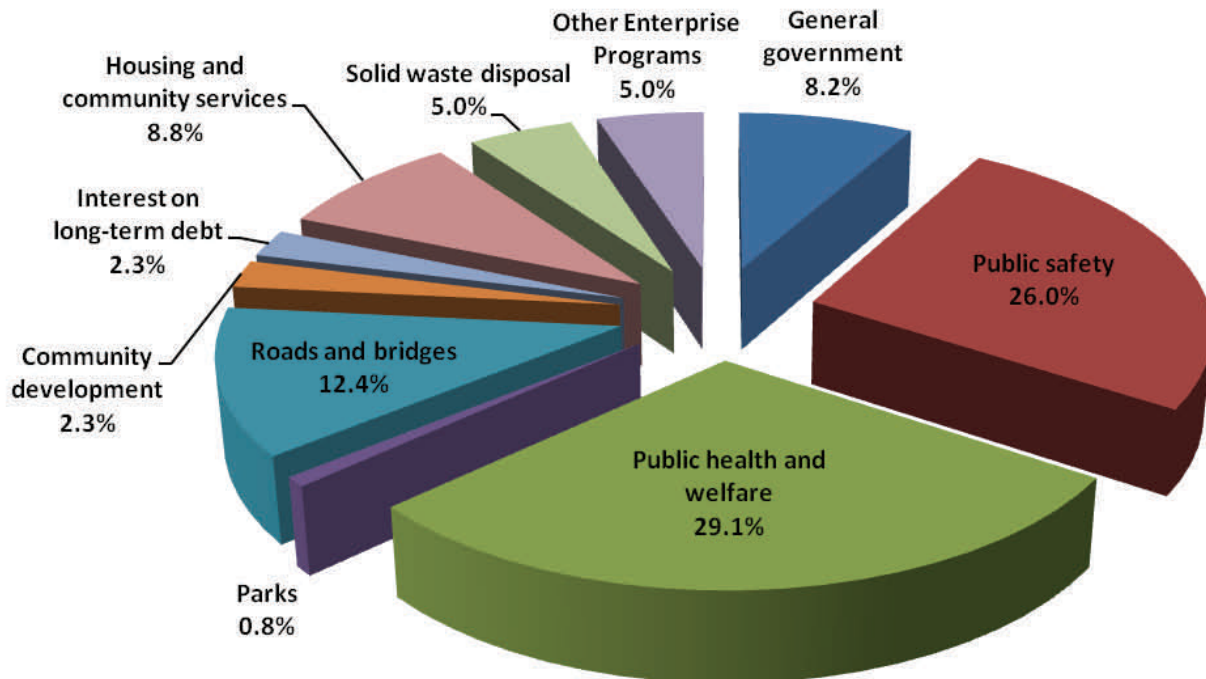


2011 Revenues by Source (General and Program)



Expenses by Program

2011 Expenses by Program



Structural Deficit

Lane County faces an ongoing financial “structural deficit,” which means that costs for the County are rising faster than revenues. Specifically, revenues are increasing at an annual rate of 3%, while expenses are increasing at a rate closer to 6%. The biggest driver of the structural deficit is health care costs, which have been rising at a rate of 6 - 12% during the last decade. The structural deficit makes it difficult to maintain service levels and provide for a balanced annual budget as required by Oregon law.

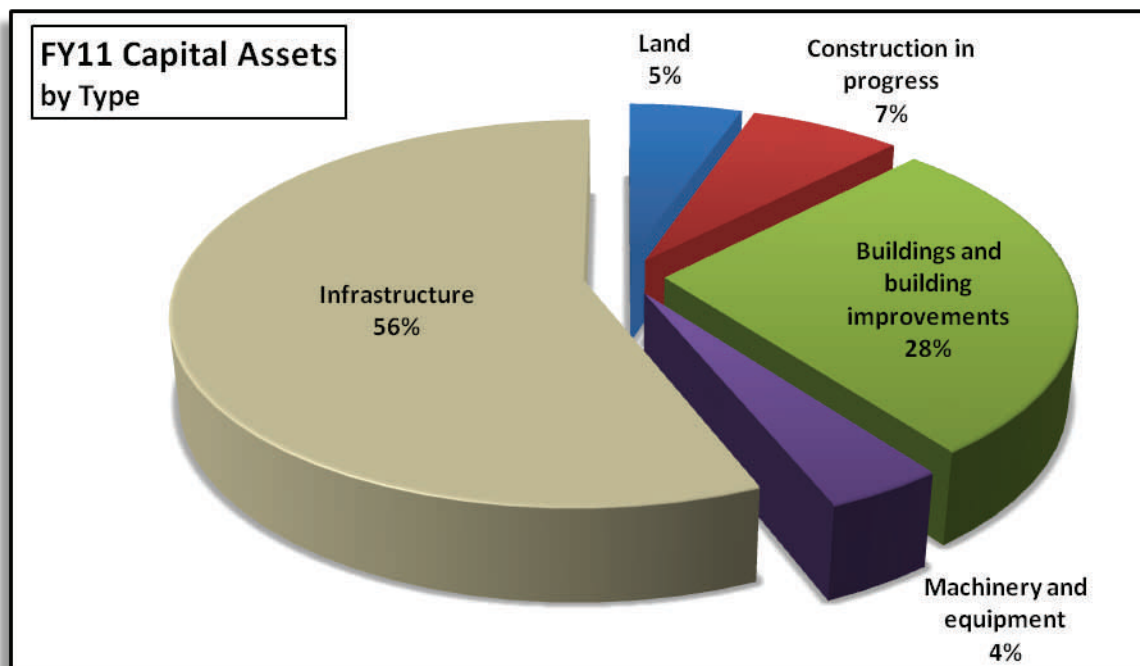
Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2011 was \$418.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and building improvements, improvements other than buildings (such as parks and park improvements), equipment, and infrastructure (roads and bridges). The total increase in the County's investment in capital assets for the 2011 fiscal year was 0.8%.

The major capital events during the current fiscal year were additions to infrastructure of \$9.9 million, remodeling costs to the County's federally qualified health center for \$1.1 million and the Public Health Facility for \$2.6 million, and \$0.7 million in renovation costs for the new Public Works Customer Service Center.

Lane County's Capital Assets, Net of Accumulated Depreciation
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$9,890	\$9,834	\$11,607	\$12,092	\$21,497	\$21,926
Construction in progress	5,965	15,554	17,964	13,909	23,929	29,463
Buildings and building improvements	78,626	66,585	45,313	47,450	123,939	114,035
Machinery and equipment	14,582	14,712	1,876	1,846	16,458	16,558
Infrastructure	232,850	233,428	-	-	232,850	233,428
Total capital assets	\$341,913	\$340,113	\$76,760	\$75,297	\$418,673	\$415,410



Long-term Debt

At the end of the 2011 fiscal year, the County had bonds outstanding of \$126.1 million, \$125.4 million of which is serviced by governmental activities. Of this amount, \$10.6 million represents general obligation bonds serviced by general property taxes. The County also had \$114.8 million in limited tax bonds outstanding. Both obligations are backed by the full faith and credit of the County. The County's total bonded debt increased \$6.1 million during the year.

Lane County's Outstanding Bonds
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$10.6	\$12.9	\$ -	\$ -	\$10.6	\$12.9
Limited tax bonds (net of deep discount of \$10.1)	113.5	105.2	-	-	113.5	105.2
Revenue bonds	-	-	0.7	0.8	0.7	0.8
Plus – net premium (discount) on issuance	1.3	1.1	-	-	1.3	1.1
Total bonded debt	\$125.4	\$119.20	\$0.7	\$0.8	\$126.1	\$120.0



Credit Ratings from Moody's

- Aa2 (high quality) for general obligation bonds
- Aa3 (high quality) for other issues

Service Operating Indicators

Function/Program	2010	2011
<u>Public safety</u>		
Sheriff's office:		
Response to calls for service	49,962	56,654
Jail Book Ins	11,673	12,045
District attorney:		
Criminal cases processed	6,777	7,989
Juvenile delinquency cases processed	2,308	2,400
Victim services volunteer hours	9,348	9,031
Youth services:		
Juvenile referrals	2,306	2,429
Justice courts:		
Citations processed	15,467	12,844
<u>Public health and welfare</u>		
Children and families:		
First-Birth families screened	1,109	1,102
Health and human services:		
Community Health Centers:		
Medical, dental, and mental health encounters	33,649	46,191
LaneCare:		
Clients served	12,416	9,670
<u>Roads and bridges</u>		
Miles of road receiving surface maintenance	126	115
Building permits issued	1,400	1,494
<u>Lane events center</u>		
County fair attendance	150,000	150,309
<u>Solid waste disposal</u>		
Tons of waste added to landfill	223,812	216,232
<u>Housing and community services</u>		
Number of unit months leased	44,970	44,798



Transparency Reporting

Expenditure and Revenue Transparency Reporting

Lane County prepares monthly transparency reports for its Citizens. Transparency Reporting include monthly schedules of revenues and expenditures. These transparency reports are designed to meet the reporting requirements of Oregon Revised Statute 294.250. The Expenditure and Revenue Transparency reports can be found online at:

<http://www.lanecounty.org/Departments/MS/Finance/Pages/Transparency.aspx>

- **Expenditure Transparency Reports** include accounts payable (voucher) transactions over \$100 reported by month. A voucher is a request for payment.
- **Revenue Transparency Reports** include cash receipt journal lines in excess of \$100 entered into the County's general ledger system. Cash receipt journal entries include all receipts received for physical deposit by the Financial Services Division.

Debt Affordability Report

The Financial Services Division issues the Debt Affordability Report annually at the end of each fiscal year in accordance with the debt policy as stated in APM Chapter 2, Section 21. The report is intended to provide a method for evaluating the current debt position and proposed new issues in the context of legal constraints, the County's ability to service the debt, and the impact of the debt on the County's credit rating.



Annual Investment Report

The Financial Services Division issues the Annual Investment Report at the end of each calendar year. This report analyzes information regarding the year's investment activity, and is used by the Investment Advisory Committee to form a conclusion about whether or not management has met the legal and administrative parameters set forth in the Oregon Revised Statutes, Lane Manual, and Lane County's Administrative Procedures Manual.

Both the Debt Affordability and Annual Investment reports can be found online at:

<http://www.lanecounty.org/Departments/MS/Finance/Pages/default.aspx>

Board Orders and Minutes

All approved board orders and minutes of board meetings can be located on the internet at:

<http://www.lanecounty.org/Departments/BCC/Pages/BoardOrdersMinutes.aspx>

Job Classifications and Salary Ranges

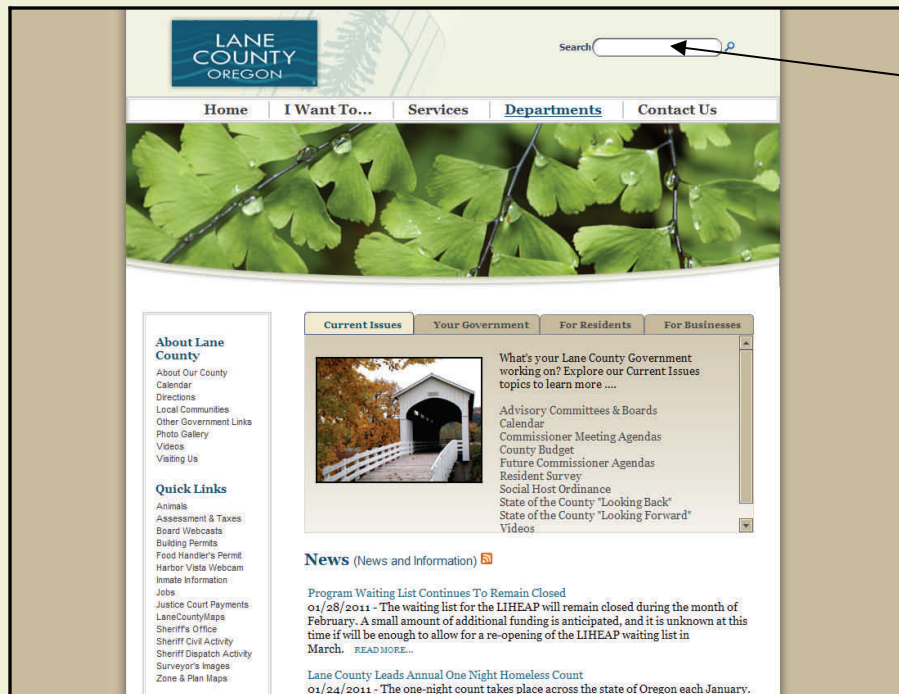
Job classifications and compensation schedules can be found at the Department of Human Resource's website at:

<http://www.lanecounty.org/Departments/HR/Pages/default.aspx>

Contact Us

Visit Lane County's Official Website

<http://www.lanecounty.org>



Search Engine

If you would like more information about Lane County's finances, view the Comprehensive Annual Financial Report (CAFR) at <http://www.lanecounty.org/Departments/MS/Finance>

If you have any comments, questions or suggestions for future reports, please contact the Financial Services Manager, Mike Barnhart, at 541-682-4199 or michael.barnhart@co.lane.or.us

Lane County Contacts

<u>Department</u>	<u>Phone Number</u>	<u>Department</u>	<u>Phone Number</u>
Assessment & Taxation	541-682-4321	Human Resources	541-682-3124
Board of Commissioners	541-682-4203	Information Services	541-682-3997
Children & Families	541-682-4671	Lane Events Center	541-682-4292
County Administration	541-682-4203	Management Services	541-682-4182
County Counsel	541-682-4442	Public Works	541-682-6911
District Attorney's Office	541-682-4261	Sheriff's Office	541-682-4150
Health & Human Services	541-682-4035	Workforce Partnership	541-682-3800
Housing Agency	541-682-3755	Youth Services	541-682-4700