

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, 2007, the County adopted the following accounting and financial reporting standards:

- *GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The County’s Retiree Medical Benefit Trust provides postemployment medical benefits and has implemented this Statement as required. See Note IV.C. for required disclosures.
- *GASB Statement No. 48 – Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* The County has not sold or pledged receivables or future revenues, nor have there been any intra-entity transfers of assets and future revenues, and there are no plans to do so in the future. There is no impact on the financial statements in the current fiscal year.
- *GASB Statement No. 50 – Pension Disclosures.* The County has implemented the requirements of this Statement and disclosures have been modified accordingly.

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 will by the primary government, 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:

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.

Notes to Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Component Units, continued

Blended Component Units, continued

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, 2007 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, 2008

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 therefore are not reported in the 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 guidance 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. Exceptions to this general rule are 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 this definition are reported as nonoperating revenues and expenses.

Notes to Basic Financial Statements

June 30, 2008

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:

- *Fair Board 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. The fairgrounds are governed by the fair board, a separate board appointed by the Board of County Commissioners in accordance with ORS 565.210. At June 30, 2008, there were no active Fair Board members and the Board of Commissioners served as the Fair Board. Capital reinvestment and infrastructure support is provided by taxes on hotel and motel rooms supporting the hospitality industry.
- *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, motor and equipment, intergovernmental, 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 the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Investment earnings are recognized when earned since they are considered both measurable and available. All other receipts have been recognized as revenues of the current fiscal period if received within 45 days of year-end.

Notes to Basic Financial Statements

June 30, 2008

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 Fair Board and HACSA enterprise funds, which manage their 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 state and financial institution collateral pools.

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 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 include uncollected interest, property taxes, accounts, intergovernmental grants, and other and are shown net of an allowance for uncollectibles when applicable. As of June 30, 2008, 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 80% turned over to a collection agent.

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.

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.

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.

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.

I. Summary of Significant Accounting Policies, continued

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

5. Capital Assets, continued

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 \$325,270 in interest expense incurred in enterprise funds during fiscal year 2008, 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 – 20
Machinery and equipment	3 – 10
Infrastructure:	
Bridges and culverts	80
Roads	7 – 40

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.

Notes to Basic Financial Statements

June 30, 2008

I. Summary of Significant Accounting Policies, continued

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

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. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition of those 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.

10. Fund Equity

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.

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, except HACSA and the Property Tax Agency Fund. Although exempted from Oregon Local Budget Law under ORS 294.316(8), HACSA prepares and adopts a budget for management purposes. The budgets are 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 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.

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 2008, the County Commissioners adopted three supplemental budget resolutions. Appropriations lapse at fiscal year-end.

The County does not utilize encumbrance accounting.

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>Special revenue funds</u>			
County schools fund:			
General expense -			
Materials and services	\$ 7,486,810	\$ 7,595,769	\$ 108,959
 <u>Enterprise funds</u>			
Fair board fund:			
Fair board	4,497,592	4,816,923	319,331

C. Deficit Fund Balances/Net Assets

The Pension Bond internal service fund reported negative net assets of \$2,867,438. 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, 2008 are as follows:

	Government- wide Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash and cash equivalents	\$ 152,133,128	\$ 3,101,306	\$ 155,234,434
Investments	3,742,035	-	3,742,035
Restricted cash	376,313	-	376,313
Restricted investments	3,438,844	-	3,438,844
Investments in limited partnerships	<u>2,028,463</u>	<u>-</u>	<u>2,028,463</u>
Total cash and investments	<u>\$ 161,718,783</u>	<u>\$ 3,101,306</u>	<u>\$ 164,820,089</u>

Total cash and investments at June 30, 2008 are comprised of the following:

<u>Cash and cash equivalents</u>	
Cash on hand	\$ <u>85,275</u>
Deposits:	
Demand deposits	2,943,613
Certificates of deposit	6,000,000
Money market accounts	11,385,885
Total deposits	<u>20,329,498</u>
Investments	<u>134,819,661</u>
Total cash and cash equivalents	<u>155,234,434</u>
<u>Investments</u>	<u>3,742,035</u>
<u>Restricted assets</u>	
Deposits:	
Demand deposits	<u>376,313</u>
Certificates of deposit	1,261,000
Investments	<u>2,177,844</u>
	<u>3,438,844</u>
Total restricted assets	<u>3,815,157</u>
<u>Investments in limited partnerships</u>	<u>2,028,463</u>
<u>Total cash and investments</u>	<u>\$ 164,820,089</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, 2008. 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 agencies:					
Coupons:					
Federal Agricultural Mortgage Corporation	\$ 1,034,838	\$ -	\$ -	\$ -	\$ 1,034,838
Notes:					
Federal Farm Credit Bank	16,988,182	-	-	1,008,053	15,980,129
Federal Home Loan Bank	42,099,991	-	1,000,113	13,045,266	28,054,612
Federal Home Loan Mortgage Corporation	18,485,579	-	-	2,501,184	15,984,395
Federal National Mortgage Association	17,159,740	1,603,858	1,612,925	1,006,981	12,935,976
Corporate indebtedness:					
Promissory Notes	11,927,949	-	3,009,421	5,881,422	3,037,106
Local government investment pool	31,059,617	23,915,905	1,242,385	5,901,327	-
Investment with fiscal agent	1,983,644	-	-	-	1,983,644
Limited partnerships	2,028,463	-	-	-	2,028,463
	<u>\$ 142,768,003</u>	<u>\$ 25,519,763</u>	<u>\$ 6,864,844</u>	<u>\$ 29,344,233</u>	<u>\$ 81,039,163</u>

Summary

Cash and cash equivalents	\$ 134,819,661
Investments	3,742,035
Restricted investments	2,177,844
Limited partnerships	<u>2,028,463</u>
Total investments	<u>\$ 142,768,003</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%

Notes to Basic Financial Statements

June 30, 2008

III. Detailed Notes on All Funds, continued

A. Deposits and Investments, continued

Credit Risk

State law and County policy require that minimum ratings be maintained for certain debt securities. At June 30, 2008, the Standard and Poor's minimum and 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
Corporate Indebtedness:		
Promissory notes:		
Oregon	A	AA
Non-Oregon	AA	AA to 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	11.90%
▪ Federal Home Loan Bank	29.49%
▪ Federal Home Loan Mortgage Corporation	12.95%
▪ Federal National Mortgage Association	12.02%
• Local government investment pool	21.76%
• Corporate Debt	
▪ Promissory Notes	8.35%

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, statute requires cash on deposit in any one bank not exceed federal depository insurance without procuring collateral certificates of participation from the bank's pool manager. State law and County policy require each certificate of participation be collateralized with eligible securities up to 25% of the amount of the certificate. Although the County is in compliance with this statutory requirement, \$7,340,839 of the County's June 30, 2008 bank balance of \$23,750,483 was exposed to custodial credit risk because it was uninsured and uncollateralized.

III. Detailed Notes on All Funds, continued

A. Deposits and Investments, continued

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, 2008, 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. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables at June 30, 2008 are as follows:

<u>Due to/from other funds:</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Other governmental funds	\$ <u>18,574</u>
Other governmental funds	Internal service funds	<u>998</u>
Internal service funds	General	757,520
Internal service funds	Road	263,368
Internal service funds	Special revenue / services	115,177
Internal service funds	Health and human services	345,108
Internal service funds	Other governmental funds	111,473
Internal service funds	Fair board	20,479
Internal service funds	Solid waste disposal	94,351
Internal service funds	Other enterprise funds	108,398
Internal service funds	Internal service funds	<u>99,726</u>
		<u>1,915,600</u>
Total due to/from other funds		\$ <u>1,935,172</u>

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, 2008.

<u>Advances to/from other funds:</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	
Internal service funds	Other governmental funds	\$ <u>1,000,000</u>
Total advances to/from other funds		\$ <u>1,000,000</u>

III. Detailed Notes on All Funds, continued

B. Interfund Receivables, Payables, and Transfers, continued

The Capital Improvements governmental fund borrowed \$1,000,000 from the Motor and Equipment Pool internal service fund to provide resources to improve the Public Health Facility. The loan will be repaid in full no later than November 1, 2009.

Interfund transfers for the year ended June 30, 2008 are as follows:

<u>Fund</u>	<u>General</u>	<u>Road</u>	<u>Special Revenue / Services</u>	<u>Health and Human Services</u>	<u>Fair Board</u>
General	\$ -	\$ -	\$ 616,725	\$ 3,628,854	\$ -
Road	-	-	1,200,000	-	-
Special revenue / services	507,812	45,000	-	-	859,032
Health and human services	75,808	-	-	-	-
Solid waste disposal	-	51,685	-	-	-
Other governmental funds	2,319,197	788,171	2,841,354	491,314	-
Other enterprise funds	-	-	-	-	-
Internal service funds	-	-	-	-	-
Total transfers in	\$ <u>2,902,817</u>	\$ <u>884,856</u>	\$ <u>4,658,079</u>	\$ <u>4,120,168</u>	\$ <u>859,032</u>

<u>Fund (continued)</u>	<u>Other Governmental Funds</u>	<u>Other Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total Transfers Out</u>
General	\$ 3,174,177	\$ 1,234,738	\$ 501,000	\$ 9,155,494
Road	-	-	-	1,200,000
Special revenue / services	1,085,160	-	-	2,497,004
Health and human services	388,548	-	-	464,356
Solid waste disposal	-	-	-	51,685
Other governmental funds	552,223	7,540	-	6,999,799
Other enterprise funds	-	-	57,180	57,180
Internal service funds	-	49,785	6,960,983	7,010,768
Total transfers in	\$ <u>5,200,108</u>	\$ <u>1,292,063</u>	\$ <u>7,519,163</u>	\$ <u>27,436,286</u>

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 2008, the following non-routine transfers were made:

1. The Land Management division of the General Fund was moved to a new Land Management Enterprise Fund. Reserves of \$1,234,738 were transferred to affect the reorganization.
2. The Special Revenue / Services special revenue fund transferred \$490,000 in unrestricted Justice Court receipts to support General Fund operations.

III. Detailed Notes on All Funds, continued

C. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows.

Governmental activities:	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 9,402,839	\$ -	\$ -	\$ -	\$ 9,402,839
Construction in progress	570,174	776,095	-	(27,429)	1,318,840
Total capital assets not being depreciated	9,973,013	776,095	-	(27,429)	10,721,679
Capital assets being depreciated:					
Buildings and land improvements	112,326,172	927,874	(333,856)	23,689	112,943,879
Equipment and furniture	41,614,074	3,302,783	(2,237,331)	16,916	42,696,442
Infrastructure	296,671,895	17,006,121	(4,260,308)	-	309,417,708
Total capital assets being depreciated	450,612,141	21,236,778	(6,831,495)	40,605	465,058,029
Less accumulated depreciation for:					
Buildings and land improvements	(45,263,167)	(2,534,450)	138,550	(15,620)	(47,674,687)
Equipment and furniture	(26,926,786)	(3,155,648)	2,116,443	17,372	(27,948,619)
Infrastructure	(76,085,513)	(9,297,538)	4,260,311	-	(81,122,740)
Total accumulated depreciation	(148,275,466)	(14,987,636)	6,515,304	1,752	(156,746,046)
Total capital assets being depreciated, net	302,336,675	6,249,142	(316,191)	42,357	308,311,983
Governmental activities capital assets, net	\$ 312,309,688	\$ 7,025,237	\$ (316,191)	\$ 14,928	\$ 319,033,662
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 11,053,451	\$ -	\$ -	\$ -	\$ 11,053,451
Construction in progress	7,990,130	9,733,877	-	(16,525)	17,707,482
Total capital assets not being depreciated	19,043,581	9,733,877	-	(16,525)	28,760,933
Capital assets being depreciated:					
Buildings and land improvements	75,549,204	997,478	-	20,265	76,566,947
Equipment and furniture	10,773,906	829,390	(110,100)	(16,916)	11,476,280
Total capital assets being depreciated	86,323,110	1,826,868	(110,100)	3,349	88,043,227
Less accumulated depreciation for:					
Buildings and land improvements	(34,937,059)	(2,159,878)	-	(59,318)	(37,156,255)
Equipment and furniture	(7,474,143)	(952,880)	110,100	57,566	(8,259,357)
Total accumulated depreciation	(42,411,202)	(3,112,758)	110,100	(1,752)	(45,415,612)
Total capital assets being depreciated, net	43,911,908	(1,285,890)	-	1,597	42,627,615
Business-type activities capital assets, net	\$ 62,955,489	\$ 8,447,987	\$ -	\$ (14,928)	\$ 71,388,548

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, 2008:

<u>Governmental Activities</u>	
General government	\$ 4,279,645
Public safety	955,902
Public health and welfare	32,512
Parks	81,023
Roads and bridges	<u>9,638,554</u>
Total depreciation expense - governmental activities	<u>\$ 14,987,636</u>
 <u>Business-type Activities</u>	
Fair board	\$ 1,040,136
Solid waste disposal	364,697
Housing and community services	1,032,822
Other enterprise funds	<u>675,103</u>
Total depreciation expense – business-type activities	<u>\$ 3,112,758</u>

D. Deferred Revenue

Governmental funds report deferred revenue 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, 2008:

<u>Fund by Type</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable:			
General	\$ 1,433,307	\$ -	\$ 1,433,307
Other governmental funds	178,736	-	178,736
Other receivables:			
Road	50,688	88,246	138,934
Special revenue / services	6,182,437	-	6,182,437
Other governmental funds	-	5,058	5,058
Fair board	-	284,717	284,717
Housing and community services	-	692,267	692,267
	<u>\$ 7,845,168</u>	<u>\$ 1,070,288</u>	<u>\$ 8,915,456</u>

Notes to Basic Financial Statements

June 30, 2008

III. Detailed Notes on All Funds, continued

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 \$407,229 for the year ended June 30, 2008. The future minimum lease payments to be paid under these leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2009	\$ 350,319
2010	158,641
2011	98,442
	<u>\$ 607,402</u>

The County acts as lessor under non-cancellable operating leases that arise primarily from leasing office space in various County facilities. Because the leasing activity is not the primary use of the properties, the cost and net book value information of the leased portion has not been determined. Lease income to the County for such leases was \$905,390 for the year ended June 30, 2008. The future minimum lease payments to be received under these leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2009	\$ 538,012
2010	50,015
2011	13,585
2012	9,057
	<u>\$ 610,669</u>

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. Payment of principal and interest is insured by FSA.

GO bonds outstanding as of June 30, 2008 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	2.750% to 5.250%	<u>\$ 17,290,000</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>
2009	\$ 2,135,000	\$ 751,337
2010	2,215,000	692,625
2011	2,330,000	596,875
2012	2,440,000	515,325
2013	2,585,000	387,225
2014-2015	5,585,000	422,750
	<u>\$ 17,290,000</u>	<u>\$ 3,366,137</u>

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Limited Tax Bonds

The County issues limited tax bonds in governmental activities. Limited tax bonds include limited tax revenue bonds, full faith and credit obligations, and limited tax pension bonds. The limited tax revenue bonds are financing public improvements to the county courthouse and jail. The full faith and credit obligations are financing public improvements to the County fairgrounds; the mental health facility and converting/upgrading the AIRS public safety and information computer system; and financing the costs of a facility for the County Elections Division and the Plaza/Free Speech area at the County Courthouse. Limited tax pension bonds are financing a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System. 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. Payment of principal and interest of the limited tax full faith and credit bonds is insured by MBIA. Payment of principal and interest of the limited tax pension bonds is insured by AMBAC.

Limited tax bonds outstanding as of June 30, 2008 are as follows:

<u>Governmental Activities</u>	<u>Interest Rates (%)</u>	<u>Ending Balance</u>
<u>Limited tax bonds:</u>		
Limited Tax Full Faith & Credit Bonds, Series 2000	4.650% to 5.375%	\$ 4,895,000
Limited Tax Full Faith & Credit Bonds, Series 2002A	4.000% to 5.000%	7,100,000
Limited Tax Full Faith & Credit Bonds, Series 2003B	3.000% to 4.450%	<u>3,200,000</u>
		15,195,000
Limited Tax Pension Bonds, Series 2002 (net of deep discount of \$12,900,867)	6.230% to 7.410%	<u>69,214,133</u>
Total limited tax bonds		<u>\$ 84,409,133</u>

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

Year Ending June 30	<u>Governmental Activities</u>					
	<u>Limited Tax Bonds, excluding Limited Tax Pension Bonds</u>		<u>Limited Tax Pension Bonds</u>		<u>Total Limited Tax Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,015,000	\$ 685,187	\$ 773,700	\$ 3,866,155	\$ 1,788,700	\$ 4,551,342
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
2014-2018	5,430,000	2,008,590	5,598,907	26,960,369	11,028,907	28,968,959
2019-2023	5,180,000	605,727	19,198,651	21,880,375	24,378,651	22,486,102
2024-2028	-	-	33,110,000	7,119,600	33,110,000	7,119,600
	<u>\$ 15,195,000</u>	<u>\$ 5,686,478</u>	<u>\$ 62,456,649</u>	<u>\$ 77,045,529</u>	<u>\$ 77,651,649</u>	<u>\$ 82,732,007</u>

Notes to Basic Financial Statements

June 30, 2008

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Limited Tax Bonds, continued

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:

<u>Limited Tax Bonds</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Pension debt service requirements	\$ 62,456,649	\$ 773,700
Accretion of deep discount	6,757,484	441,300
Total limited tax pension bonds outstanding	69,214,133	1,215,000
 Non-pension debt service requirements	 15,195,000	 1,015,000
Total limited tax bonds outstanding	<u>\$ 84,409,133</u>	<u>\$ 2,230,000</u>

The County has an optional prepayment provision in relation to the Limited Tax Pensions Bonds, Series 2002. On December 18, 2007, the County exercised its option to redeem \$6,500,000 of the bonds maturing on June 1, 2025.

Revenue Bonds

HACSA issues revenue bonds to finance major construction projects in business-type activities. The revenue bonds are not backed by the full faith and credit of the County, but rather, are secured by a pledge of certain revenues and receipts of the Firwood Apartment Project and a deed of trust on the underlying real estate. The bonds are to be repaid from the net operating income of the Project.

<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	6.450% to 6.700%	\$ 705,000
HACSA Revenue Bonds, Series 1995B	6.700%	200,000
		<u>\$ 905,000</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>
2009	\$ 45,000	\$ 60,256
2010	50,000	56,984
2011	55,000	53,389
2012	60,000	49,630
2013	60,000	45,680
2014-2018	365,000	157,549
2019-2022	270,000	37,856
	<u>\$ 905,000</u>	<u>\$ 461,344</u>

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

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>
<u>Notes payable:</u>		
Commercial banks	8.300%	\$ <u>6,225,600</u>
<u>Business-type Activities</u>		
<u>Notes payable:</u>		
Eugene Water and Electric Board	7.000%	\$ 182,277
Commercial banks	7.750%	285,919
City of Eugene	2.000% to 8.000%	1,364,817
State agencies	0.250% to 3.690%	1,120,327
FHA	7.000% to 7.500%	450,531
Other	5.000% to 6.875%	2,730,483
		\$ <u>6,134,354</u>

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>
2009	98,336	513,040	365,274	226,860
2010	6,127,264	295,403	357,826	210,697
2011	-	-	344,439	191,085
2012	-	-	316,341	172,205
2013	-	-	255,929	154,671
2014-2018	-	-	2,014,753	659,919
2019-2023	-	-	941,140	450,771
2024-2028	-	-	832,492	273,292
2029-2033	-	-	509,184	127,481
2034-2036	-	-	196,976	25,828
	\$ <u>6,225,600</u>	\$ <u>808,443</u>	\$ <u>6,134,354</u>	\$ <u>2,492,809</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, 2008, there were no rebatable arbitrage liabilities to report.

Conduit Debt Obligations

The County issued bonds in 1994 to provide financial assistance to Weyerhaeuser Company for pollution control. On June 30, 2008, Weyerhaeuser exercised their option to repay the bonds in full. No pollution control bonds remain outstanding at June 30, 2008.

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

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 \$3,333,099 reported as the landfill closure and postclosure care liability at June 30, 2008 represents current cost estimates based on the use of 16.89% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of final closure and postclosure care of \$16,401,980 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 2008. Actual costs may be different due to inflation, changes in technology, or changes in regulations. The County expects to close the landfill in 2087.

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, 2007 (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, 2008, internal service fund debt includes the Limited Tax Pension Bonds of \$69,214,133, less deferred bond discounts of \$162,978.

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:

III. Detailed Notes on All Funds, continued

F. Noncurrent Liabilities, continued

Compensated absences, continued

<u>Government-type Activities</u>	<u>Due Within One Year</u>
General	\$ 3,060,028
Road	867,589
Special revenue / services	448,941
Health and human services	700,230
Other governmental funds	318,933
Internal service funds	362,592
	<u>\$ 5,758,313</u>

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>
Notes payable	\$ 6,307,821	\$	\$ 82,221	\$ 6,225,600	\$ 98,336
Bonds payable:					
General obligation bonds	19,360,000	-	2,070,000	17,290,000	2,135,000
Limited tax bonds	91,928,604	1,340,529	8,860,000	84,409,133	2,230,000
Deferred amounts:					
Issuance discounts, net of premiums	(226,074)	-	(21,980)	(204,094)	-
Total bonds payable	<u>111,062,530</u>	<u>1,340,529</u>	<u>10,908,020</u>	<u>101,495,039</u>	<u>4,365,000</u>
Compensated absences	<u>5,687,570</u>	<u>10,221,571</u>	<u>10,150,828</u>	<u>5,758,313</u>	<u>5,758,313</u>
Claims	<u>2,880,000</u>	<u>2,124,275</u>	<u>1,374,275</u>	<u>3,630,000</u>	<u>3,630,000</u>
Net OPEB obligation	-	1,249,760	-	1,249,760	-
	<u>\$ 125,937,921</u>	<u>\$ 14,936,135</u>	<u>\$ 22,515,344</u>	<u>\$ 118,358,712</u>	<u>\$ 13,851,649</u>
Business-type activities:					
Notes payable:					
Fair board:	\$ 271,820	\$ -	\$ 66,928	\$ 204,892	\$ 71,849
HACSA	6,204,335	-	274,873	5,929,462	293,425
Total notes payable	<u>6,476,155</u>	<u>-</u>	<u>341,801</u>	<u>6,134,354</u>	<u>365,274</u>
Bonds payable:					
Revenue bonds	950,000	-	45,000	905,000	45,000
Deferred amounts:					
Issuance discounts	(19,759)	-	(1,929)	(17,830)	-
Total bonds payable	<u>930,241</u>	<u>-</u>	<u>43,071</u>	<u>887,170</u>	<u>45,000</u>
Compensated absences	<u>936,600</u>	<u>1,942,849</u>	<u>1,801,089</u>	<u>1,078,360</u>	<u>1,078,360</u>
Landfill closure and postclosure care liability	<u>3,063,949</u>	<u>269,150</u>	<u>-</u>	<u>3,333,099</u>	<u>-</u>
	<u>\$ 11,406,945</u>	<u>\$ 2,211,999</u>	<u>\$ 2,185,961</u>	<u>\$ 11,432,983</u>	<u>\$ 1,488,634</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.

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. The last actuarially determined liability was prepared for the year ended June 30, 2007, and together with an analysis of current trends and other factors, was not adjusted for the year ended June 30, 2008. 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, 2008, a total claims liability of \$2,880,000 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:

Year Ending June 30	Liability Balance at Beginning of Year	Current-year Claims and Changes in Estimates	Claim Payments	Liability Balance at End of Year
2007	\$ 2,364,000	\$ 1,421,234	\$ 905,234	\$ 2,880,000
2008	2,880,000	1,374,275	1,374,275	2,880,000

In addition to internal service fund claims liability, a claims liability of \$750,000 is also reported in the Health and Human Services special revenue fund. See Note IV. E. for more information.

Total claims payable at June 30, 2008 are as follows:

<u>Government-type Activities</u>	<u>Amount</u>
Health and human services	\$ 750,000
Internal service funds	2,880,000
	<u>\$ 3,630,000</u>

B. Retirement Plan

Plan Descriptions/Funding Policies

The County, exclusive of HACSA, is a participating employer in 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).

IV. Other Information, continued

B. Retirement Plan, continued

Plan Descriptions/Funding Policies, continued

County employees are eligible to participate in OPERS after six months of employment and benefits vest after five continuous years of service or at age 50. 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://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. In 1995, the Legislature enacted a second level or "tier" of PERS benefits for persons who established PERS membership on or after January 1, 1996. These Tier Two members do not have the Tier One assumed earnings rate guarantee, and have a higher normal retirement age of 60, compared to 58 for Tier One. Employer contributions to PERS are required by state statute and are made at actuarially determined rates as adopted by the PERB. Effective July 1, 2005, the County elected to pay from an "optional schedule" provided in the December 31, 2003 actuarial valuation, increasing the annual required contribution rate to 14.34% where it remained through fiscal year 2007. Beginning July 1, 2007 the County's PERS rate dropped to 11.34% 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).
- 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. Prior to February 28, 2006 the UAL factor was only included in the PERS contribution rate, but is now paid via employer contributions for all PERS and OPSRP members.
 - 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. PERS members retain their existing PERS accounts, however, member contributions have been deposited in the member's IAP since the beginning of 2004 rather than into the member's PERS account.

IV. Other Information, continued

B. Retirement Plan, continued

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, 2008, the County's annual pension expenditures/expense of \$14,444,667 consisted of contributions on behalf of employees to the IAP of \$4,450,771, employer annual required contributions to the defined benefit pensions plans of \$8,812,562 (6.00% and 11.88% of covered payroll, respectively), and \$1,181,334 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, 2008 were as follows:

Annual required contribution (ARC)	\$ 8,812,562
Interest earned on net pension asset	(4,603,955)
Adjustment to the ARC	<u>5,785,289</u>
Annual pension cost	9,993,896
Contributions made	<u>(8,812,562)</u>
Decrease in net pension asset	1,181,334
Net pension asset, beginning of year	<u>65,744,452</u>
Net pension asset, end of year	<u>\$ 64,563,118</u>

Effective December 31, 2004, the actuarial cost method was changed to the "projected unit credit" (PUC) method from the "entry age" cost method. The change in UAL attributable to this change is amortized over a rolling three-year period. 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.

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, 2006	\$ 11,058,553	\$ 10,096,904	91%	\$ 66,812,072
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

IV. Other Information, continued

B. Retirement Plan, continued

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation, 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.

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 June 30, 2008 actuarial valuation date, 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.

IV. Other Information, continued

C. Other Post-employment Benefits, continued

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. The County elected this rate to advance fund future benefits. For the fiscal year ending June 30, 2008, contributions to the Retiree Medical Benefit Trust Fund totaled \$3,677,774. Of that amount, \$2,436,690 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.

The following table shows the components of the County's annual OPEB cost for the fiscal year ending June 30, 2008, 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	0
Adjustment to the ARC	0
Annual OPEB cost (expense)	<u>3,686,450</u>
Contributions made	<u>(2,436,690)</u>
Increase in net OPEB obligation	1,249,760
Net OPEB obligation, beginning of year	0
Net OPEB obligation, end of year	<u>\$ 1,249,760</u>

The County's annual OPEB cost, contribution, percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2008 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

Funded Status and Funding Progress

As 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.

Notes to Basic Financial Statements

June 30, 2008

IV. Other Information, continued

C. Other Post-employment Benefits, continued

Funded Status and Funding Progress, continued

For the fiscal year ending June 30, 2008, the County has accumulated \$7,181,963 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.

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. Joint Ventures

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. Each government is responsible for its share of REG liabilities and for its proportionate share of any REG contracts entered into while bound by the intergovernmental agreement. Participants in the agreement have no explicit, measurable equity interest in the REG, although they do maintain a residual interest in the REG assets upon dissolution of the joint venture. 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 Lane County.

Notes to Basic Financial Statements

June 30, 2008

IV. Other Information, continued

D. Joint Ventures, continued

The County is also 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 has no explicit, measurable equity interest in the joint venture. MWMC, which is reflected as a component unit of the City of Springfield, reported an increase in net assets of \$5,567,649 and total net assets of \$101,719,687 for the fiscal year ended June 30, 2007. Separate financial statements for MWMC can be obtained from the City of Springfield Finance Department.

The County also 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 has no explicit, measurable equity interest in the joint venture. The RFC, which is reflected as a component unit of the City of Springfield, reported a decrease in net assets of \$1,169,446 and total net assets of \$20,609,417 for the fiscal year ended June 30, 2007. Separate financial statements for the RFC can be obtained from the City of Springfield Finance Department.

E. Commitments and Contingencies

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 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.

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 is currently in negotiations with the State of Oregon regarding the disallowance of Title XIX (Medicare) claims for mental health services provided. An estimated claims liability of \$750,000 has been recorded in the Health and Human Services special revenue fund.

The County has approved the following interfund loans which have not been funded as of June 30, 2008:

- \$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 November 1, 2009.
- \$900,000 from the Solid Waste Disposal fund to the Capital Improvements fund for interim financing of the justice and public safety systems project due November 1, 2009.

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.

Notes to Basic Financial Statements

June 30, 2008

IV. Other Information, continued

F. Subsequent event

On October 3, 2008, the federal government signed into law HR 1424, the Emergency Economic Stabilization Act of 2008 which included funding for Secure Rural Schools. The County anticipates receiving:

- \$13.5 million for the General Fund and \$19.6 million for the Road Fund in Fiscal Year 2008-09
- \$12.1 million for the General Fund and \$17.6 million for the Road Fund in Fiscal Year 2009-10
- \$11 million for the General Fund and \$15.9 million for the Road Fund in Fiscal Year 2010-11