Secretary of State Audit Report

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Oregon's Counties: 2012 Financial Condition Review

Summary

The objective of this report is to analyze the financial condition of county governments within the State of Oregon, and to identify general strategies of other states for addressing financial concerns. We also looked specifically at the federal timber payments to counties, which are scheduled to end, to identify the added financial strain. We did not propose specific solutions for counties because the decisions about county taxes and the level of services are based upon local priorities, within practical and legal requirements and limitations.

Early identification of financial problems can enable a government to introduce remedies sooner. State monitoring of local governments can provide assurance that key partners in service delivery are financially sound, and if warning trends appear, can also prompt action. One of the key challenges facing several states and their local governments is the right solution when a government is in severe financial distress. We compiled and included in this report actions taken by other states to monitor the financial condition of their local governments.

For purposes of our analysis of Oregon's 36 counties, we selected 10 indicators that provide a general assessment of the financial condition of Oregon's counties. For each indicator we present a detailed discussion and analysis. Using the results, we identified eight counties whose financial condition may indicate a higher risk of distress than other counties. We performed additional analysis on these eight counties, which are individually portrayed in the Counties to Monitor section of this report:

- Coos
- Curry
- Douglas
- Jackson
- Josephine
- Klamath
- Lane
- Polk

Many of the counties have initiated various strategies to address their situation and we summarized their actions and plans within this report.

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Background

County and State Interrelationships

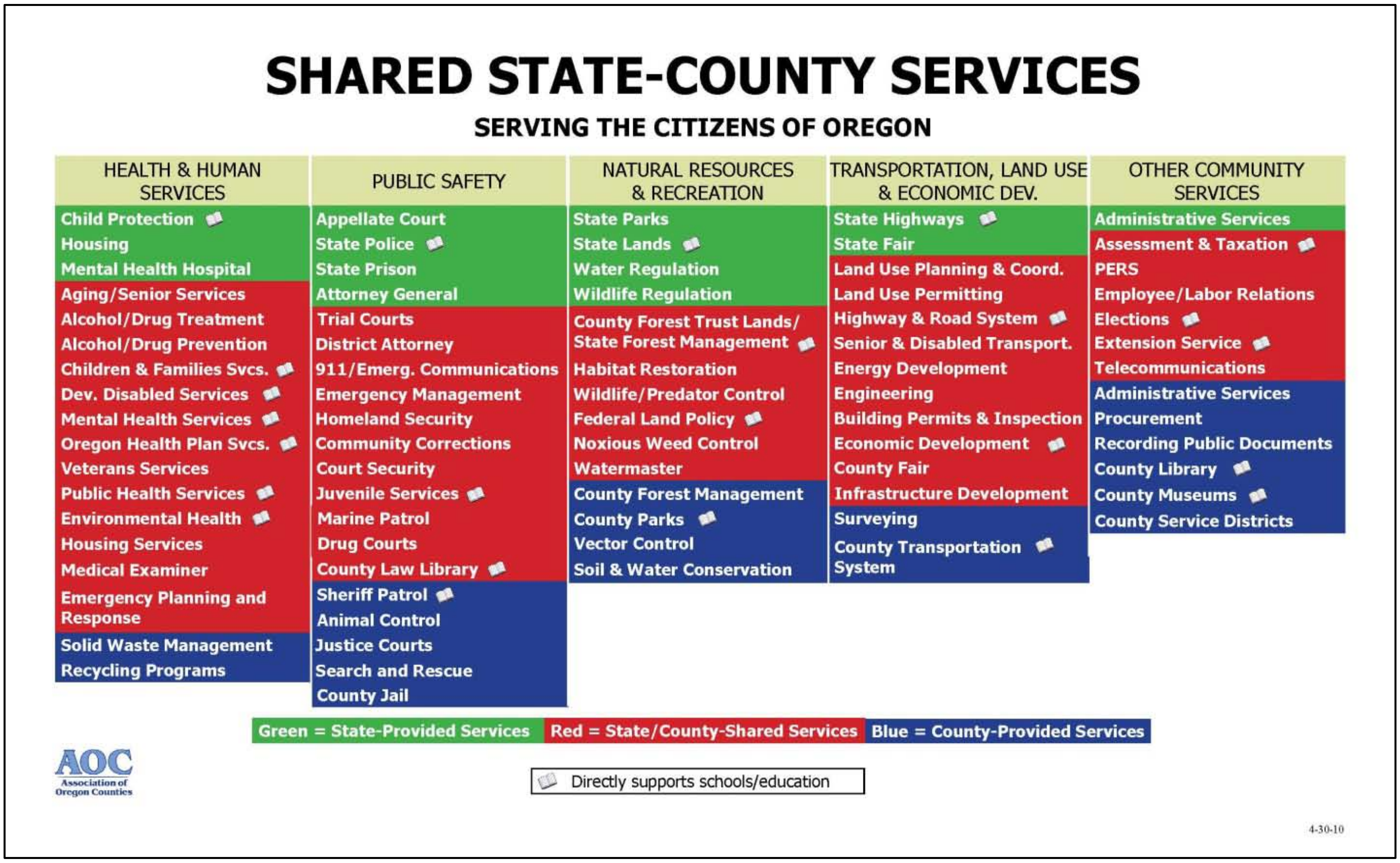
Counties play a key role in providing government services, and even precede Oregon's statehood. Once "Oregon Country" and its counties were carved into states, Oregon transitioned from having a provisional government to a territorial government, and finally to a state government. This evolution was mirrored at the county level as well, starting with four counties in 1843, with further dividing through the years to the current 36 counties in 1917.

Originally, all counties functioned almost exclusively as agents of state government; all their activity had to be either authorized or mandated by state law. Under the provisional government, they were responsible for tracking property, probating estates, overseeing minor judicial functions, enforcing laws, operating jails, and conducting elections. The territorial government added some responsibility for "poor relief", public health, and agricultural services.

In 1958 an amendment to the Oregon Constitution authorized counties to adopt "home rule" charters, and a 1973 state law granted all counties the power to exercise broad home rule authority. Nine have adopted home rule charters wherein voters have the power to adopt and amend their own county government organization.

Today's counties provide a wide range of public services including: public health, mental health, community corrections, juvenile services, criminal prosecution, hospitals, nursing homes, airports, parks, libraries, land-use planning, building regulations, refuse disposal, elections, air-pollution control, veterans services, economic development, urban renewal, public housing, vector control, county fairs, museums, animal control, civil defense, and senior services.

Some of these services are supported with local taxes, whereas others rely in part upon state and federal revenue for support such as public health and senior services. As shown in the following chart, the Association of Oregon Counties (AOC) has identified major services provided by the State, Counties, and by both entities.



Financial and Demographic Indicators

The ability to evaluate the financial condition of a local government, whether by key decision makers within the government, taxpayers, rating agencies, bondholders or other parties, is critically important in today's economic environment.

Cities and counties around the country with long-term problems have found themselves pushed over the edge by the recession and its lingering aftermath. In Alabama, Jefferson County filed the largest Chapter 9 bankruptcy in American history. Officials in Michigan are negotiating the amount of aid, and subsequent oversight and control that could be provided to the City of Detroit. The City of Stockton, California is currently in negotiations in an attempt to avoid becoming the largest American city to declare bankruptcy.

Counties in Oregon are not immune to these and similar financial troubles. Public attention has been directed to counties including Curry, Josephine, and Lane, which are reported as facing financial hardship. Revenues from local sources such as property taxes and interest income as well as intergovernmental revenues from state and federal agencies have declined since 2008. Oregon, more than some other states, is further impacted by the anticipated loss of federal timber payments. How each county has addressed the current situation has varied. Some have held back prior year receipts in reserve with plans to allocate out over the next few years when sources are no longer available. Some have tried to pass local tax levies to support one or more programs such as Public Safety. Some have explored alternative sources of revenues such as wind farms and local sales taxes. Each is examining expenditures through staff reductions and program restructuring. Some have also looked to outsourcing services such as libraries. The 2012 legislature passed legislation that allows some counties to use Road Funds to help with the costs associated with Sheriff's patrols. A few counties have made use of extensive interfund borrowings of dedicated funds to support ongoing services. This last practice has potential implications if the county is unable to repay these loans. So far none have issued long term debt to support current services.

Financially stressed local governments are not new. Economic conditions threatened local governments in the past and many states have developed mechanisms to monitor financial condition and respond when necessary.

Evaluating financial condition involves a number of factors including the national and local economies, population and composition of the community, and the internal finances of the local government.

Our research of how other states assess the financial condition of local governments found there are a number of different approaches that are taken, as well as differing definitions of what constitutes distress in a local government. Despite the differences, one thing is certain, a combination of carefully selected indicators can provide a valuable tool for assessing the overall health of a local government.

The term financial condition can have many meanings. In a narrow accounting sense, financial condition means a government's ability to generate enough cash over 30 or 60 days to pay its bills. In a broader sense, it can mean a government's ability to generate enough revenues over its normal budgetary period to meet its expenditures and not incur deficits.

Analysis of Financial Condition of Oregon Counties

The objective of this report is to analyze the financial condition of county governments within the State of Oregon, and to identify approaches used by other states to address financial concerns. We also looked at federal timber payments to counties. We did not propose specific solutions for counties because the decisions about county taxes and the level of services are based upon local priorities, within practical and legal requirements and limitations.

We prepared a financial condition report for the State of Oregon in 2011 based upon the methodology developed by the International City and County Managers' Association (ICMA: *Evaluating Financial Condition: A Handbook for Local Governments, 1985*) and our research of efforts undertaken by other states. We applied the same general methodology to this effort but because it involves 36 counties, we first developed a means of identifying counties warranting particular attention.

For purposes of this report, we will define financial condition as a local government's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change.

One element of particular concern for Oregon counties is the end of federal timber payments, which many rely upon for their daily operations. We included timber payments as an indicator since some counties are more reliant than other counties on timber monies.

For purposes of our analysis, we selected the following 10 indicators that we feel provide a general assessment of the financial condition of Oregon's counties.

- Local Support
- Timber Payment Dependence
- Debt Burden
- Liquidity
- Fund Balance
- Retirement Benefit Obligation
- Public Safety
- Personal Income
- Population Trends
- Unemployment

For each indicator, we present a detailed discussion and analysis. Much of the data included in this report was obtained from each county's audited financial statements. In addition, our analysis focused on the financial condition of each county's governmental funds, which includes the General Fund. Unless otherwise noted, the data is presented on a fiscal year basis (e.g., 2008 represents the fiscal year beginning July 1, 2007 and ending June 30, 2008).

Using the results of our analysis, we identified eight counties whose financial condition may indicate a higher risk of distress than other counties. These counties were selected for additional analysis, and are presented in the Counties to Monitor section of this report.

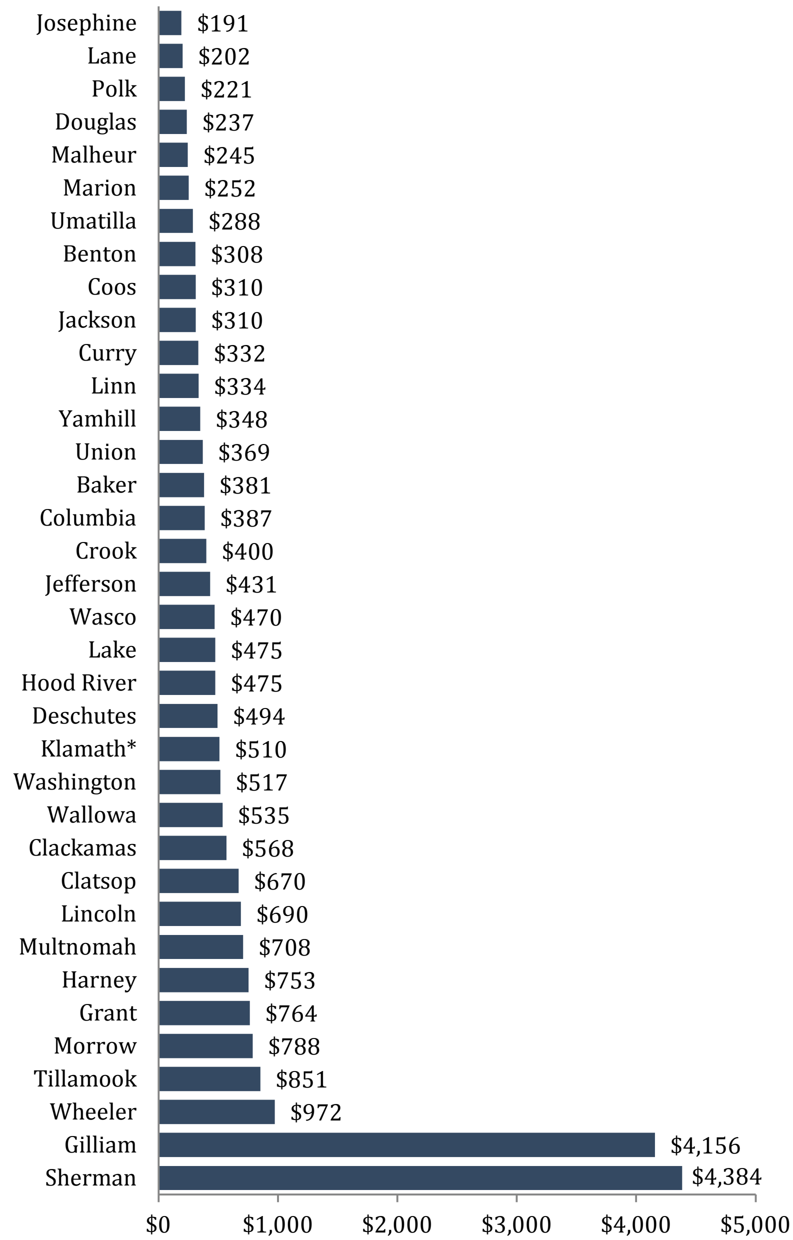
County Indicators Overview

Local Support

Locally generated revenues need to be sufficient to meet a county's current and future service needs. The ability to generate local revenues is dependent on several factors including property values, taxable property, and population.

Property taxes are one of the most important sources of locally generated revenues for a county. Property taxes are composed of three primary parts: 1) permanent rate and gap bond levies, 2) local option levies, and 3) bond levies. Most taxing districts can utilize any of these three types of taxes. The passage of statewide constitutional tax limitations in the 1990s (Measures 5, 47, and 50), established permanent rates for each taxing district. A county's permanent tax rate is the maximum rate it can impose without approval by voters. Taxes from the permanent rates are discretionary and fund the general operating budgets of the taxing districts. They account for the single largest component of property taxes. The property tax rate chart does not include rates for special taxing districts created to fund specific county services such as enhanced law enforcement or libraries.

Local Revenue per Capita
4-year average, FY 2008-2011



** 2011 data not available; figure shown is a 3-year average*

Between 2008 and 2011, most counties generated an average of at least $300 per capita in local revenues. Gilliam and Sherman Counties, on average, generated the largest local revenues per capita, which were four times greater than the next highest county. Revenues generated from wind farms and/or landfill and recycling centers contributed to the high averages in these counties.

The average permanent tax rate among Oregon counties is $2.81 per $1,000 of assessed property value. Josephine and Curry Counties have the lowest permanent tax rates and are the only counties with rates below $1.00. Low permanent rates combined with limited taxable property can constrain a county's ability to raise revenues. To illustrate, Josephine County, with the lowest permanent tax rate of $0.59 and 62% of its area in non-taxable federal lands, generated the least amount of local revenues at $191 per capita in 2011.

Property Tax Rates

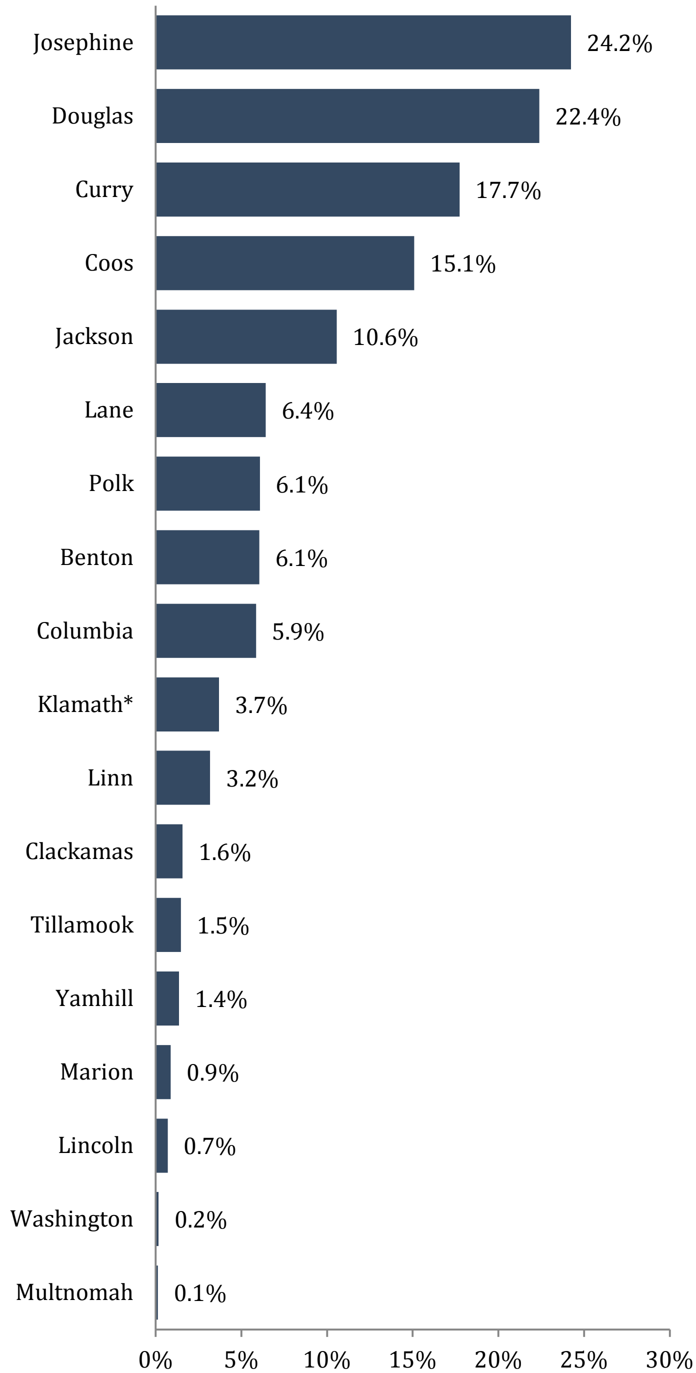
Permanent rate per $1,000, FY 2010-11

Timber Payment Dependence

Revenues determine the capacity of a government to provide services to citizens and are affected by economic and policy changes. Oregon counties generate revenues from a number of sources, including other governments. The federal government provided timber payments to eligible counties for 1) loss of property tax revenue, which results from an inability to impose taxes on federally owned forest lands, and 2) reduction in the amount of logging allowed on federal forest lands. Federal timber payments are often restricted for specific purposes such as funding schools or road maintenance. The portion of the timber payments that are not restricted can be used by the county for general operating expenditures. For purposes of our analysis, we focused this indicator solely on the portion of the federal timber payments provided through the Department of Interior's Bureau of Land Management (BLM) to 18 Oregon counties. These timber payments, known as Oregon and California (O&C) and Coos Bay Wagon Road (CBWR) payments, are generally not restricted and the availability of these moneys greatly impacts a county's General Fund. The BLM timber payment totals used in our analysis include amounts retained for Resource Advisory Committees (RAC), which work with the BLM to support projects on federal lands. Counties do not receive the RAC monies, however, it was considered immaterial to our analysis. For counties that depend heavily on timber payments, the loss of this revenue source may result in cash flow problems and fewer services provided to its citizens.

Over the four-year period between 2008 and 2011, the average federal timber payments in five counties totaled more than 10% of their respective governmental fund revenues.

Percent of Governmental Fund Revenue from Federal BLM Timber Payments
4-year average, FY 2008-2011
Only includes recipient counties



** 2011 data not available; figure shown is 3-year average*

Counties also receive and depend upon funding for roadways from the United States Forest Service (USFS) and the state of Oregon. We did not include these transportation funds in our analysis of counties to monitor because they are restricted for specific purposes and not available for general operations. According to the Association of Oregon Counties, Oregon counties received about $85 million in federal funding directed to roads in FY2009-10. This amount, which was based upon past timber payments to Oregon counties ended in October 2011. The counties also received about $158 million from the state of Oregon in FY2009-10, which was based upon their number of registered motor vehicles. The Oregon Constitution restricts the use of these federal and state revenues to roadway improvements.

For many of the larger counties with more miles of roads but fewer registered motor vehicles, the federal funds were a substantial supplement to their state road funds. These counties will now only receive state revenue related to their registered vehicles, adversely affecting their transportation programs. Collectively, Oregon's counties are losing more than one-third of their road maintenance funding.

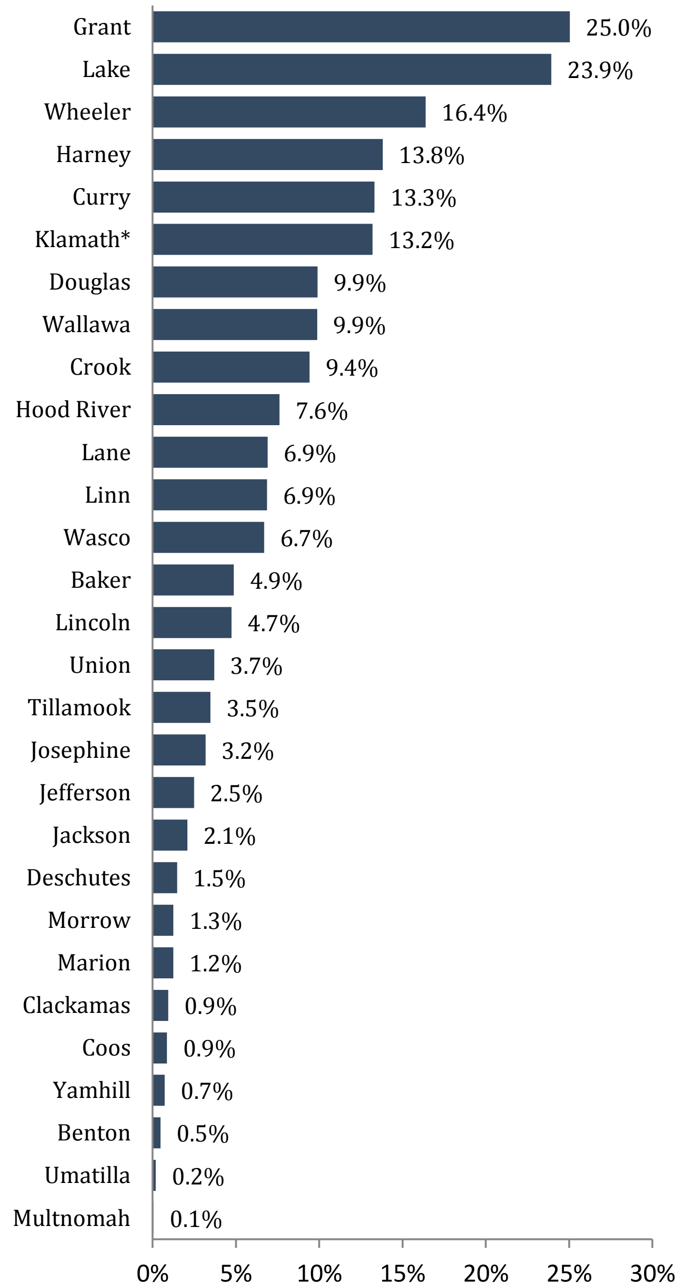
Inadequate spending on road maintenance could have immediate consequences for many counties, though some have built substantial reserves in an effort to delay its impact. The extent of the loss, the restricted use of the funds, and the difficulty in determining the timing and magnitude of economic impact make it difficult to assess the effect on financial conditions.

The chart shows the reliance of Oregon counties on federal road funds to help pay the cost of road maintenance. Counties receive other federal revenue such as Payment in Lieu of Taxes and State Forest Payments, but the amounts have less impact on the county's government funds.

USFS Funding for Roads as a Percent of County Governmental Fund Revenues

4-year average, FY 2008-2011

Only includes recipient counties



** Based on 2010 Government Fund revenues*

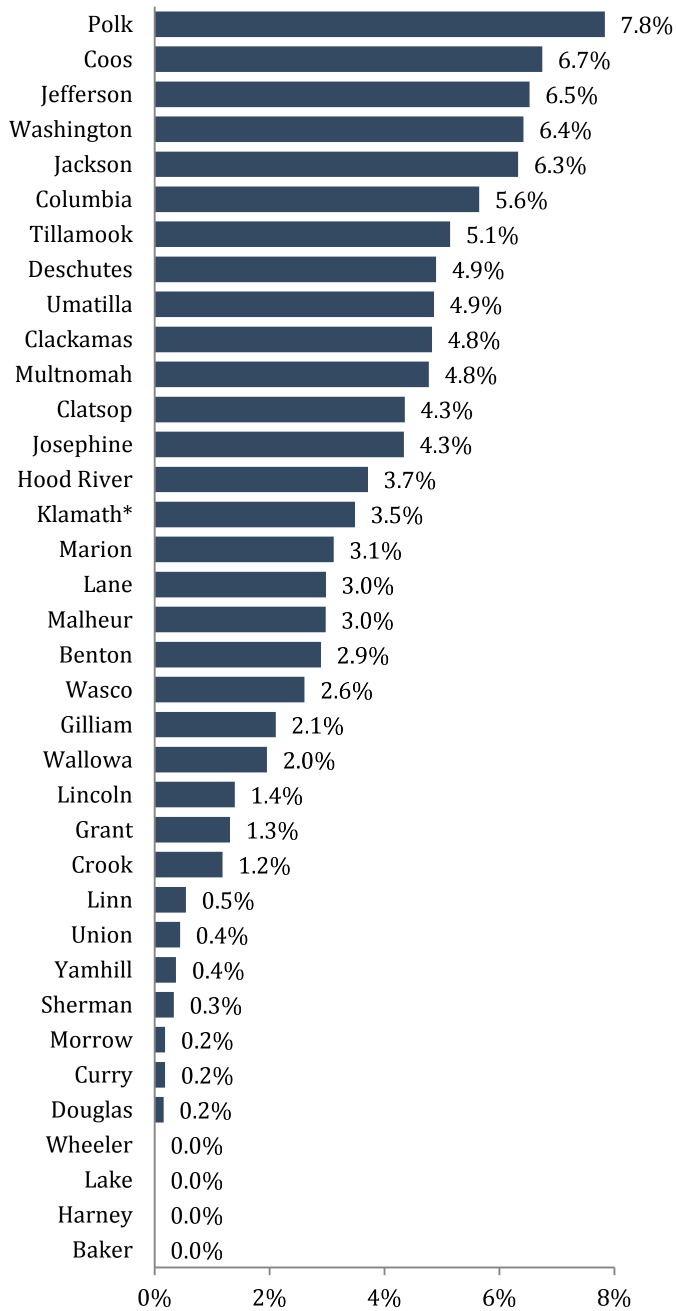
Debt Burden

The issuance of debt is one strategy a county can use to provide cash to fund expenditures. However, increasing debt service (principal and interest payments on outstanding debt) reduces expenditure flexibility by adding to a county's obligations. It can be a major part of a county's fixed costs, and its increase may indicate excessive debt and fiscal strain. A key indicator that can be used to evaluate a county's debt burden is the percentage of debt service to revenues. States recognized as having sound debt management practices typically use a range between five and eight percent of revenues. The State of Oregon uses a target of five percent.

From 2008-2011, seven counties had an average debt service to governmental fund revenues percentage that exceeded five percent; however, all 36 counties were within the range recognized as sound debt management.

Debt Service as a Percentage of Governmental Fund Revenues

4-year average, FY 2008-2011



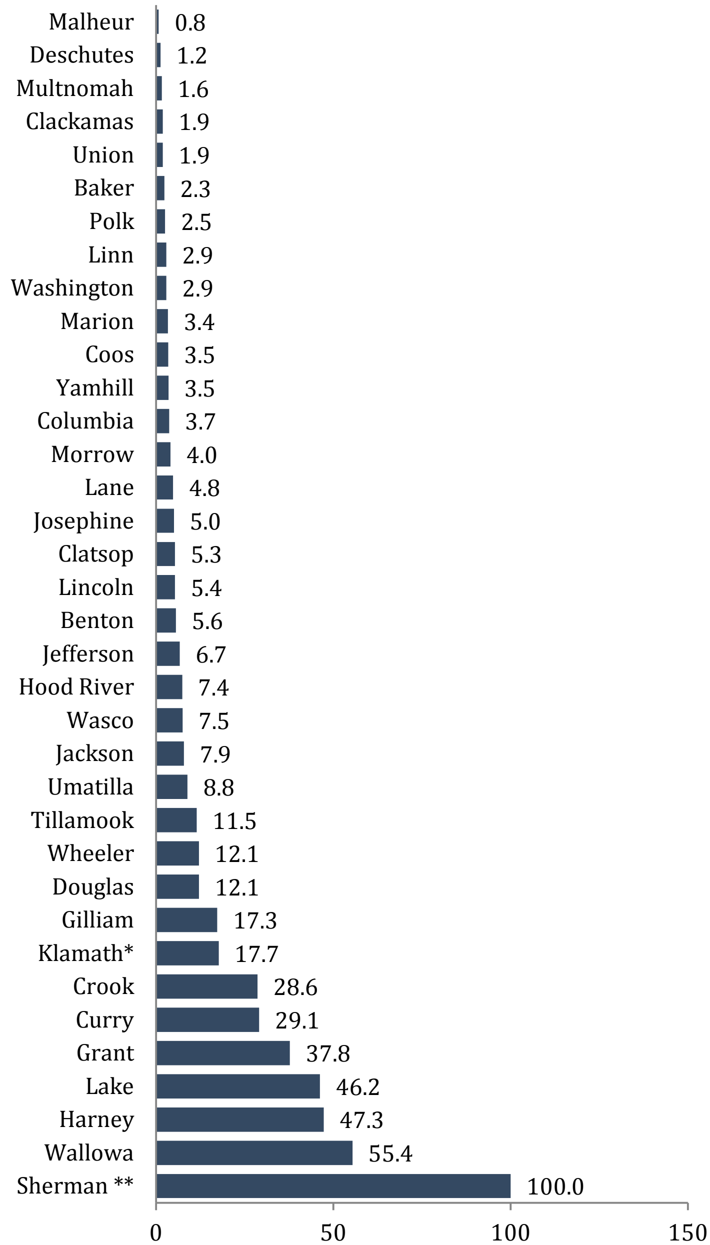
** 2011 data not available; ratio shown is a 3-year average*

Liquidity

A good measure of a county's short-term financial condition is its liquidity or cash position. Cash position determines a county's ability to pay its short-term obligations by measuring the amount of cash on hand at the end of the year in relation to the amount of current liabilities. A ratio of less than one indicates the county's cash position is not sufficient to meet its short-term obligations.

During 2008-2011, all but one county had an average cash position that was sufficient to meet their short-term liabilities. Over half of the counties showed a favorable cash position of at least 5:1, indicating the counties had a minimum of five dollars available to cover each dollar obligated.

Liquidity Ratio
4-year average, FY 2008-2011



**2011 data not available; ratio shown is a 3-year average*
***Sherman County reported no liabilities in their governmental fund; ratio of 100 represents perfect liquidity.*

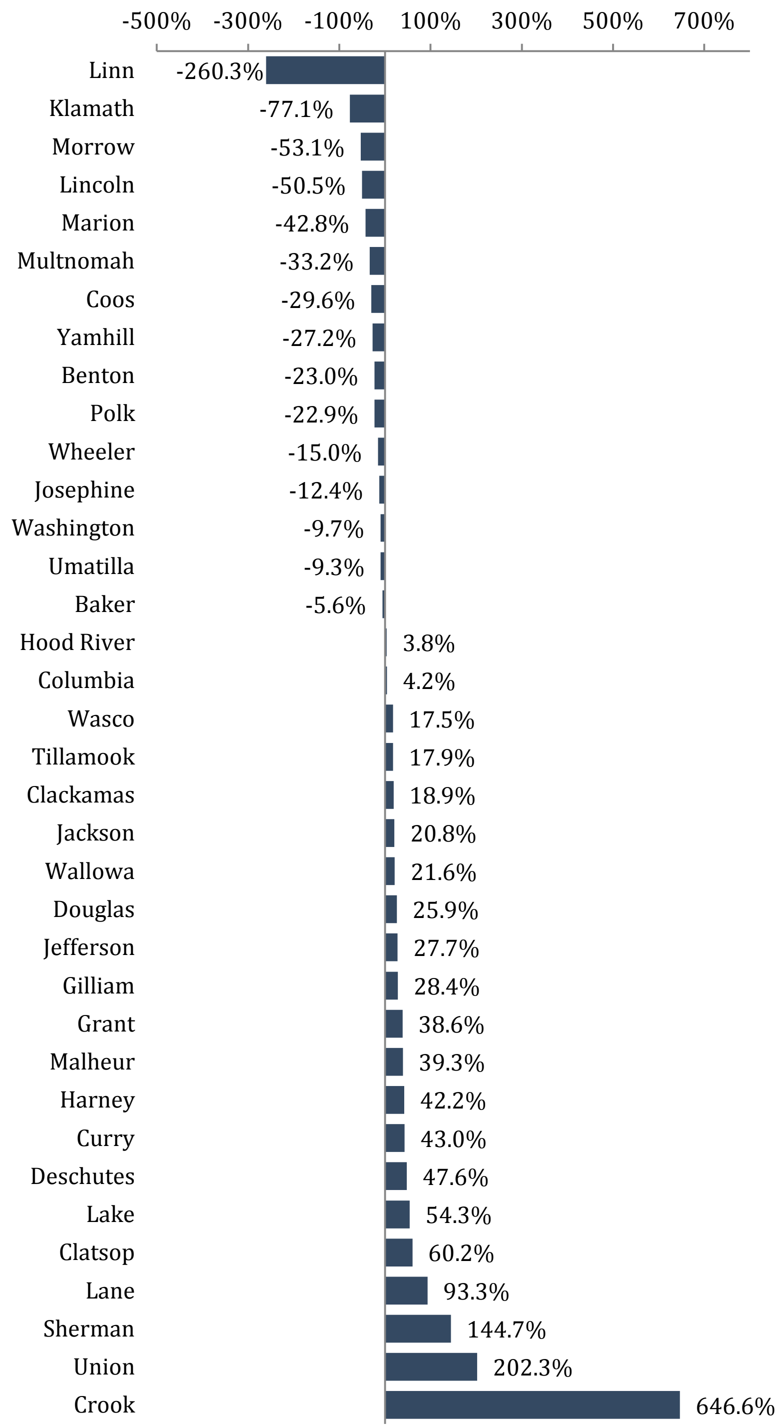
Fund Balance

Most counties rely upon property tax revenue as a primary source of income to cover operating costs for the year. The general fund unreserved fund balance helps counties cover costs from July until November, when property taxes are generally collected. A positive fund balance provides a cushion to help with revenue shortfalls or expenditure overruns. Continuous reductions in fund balance could lead to problems in the future, even if the current fund balance is positive.

Due to changes in county fund structures resulting from implementation of GASB Statement Number 54, fund balance information beginning with 2011 is no longer comparable to previous years. As a result, this indicator focused on the three-year period from 2008 to 2010. During this period, a total of 15 counties experienced decreases in their respective general fund unreserved fund balance. The most significant decrease, of about $2 million, occurred in Linn County, which reported a negative general fund unreserved fund balance in two of the three-years analyzed. Linn County officials reported that the negative General Fund balance was a result of extensive use of interfund loans from the county's Road Fund. Twelve other counties experienced decreases of about 10% during this period.

Percentage Change in General Fund Unreserved Fund Balance

FY 2008-2010

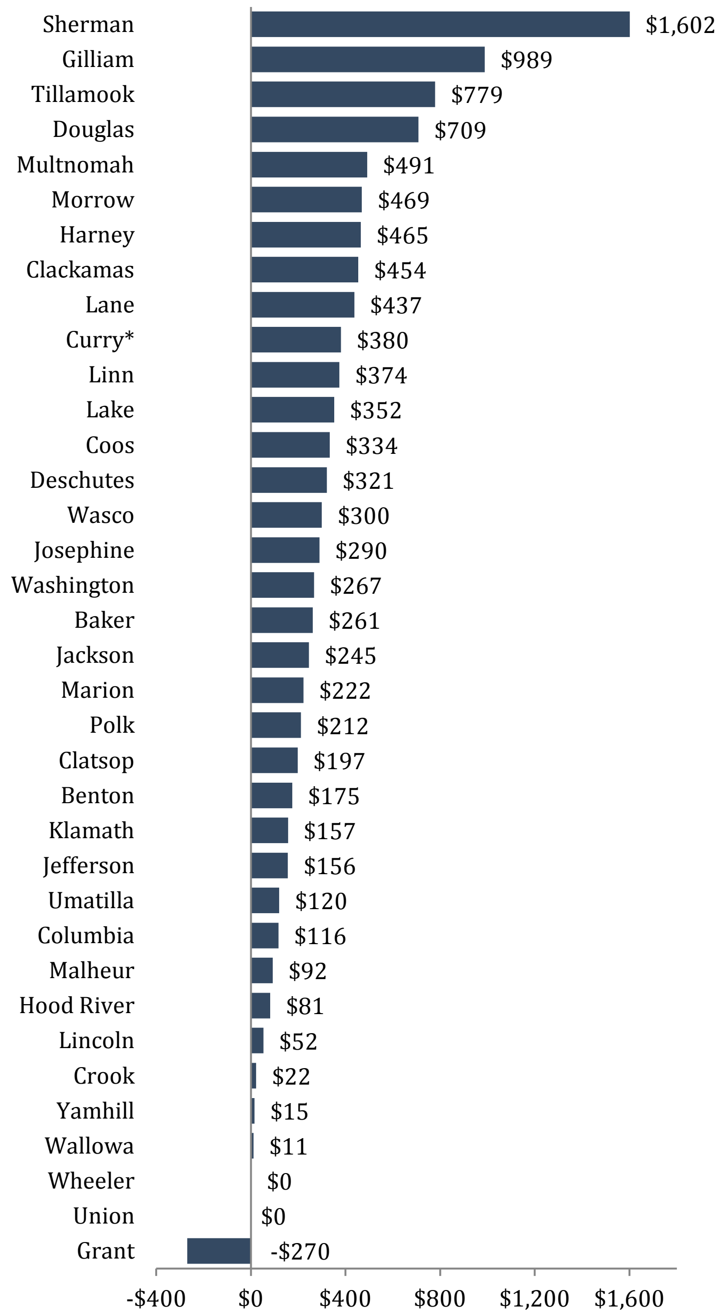


Retirement Benefit Obligation

An unfunded liability is a liability that has been incurred during the current or a prior year that does not have to be paid until a future year, and for which reserves have not been set aside to pay the liability. It is similar to long-term debt in that it represents a legal commitment to pay at some time in the future. If such obligations are permitted to grow over a long period of time, they can have a substantial effect on a county's financial condition. This indicator measures the burden of a county's unfunded actuarial liability associated with its pension and other post-employment benefit plans (OPEB) on its citizens.

In 2011, Sherman and Gilliam Counties had the largest total pension benefit obligations, both exceeding $900 per citizen. The average obligation in 2011 was $302 per capita. Pension plans in three counties were fully funded. Fully funded plans are those with no outstanding liability. Counties with retirement benefit obligations per capita of $0 or less are considered fully funded. A negative amount indicates a county that is more than 100% funded. This generally occurs when pension bonds were issued to reduce the county's retirement obligation.

Retirement Benefit Obligation Per Capita
FY 2011



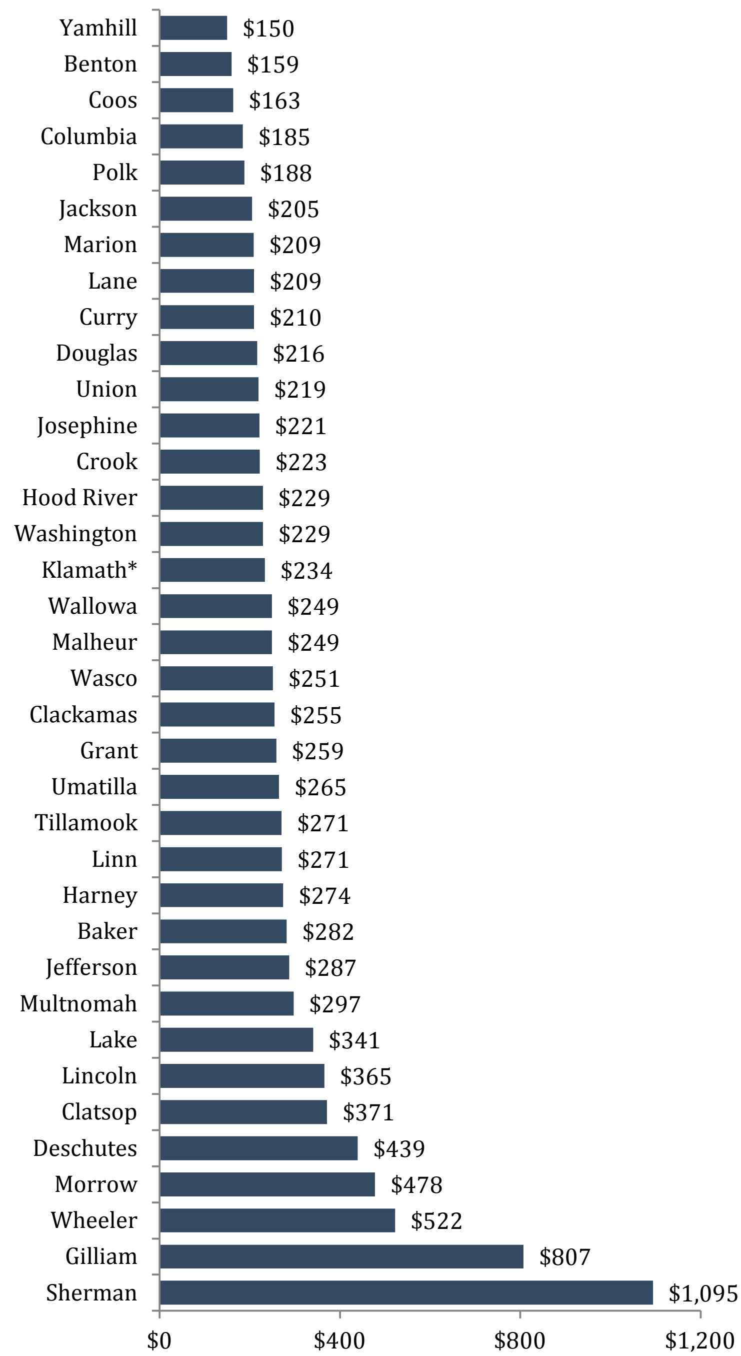
**OPEB obligations not reported*

Public Safety

Public safety is a primary responsibility of a county to ensure that its citizens are protected. Between 2008 and 2011, Sherman and Gilliam Counties significantly out spent all other counties for public safety related activities. On the other hand, Yamhill and Benton Counties spent the least on public safety during these years.

Public Safety Spending Per Capita

4-year average, FY 2008-2011



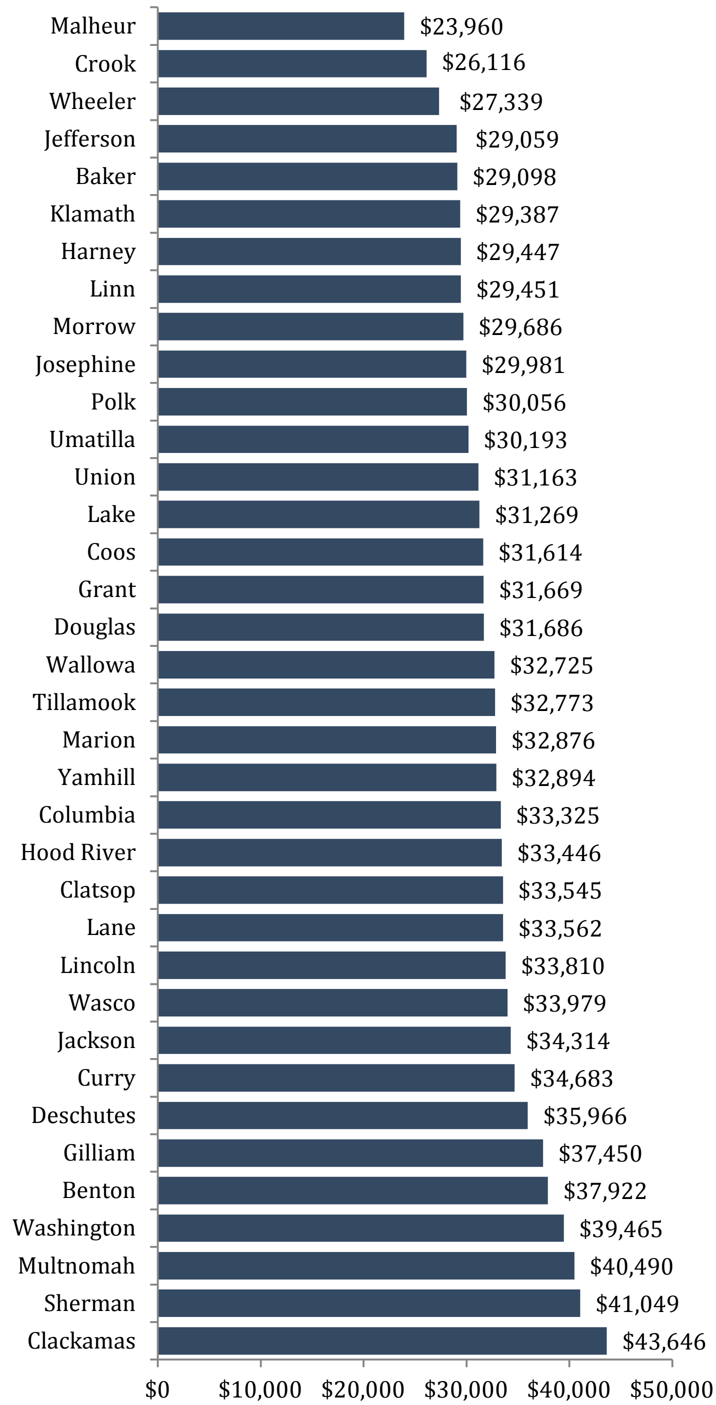
** 2011 data not available; amount shown is a 3-year average*

Personal Income

Personal income per capita is one measure of a county's ability to raise taxes: the higher the per capita income, the more property tax, income tax, and business tax the county can generate. If income is evenly distributed, a higher per capita income will usually mean a lower dependency on government services such as transportation, health, recreation, and welfare. A decline in per capita income causes a drop in consumer purchasing power and can provide advance notice that businesses, especially in the retail sector, will suffer a decline that can ripple through the rest of the county's economy.

Income data for 2009 was the latest available; based upon 2009 figures, the per capita personal income among Oregon's 36 counties ranged from about $24,000 to $44,000. Every county experienced increases in per capita personal income over the period from 2000-2009. Gilliam and Sherman Counties had the largest gains over that decade, with increases of about 80%.

Personal Income per Capita
FY 2009



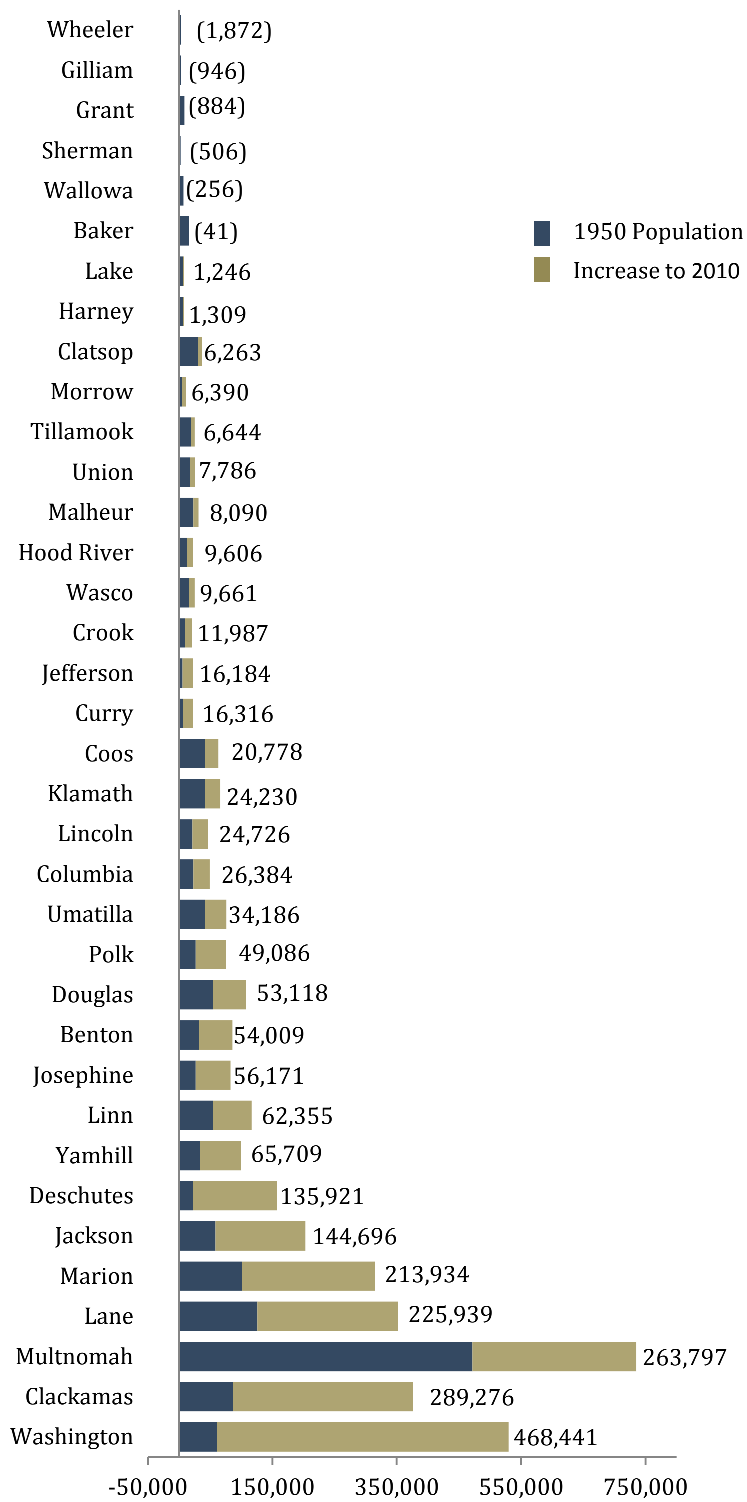
Population Trends

Population change can directly affect governmental revenues. For example, some taxes are collected on a per capita basis, and many intergovernmental revenues and grants are distributed according to population. A decline in population would, at first glance, appear to relieve the pressure for expenditures, because the population requiring services is smaller. In practice though, a county faced with population decline is rarely able to make reductions in expenditures that are proportional to the population loss.

During the 60-year period from 1950 through 2010, most counties experienced an overall growth in population. Populations more than doubled during this period in 17 counties, while an additional six counties saw an increase of over 50% in their respective populations. Deschutes and Washington Counties experienced the largest shifts in population with increases of 135,921 (623%) and 468,441 (765%), respectively.

A number of counties, however, experienced declines in total population during this period. Wheeler, Gilliam, Sherman and Grant Counties all experienced declines greater than 10%. Wheeler and Gilliam Counties were impacted the most with decreases of 1,872 (57%) and 946 (34%), respectively.

Population Change 1950 to 2010

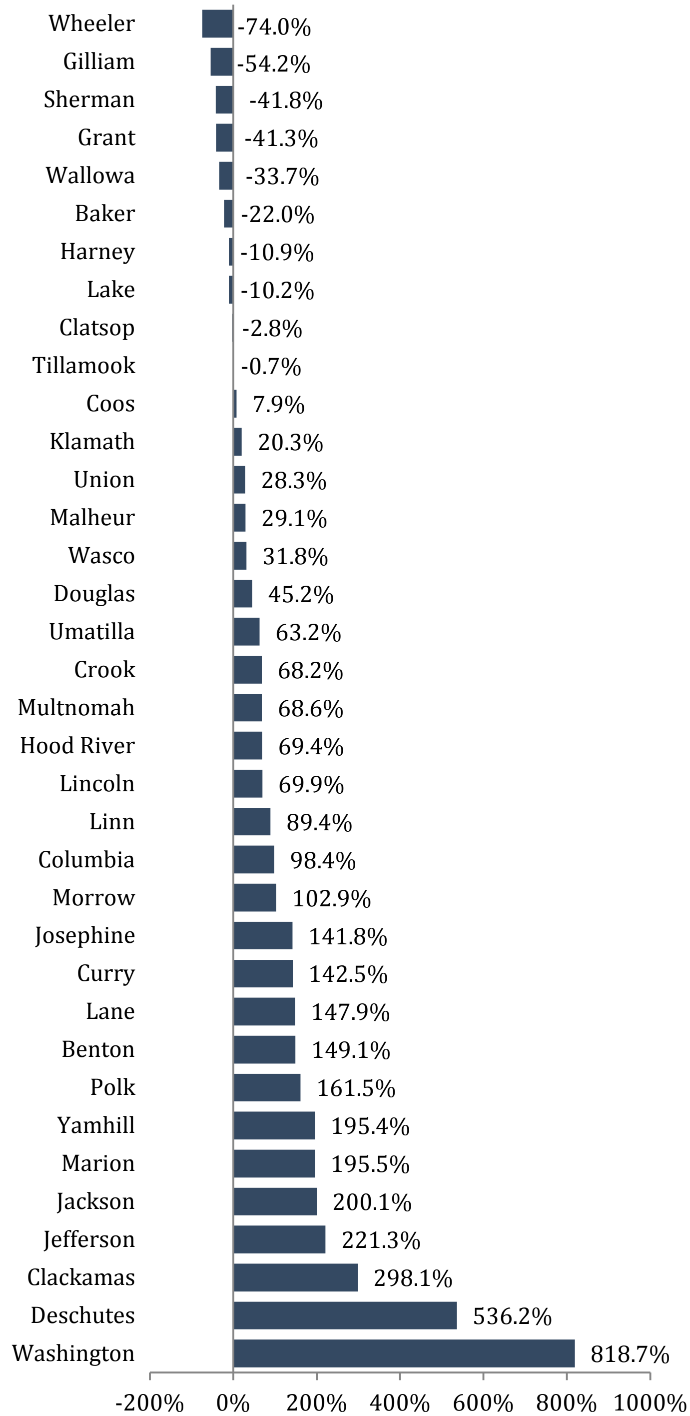


Certain age groups within a county's population require more resources than others. A high percentage of citizens in these age groups may be an indication of future financial stress within the county. The percentage of individuals living in the county who are under 20 and over 64 is a measure of the county's needs, as these population groups tend to require more services than the average working individual. In contrast, individuals between the ages of 20 and 50 generally require fewer services while at the same time contributing the most revenue.

From 1950 to 2010, most counties saw an increase in the population of 20-50 year olds. Significant increases occurred in 13 counties where this population category more than doubled. However, in six counties this category declined about 20%. Wheeler, Gilliam, Grant and Sherman Counties experienced the greatest declines while Washington County saw the greatest gain within this age range.

Change in 20- to 50-year olds

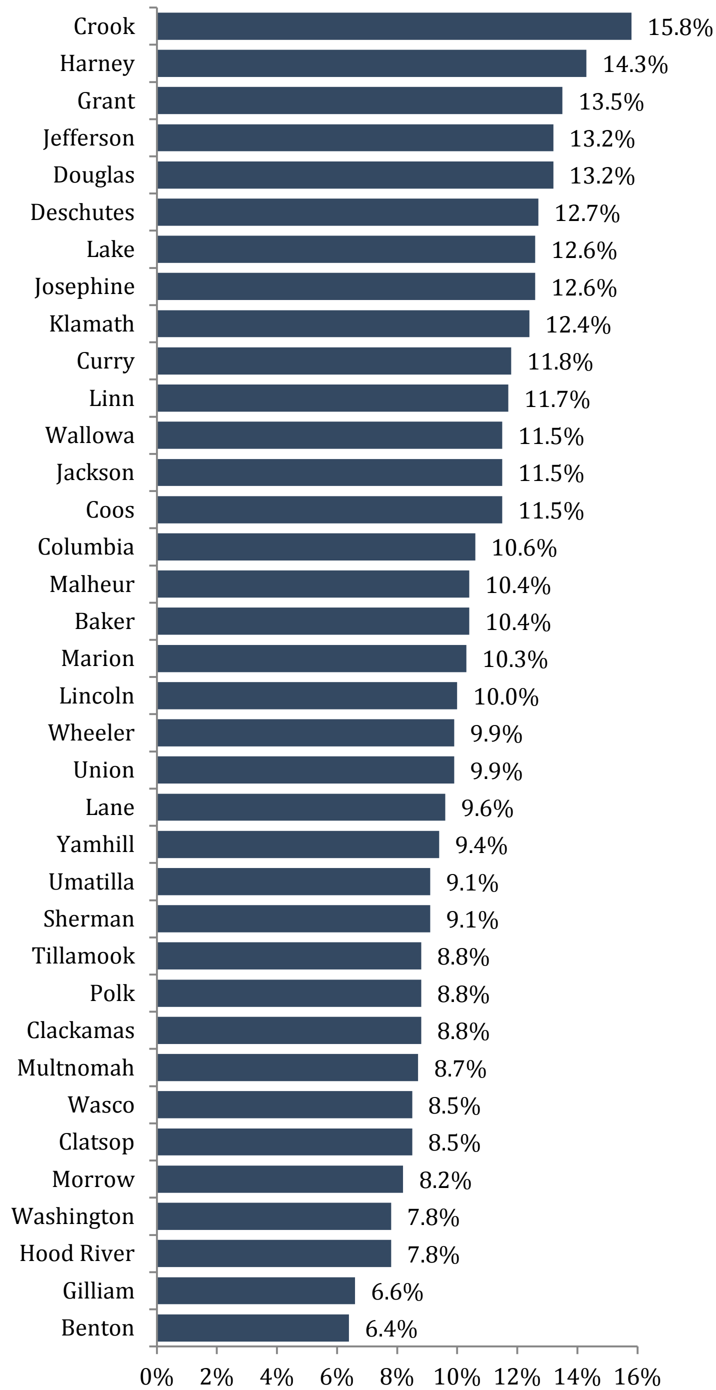
1950 to 2010



Unemployment

A county's unemployment rate is a key indicator of the health of its economy, as well as, the county's long-term financial prospects. During 2011, average county unemployment rates ranged from a low of 6.4% to a high of 15.8%. The State of Oregon's unemployment rate during this period was 9.6%. Unemployment in 22 counties met or exceeded the state rate.

Unemployment Rate
FY 2011



Counties to Monitor

As presented in the prior section, for the purposes of our analysis of Oregon's 36 counties, we selected 10 indicators that provide a general assessment of the financial condition of Oregon's counties. We included timber payments as an indicator since some counties are heavily reliant on timber monies.

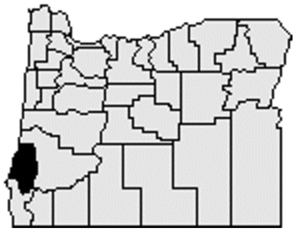
The results of our analysis indicated the following eight counties may be at a higher risk of distress than other counties. Because the circumstances of each county are different, much more information is needed to rank them in order of severity, and to draw a clear distinction between those with a healthy and weak financial condition. They are presented in alphabetical order.

- Coos
- Curry
- Douglas
- Jackson
- Josephine
- Klamath
- Lane
- Polk

We performed additional analysis of these counties and contacted county officials to determine what action they are taking to address the financial condition of their county. Their responses are presented within their individual sections of this report.

We did not propose any specific solutions because the decisions about county taxes and the level of services are based upon local priorities, within practical and legal requirements and limitations.

Coos County



Overview

Coos County has an area of 1,629 square miles, with timber and fishing as the foundation of its economy. About 61% of the county's land is publicly owned. As a result, the county is heavily reliant on federal timber payments, while it levies the third lowest property tax rate among the counties. Some financial management indicators are positive, such as good debt management, strong liquidity, and a healthy fund balance at year end.

However, county spending on public safety is already among the lowest in the state and achieving a balanced budget will become more difficult with further reductions in discretionary revenues. While per capita income has shown some growth, Coos ranks 22nd among the counties. Longer term, its population has shown only modest growth with the possibility of a shrinking work force and an increasingly older population to serve.

County Response

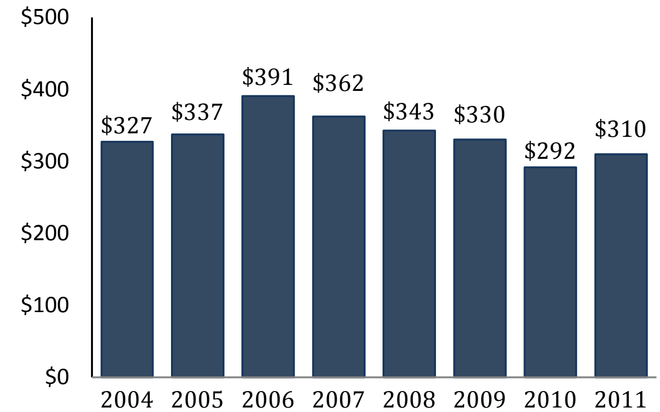
County officials indicated that its long-term debt is primarily related to the county's pipeline and that poor economic conditions have resulted in an increased demand for services. The county anticipates further declines in revenues, reserves, and fund balances as a result of the poor economy and the loss of federal timber revenues. County officials report that they have undertaken a series of steps to address the loss of federal timber payments. Reported efforts include the creation of two citizen advisory committees and the reduction of discrentionary spending. Future tax revenues are limited due to the permanent tax rate. As a result, county officials indicated they will need to consider liquidating county assets in order to pay expenses.

Coos County

Local Support

From 2004 to 2011, the county's ability to support itself through locally generated revenues has declined. Local revenues totaled $19.5 million in 2011, representing a decrease of 5% from the $20.5 million generated during 2004. In 2011, local revenues per capita were the eighth lowest in the state. The county's permanent tax rate of $1.08 per $1,000 of assessed property value is the third lowest rate in Oregon.

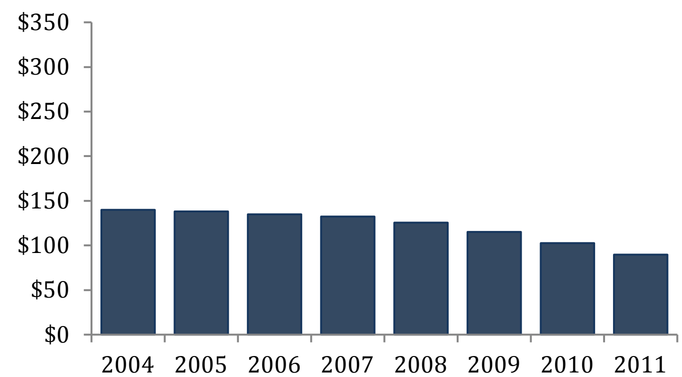
Local Revenue Per Capita
Adjusted for inflation



Timber Payment Dependence

In 2011, Coos County received about $5.6 million in federal timber payments, which represented about 12% of the county's total governmental fund revenues. In 2004, these payments were almost $8.8 million or about 17% of total governmental fund revenues. The county's 2011 federal timber payments provided roughly $90 in revenues per capita, which ranks it fourth among all counties in dependence on federal timber payments.

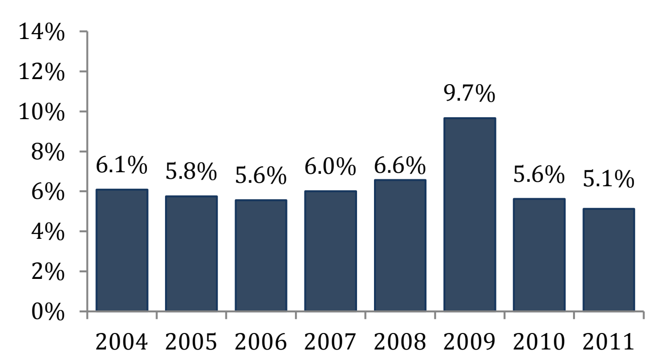
Timber Dependence Per Capita
Adjusted for inflation



Debt Burden

Coos County's long-term debt is primarily for the county owned pipeline. Debt service payments grew from $3.1 million in 2004 to $4.1 million in 2009. However, those payments subsequently dropped to $2.4 million by 2011. At 5% of 2011 total revenues, the county's debt service level ranks sixth highest among Oregon's counties. However, it falls within the range recognized as sound debt management.

Debt Service as a Percentage of Governmental Fund Revenues
Adjusted for inflation

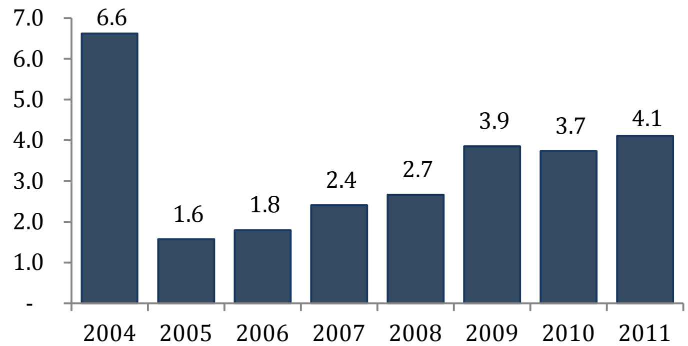


Coos County

Liquidity

After dropping significantly from 2004 to 2005, the county's liquidity ratio has steadily increased. At its current level, the county has sufficient cash to meet its short-term liabilities.

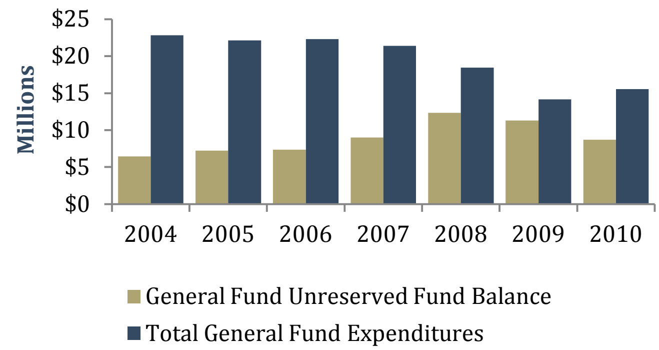
Liquidity Ratio
Adjusted for inflation



Fund Balance

Coos County's general fund unreserved fund balance as a percentage of total general fund expenditures increased about 28% from 2004 to 2010. A contributing factor is the reduction in the county's general fund expenditures, from $22.8 million in 2004 to $15.5 million in 2010. During this same period, the general fund unreserved fund balance increased about 35%.

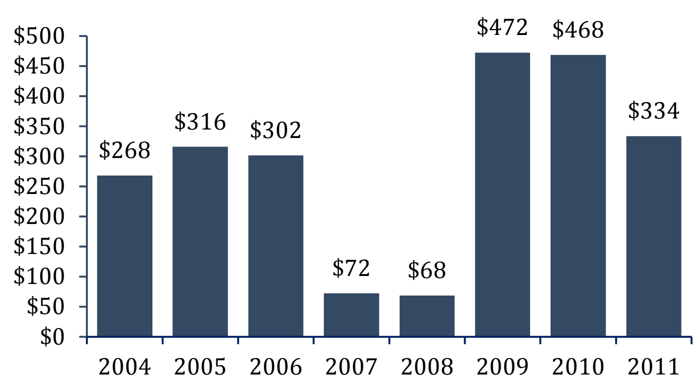
Fund Balance
Adjusted for inflation



Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability, and resulting per capita obligation, associated with these benefits dropped significantly between 2006 and 2007 but spiked beginning in 2009. The increase in 2009 appears to be a result of the poor economy and a change in reporting standards, which required the county to report the unfunded liability associated with other postemployment benefits offered to county employees.

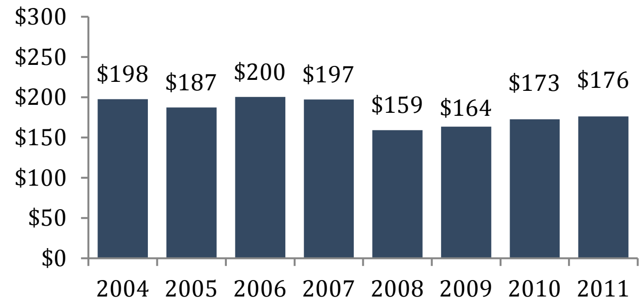
Retirement Benefit Obligation Per Capita
Adjusted for inflation



Public Safety

Historically, Coos County has one of the lowest rates of public safety spending per capita. Per capita spending on public safety related programs peaked in 2006, and after two years of declines, has increased in each of the past three years.

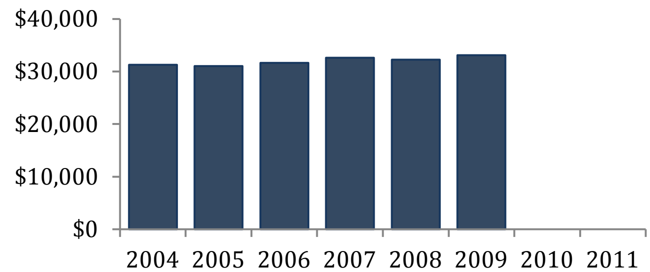
Public Safety Expenditures Per Capita
Adjusted for inflation



Personal Income

Per capita personal income levels in Coos County grew steadily between 2004 and 2009. Despite this growth, the county's 2009 per capita personal income level of roughly $33,000 remains in the bottom half among Oregon counties.

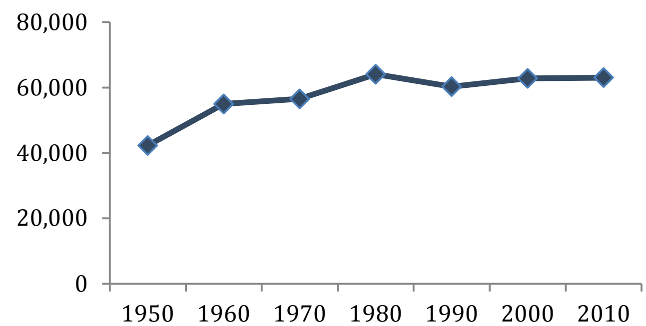
Personal Income per Capita
Adjusted for inflation



Population Trends

Coos County is 16th among Oregon counties, with a population of 63,043 in 2010. The county's population has remained about the same over the past 30 years, after an increase of 50% between 1950 and 1980.

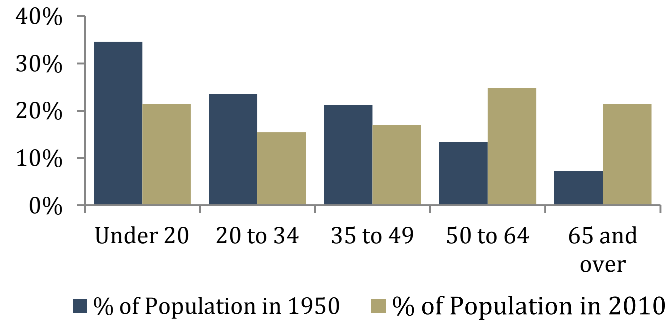
Population



The age profile in Coos County is older than in the past. The under 20 age group has declined 13% since 1950, while the 20-49 age group has decreased 12%. In contrast, the population over 50 has increased 25%. These trends could reduce the size of the future workforce and also place greater demand on the county to provide health and other services.

Aging Population Trend

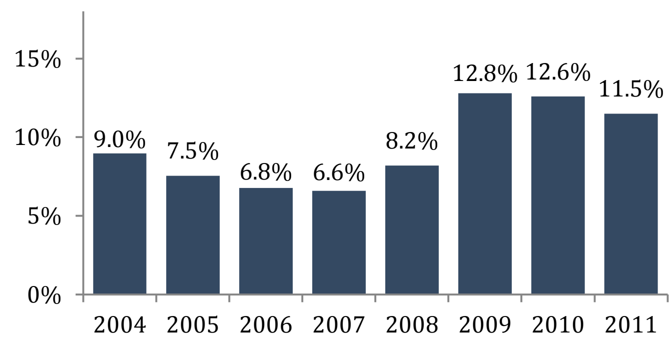
Percentage of total population



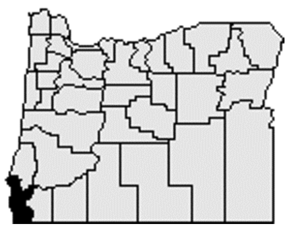
Unemployment

Coos County's unemployment rate jumped 4.6% in 2009 and has remained above 11% the past two years. In 2011, the county's unemployment rate was about 2% above the State's unemployment rate.

County Unemployment Rates



Curry County



Overview

Curry County is approximately 1,648 square miles, of which about 61% is publicly owned. The county's major industries are agriculture, forest products, and mining. Curry has the second lowest property tax rate in Oregon and is heavily reliant on federal timber payments. The county's unemployment rate has remained high, and spending on public safety is in the bottom 10 among counties. Despite these trends, the county has shown good debt management practices and has strong liquidity. It also has one of the top per capita personal income levels among Oregon counties.

County Response

Curry County officials report that they have taken a number of steps to address the loss of federal timber payments. These actions include combining departments and placing general fund monies into reserves for the future. In addition, the county has privatized its Home Health and Hospice department resulting in a decrease of approximately 35 employees. In September 2012, Curry County is scheduled to transfer its Developmental Disabilities Program to the State of Oregon. Plans are also being considered to privatize additional departments such as the Health and Human Services Department.

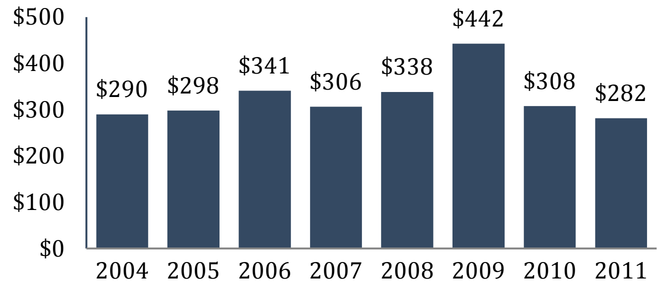
Curry County

Local Support

Local revenues totaled $5.9 million in 2011, representing a decrease of 3.6% from the $6.1 million generated during 2004. The county's permanent tax rate of $0.60 per $1,000 of assessed property value is the second lowest rate in Oregon.

Local Revenue Per Capita

Adjusted for inflation



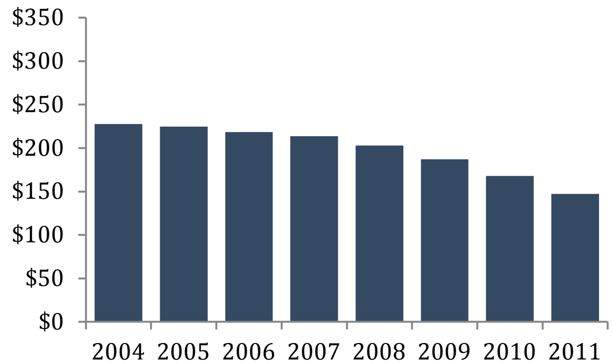
Timber Payment Dependence

Since 2004, federal timber payments have accounted for an average of about 18% of the county's annual total governmental fund revenues. In 2011, the county received about $3.1 million in federal timber payments, which provided roughly $147 in revenues per capita. Curry is one of the more dependent counties on these timber payments.

The county reported that 53% of its 2004 general fund revenue was derived from federal timber payments. In 2013, the county estimates the General Fund will receive about $4.5 million in revenue compared to the $7.4 million received in 2004. Of that amount, the county expects to receive $350,000 in federal timber payments during 2013, compared to $4 million in 2004.

Timber Dependence Per Capita

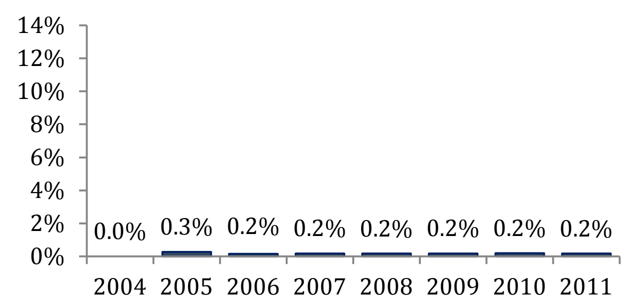
Adjusted for inflation



Debt Burden

At less than a quarter percent of 2010 total governmental fund revenues, Curry's debt service level is one of the lowest among Oregon's counties.

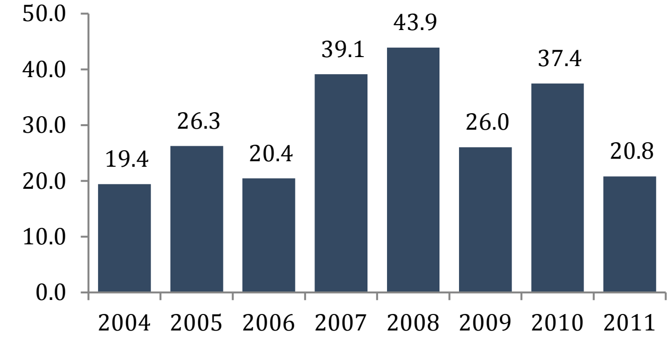
Debt Service as a Percentage of Governmental Fund Revenues



Liquidity

Curry has consistently maintained a liquidity ratio greater than 19 during the seven-year period from 2004 to 2011. At this level, it has more than enough cash to meet its short-term liabilities. County officials reported that the liquidity level is a result of efforts to put general fund monies into reserves in anticipation of the loss of federal timber payments.

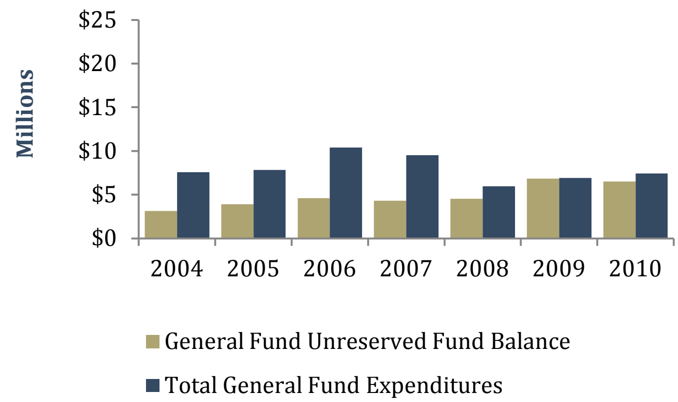
Liquidity Ratio
Adjusted for inflation



Fund Balance

The county's general fund unreserved fund balance as a percentage of total general fund expenditures nearly doubled between 2004 and 2010. At $6.5 million, Curry County's general fund unreserved fund balance ranked in the top third among counties. The county reported that these results depict its efforts to put money in reserve for the future.

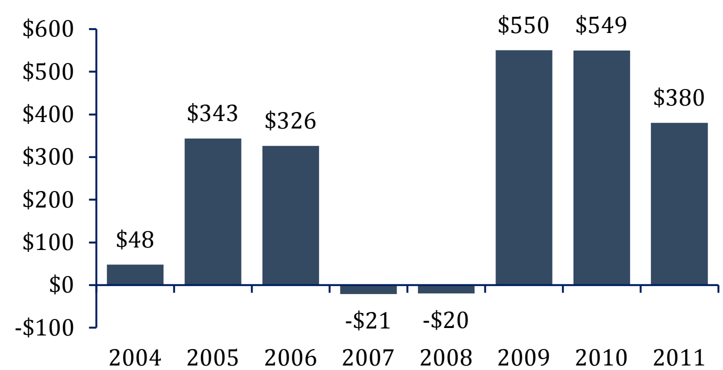
Fund Balance
Adjusted for inflation



Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. There was a significant spike in the county's unfunded liability and resulting per capita obligation in 2009. The spike appears to be related to the economic downturn that reduced the value of the retirement plan investments.

Retirement Benefit Obligation Per Capita*
Adjusted for inflation

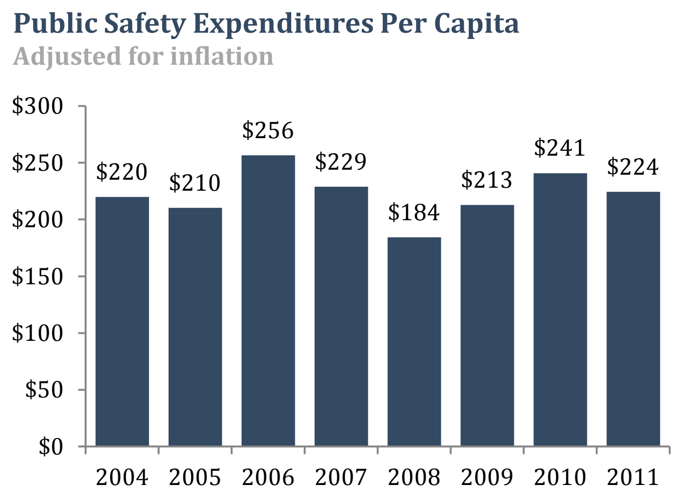


*County did not report its OPEB obligation

Curry County

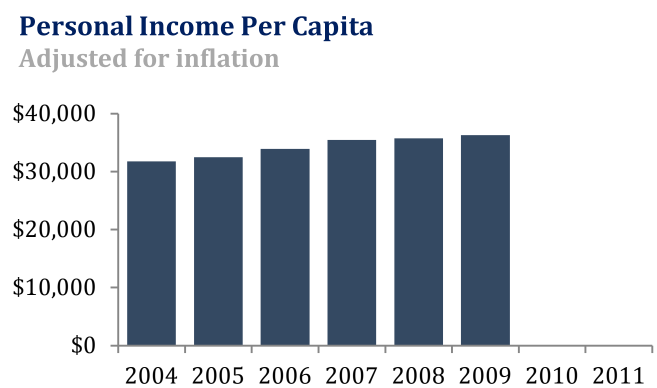
Public Safety

Since 2004, public safety expenditures have increased about 2.0%. After a couple years of reduced spending, the county appears to be dedicating more funds toward these programs. Spending increased about 20% between 2008 and 2011. Despite the increase, the county remains one of the lowest in public safety spending per capita.



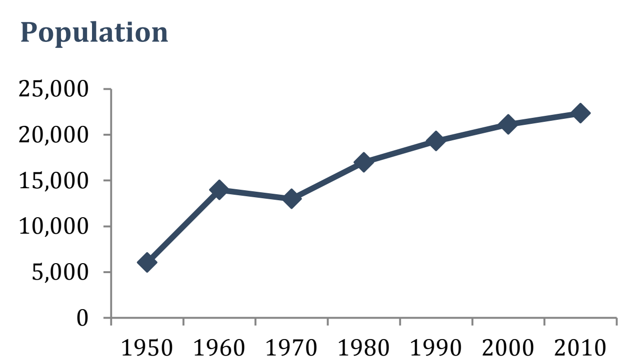
Personal Income

Personal income per capita levels in Curry County increased steadily between 2004 and 2009. The county's 2009 per capita personal income level of $36,300 is in the top ten among Oregon counties.

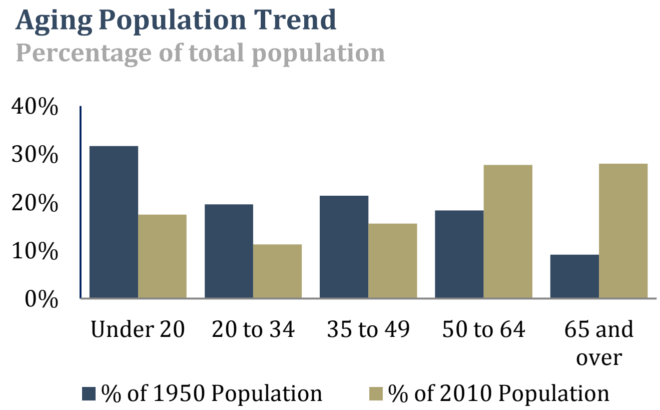


Population Trends

Curry had a population of 22,364 in 2010, an increase of about 270% since 1950. The most significant increases occurred between 1950 and 1960, and again between 1970 and 1980. Over the past two decades the county has experienced growth of about 5%.

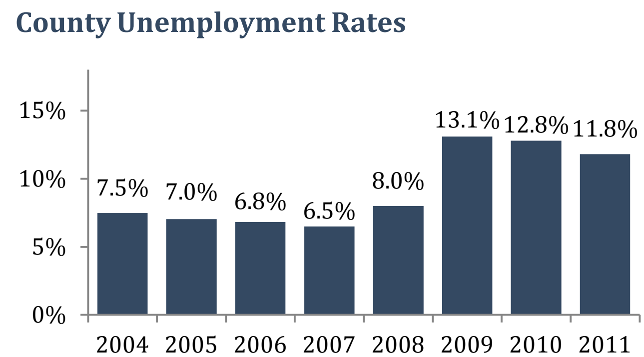


The make-up of the population has changed dramatically since 1950. The two age groups over 50 increased a combined 28% since 1950, resulting in a decline of the three younger age groups. This trend, if continued, could reduce the size of the future workforce and also place greater demand on the county to provide health and other social services.

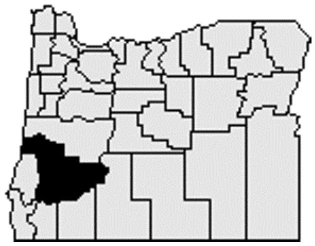


Unemployment

The county's unemployment rate spiked in 2009 and has remained steady. The county's unemployment rate in 2011 was in the top third among Oregon counties and was about 2% higher than the State's unemployment rate for the year.



Douglas County



Overview

Approximately 50% of Douglas County's 5,071 square miles is public land, with forest products and agriculture being key to its economy. The selected financial management indicators show that the county has sound debt management practices and one of the largest fund balances among counties. The indicators also show that Douglas County has strong liquidity and has experienced steady population growth over the past several decades.

The county levies the fourth lowest property tax rate in Oregon, which limits its ability to generate local revenues. It is the most dependent among counties on federal timber payments, has high unemployment and a high pension obligation per capita.

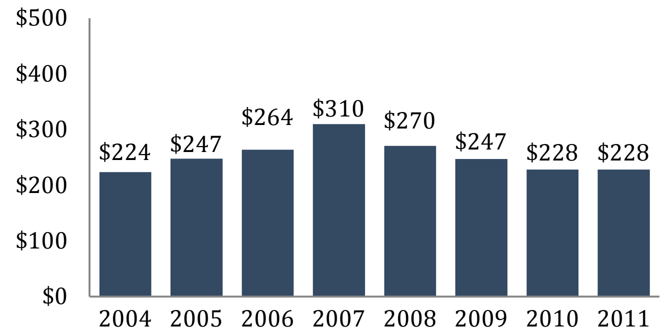
County Response

Douglas County officials report that in order to address the loss of federal timber payments and the decline in local revenues, it plans to eliminate 24 positions and is in the process of negotiating new collective bargaining agreements with its unions. The county also plans to use current reserves to offset the expected decline in revenues. The County Board of Commissioners continues to work with Congress on the reauthorization of the federal timber payments, as well as a future management plan for federal timber lands.

Local Support

The county's local revenues increased from $22.9 million in 2004 to $24.0 million in 2011; an increase of about 5%. Local revenues per capita in 2011 were the fourth lowest per capita total in the state. Its permanent tax rate of $1.11 per $1,000 of assessed property value is the fourth lowest rate in Oregon.

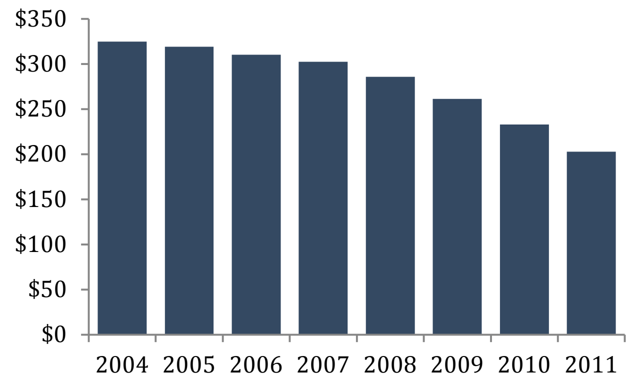
Local Revenue Per Capita
Adjusted for inflation



Timber Payment Dependence

Douglas is the most dependent county on federal timber payments. Those resources contributed an average of 24% of the county's total governmental fund revenues between fiscal years 2004 and 2011. In 2011, payments were $21.3 million or about 20% of total governmental fund revenues, and provided roughly $203 in revenues per capita.

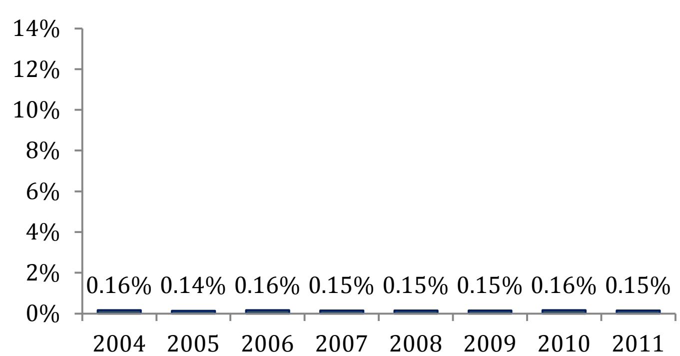
Timber Dependence Per Capita
Adjusted for inflation



Debt Burden

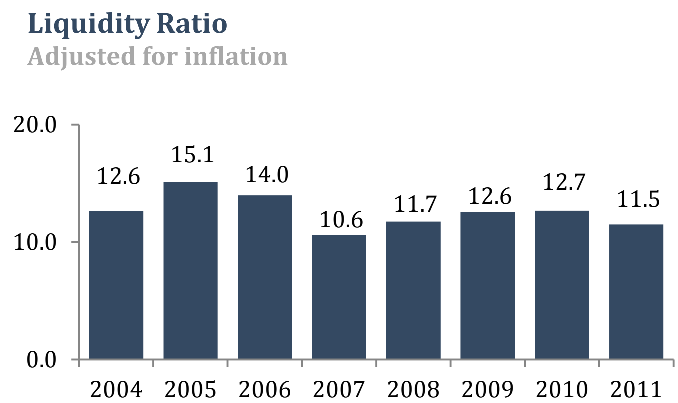
The county's debt service payments remained stable from 2004 to 2011. At less than a quarter percent of 2011 total governmental fund revenues, the debt service level is one of the best in Oregon and indicates that the county has implemented sound debt management practices.

Debt Service as a Percentage of Total Governmental Fund Revenues



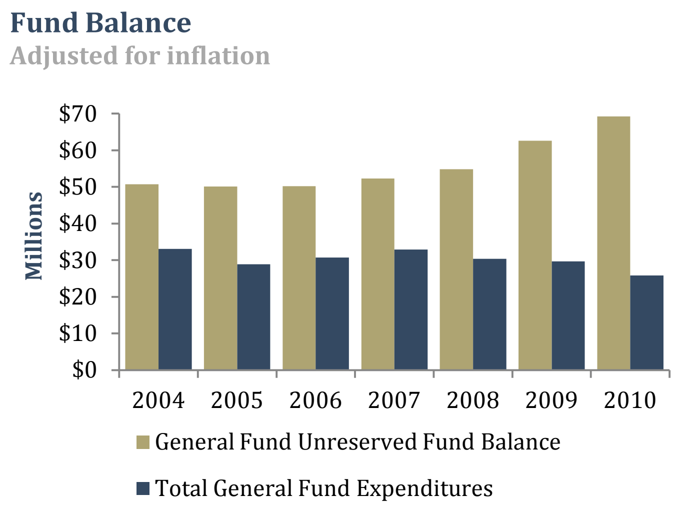
Liquidity

Douglas County has consistently maintained a liquidity ratio greater than 10 from 2004 to 2011. At its current level, the county has sufficient cash to meet its short-term liabilities.



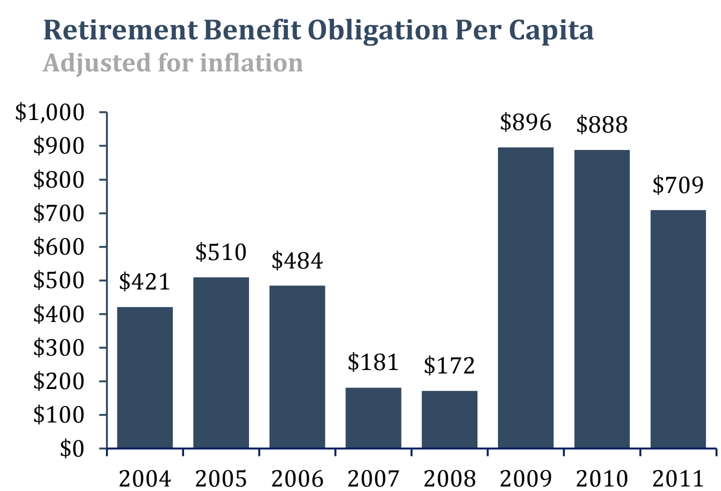
Fund Balance

The county's general fund unreserved fund balance increased $18.5 million (36.7%) between 2004 and 2010. During this same period, total general fund expenditures decreased about $7.3 million. As a result, the general fund unreserved fund balance as a percent of total general fund expenditures more than doubled over the seven year span. The county's 2010 general fund unreserved fund balance of $69.3 million gives it the second largest fund balance among Oregon counties.



Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability associated with these benefits has fluctuated over the past eight years. Douglas County's retirement obligations steadily declined from 2005 through 2008. For 2009 forward, the increase in the retirement obligation appears to be related to a change in reporting standards that required the county to begin reporting postemployment benefits and to the economic downturn that reduced the value of the county's retirement plan investments. In 2011, the retirement benefit obligation ranked in the top four counties.

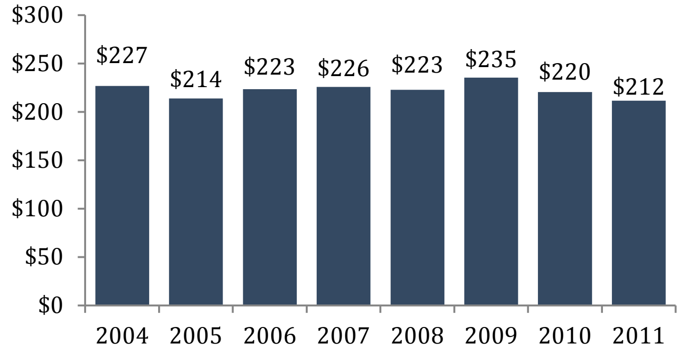


Douglas County

Public Safety

Spending per capita on public safety related programs decreased slightly over the last eight years. Public safety expenditures decreased almost 7% since 2004. At its current funding level, the county is in the bottom third for public safety spending per capita.

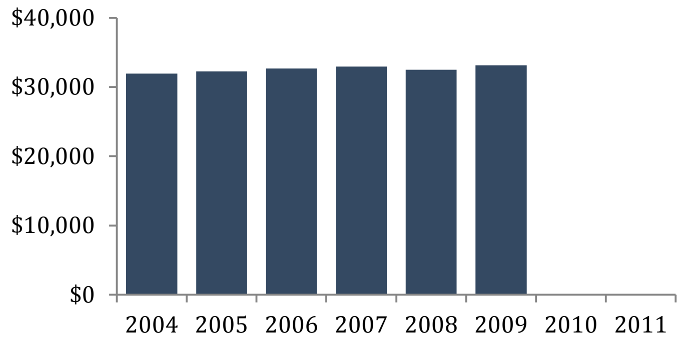
Public Safety Expenditures Per Capita
Adjusted for inflation



Personal Income

Per capita personal income levels in Douglas County have risen from about $32,000 in 2004 to about $33,000 in 2009, an increase of 3.7%.

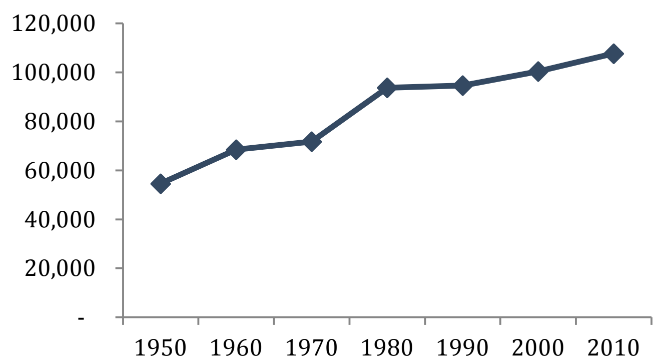
Personal Income Per Capita
Adjusted for inflation



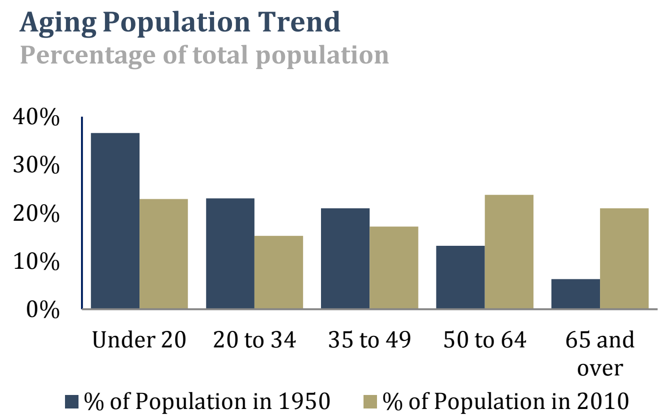
Population Trends

Douglas ranks ninth among Oregon counties with a population of 107,667 in 2010. The population has nearly doubled since 1950, and has grown about 5% in each of the past two decades.

Population

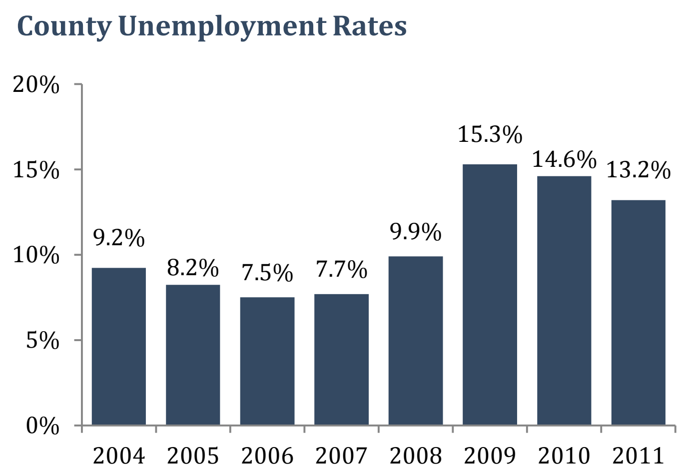


The county's population is aging. The Under 20 age group has declined 14% since 1950, while the 20-34 and 35-49 age groups have decreased a combined 11.6%. The population in the two groups over 50 increased a combined 25.4%. This shift, if continued, could reduce the size of the future workforce and also place greater demand on the county to provide health and social services.

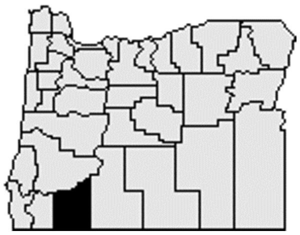


Unemployment

Douglas County's unemployment rate, although high, was relatively stable from 2004 through 2008. In 2009, the rate spiked but has declined about 2.1% over the last two years. The county's unemployment rate in 2011 was the fifth highest rate in Oregon, and was almost 4% higher than the State's unemployment rate for the year.



Jackson County



Overview

Jackson County is 2,801 square miles (47% is publicly owned), with agriculture, manufacturing, and recreation as its primary industries. The county is heavily reliant on federal timber payments, and is experiencing high unemployment. Some of the positive financial management indicators include good debt management, strong liquidity, and high personal income per capita. Jackson County also had the largest fund balance among counties at year end.

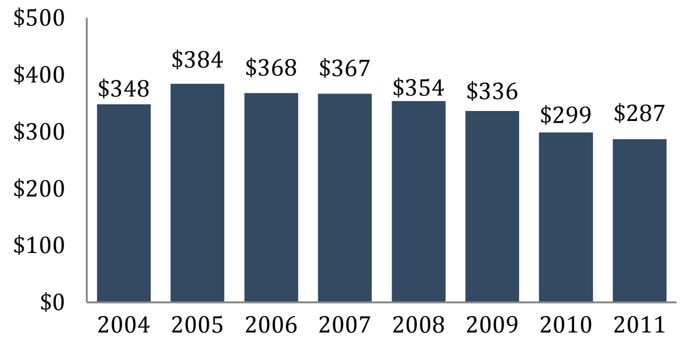
County Response

County officials report that they have implemented many cost saving measures including outsourcing of library operations, establishing a self-insurance health plan for managers, setting up a side account with the Public Employees Retirement System to offset increases, and reducing staff related to reduced services. The County relies on its healthy fund balance and reserves to cover the estimated operating deficit of $6.3 million per year. The County's budget generally continues to fund programs at current service levels. However, as a last resort, the County could close libraries or raise fees if needed to decrease the operating deficit.

Local Support

Jackson's ability to support itself through local revenues has weakened since 2004. Local revenues totaled $59.9 million in 2011, a decrease of about 10% from 2004. Similarly, local revenues per capita decreased 17.5% between 2004 and 2011 and is the seventh lowest per capita total in the state. The decline in local revenues is likely due to a combination of factors, including population change, economic conditions, and inflation. The county's permanent tax rate is $2.01 per $1,000 of assessed property value.

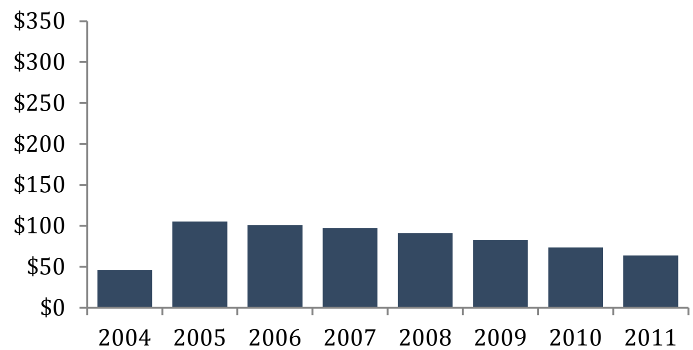
Local Revenue Per Capita
Adjusted for inflation



Timber Payment Dependence

In 2011, Jackson County received $13.3 million in federal timber payments, which represented about 9% of the county's total governmental fund revenues. Federal timber payments have steadily declined since 2005. They contributed roughly $64 in revenues per capita during 2011, which ranks it fifth among all counties in dependence.

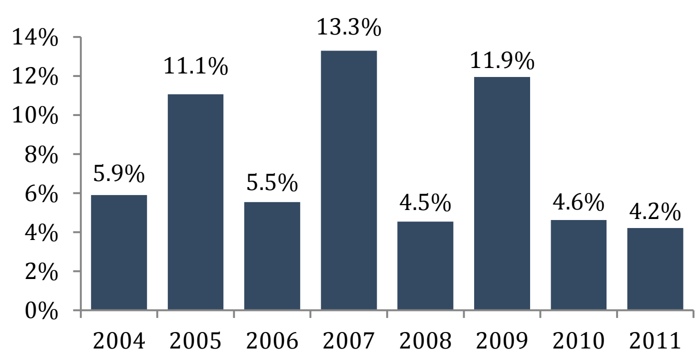
Timber Dependence Per Capita
Adjusted for inflation



Debt Burden

Significant fluctuations occurred in Jackson County's debt service payments between 2004 and 2011. Large spikes were noted in 2005, 2007, and 2009 as a result of the county paying off large portions of its outstanding bonds. At 4.2% of 2011 total governmental fund revenues, the county's debt service level ranks 11th highest. However, it falls within the range recognized as sound debt management.

Debt Service as a Percentage of Governmental Fund Revenues

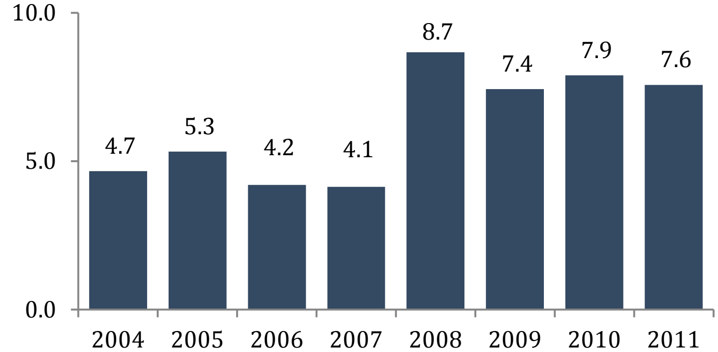


Jackson County

Liquidity

The county's liquidity ratio remained relatively stable from 2004 to 2007. In 2008, its ratio doubled and has remained above 7 the past three years. At its current level, Jackson County has sufficient cash to meet its short-term liabilities.

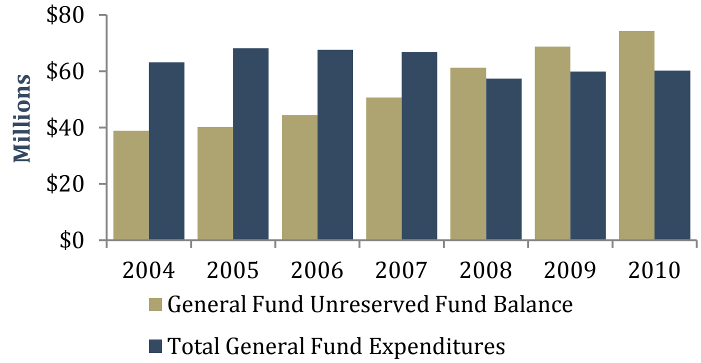
Liquidity Ratio
Adjusted for inflation



Fund Balance

The county's general fund unreserved fund balance nearly doubled from 2004 to 2010. At $74.3 million, Jackson County had the largest general fund unreserved fund balance, among counties, in 2010. During this same time, total general fund expenditures declined about 5%. As a result, the general fund unreserved fund balance as a percentage of total general fund expenditures also doubled over this seven year span.

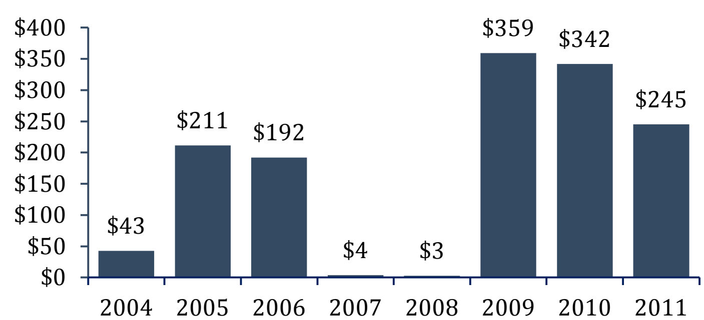
Fund Balance
Adjusted for inflation



Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability, and resulting per capita obligation, associated with these benefits dropped about 93% between 2004 and 2008. In 2009, the county was required under reporting standards to report the unfunded liability associated with its other postemployment retirement benefits. The county has reduced the obligation in each of the past two years.

Retirement Benefit Obligation Per Capita
Adjusted for inflation

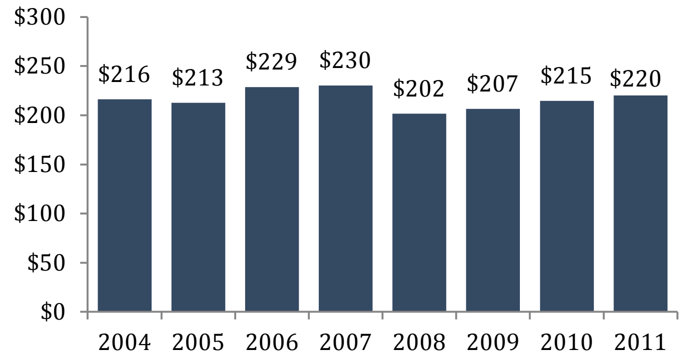


Jackson County

Public Safety

Spending per capita on public safety increased slightly between 2004 and 2011. Jackson County is in the bottom third among counties in public safety spending per capita.

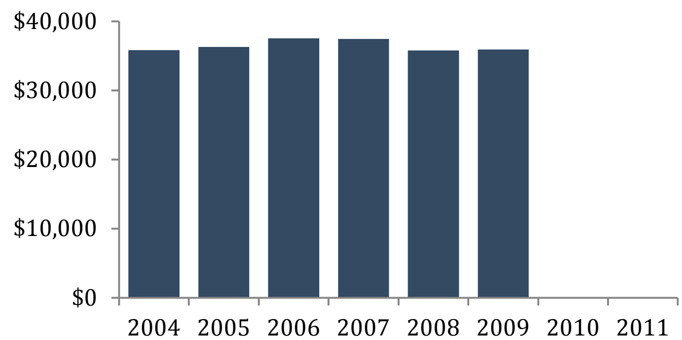
Public Safety Expenditures Per Capita
Adjusted for inflation



Personal Income

After increasing slightly between 2004 to 2006, per capita personal income levels in Jackson County have declined about 4%. In 2009 it totaled about $36,000. Despite the decrease, the county's level remains in the top 10 among Oregon counties.

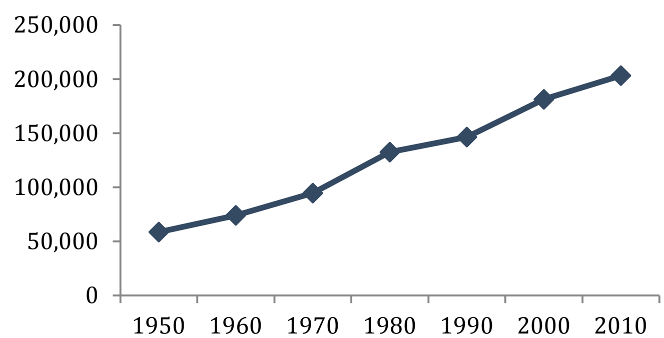
Personal Income per Capita
Adjusted for inflation



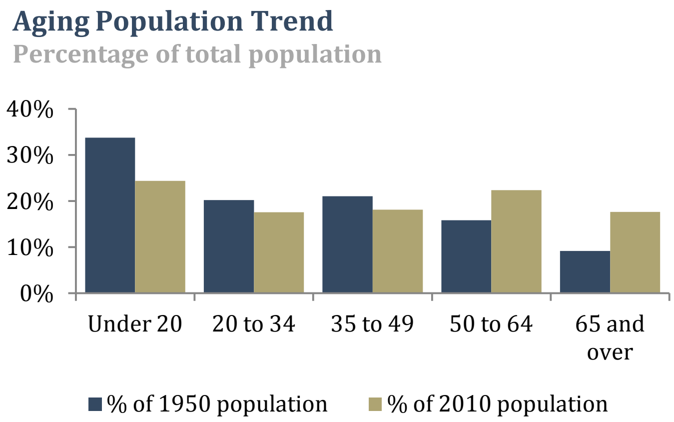
Population Trends

Jackson ranks sixth among Oregon counties, with a population of 203,206 in 2010. The population has nearly tripled since 1950 and has grown about 10% in each of the past three decades.

Population

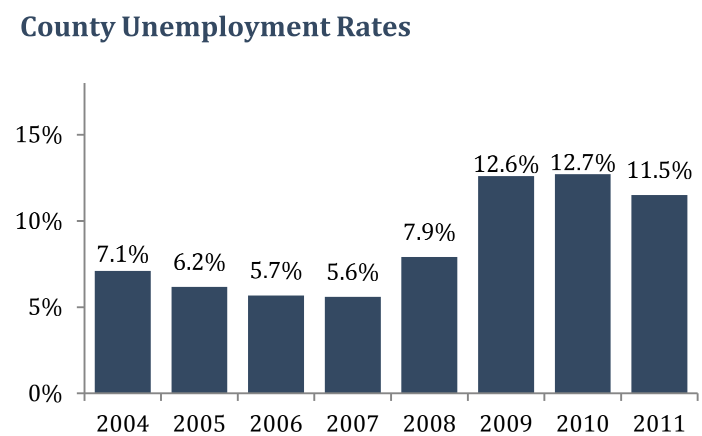


The population demographics have changed since 1950. In 1950, 75% of the population was under the age of 50. In 2011, that group represents only 60% of the county's population. The population of residents older than 50, however, has increased from 25% to 40%, but does not appear to reflect an unbalanced or alarming shift in demographics.

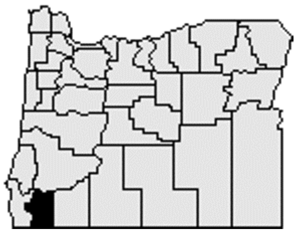


Unemployment

The county's unemployment rate jumped 4.7% in 2009 and has remained above 11% the past two years. The county's rate in 2011 was in the top third among Oregon counties and was about 2% higher than the State's rate for the year.



Josephine County



Overview

Josephine County is the last county created before statehood and relies on lumber, tourism, and agriculture. Roughly 62% of its 1,641 square miles is publicly owned.

Josephine is one of the most dependent on federal timber payments, and levies the lowest property tax rate. While a number of financial management indicators, such as the county's debt burden and liquidity are positive, the majority indicate a high degree of risk. For example, the county's low property tax rate limits its ability to generate local revenues. In addition, unemployment is high and per capita personal income ranks in the bottom third among counties. Josephine's population, while steadily growing, is also aging, which could place even more financial pressure on the county's available resources.

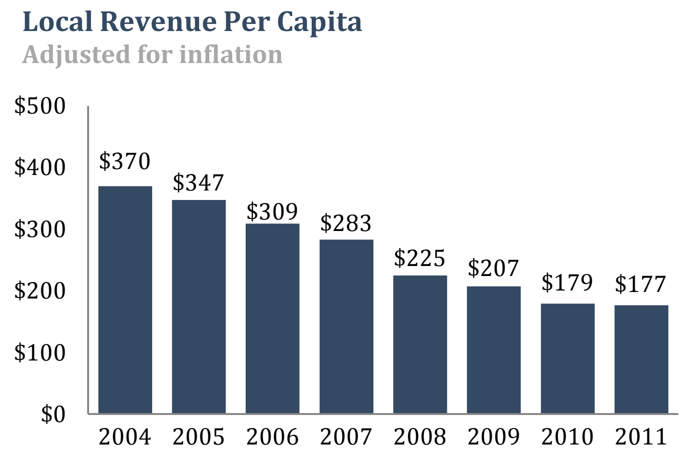
County Response

County officials report they have proactively planned for the decline in federal timber payments. Officials have also required that the majority of county programs be self-sustaining through fees, grants, state contracts, and other revenue sources that do not rely on property taxes or General Fund support. However, a recent local option levy, intended to provide funding for the county's Public Safety Fund for four years, failed to receive voter approval.

Josephine County

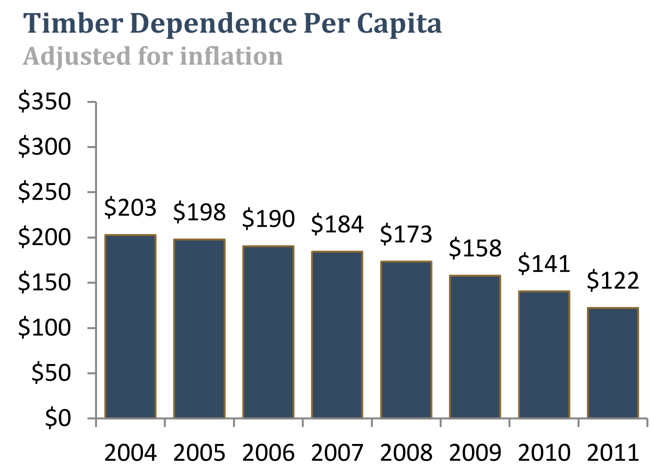
Local Support

Local revenues have decreased by half since 2004, to $14.8 million in 2011. Local revenues per capita in 2011 was the lowest in the state. The decline in local revenues is likely due to a combination of factors, including population change, economic conditions, and inflation. The county's permanent tax rate of $0.59 per $1,000 of assessed property value is the lowest rate in Oregon.



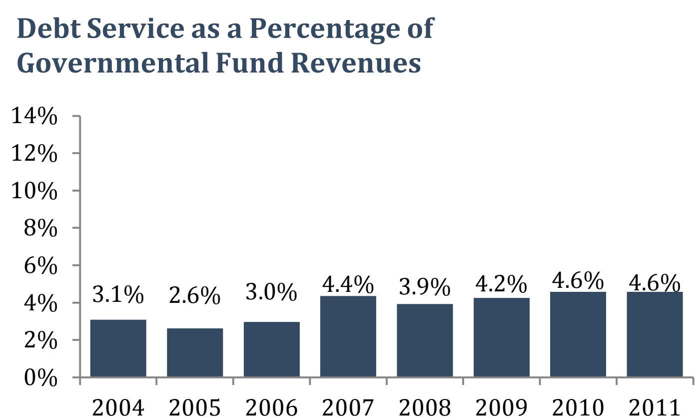
Timber Payment Dependence

Federal timber payments decreased about 35% over the last eight years, while the county's dependence on federal timber payments increased. As revenues from all other sources declined about 43%, federal reliance grew from 19% of total governmental fund revenues in 2004 to 22% in 2011.



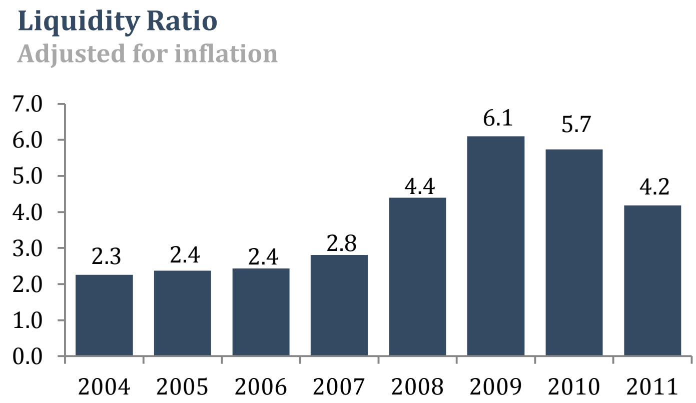
Debt Burden

The county's debt service payments, as a percentage of total governmental fund revenues, remained stable between 2004 and 2011. This trend indicates that the county has implemented sound debt management practices.



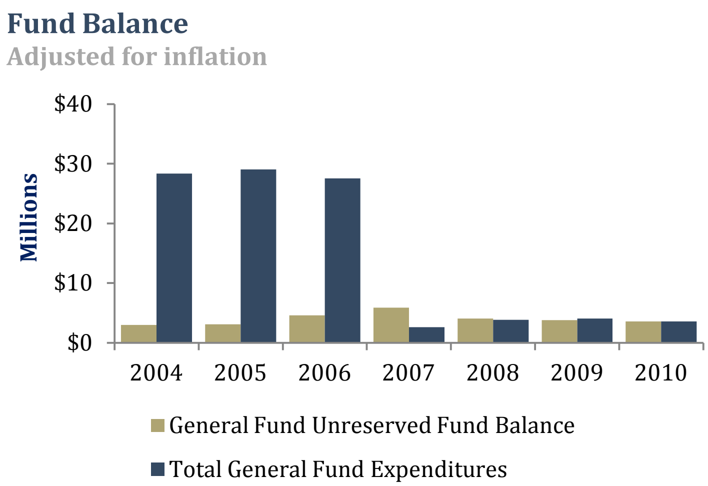
Liquidity

The county has maintained a liquidity ratio above 2.0 the last eight years. At its current level, the county has sufficient cash to meet its existing short-term liabilities.



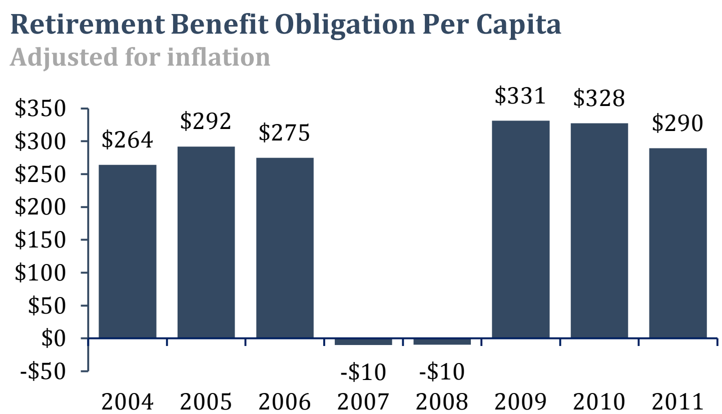
Fund Balance

The county's general fund unreserved fund balance has remained stable since 2004. As a percentage of total general fund expenditures, the general fund unreserved fund balance has increased 90% from 2004 to 2010. The primary cause for this improvement is a significant reduction in the county's general fund expenditures, which dropped from $28.3 million in 2004 to $3.6 million in 2010. Between 2006 and 2007 general fund expenditures decreased about $24.9 million (91%) due in part to the creation of the Public Safety Fund.



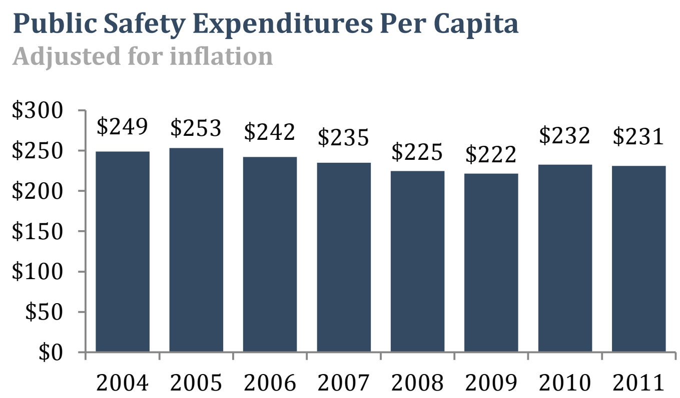
Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability and resulting per capita obligation associated with these benefits dropped significantly in 2007. However, implementation of new reporting standards for the disclosure of other postemployment retirement benefits led to an increase in per capita obligation beginning in 2009.



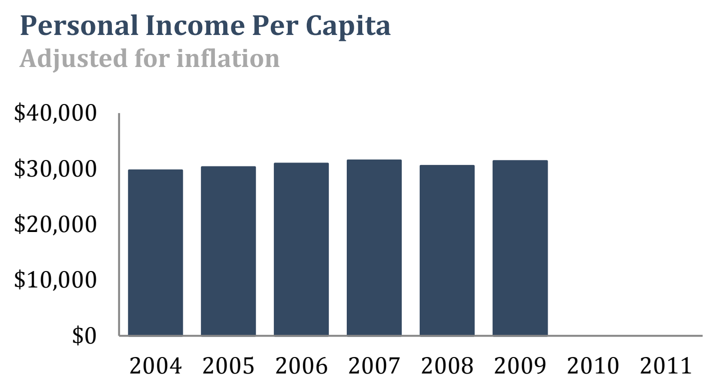
Public Safety

County per capita spending on public safety related programs has remained relatively stable with only slight fluctuations from year to year.



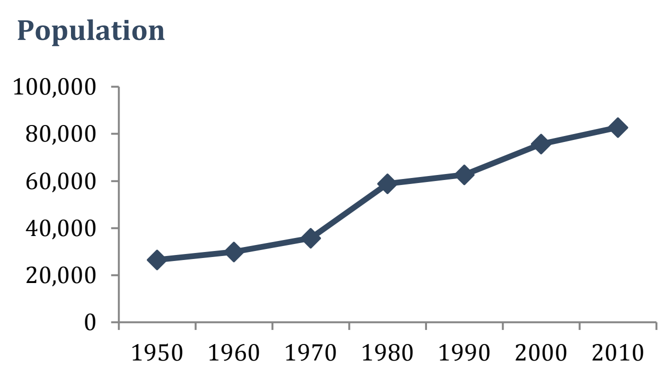
Personal Income

Per capita personal income levels have increased about 6% since 2004. In 2009, the county ranked in the bottom third among Oregon counties.

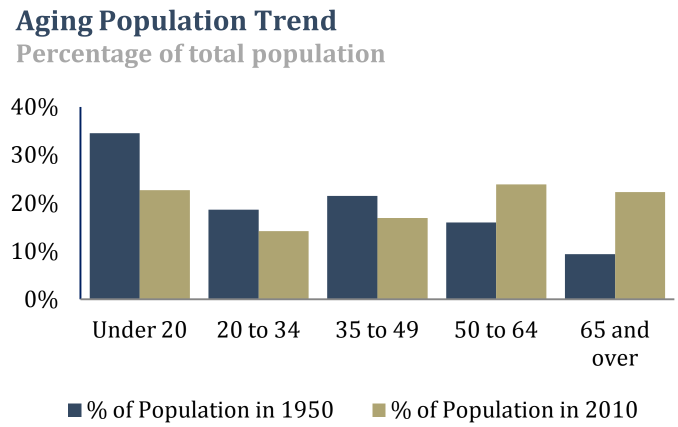


Population Trends

In 2010, Josephine County was 12th largest among Oregon counties with a population of 82,713. The population has more than tripled since 1950. Significant increases occurred between 1970 and 1980, and again between 1990 and 2000. The county has experienced double digit growth in population in four of the last six decades.

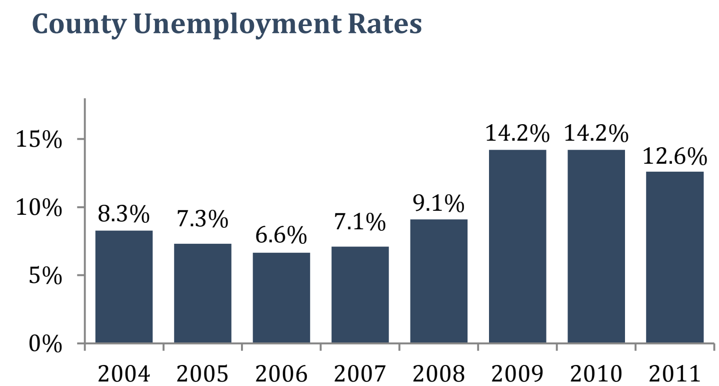


The county's population is aging. In 1950, 75% of the population was under the age of 50; however, that group represented only 54% of the population by 2010. Conversely, the population of individuals over the age of 50 increased from 25% to 46% during this same period. This shift, if continued, could reduce the size of the future workforce and also create greater demand for more provide health and social services.

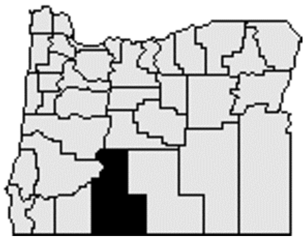


Unemployment

The county's unemployment rate has remained above 12% since 2009. In 2011, the county's unemployment was one of 10 highest rates in Oregon and was 3% higher than the State's rate that year.



Klamath County



Overview

Klamath County covers 6,135 square miles and approximately 56% is publicly owned. Historically, its economy has relied on forest products and agriculture. The county is not overly reliant on federal timber payments, has strong liquidity, and sound debt management practices. However, it has one of the lowest fund balances among counties, and has experienced high unemployment. In addition, personal income per capita remained virtually unchanged over the last eight years and is the sixth lowest among counties.

Unless otherwise noted, the information presented only includes financial data through 2010. Klamath County requested a filing extension from the Oregon Secretary of State, Audits Division for its 2011 financial statements. As a result, the county's 2011 financial data was not available for our analysis.

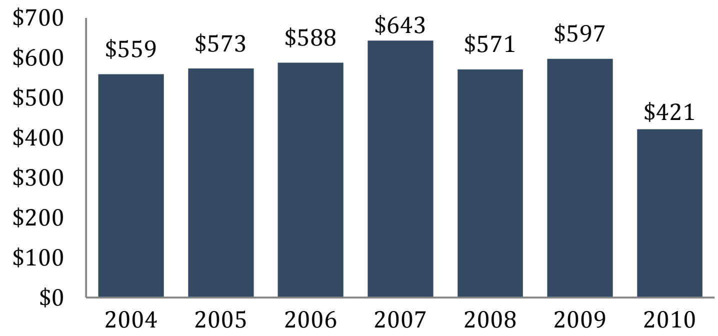
County Response

County officials report that they have been actively working to resolve the current financial situation. For example, they have been involved in proposing federal legislation that would significantly modify the operation of the O&C forest lands. The county has also worked to stimulate its local economy through a number of job creating economic development projects, including: 1) Swan Lake Hydroelectric Project; 2) Klamath Biomass Project; and 3) Sanford Pediatric Clinic. Finally, the county intends to transfer money's from the Road Reserve Fund to the General Fund to pay for Sheriff patrols and to minimize the impact of the loss of federal timber payments on General Fund services.

Local Support

From 2004-2007, the county's ability to support itself through locally generated revenues progressively increased. However, after peaking at $42.3 million in 2007, local revenues declined about 40% by 2010. This decline is likely due to a combination of factors, including population change, economic conditions, and inflation. The county's permanent tax rate is $1.73 per $1,000 of assessed property value.

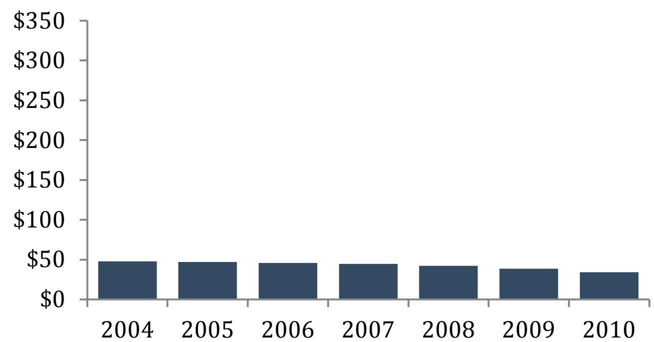
Local Revenue per Capita
Adjusted for inflation



Timber Payment Dependence

The county does not appear to be heavily dependent upon federal timber payments. Payments only contributed an average of 4% of the county's total governmental fund revenues between fiscal years 2004 and 2010. In 2010, the county received approximately $2.2 million in timber payments, which provided roughly $34 in revenues per capita.

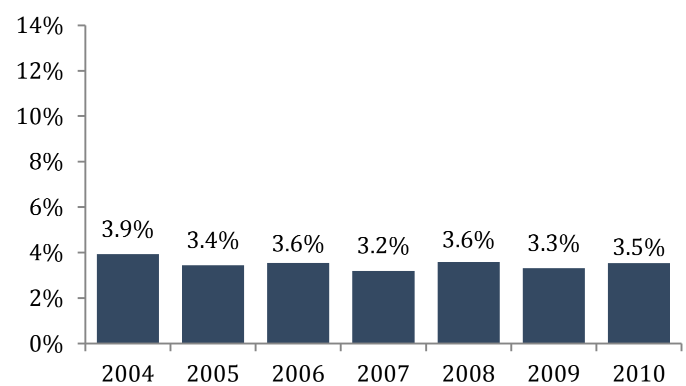
Timber Dependence Per Capita
Adjusted for inflation



Debt Burden

The county's debt service payments remained stable from 2004 to 2010. At these levels, Klamath County appears to be following sound debt management practices.

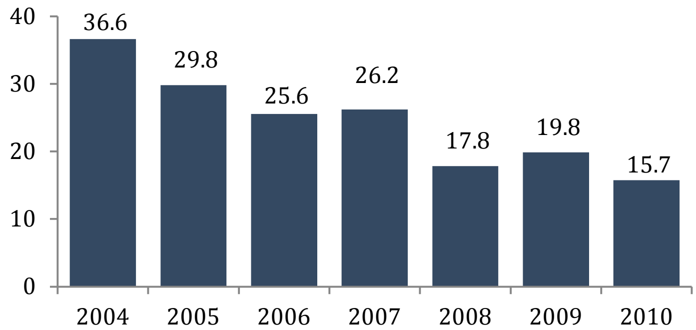
Debt Service as a Percentage of Governmental Fund Revenues



Liquidity

The county consistently maintained a liquidity ratio greater than 15 during the seven-year period from 2004 to 2010. At this level, the county has sufficient cash to meet its existing short-term liabilities.

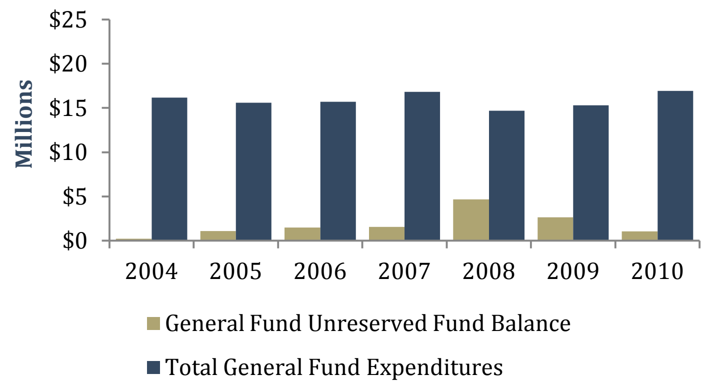
Liquidity Ratio
Adjusted for inflation



Fund Balance

The county's general fund unreserved fund balance increased between 2004 and 2008, growing from $245,000 to about $4.7 million. However, the balance decreased by about 40% in each of the past two years. At $1.1 million, the county has one of the lowest unreserved fund balances in the state. As expected, the general fund unreserved fund balance as a percentage of total general fund expenditures also declined significantly; falling from 32% in 2008 to 6% in 2010.

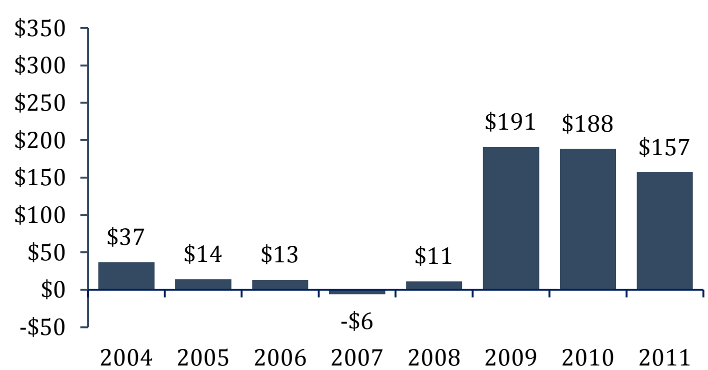
Fund Balance
Adjusted for inflation



Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability and resulting per capita obligation was fairly low until 2009. The resulting increase in the obligation appears to be related to a change in reporting standards that required the county to begin reporting postemployment benefits and to the economic downturn that reduced the value of the county's retirement plan investments.

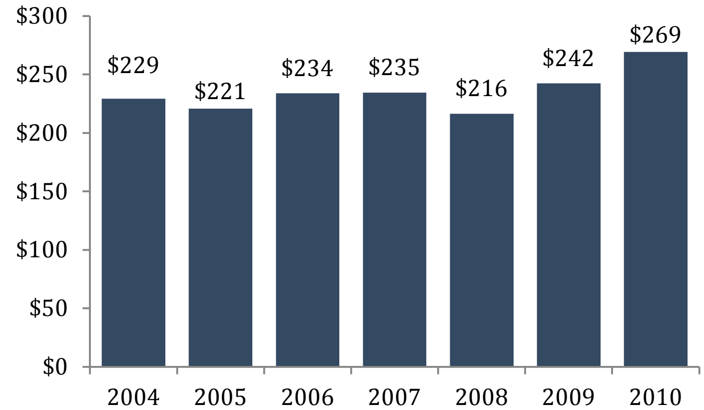
Retirement Benefit Obligation Per Capita
Adjusted for inflation



Public Safety

County spending on public safety related programs has increased about 17% over the past seven-year period. The county intends to transfer $2 million from the Road Reserve Fund to the General Fund in each of the next two fiscal years to fund Sheriff patrols, which will help minimize the impact of the loss of federal timber payments on General Fund services.

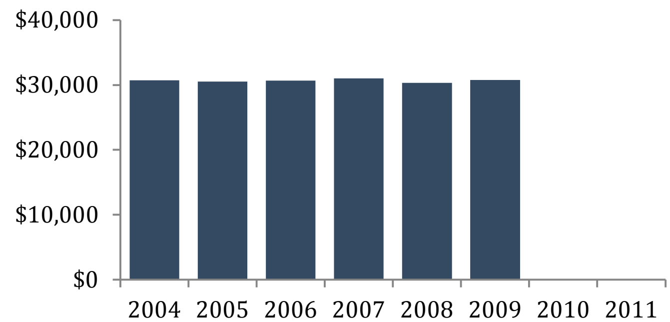
Public Safety Expenditures Per Capita
Adjusted for inflation



Personal Income

Per capita personal income levels, while fluctuating slightly from year to year, have remained virtually unchanged since 2004. In 2009, the county's per capita personal income level was the sixth lowest among Oregon counties.

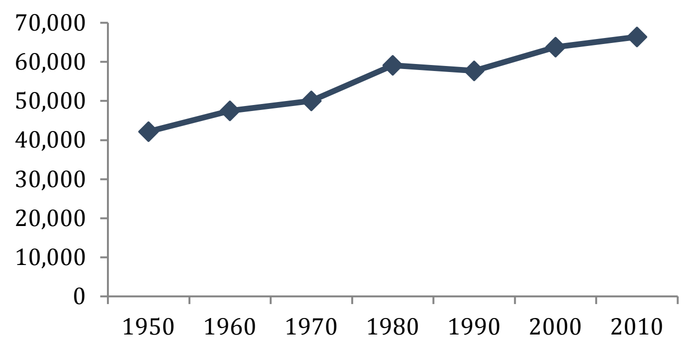
Personal Income Per Capita
Adjusted for inflation



Population Trends

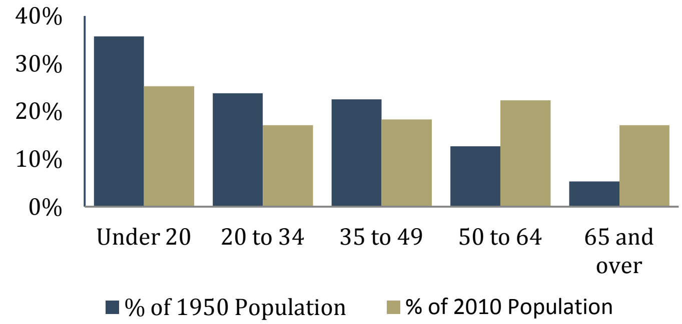
The county had a population of 66,380 in 2010, an increase of about 57% since 1950. Since then, there has been a shift in demographics within the county.

Population



In 1950 the largest demographic in the county, representing about 36% of the population, were citizens under the age of 20. By 2010, this group remained the largest segment, but represented only 25% of the population. Also, the 65 and older age group increased from 5% in 2004 to about 17% in 2010. If this trend continues, the county could face greater demand for health and social services.

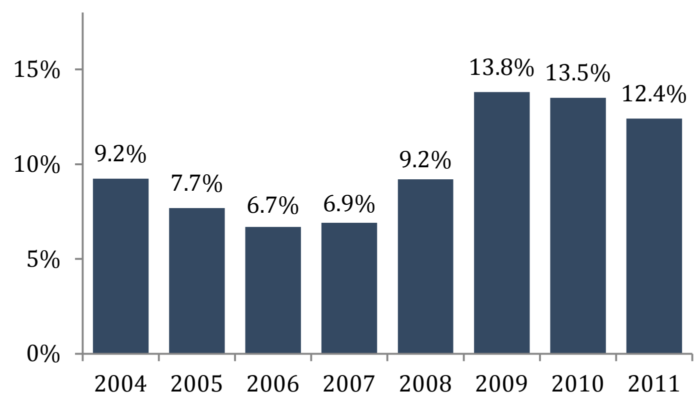
Aging Population Trend
Percentage of total population



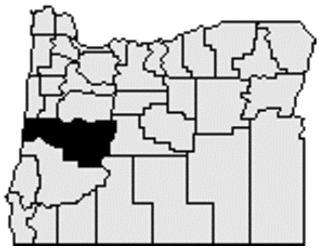
Unemployment

Unemployment in Klamath County steadily increased from 2004 through 2008 and jumped by 4.6% in 2009. For 2011, the county's rate was one of the 10 highest rates in Oregon and exceeded the state rate by about 3%.

County Unemployment Rates



Lane County



Overview

Lane County has an area of 4,620 square miles, of which 55% is publicly owned. Timber and agriculture are the foundation of the county's economy. It is one of the more reliant among counties on federal timber payments and has the seventh lowest property tax rate in Oregon, which limits its ability to generate local revenues. The county also has a high pension obligation per capita. Conversely, Lane County has a low debt burden indicating good debt management. It also has good liquidity and the fifth largest fund balance in 2011.

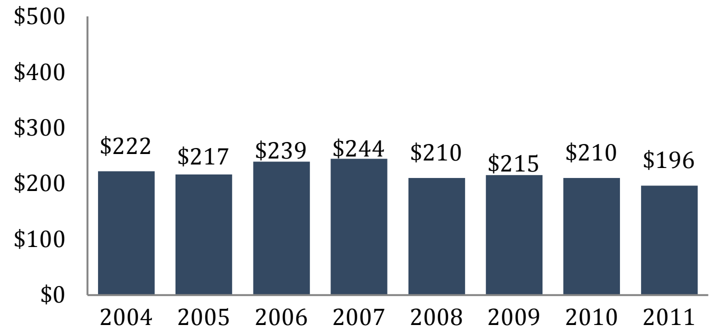
County Response

Lane County officials report that they have undertaken a series of steps to address the loss of federal timber payments. Specifically, the county reported that it has made a concerted effort to reduce expenses and increase other revenues. In addition, the county held the bulk of its 2009 and 2010 federal timber payments in reserve to help stabilize the General Fund in future years.

Local Support

Over the past eight years, county locally generated revenues have decreased 7.2%. In 2011, local revenues totaling $68.7 million accounted for 28% of the county's total governmental fund revenues. At the 2011 level, the county ranked next to last in per capita local revenues. The decline in local revenues is likely due to a combination of factors including population change, economic conditions, and inflation. The county's permanent tax rate of $1.28 per $1,000 of assessed property value is the seventh lowest rate in Oregon.

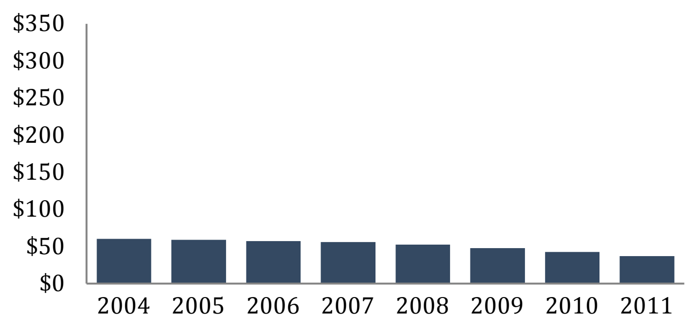
Local Revenue Per Capita
Adjusted for inflation



Timber Payment Dependence

In 2004, Lane County received about $20.2 million in federal timber payments, which represented about 8% of total governmental fund revenues. In 2011, these payments were roughly $12.9 million or just over 5% of total Governmental Fund revenues. The county's 2011 federal timber payments provided $37 in revenues per capita, placing it sixth among all counties in dependence on federal timber payments.

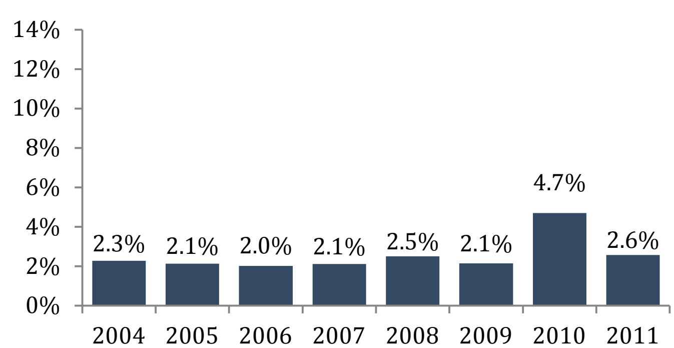
Timber Dependence
Adjusted for inflation



Debt Burden

With one exception, the county's debt services payments have remained stable over the last eight years. In 2010, the county's percentage of debt service to total governmental fund revenues more than doubled from the prior year. This increase was due, in part, to the payoff of a bank loan. Our analysis shows that Lane County follows sound debt management practices.

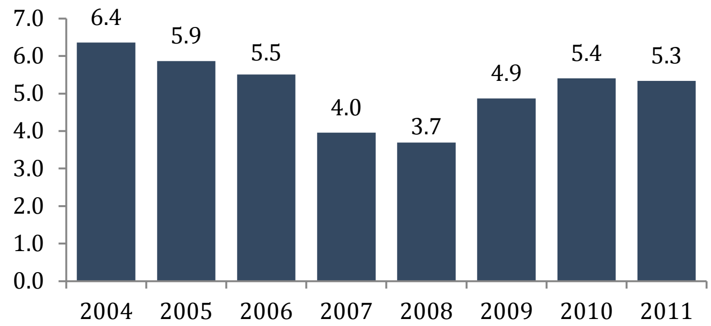
Debt Service as a Percentage of Governmental Fund Revenues



Liquidity

After five years of declines, the county's liquidity ratio increased about 43% between 2008 and 2011. The increase is due in part to the county's decision to hold the bulk of its 2009 and 2010 federal timber payments in reserve for future General Fund stabilization. At its current level, the county has sufficient cash to meet its existing short-term liabilities.

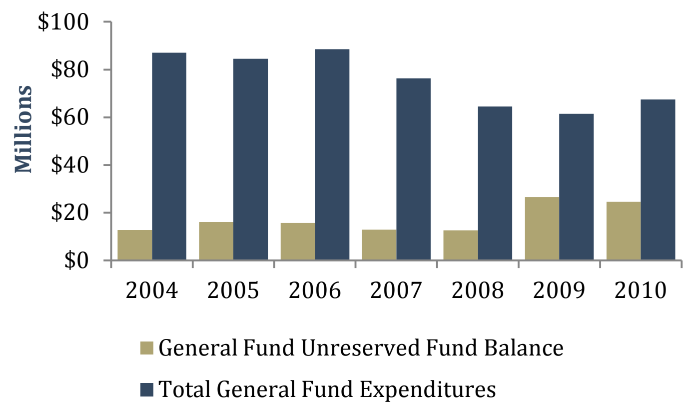
Liquidity Ratio
Adjusted for inflation



Fund Balance

Lane County's general fund unreserved fund balance increased $11.9 million (93%) between 2004 and 2010. During this same period total general fund expenditures decreased $19.6 million. As a result, the general fund unreserved fund balance as a percentage of total general fund expenditures doubled over this seven year span. The increase is due in part to the county's decision to hold the bulk of its 2009 and 2010 federal timber payments in reserve for future General Fund stabilization.

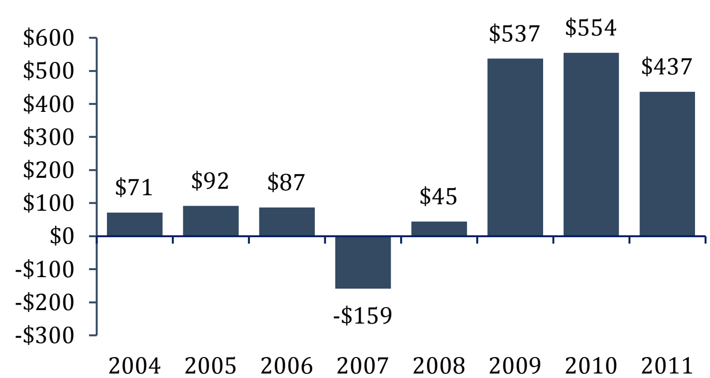
Fund Balance
Adjusted for inflation



Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The spike from 2008 to 2009 appears to be related to the economic downturn, which reduced the value of the retirement plan's investments. Additionally, implementation of new reporting standards for the disclosure of other postemployment retirement benefits led to an increase in per capita obligation in 2008. In 2011, the retirement benefit obligation ranked among the top 10 counties.

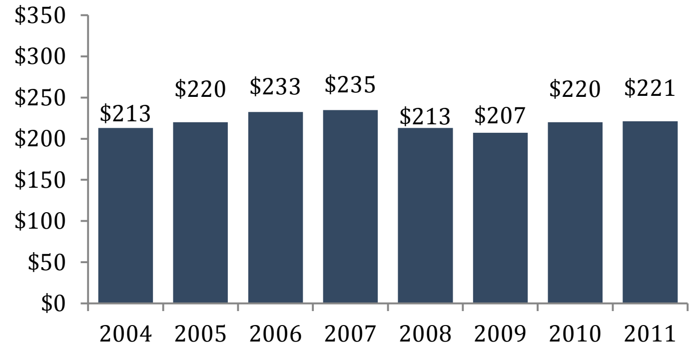
Retirement Benefit Obligation Per Capita
Adjusted for inflation



Public Safety

Lane County's average annual public safety spending per capita is consistently in the bottom third among counties.

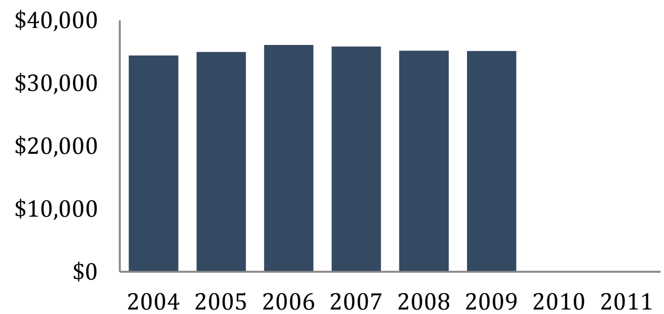
Public Safety Expenditures Per Capita
Adjusted for inflation



Personal Income

Per capita personal income levels peaked in 2006 at just over $36,000. Levels have since slightly dropped each. Despite the decline, the county's per capita personal income of roughly $35,000 ranked in the top third among Oregon counties in 2009.

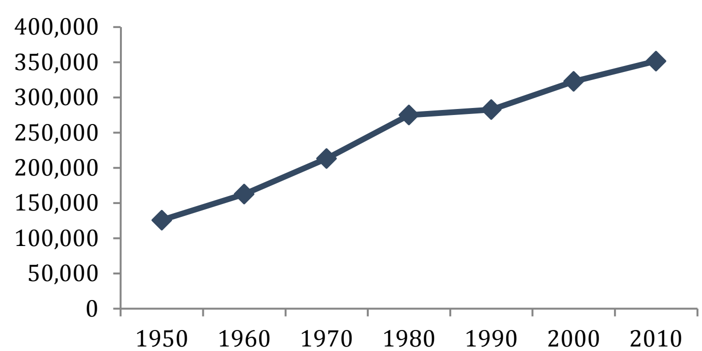
Personal Income Per Capita
Adjusted for inflation



Population Trends

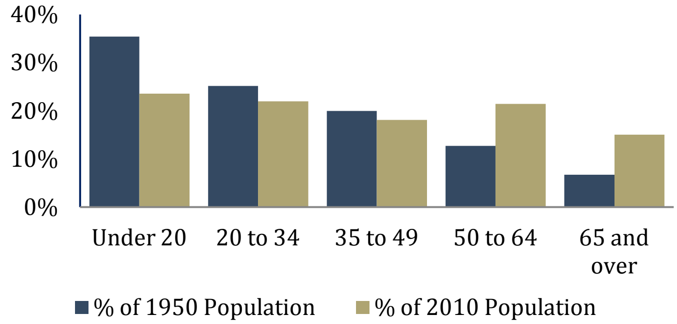
Lane County has the fourth largest population of 351,715 in 2010. The population has nearly tripled since 1950, and has grown an average of 19% each decade.

Population



Citizens under the age of 20 have consistently comprised the largest segment of the population since 1950. However, this age group has experienced the largest overall decline over the last six decades; falling from 35% of the population in 1950 to about 24% in 2010. On the other hand, the 50-64 and 65 and older age groups have both increased over 8% from 1950.

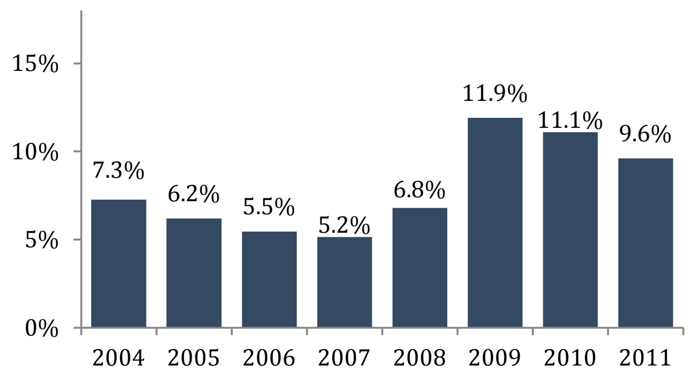
Aging Population Trend
Percentage of total population



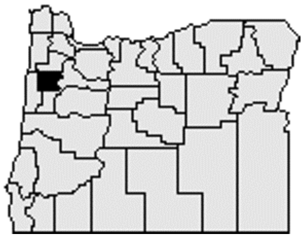
Unemployment

The unemployment rate declined between 2004 and 2007. It increased by about 5% from 2008 to 2009 then decreased the past two years. In 2011 the county's unemployment rate equaled the state's rate for the year.

County Unemployment Rates



Polk County



Overview

Polk County covers approximately 745 square miles (11.3% is publicly owned). Its major industries are agriculture, forest products, manufacturing, and education.

The county is not overly reliant on federal timber payments, has good liquidity, and enjoys one of the 10 lowest unemployment rates in Oregon. County spending on public safety is among the lowest in the state and its per capita income has declined, ranking Polk County 26th among all counties. Although it has the highest debt burden, it is still within the range recognized as sound debt management.

The county has experienced significant growth the last two decades. However, its population is showing signs of aging, which could increase financial pressure with the possibility of a shrinking work force and an increasingly older population to serve.

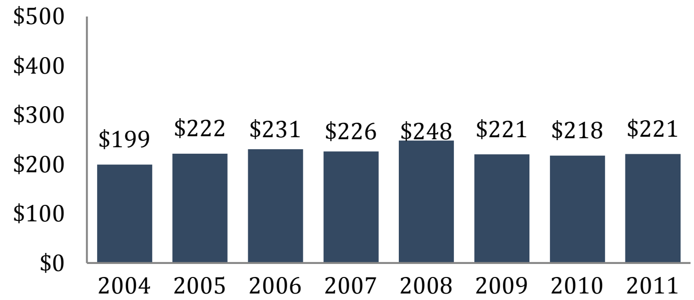
County Response

County officials report that federal timber payments provide necessary revenue to maintain current service levels. Even though 2011 timber payments were about 5% of the county's total revenues, they were about 12% of its General Fund revenues. To address its current financial condition, county officials plan to cut 10% of its General Fund workforce, restructure multiple programs, reduce services to the general public, and reduce contingency funds.

Local Support

From 2004 to 2011, the county's ability to support itself through locally generated revenues has grown. Local revenues totaled $15.2 million in 2011, representing an increase of almost 17% from the $12.9 million generated during 2004. However, for 2011, local revenues per capita were the third lowest in the state. The county's permanent tax rate of $1.72 per $1,000 of assessed property value is the 12th lowest in Oregon.

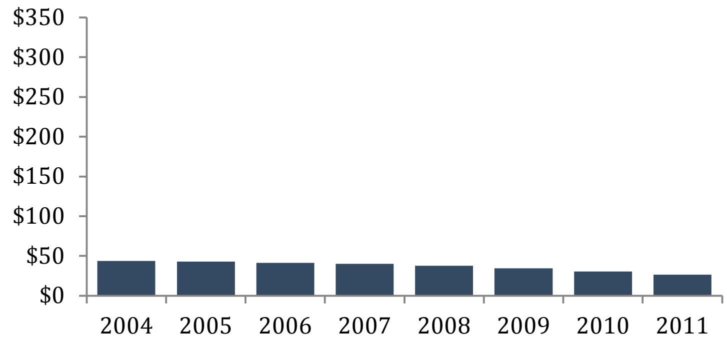
Local Revenue per Capita
Adjusted for inflation



Timber Payment Dependence

In 2011, Polk County received slightly more than $1.8 million in federal timber payments, which represented about 5% of the county's total governmental fund revenues. The county's 2011 federal timber payments provided roughly $27 in revenues per capita.

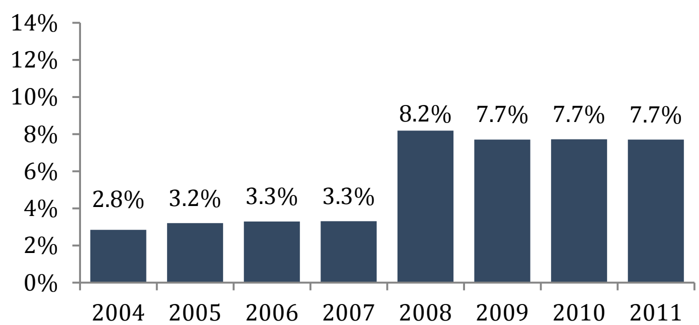
Timber Dependence per Capita
Adjusted for inflation



Debt Burden

County debt service payments grew from a low of $1.2 million in 2004 to roughly $2.9 million in 2011. The increase occurred primarily between 2007 and 2008 when the county issued general obligation bonds totaling $20 million for the purpose of improving county roads. At about 8% of its 2011 total governmental fund revenues, the county's debt service ranks the highest among Oregon's counties. However, its level of debt service is still within the range recognized as sound debt management.

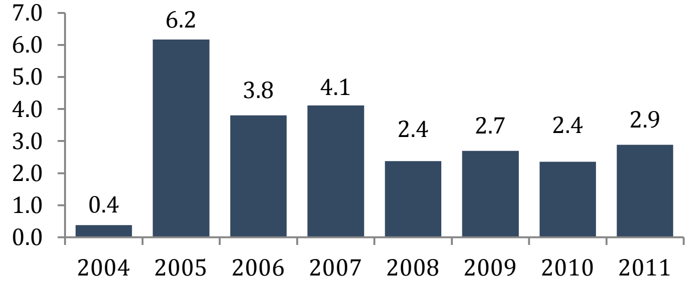
Debt Service as a Percentage of Governmental Fund Revenues



Liquidity

The county's liquidity ratio has steadily decreased since 2005. However, at its current level the county has sufficient cash to meet its short-term liabilities.

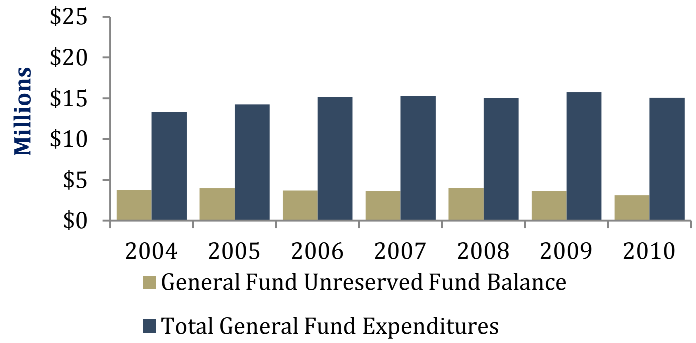
Liquidity Ratio
Adjusted for inflation



Fund Balance

The county's general fund unreserved fund balance decreased 18% between 2004 and 2010, contributing to an 8% decrease in the percentage of unreserved fund balance to total general fund expenditures. During this same period the expenditures increased only 13%, from $13.3 million in 2004 to $15.1 million in 2010.

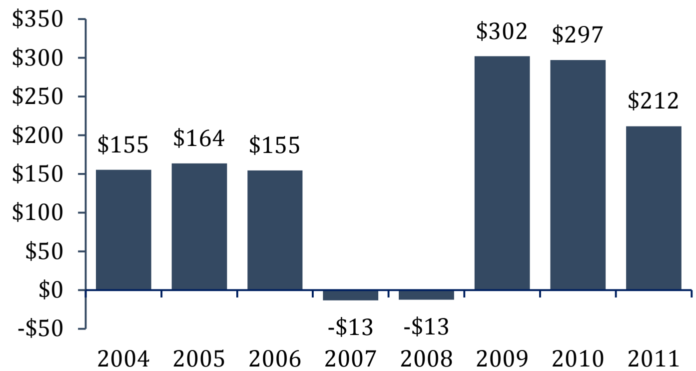
Fund Balance
Adjusted for inflation



Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. Retirement obligations were slightly overfunded in 2007 and 2008, but the economic downtown reduced the value of county's retirement plan investments, resulting in increased unfunded retirement obligations. A new reporting standard related to the county's other postemployment retirement benefits also contributed to the increase in per capita obligation in 2009.

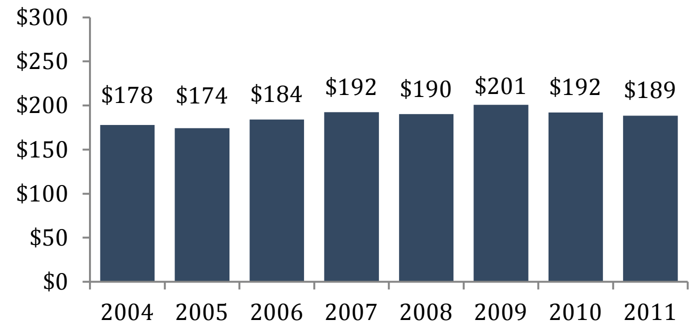
Retirement Benefit Obligation Per Capita
Adjusted for inflation



Public Safety

Public safety expenditures per capita have decreased more than 6% since peaking in 2009. Polk County is one of the bottom five counties for public safety spending per capita.

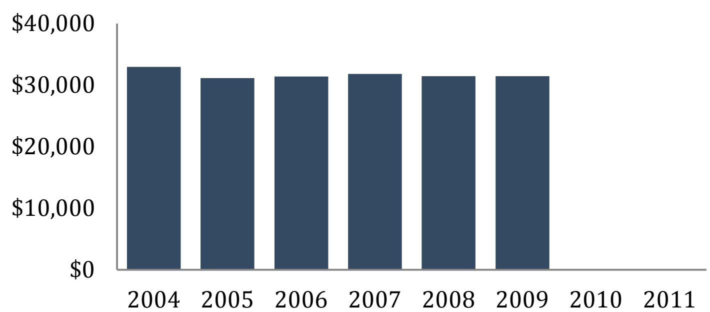
Public Safety Expenditures Per Capita
Adjusted for inflation



Personal Income

The personal income per capita in Polk County has fallen slightly from its 2004 rate of $33,000. In 2009, the county's per capita personal income level ranked in the bottom third among Oregon counties.

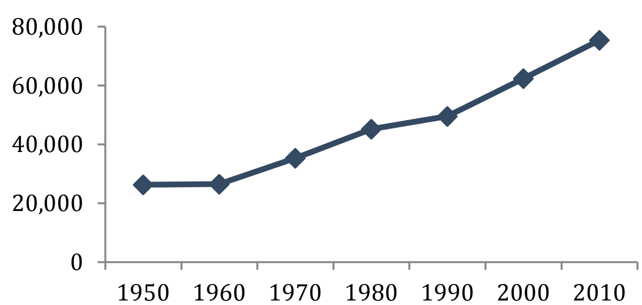
Personal Income per Capita
Adjusted for inflation



Population Trends

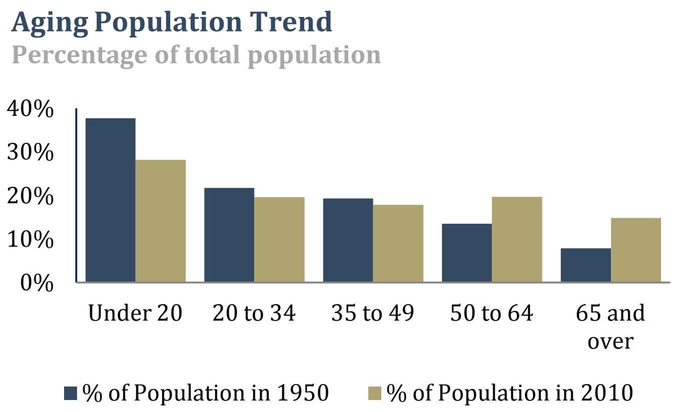
Polk County ranks 14th among Oregon counties with a population of 75,403 in 2010. The population has grown about 20% in each of the past two decades.

Population



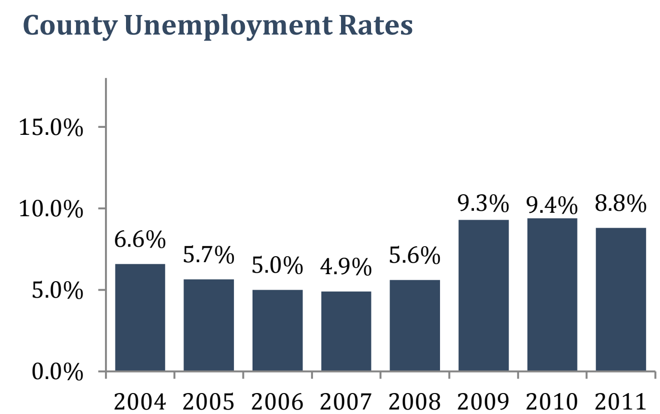
Polk County

The county's population is aging. The Under 20 age group has declined about 10% since 1950, while the 20-34 and 35-49 age groups have declined a combined 3.6%. Conversely, the population in the two groups over 50 increased by a combined 13.1%. This shift, if continued, could reduce the size of the future workforce and also place greater demand on the county to provide health and social services.



Unemployment

The county's unemployment rate was relatively stable from 2004 through 2008. In 2009, however, the unemployment rate spiked 3.7%. In 2011, the the county had one of the 10 lowest rates in Oregon for the year.



Approaches in Other States to Financial Monitoring and Intervention

Other states have recognized the need to monitor the financial condition of local governments and, on occasion, intervene. State monitoring of financial indicators is one of the most common practices, though we found no agreement on the indicators to use. Some indicators attempt to predict financial distress to trigger early preventive efforts, while others are signals for dire conditions, when state intervention is needed. States face the challenge of defining their level of involvement in local government finances. We identified three broad approaches that states take in response to local governments in financial crises. Various combinations of the three approaches exist among the states. Research shows that the most effective states include monitoring and prevention as part of a comprehensive approach. A brief overview of approaches used and a summary of legislation enacted by states is included below.

Monitoring

The monitoring approach includes a wide range of activities. Examples include reviewing local governments financial information (e.g., audited financial statements, interim financial reports, and budget information) and compiling fiscal indicators. The following are examples of monitoring related activities performed by other states.

Each year the State of New Jersey's Division of Local Government Services reviews the annual financial reports of 587 local governments (including 23 counties) and every three years they review the budgets of the local governments. They use this approach to ensure local governments are solvent and revenues are not overstated. The financial review includes an analysis of 10 different indicators, which focus primarily on operating position and debt. The indicators also review legal and technical violations.

As part of its monitoring process, the Auditor for the State of Ohio requires 2,200 local units (including 88 counties) to submit audited annual financial reports. Staff review the reports and assess the health of the local governments.

In the State of Pennsylvania, more than 2,600 local units (including 66 counties) complete an annual Survey of Financial Condition and submit it electronically to the Department of Community and Economic Development. The survey reports each local government's performance using various criteria and indicators. Staff evaluate the surveys and determine if a local government is at risk. Additionally, local governments are required to use a standard chart of accounts and follow mandated accounting procedures to ensure consistent reporting.

Proactive

This approach includes the use of a comprehensive indicator system as a primary means to predict distress. This approach is often based upon reviews or audits of financial reports and budgets. What is reviewed, how many reports are reviewed, who performs the reviews, and how extensive those reviews are, varies from state to state. States that are proactive may also use legislation to pre-define the criteria for distress, allow for municipal intervention, and provide for dissolution or bankruptcies. Legislative action helps define the roles of state and local government, and independent auditors, making them partners in maintaining the fiscal health of local governments.

North Carolina's comprehensive system includes a Local Government Commission that oversees and provides assistance to troubled communities, and performs extensive reviews of the local governments' annual financial reports. The reviews include a system of 10 indicators to evaluate the financial condition of the local governments and predict distress before it occurs.

The State of Florida requires that local government audits include the use of financial condition assessment procedures to detect deteriorating financial condition. These indicators include a blend of predictive and definitive indicators. The Auditor General develops benchmarks and makes them available to their auditors and local governmental entities; the local government auditors, however, can use their own benchmarks and indicators if desired. Local governments are required to notify the governor and legislative auditing committee when one or more of the indicators shows a deteriorating financial condition. In addition, the auditors are required to include recommendations for improving a local government's financial condition in a letter to government officials.

The Maryland Office of Legislative Audits performs desk reviews of the annual financial reports of 179 local government units. Data extracted from these reports is analyzed using proactive indicators of unfavorable trends. Any deficiencies are communicated in writing to the local governments.

In addition to monitoring activities, the Auditor for the State of Ohio provides an array of resources for its local governments. These resources include professional consulting, accounting and financial reporting, as well as training and publications.

Intervention

The objective of state intervention can either be preventive, to avert a financial crises; reactive, to mitigate damages and service disruptions; or a combinationof these. Preventive intervention can include technical assistance grants or loans, whereas reactive intervention could involve state takeover of the local government. States with these powers generally have laws or other programs in place, enabling them to intercede when a crisis occurs or if indicators identify potential problems.

<u>Preventive Intervention</u>

To illustrate preventive intervention, Kentucky state law provides the state with authority over local governments. The law allows the state to force local governments to take action, such as ordering them to raise taxes or reduce expenditures. If they do not comply, the state can take legal action against the local government or take over county operations. As an example, after Kentucky detected that one of its counties was heading for fiscal crisis, it ordered the county commission to raise taxes and reduce expenditures. After the commission refused to follow the directive, a state circuit court ordered the commission jailed for contempt. Upon release, the commission took swift corrective action.

Another example is the State of New Mexico, which has authority to mandate that local governments take the corrective actions necessary to address financial distress. If necessary, the state has the authority take over the local government or have a local elected official removed from office.

In its last legislative session, the State of Michigan passed a law that empowers the State Treasurer, under certain circumstances, to conduct fiscal reviews of local governments. The law defines fiscal distress and the criteria used to determine the stage of distress the local government is in. Those governments determined to be in the greatest distress are placed in receivership overseen by an Emergency Manager. The Emergency Manager has authority to do whatever is legally necessary to restore the financial health of the local government.

The State of New York allows local governments to borrow money for up to ten years, and can establish control boards for local governments in financial crisis. In addition, New York provides guidance to local governments through its "Local Government Management Guide: Financial Condition Analysis." The guide provides information and tools local governments can use to analyze their financial condition.

<u>Reactive Intervention</u>

A reactive intervention is triggered when a local government reaches the financial crisis stage. This approach uses indicators designed to identify financial distress after it has already occurred. These indicators may include failure to pay liabilities currently due such as to creditors, employee salaries, retirement plans, or loan and bond payments. The response to financial crisis in states that are reactive range from providing technical assistance and loans to allowing bankruptcy, mergers, or takeover of local governments.

One example of a reactive approach is the State of Nevada. Nevada does have an indicator system in place, but is primarily used to report legal or technical violations. Nevada's focus is to keep watch on its local governments and spot problems after they occur.

Oregon's Approach to Financial Monitoring and Intervention

Until recently, Oregon had very few laws associated with local government financial condition. During the 2012 session, Oregon enacted laws to address financial distress among its counties; the legislation (House Bills 4175, 4176, and 4177) is designed to assist troubled counties that were impacted by the recent loss of federal timber revenue. The most relevant of the three laws is House Bill 4176. The purpose of this law is to provide assistance to counties that had received federal timber payments through the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS) and are now facing financial crisis. Under this law, counties whose SRS payments exceeded 10% of their property tax revenue qualify to declare distress and seek state assistance and intervention.

If assistance is requested, the law allows for the establishment of a fiscal assistance board with the power to, among other things, reallocate funds, cut services, lay off employees, reduce expenditures, sell or lease real or personal county property, issue bonds, and renegotiate debt repayment. However, implementation of the board's actions require a majority vote of the governor appointed board members <u>and</u> a majority vote of the county's governing board.

Unfortunately, counties that do not qualify under the new law have few remedies at the state level. While Oregon does allow Irrigation and Drainage Districts to file bankruptcy, it does not allow counties to file for bankruptcy. Other than these few measures, local governments are responsible for managing their own financial problems.

Best Practices

Dr. Charles Coe, a professor in the School of Public and International Affairs at North Carolina State University, has studied local government financial monitoring. Based on his research, he recommends the following best practices to prevent fiscal crises:

- Utilize a system that provides early warning of fiscal distress. The ideal system analyzes the most current financial reports; states that use budgets or interim financial information are able to identify problems earlier than those that use annual financial reports. However, audited financial reports may contain more accurate information. The system also needs to carefully consider which indicators to use. Some indicator systems may tend to produce false warnings or false assurances. In order to be effective, the system must accurately predict distress.
- Assist troubled local governments when evidence of possible distress is detected. States that are successful in assisting local governments also have adequate staff to provide the technical assistance. This assistance could also be achieved through referral systems or other means to help the local government help itself.
- Strongly intervene if a crisis occurs. For the state to protect its interests, it must be able to mandate action. States with a strong ability in this area can take the extreme action of local government takeover for the duration of the crisis.

Summary of State Legislation Pertaining to Distressed Local Governments

State	Actions
Alabama	- Specifically authorizes municipal bankruptcy.
Alaska	- It is unclear whether the state specifically authorizes local government bankruptcies.
Arizona	- Enacted legislation that changed the state's Medicaid funding formula in order to assist counties that were struggling to pay bills. - Specifically authorizes municipal bankruptcy under ARS §35-603.
Arkansas	- Specifically authorizes municipal bankruptcy under Arkansas Code §14-74-103.
California	- Enacts legislation in response to crises. For example, as a result of the Orange County fiscal crisis, California enacted laws that restricted the amount of leveraging and purchasing of high-risk investments. - Specifically authorizes municipal bankruptcy under California Government Code §53760
Colorado	- In response to several special district bankruptcies, Colorado enacted legislation to amend laws governing special districts' debt. - Only allows bankruptcy for distressed special taxing districts, such as the Drainage and Irrigation District, under CRS §37-32-102
Connecticut	- Conditionally authorizes municipal bankruptcy under General Statute §7-566. - General Statute §7-394b authorizes the Municipal Financial Advisory Commission to work with municipalities to improve fiscal condition. This involves reviewing budgets, audits, accounting, fiscal management practices, etc. The commission provides recommendations, and the local government is required to report back on the implementation of the recommendations.
Delaware	- It is unclear whether the state specifically authorizes local government bankruptcies.
Florida	- Conditionally authorizes municipal bankruptcy under Florida Statute §218.01. - The Legislature created the Local Government Financial Emergencies Act (Part V). - Florida also requires that audits include the use of financial condition assessment procedures to detect deteriorating financial conditions in local governments.(Section 10.556(7))
Georgia	- Prohibits municipalities from filing bankruptcy (Ga. Code Ann. §36-80-5).
Hawaii	- It is unclear whether the state specifically authorizes local government bankruptcies.
Idaho	- Specifically authorizes municipal bankruptcy under Idaho Code §67-3903.
Illinois	- Enacted special legislation to assist East St Louis; set up a financial committee, approved its budgets and spending, and required the city to adopt a plan in order to keep state program funds. - Provided specific bankruptcy authorization solely for the Illinois Power Agency under 20 Ill Comp Stat. Ann. 3855/1-20(b)(15); Current law allows a commission to recommend that the Legislature authorize a filing on a case by case basis but it is not specific authorization (20 Ill. Comp Stat. Ann 320/9(b)(4)).

State	Actions
	- It is unclear whether the state specifically authorizes local government bankruptcies. - Enacted special legislation to allow a local government to increase its local property taxes.
Indiana	- It is unclear whether the state specifically authorizes local government bankruptcies.
Iowa	- Generally prohibits filing bankruptcy by local governments under Iowa Code §76.16, but it does allow filing for insolvency caused by debt involuntarily incurred and not covered by insurance proceeds (Iowa Code §76.16A).
Kansas	- It is unclear whether the state specifically authorizes local government bankruptcies.
Kentucky	- Kentucky Revised Statutes 147A, Section .010, .021 require local governments to provide reports to the state's Local Debt Officer. The Debt Officer publishes an annual report detailing financial and other statistical information on local governments. - KRS Ch 66.320 provides for assistance to counties in reorganizing their debt structure
Louisiana	- Conditionally authorizes municipal bankruptcy under Louisiana Revised Statute §39-619. - §39.1351 allows a fiscal administrator to be appointed for political subdivisions that are at risk of insufficient revenue to pay expenditures or make debt service payments.
Maine	- It is unclear whether the state specifically authorizes local government bankruptcies.
Maryland	- It is unclear whether the state specifically authorizes local government bankruptcies.
Massachusetts	- It is unclear whether the state specifically authorizes local government bankruptcies.
Michigan	- Conditionally authorizes municipal bankruptcy under Michigan Comp. Law §141.1222. - Passed the Local Government and School District Fiscal Accountability Act (HB 4214) during the 2011-2012 session. The law allows the State Treasurer, under certain circumstances, to conduct a review if one is requested by various stakeholders (i.e. municipality, creditors, the electorate, pension trustee, etc.). Events that may trigger a review include, among other things, a deficit, or a drop in long-term debt rating. If, during the review, fiscal distress is determined probable a Review Team and/or an Emergency Manager is assigned.
Minnesota	- Specifically authorizes municipal bankruptcy under Minnesota Statute §471.831. - Requires audit findings to go to the governing body of all local governments at a public hearing. - Conducts desk reviews using checklists to verify that reporting standards are upheld.
Mississippi	- Requires the state auditor to seize control and balance the books of local governments before a crisis occurs. - It is unclear whether the state specifically authorizes local government bankruptcies.

State	Actions
Missouri	- Specifically authorizes municipal bankruptcy under Missouri Statute §427.100.
Montana	- Specifically authorizes municipal bankruptcy under Montana Code §7-7-132.
Nebraska	- Specifically authorizes municipal bankruptcy under Nebraska Revised Statute §13-402.
Nevada	- It is unclear whether the state specifically authorizes local government bankruptcies. - Title 31, 354.685 defines conditions of severe financial emergency, what is expected of the local government (i.e. plan of corrective action), and conditions for taking over management of the local government.
New Hampshire	- It is unclear whether the state specifically authorizes local government bankruptcies.
New Jersey	- Conditionally authorizes municipal bankruptcy under New Jersey Statute §52:27-40.
New Mexico	- It is unclear whether the state specifically authorizes local government bankruptcies.
New York	- Specifically authorizes municipal bankruptcy under NY Local Finance Law §85.80. - Allows locality to borrow money for five to ten years to "bond itself out of a deficit", and establishes control boards to usurp specific authority in larger cities with crises. Title 31, 354.685 defines conditions of severe financial emergency, what is expected of the local government (i.e. plan of corrective action), and conditions for taking over management of the local government. - The Office of the State Comptroller provides a guide for local governments called "Local Government Management Guide: Financial Condition Analysis." The guide provides information and tools local governments can use to analyze their financial condition.
North Carolina	- Conditionally authorizes municipal bankruptcy under General Statute §23-48.
North Dakota	- It is unclear whether the state specifically authorizes local government bankruptcies.
Ohio	- The state's original municipal fiscal emergency law was enacted in 1979. - In 1996, fiscal emergency protection was extended to counties and townships and modified the existing fiscal emergency statute. The primary change created a "fiscal watch" status as an early warning of local governments whose finances are approaching emergency status. Technical assistance and support services are provided to entities under "fiscal watch". - Local governments declared in fiscal emergency come under the oversight of a financial planning and supervision commission. - Conditionally authorizes municipal bankruptcy under Ohio Revised Code §133.36.
Oklahoma	- Specifically authorizes municipal bankruptcy under Oklahoma State Title 62 §281,283.
Pennsylvania	- Chapter 115 of Pennsylvania Law, requires each local government to file a completed survey of its financial condition (§115.2). Eleven pre-defined indicators are used to determine financial distress. If a local government is determined to be in distress, it can apply for interest free short-term loans to

State	Actions
	assist with immediate cash shortfalls. If certain criteria are met, the government can also apply for longer term loans (§115.6). Occasionally, the state may recommend that distressed municipalities consolidate or merge with adjacent local governments (§115.8). - Conditionally authorizes municipal bankruptcy under 53 PA Cons. Statute §11701.261.
Rhode Island	- Conditionally authorizes municipal bankruptcy under General Laws §45-9-7.
South Carolina	- Specifically authorizes municipal bankruptcy under South Carolina Code §6-1-10.
South Dakota	- It is unclear whether the state specifically authorizes local government bankruptcies. - Provides technical assistance and monitoring after a crisis is identified.
Tennessee	- It is unclear whether the state specifically authorizes local government bankruptcies. - Used special legislation approach to assist Polk County during its time of crisis.
Texas	- Specifically authorizes municipal bankruptcy under Texas Local Government Code §140.001.
Utah	- It is unclear whether the state specifically authorizes local government bankruptcies.
Vermont	- It is unclear whether the state specifically authorizes local government bankruptcies.
Virginia	- It is unclear whether the state specifically authorizes local government bankruptcies.
Washington	- Specifically authorizes municipal bankruptcy under Washington Revised Code §39.64.040 - The state has developed a Local Government Financial Reporting System that provides a database of local government financial data. - Senate Bill 6050 provides assistance to counties and cities in greatest financial need.
West Virginia	- It is unclear whether the state specifically authorizes local government bankruptcies.
Wisconsin	- It is unclear whether the state specifically authorizes local government bankruptcies. - Used special legislation to spend $500,000 annually on the Menomonie County infrastructure after recommendations from a task force chaired by the Administrator of the state's Division of State and Local Finance.
Wyoming	- It is unclear whether the state specifically authorizes local government bankruptcies.

Objectives, Scope and Methodology

The objective of this report is to evaluate the financial condition of Oregon's county governments using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA). In addition, we sought to identify general strategies used by other states to monitor and address counties with financial problems.

Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. This report was produced for informational purposes and does not constitute an audit, though our work steps followed many, but not all requirements of these standards.

The primary source of data in this report was obtained from each county's audited financial statements of fiscal years 2004 thru 2011. In addition, our analysis focused on the financial condition of each county's governmental funds, which includes its General Fund. Unless otherwise indicated, data are presented on a fiscal year basis (e.g., 2008 represents the fiscal year beginning July 1, 2007 and ending June 30, 2008). In order to account for inflation, we expressed financial data in constant dollars. We adjusted dollar amounts for each prior year to equal the purchasing power of money in fiscal year 2011. We used the Consumer Price Index – All Urban Consumers U.S. city Average, as reported by the Bureau of Labor Statistics, U.S. Department of Labor. Charts that have been adjusted for inflation will be indicated in the title of the chart.

Financial indicators used in this report were derived primarily from information contained in the ICMA *Evaluating Financial Condition: A Handbook for Local Governments*. However, additional factors were considered and, in some cases, the indicators were modified to fit Oregon's unique situation. For example, differences in accounting used by counties made it difficult to identify discretionary operational spending.

Counties selected for additional analysis were identified using a number of criteria including: 1) the county's dependence on federal timber revenue, 2) the number of indicators in which the county was identified as high risk of distress, and 3) our general understanding of the counties (i.e. publicly known financial troubles).

We reviewed information for reasonableness and consistency. We did not, however, audit the accuracy of source documents or the reliability of the data in computer-based systems. Our review of data was not intended to give absolute assurance that all information was free from error. Rather, our intent was to provide reasonable assurance that the reported information presented a fair picture of the financial condition of county governments in the State of Oregon. In addition, while the report offers financial highlights, it does not thoroughly determine the reasons for negative or positive performance. More analysis is needed to provide such explanations.

Additional information, such as economic and demographic indicators, was obtained from the following sources:

- Oregon Employment Department
- Oregon Department of Administrative Services
- Oregon Department of Revenue
- Oregon Legislative Fiscal Office
- Oregon Public Employees Retirement System
- Oregon Secretary of State, Archives Division
- Portland State University Population Research Center
- United States Department of the Interior, Bureau of Land Management
- United States Department of Labor, Bureau of Labor Statistics
- Association of Oregon Counties
- Coos County Officials
- Curry County Officials
- Douglas County Officials
- Jackson County Officials
- Josephine County Officials
- Klamath County Officials
- Lane County Officials
- Polk County Officials
- ICMA *Evaluating Financial Condition: A Handbook for Local Governments*
- Other State Governments (Florida, Maryland, Michigan, Nevada, New Jersey, New York, North Carolina, Pennsylvania, and Washington)

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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The courtesies and cooperation extended by officials and employees of Oregon counties and the Association of Oregon Counties during the course of this review were commendable and sincerely appreciated.