

For Year Ended June 30, 2009



O R E G O N

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

MARION COUNTY, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2009

Marion County Finance Department

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INTRODUCTORY SECTION



Marion County

OREGON

FINANCE DEPARTMENT

BOARD OF COMMISSIONERS

Sam Brentano
Janet Carlson
Patti Milne

CHIEF ADMINISTRATIVE OFFICER

John Lattimer

CHIEF FINANCIAL OFFICER

Jeff White

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December 21, 2009

To the Marion County Board of Commissioners
and the Citizens of Marion County, Oregon

Oregon law requires local governments to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants within six months of the close of each fiscal year. We are pleased to submit this Comprehensive Annual Financial Report (CAFR) of Marion County, Oregon for the fiscal year ended June 30, 2009 in accordance with this requirement.

This report consists of management's representations concerning the finances of Marion County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to provide sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. The County has designed its internal controls to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement, recognizing the need to balance the cost of internal controls with their benefits. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the County's financial statements for the fiscal year ended June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

In accordance with GAAP, County management has provided a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Marion County, then called Champoick, was created in 1843 by the Provisional Government 16 years before Oregon gained statehood on February 14, 1859. In 1849 the name was changed to Marion honoring American Revolutionary General Francis Marion. The County is located in the heart of the Willamette Valley, and the Willamette River was established as its western boundary in 1856. Salem, the county seat and state capital, is one of the valley's oldest cities.

The County's present boundary encompasses 1,194 square miles. There are 20 incorporated cities and 37 unincorporated communities in Marion County as reported in the official U.S. Census update of July 1, 2006. As of that update, the total population of Marion County was certified at 306,665. The County is empowered to levy a property tax on both real and personal properties located within its boundaries.

The County is governed by a three-member Board of Commissioners. Commissioners are elected to four-year staggered terms from the County at large; the commissioners elect a chair and a vice chair annually. Policy-making, legislative authority and quasi-judicial powers are vested in the Board of Commissioners, which is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the Chief Administrative Officer and the heads of various departments. The Chief Administrative Officer is responsible for carrying out the policies and ordinances of the Board of Commissioners and overseeing the day-to-day operations of the County.

The County provides a full range of services including elections, property assessment and taxation, public and behavioral health, law enforcement, corrections, prosecution, justice courts, supervision of juvenile offenders, road and bridge maintenance and construction, emergency management, dog licensing and control, parks maintenance, solid waste disposal, and environmental services. Low-income housing and certain sewer and lighting services are provided through legally separate entities, which function, in essence, as part of Marion County and therefore are included as an integral part of the County's financial statements. Additional information on these legally separate entities can be found in Note 1A of the notes to the financial statements.

The annual budget serves as the foundation for the County's financial planning and control. The County adheres to Oregon Local Budget Law in the preparation, adoption and execution of the budget. To oversee the process, the Board of Commissioners has appointed the Chief Administrative Officer as the County's Budget Officer. County departments submit requests for appropriation to the Budget Officer in March or April each year. The Budget Officer uses these requests as the starting point for developing a proposed budget. The Budget Officer then presents this proposed budget to the County's Budget Committee for review in May. After

approval by the Budget Committee, the Board of Commissioners is required to hold a public hearing on the approved budget and adopt a final budget by no later than June 30, the close of the preceding fiscal year. The appropriated budget is prepared by fund and category (or department). Department heads may make transfers of appropriations within a fund and category. Transfers of appropriations between categories, however, require the approval of the Board of Commissioners. Budget-to-actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the financial environment within which the County operates.

Local Economy – Marion County is the largest producer of agriculture among Oregon's 36 counties. Marion County's economy is also based on government and education. In addition to the state capitol, 38 state agencies are located in Marion County, providing employment to approximately 19,000 employees. Marion County and the City of Salem each employ about 1,500 workers and the County's ten public school districts employ about 6,500 workers. As of September 2009, the unemployment rate in Marion County was 11.6 percent, a dramatic increase from 6.8 percent last year, comparable to the state average of 11.3 percent and the national average of 9.8 percent.

Long-Term Financial Planning – The County heads into fiscal year 2010 with an acceptable financial position and a low ratio of outstanding debt to the real market value of taxable property within the County. Major long-term concerns for the County include the economic recession, rising costs for employee health and retirement benefits, fluctuating energy prices, and decreasing revenues related to declines in the housing market. With a focus on sustainability, the County continues implementation of the following initiatives in the upcoming year: long-term strategic planning with an emphasis on quality customer service, review and enhancement of the county's business and management practices, and renovation of the county courthouse and courthouse square. In addition, the County has recently identified other capital replacement and construction needs over the next five years. While funding for many of these needs is not currently available, a building and equipment reserve fund has been established to begin accumulating resources to meet these future needs. The County has also established a fleet management fund to provide for the maintenance, repair and replacement of county vehicles.

Relevant Financial Policies – The County has established, by policy, minimum requirements for budgeting ending fund balance in the General Fund and unappropriated reserves in the Rainy Day Fund. Maintaining a minimum balance requirement for the General Fund ensures that the County has adequate resources for operations at the beginning of the following fiscal year until property taxes (a major funding source) are received. The minimum balance requirement for the Rainy Day Fund provides a future resource that can be used to maintain stability in County operations in response to emergencies or significant retirement plan increases due to economic stress.

Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, corporate bonds, and the State's local government investment pool. Investments of the County and other entrusted funds are made under the restrictions of Oregon law, and in accordance with the County's Investment Policy.

The County budgets for its risk management activities in an internal service fund. Risk management is predicated on an actuarial study, which is assigned a probability of loss related to workers' compensation, automobile and general liability. Third-party coverage is currently

maintained for workers' compensation claims in excess of \$600,000 and liability claims in excess of \$1,000,000. Additional information on the County's risk management activity can be found in Note 7 of the notes to the financial statements.

Major Initiatives – The County has begun a \$8.7 million capital improvement project to replace the windows and HVAC system in the County courthouse; the project is expected to be completed in fiscal year 2010. In addition, the County is evaluating renovations needed for the courthouse square building, and has started processes for replacing major software systems in the Clerk's Office and the Assessor's Office within the next two fiscal years. The County is also moving ahead with a performance measurement initiative. Starting in fiscal year 2010, select County departments began including performance data in their annual budget requests. During the budget process for fiscal year 2011, all departments will establish performance indicators for review by management and the budget committee on a regular basis. These indicators will be used for both internal management of County services and for comparability with other counties in the State of Oregon.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Marion County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the eighth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to all members of the Finance Department and other County personnel who assisted and contributed to the preparation of this report. Credit must also be given to the County's Board of Commissioners, elected officials, Chief Administrative Officer and appointed department heads for maintaining the highest standards of accountability in the management of the County's finances.

Respectfully submitted,



Jeff White
Chief Financial Officer



Cynthia A. Granatir
Chief Accountant

MARION COUNTY, OREGON
Principal Officials
June 30, 2009

Board of Commissioners

Patricia Milne	Chair
Janet Carlson	Vice Chair
Samuel Brentano	Commissioner

P.O. Box 14500
Salem, Oregon 97309-5036

Other Elected Officials

Richard Kreitzer	Assessor
Bill Burgess	Clerk
Walt Beglau	District Attorney
Steven Summers	Justice of the Peace – East Marion
Janice Zyryanoff	Justice of the Peace – North Marion
Russ Isham	Sheriff
Laurie Steele	Treasurer

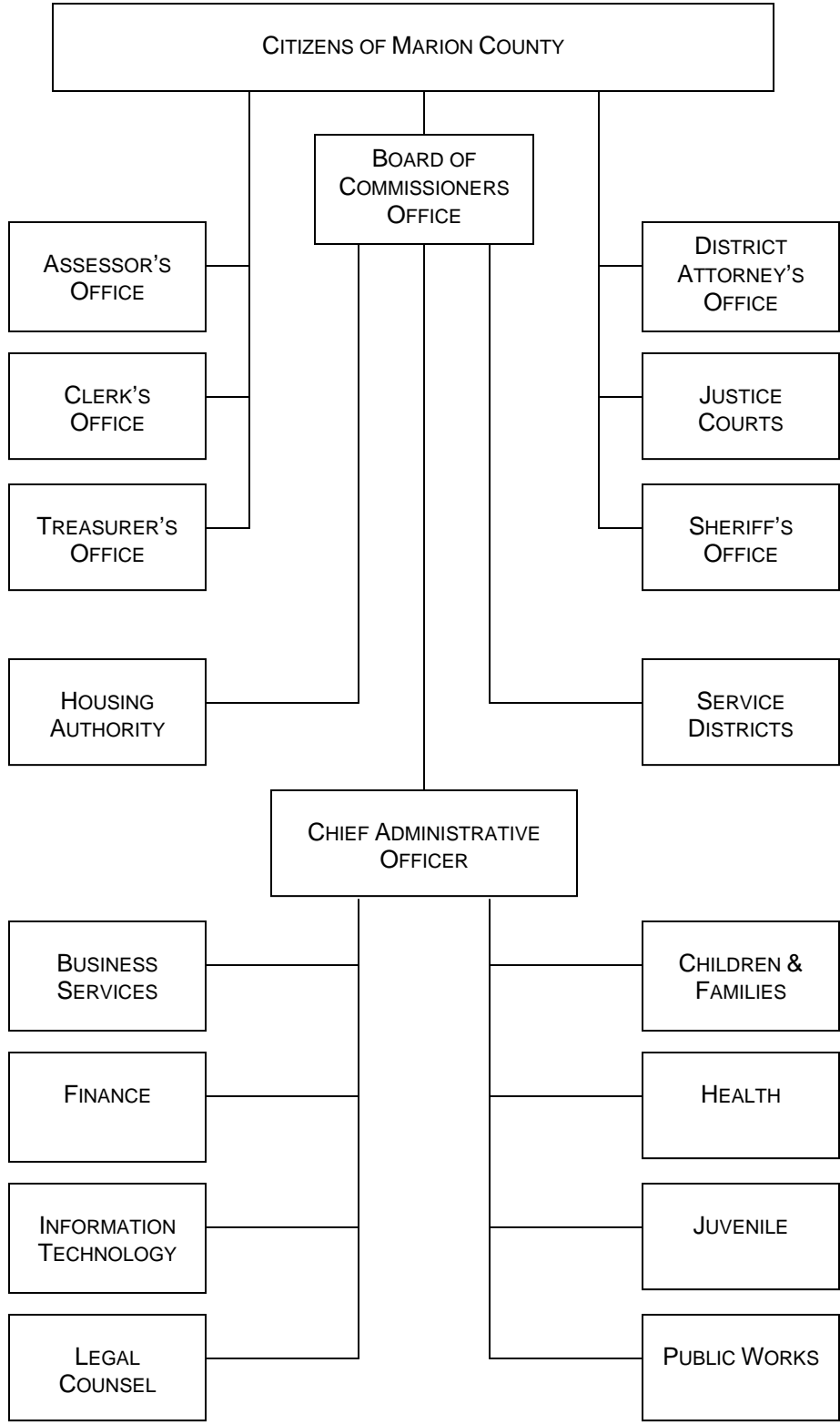
Chief Administrative Officer

John Lattimer

Legal Counsel

Jane Ellen Stonecipher

MARION COUNTY, OREGON
Organization Chart
June 30, 2009



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Marion County
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director