

## BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON  
STATEMENT OF NET POSITION  
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$158,321,752	\$3,973,869	\$162,295,621
Receivables, net	8,378,862	415,704	8,794,566
Internal balances	673,239	(673,239)	
Inventories	1,622,815	29,247	1,652,062
Deposits and prepaid items	416,588	1,882	418,470
Interfund loan balances	2,361,529	(2,361,529)	
Capital assets (net of accumulated depreciation):			
Land and right of way	10,908,660	2,220,651	13,129,311
Buildings and improvements	24,778,520	3,610,833	28,389,353
Furniture and equipment	1,662,834	931	1,663,765
Vehicles and heavy equipment	4,238,323	2,088,044	6,326,367
Dams	18,249,787		18,249,787
Infrastructure	89,597,579	2,577,478	92,175,057
Construction in progress	5,030,622		5,030,622
Total assets	326,241,110	11,883,871	338,124,981
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pension	8,433,092	273,771	8,706,863
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	5,154,613	167,894	5,322,507
Unearned revenues	8,097,231		8,097,231
Noncurrent liabilities:			
Due within one year	1,669,529		1,669,529
Due in more than one year	62,779,096	13,937,549	76,716,645
Total liabilities	77,700,469	14,105,443	91,805,912
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pension	6,975,331	181,955	7,157,286
<b>NET POSITION</b>			
Net Investment in capital assets	154,466,325	10,497,937	164,964,262
Restricted for:			
Highways and streets	63,605,594		63,605,594
Health and social services	429,199		429,199
Title II and III	2,682,758		2,682,758
4-H Extension Service District	501,493		501,493
Public Safety	179,793		179,793
Building and electrical purposes	572,280		572,280
Parks maintenance and improvements	1,503,559		1,503,559
Library purposes	456,214		456,214
Museum purposes	9,580		9,580
District Attorney grant programs	110,172		110,172
County Clerk recordings	84,864		84,864
County juvenile purposes	123,309		123,309
County fair purposes	85,674		85,674
Transportation activities	510,969		510,969
Surveyor corner preservation	55,311		55,311
County schools programs	42,104		42,104
Unrestricted (deficit)	24,579,204	(12,627,693)	11,951,511
Total net position	\$249,998,402	(\$2,129,756)	\$247,868,646

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position		
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$28,117,985	\$8,046,144	\$3,724,478	\$147,262	(\$16,200,101)		(\$16,200,101)
Public safety	37,277,775	4,412,488	5,572,218	8,465	(27,284,604)		(27,284,604)
Highways and streets	21,808,812	137,896	13,035,458	1,837,306	(6,798,152)		(6,798,152)
Health and welfare	6,155,724	118,441	4,466,368		(1,570,915)		(1,570,915)
Culture and recreation	8,566,016	3,649,486	1,344,656	51,765	(3,520,109)		(3,520,109)
Conservation	1,609,693	1,044,652	129,957		(435,084)		(435,084)
Education	1,956,204	817	1,981,704		26,317		26,317
Interest on long-term debt	46,186				(46,186)		(46,186)
Total governmental activities	105,538,395	17,409,924	30,254,839	2,044,798	(55,828,834)	-	(55,828,834)
Business-type Activities:							
Boat marina/RV park	2,069,316	1,912,297	286,021			\$129,002	129,002
Solid waste/landfill	1,108,507	5,730,757				4,622,250	4,622,250
Total business-type activities	3,177,823	7,643,054	286,021	-	-	4,751,252	4,751,252
Total primary government	\$108,716,218	\$25,052,978	\$30,540,860	\$2,044,798	(55,828,834)	4,751,252	(\$51,077,582)
General revenues:							
Property taxes					9,611,444		9,611,444
Grants and contributions not restricted to specific purposes					9,860,643		9,860,643
Unrestricted investment earnings					1,862,542	20,234	1,882,776
Gain on sale of land / capital asset					1,555,603	1,211	1,556,814
Transfers					10,227,959	(10,227,959)	
Total general revenues					33,118,191	(10,206,514)	22,911,677
Change in net position					(22,710,643)	(5,455,262)	(28,165,905)
Net position - beginning					272,709,045	3,325,506	276,034,551
Net position - ending					\$249,998,402	(\$2,129,756)	\$247,868,646

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$56,232,398	\$63,770,078	\$2,205,782	\$10,111,025	\$15,869,420	\$148,188,703
Receivables, net	3,133,902	812,340	2,097,334		2,317,680	8,361,256
Due from other funds	2,409,451	38,619	34,909			2,482,979
Inventories		1,364,629				1,364,629
Deposits and prepaid items	177,172	15,216	11,949		207,668	412,005
Interfund loan receivable					2,361,529	2,361,529
Total assets	<u>\$61,952,923</u>	<u>\$66,000,882</u>	<u>\$4,349,974</u>	<u>\$10,111,025</u>	<u>\$20,756,297</u>	<u>\$163,171,101</u>
<b>LIABILITIES</b>						
Accounts payable	\$2,810,587		\$51,815		\$525,188	\$3,387,590
Accrued payroll, withholdings and benefits	459,640	\$135,945	461,815		76,495	1,133,895
Due to other funds	618,198	577,629	511,245	\$17,770	366,848	2,091,690
Due to other government units	85,424	25,617				111,041
Unearned revenue	612,838		47,756	7,426,137	10,500	8,097,231
Total liabilities	<u>4,586,687</u>	<u>739,191</u>	<u>1,072,631</u>	<u>7,443,907</u>	<u>979,031</u>	<u>14,821,447</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - special assessments		27,253				27,253
Unavailable revenue - land sales contract	1,000,000					1,000,000
Unavailable revenue - property taxes			888,002		45,317	933,319
Total deferred inflows of resources	<u>1,000,000</u>	<u>27,253</u>	<u>888,002</u>	<u>-</u>	<u>45,317</u>	<u>1,960,572</u>
<b>FUND BALANCES</b>						
Nonspendable	177,172	1,379,845	11,949		207,668	1,776,634
Restricted	3,426,258	63,854,593	195,433	2,667,118	1,058,470	71,201,872
Committed	1,917		2,181,959		14,013,882	16,197,758
Assigned	11,048,414				4,451,929	15,500,343
Unassigned	41,712,475					41,712,475
Total fund balances	<u>56,366,236</u>	<u>65,234,438</u>	<u>2,389,341</u>	<u>2,667,118</u>	<u>19,731,949</u>	<u>146,389,082</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$61,952,923</u>	<u>\$66,000,882</u>	<u>\$4,349,974</u>	<u>\$10,111,025</u>	<u>\$20,756,297</u>	<u>\$163,171,101</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
June 30, 2016

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Fund Balances - Governmental Funds \$146,389,082

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Land and right of way	\$10,908,660	
Buildings and improvements	42,610,975	
Furniture and equipment	13,796,484	
Vehicles and heavy equipment	13,901,057	
Dams	28,221,320	
Infrastructure	355,780,173	
Construction in progress	<u>5,030,622</u>	
	470,249,291	
Less accumulated depreciation	<u>(316,754,872)</u>	153,494,419

Deferred Outflows of Resources

Contributions subsequent to Measurement Date (Pension Plan)		5,496,860
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,577,671
Differences between expected and actual experience		1,358,561

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Notes payable	(396,936)	
Accrued compensated absences	(1,893,336)	
Net Pension liability	(56,317,826)	
Net OPEB obligation	<u>(2,439,942)</u>	(61,048,040)

Deferred Inflows of Resources

Amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds.		1,960,572
Net difference between projected and actual earnings on investments		(6,975,331)

Internal service funds are used by management to charge the costs of certain activities to individual funds. Net position of the internal service funds are reported with governmental activities.

7,744,608

Net Position of Governmental Activities \$249,998,402

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Charges for services	\$6,298,066	\$43,741	\$2,180,419		\$2,376,781	\$10,899,007
Permits, licenses and fines	1,088,751	3,585	479,115			1,571,451
Intergovernmental	14,376,335	13,035,458	5,207,503	\$1,772,422	5,884,541	40,276,259
Property taxes			9,159,438		469,467	9,628,905
Assessments		15,521				15,521
Interest	670,733	802,775	14,282	92,466	182,698	1,762,954
Other	2,904,944	59,529	327,938		1,748,597	5,041,008
<b>Total revenues</b>	<b>25,338,829</b>	<b>13,960,609</b>	<b>17,368,695</b>	<b>1,864,888</b>	<b>10,662,084</b>	<b>69,195,105</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	15,424,532			1,672,854	1,200,391	18,297,777
Public Safety	2,525,929		21,746,859			24,272,788
Highways and Streets		10,565,001				10,565,001
Health and Welfare	1,265,466				4,010,829	5,276,295
Culture and Recreation	3,687,551				2,550,941	6,238,492
Conservation					938,410	938,410
Education					1,956,204	1,956,204
Capital outlay	559,332	3,612,106	70,588		744,961	4,986,987
<b>Debt service:</b>						
Principal					673,934	673,934
Interest					46,186	46,186
<b>Total expenditures</b>	<b>23,462,810</b>	<b>14,177,107</b>	<b>21,817,447</b>	<b>1,672,854</b>	<b>12,121,856</b>	<b>73,252,074</b>
Excess (deficiency) of revenues over (under) expenditures	1,876,019	(216,498)	(4,448,752)	192,034	(1,459,772)	(4,056,969)
<b>Other financing sources (uses):</b>						
Transfers in	1,418,082	561,623	5,185,646		1,081,285	8,246,636
Transfers out	(1,657,165)	(5,182,280)		(759,469)	(467,722)	(8,066,636)
<b>Total other financing sources (uses)</b>	<b>(239,083)</b>	<b>(4,620,657)</b>	<b>5,185,646</b>	<b>(759,469)</b>	<b>613,563</b>	<b>180,000</b>
<b>Net change in fund balances</b>	<b>1,636,936</b>	<b>(4,837,155)</b>	<b>736,894</b>	<b>(567,435)</b>	<b>(846,209)</b>	<b>(3,876,969)</b>
Fund balances, beginning	54,729,300	70,205,842	1,652,447	3,234,553	20,578,158	150,400,300
Change in reserve for inventories		(134,249)				(134,249)
<b>Fund balances, ending</b>	<b>\$56,366,236</b>	<b>\$65,234,438</b>	<b>\$2,389,341</b>	<b>\$2,667,118</b>	<b>\$19,731,949</b>	<b>\$146,389,082</b>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - Governmental Funds	(\$3,876,969)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay during the year:</p>	
Acquisition of capital assets	\$3,356,988
Less current year depreciation	<u>(9,213,946)</u> (5,856,958)
<p>Contributions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>	
	1,845,771
<p>In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. The difference represents the book value of the capital assets sold.</p>	
	(1,696,060)
<p>Governmental funds reported the decrease in the Public Works inventory as a change in fund balance; however, in the statement of activities the change is included in expenses.</p>	
	(134,249)
<p>Revenues in the statement of activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.</p>	
	967,018
<p>Transfer of related assets and liabilities from governmental activities to business-type activities</p>	
	10,047,959
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
	447,233
<p>The change in the net pension liability and deferred outflows and inflows of resources related to pension does not require the use of current financial resources and is not reported in the governmental funds.</p>	
	(24,376,754)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds, along with any change in contributed capital, is reported with governmental activities.</p>	
	<u>(77,634)</u>
Change in net position - governmental activities	<u><u>(\$22,710,643)</u></u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$1,485,231	\$2,488,638	\$3,973,869	\$10,133,049
Receivables	89,807	325,897	415,704	17,606
Due from other funds	78	298	376	850,037
Inventories	29,247		29,247	258,186
Deposits and prepaids	1,882		1,882	4,583
Total current assets	<u>1,606,245</u>	<u>2,814,833</u>	<u>4,421,078</u>	<u>11,263,461</u>
Capital assets:				
Land	921,221	1,299,430	2,220,651	
Buildings and improvements	9,391,058		9,391,058	
Furniture and equipment	9,997	343,339	353,336	211,036
Vehicles and heavy equipment	335,326	5,881,374	6,216,700	3,766,014
Infrastructure		10,655,357	10,655,357	
Less accumulated depreciation	<u>(6,055,200)</u>	<u>(12,283,965)</u>	<u>(18,339,165)</u>	<u>(3,005,144)</u>
Total capital assets (net of accumulated depreciation)	<u>4,602,402</u>	<u>5,895,535</u>	<u>10,497,937</u>	<u>971,906</u>
Total assets	<u>6,208,647</u>	<u>8,710,368</u>	<u>14,919,015</u>	<u>12,235,367</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pension	<u>75,243</u>	<u>198,528</u>	<u>273,771</u>	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	250	28,288	28,538	
Accrued payroll, withholdings and benefits	20,007	26,414	46,421	522,087
Accrued compensated absences	32,230	60,705	92,935	50,585
Accrued claims liability				1,000,000
Due to other funds	67,439	451,909	519,348	722,354
Interfund loan payable	<u>2,361,529</u>		<u>2,361,529</u>	
Total current liabilities	<u>2,481,455</u>	<u>567,316</u>	<u>3,048,771</u>	<u>2,295,026</u>
Noncurrent liabilities:				
Accrued claims liability				2,350,000
Net Pension liability	189,246	1,325,803	1,515,049	
Landfill closure/postclosure liability		<u>12,422,500</u>	<u>12,422,500</u>	
Total liabilities	<u>2,670,701</u>	<u>14,315,619</u>	<u>16,986,320</u>	<u>4,645,026</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pension	<u>17,746</u>	<u>164,209</u>	<u>181,955</u>	
<b>NET POSITION</b>				
Invested in capital assets	4,602,402	5,895,535	10,497,937	971,906
Unrestricted (deficit)	<u>(1,006,959)</u>	<u>(11,466,467)</u>	<u>(12,473,426)</u>	<u>6,618,435</u>
Total net position	<u>3,595,443</u>	<u>(5,570,932)</u>	<u>(1,975,489)</u>	<u>7,590,341</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(128,769)</u>	<u>(25,498)</u>	<u>(154,267)</u>	
Net position of business-type activities	<u>\$3,466,674</u>	<u>(\$5,596,430)</u>	<u>(\$2,129,756)</u>	

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
for the year ended June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
Operating revenues:				
Charges for services	\$1,578,054	\$5,732,710	\$7,310,764	\$11,348,784
Other	334,243	(1,953)	332,290	492,311
Total operating revenues	<u>1,912,297</u>	<u>5,730,757</u>	<u>7,643,054</u>	<u>11,841,095</u>
Operating expenses:				
Salaries and wages	461,476	562,498	1,023,974	537,044
Payroll taxes and benefits	349,759	1,067,405	1,417,164	355,506
Operating supplies and expenses	539,414	1,314,982	1,854,396	9,166,377
Landfill closure/postclosure		(2,383,069)	(2,383,069)	
Utilities	327,679	37,372	365,051	52,844
Administrative expenses	125,222	42,404	167,626	1,591,447
Depreciation	253,019	441,417	694,436	335,151
Total operating expenses	<u>2,056,569</u>	<u>1,083,009</u>	<u>3,139,578</u>	<u>12,038,369</u>
Operating income (loss)	<u>(144,272)</u>	<u>4,647,748</u>	<u>4,503,476</u>	<u>(197,274)</u>
Nonoperating revenues and expenses:				
Intergovernmental	286,021		286,021	
Interest income	12,166	8,068	20,234	99,588
Assignment of governmental activities liabilities		(16,425,200)	(16,425,200)	
Gain (loss) on disposal of capital assets		1,211	1,211	(18,193)
Total nonoperating revenues and expenses	<u>298,187</u>	<u>(16,415,921)</u>	<u>(16,117,734)</u>	<u>81,395</u>
Capital contributions		6,377,241	6,377,241	
Other financing sources (uses):				
Transfers in		700,000	700,000	
Transfers out		(880,000)	(880,000)	
Total other financing sources (uses):		<u>(180,000)</u>	<u>(180,000)</u>	
Change in net position	153,915	(5,570,932)	(5,417,017)	(115,879)
Total net position-beginning	<u>3,441,528</u>		<u>3,441,528</u>	<u>7,706,220</u>
Total net position-ending	<u>\$3,595,443</u>	<u>(\$5,570,932)</u>	<u>(\$1,975,489)</u>	<u>\$7,590,341</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(12,747)</u>	<u>(25,498)</u>	<u>(38,245)</u>	
Change in net position of business-type activities	<u>\$141,168</u>	<u>(\$5,596,430)</u>	<u>(\$5,455,262)</u>	

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
for the year ended June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
Cash flows from operating activities:				
Receipts from customers	\$1,891,197	\$5,404,860	\$7,296,057	
Receipts from interfund services provided				\$11,175,927
Payments to suppliers and contractors	(1,022,655)	(1,762,590)	(2,785,245)	(10,173,877)
Payments to employees	(717,165)	(1,023,200)	(1,740,365)	(2,223,677)
Other operating receipts				166,956
Net cash provided by (used in) operating activities	<u>151,377</u>	<u>2,619,070</u>	<u>2,770,447</u>	<u>(1,054,671)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds		700,000	700,000	
Transfer to other funds		(880,000)	(880,000)	
Operating grants from other governmental entities	286,021		286,021	
Net cash provided by (used in) noncapital financing activities	<u>286,021</u>	<u>(180,000)</u>	<u>106,021</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets		41,500	41,500	9,590
Acquisition of capital assets	(73,767)		(73,767)	(405,641)
Net cash provided by (used in) capital and related financing activities	<u>(73,767)</u>	<u>41,500</u>	<u>(32,267)</u>	<u>(396,051)</u>
Cash flows from investing activities:				
Interest received	12,166	8,068	20,234	99,588
Net increase (decrease) in cash and cash equivalents	375,797	2,488,638	2,864,435	(1,351,134)
Cash and cash equivalents, beginning	1,109,434		1,109,434	11,484,183
Cash and cash equivalents, ending	<u>\$1,485,231</u>	<u>\$2,488,638</u>	<u>\$3,973,869</u>	<u>\$10,133,049</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(\$144,272)	\$4,647,748	\$4,503,476	(\$197,274)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	253,019	441,417	694,436	335,151
Assignment of governmental activities liabilities		(16,425,200)	(16,425,200)	
(Increase) decrease in:				
Accounts receivable	(21,100)	(325,897)	(346,997)	17,695
Prepaid expenses and deposits	159		159	67,285
Inventories	6,695		6,695	75,537
Interfund receivables	21	(298)	(277)	(515,907)
Deferred outflows of resources related to pension	(42,675)	(198,528)	(241,203)	
Increase (decrease) in:				
Accounts payable	(491)	27,488	26,997	(316)
Deposits		800	800	
Accrued payroll, withholdings and benefits	473	26,414	26,887	(1,337,148)
Accrued compensated absences	6,454	60,705	67,159	6,021
Interfund payables	(36,724)	451,909	415,185	494,285
Net pension liability	154,102	1,325,803	1,479,905	
Landfill closure/postclosure liability		12,422,500	12,422,500	
Deferred inflows of resources related to pension	(24,284)	164,209	139,925	
Total adjustments	<u>295,649</u>	<u>(2,028,678)</u>	<u>(1,733,029)</u>	<u>(857,397)</u>
Net cash provided by (used in) operating activities	<u>\$151,377</u>	<u>\$2,619,070</u>	<u>\$2,770,447</u>	<u>(\$1,054,671)</u>
Noncash investing, capital and financing activities:				
Book value of capital assets disposed		\$40,289	\$40,289	\$27,783
Contributions of capital assets from governmental activities		\$6,377,241	\$6,377,241	

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
June 30, 2016

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**ASSETS**

Cash and investments:

Equity in pooled cash and investments	\$1,317,723
Property taxes receivable	8,921,348
Accrued interest receivable	<u>5,823</u>

Total assets	<u><u>\$10,244,894</u></u>
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**LIABILITIES**

Due to other governmental units	<u>\$10,244,894</u>
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Total liabilities	<u><u>\$10,244,894</u></u>
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The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The County is a municipal corporation governed by a Board of Commissioners consisting of three independently elected members who serve full-time and are compensated. As required by generally accepted accounting principles, these financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

**Component Units**

The County reports the following component unit:

*Blended Component Unit*

The 4-H Extension Service District was approved by a vote of the people on May 20, 2008 and created by Order of the Board of Commissioners on June 11, 2008 under the provisions of ORS 451.010(1) (i). The District is governed by a Board comprised of the Douglas County Board of Commissioners. In the role of County management, the Board of Commissioners has operational responsibility for the District. The District is included in the non-major special revenue funds and, like the County, has a fiscal year ending June 30.

Complete financial statements for the 4-H Extension Service District may be obtained at the District's office located at 1134 SE Douglas Ave., Roseburg, Oregon 97470.

**B. Government-wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities report information on the nonfiduciary activities of the County (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The *General Fund* accounts for all financial resources not accounted for and reported in another fund.

The *Public Works Fund* accounts for expenditures restricted under Article IX of the Constitution of the State of Oregon. Expenditures from this fund are for construction, reconstruction, improvement, repair, maintenance, and operation of roads and bridges within the County. Major revenues are motor vehicle fee apportionments from the State of Oregon and revenues under the *Secure Rural Schools and Community Self-Determination Act* that replace the former apportionment of proceeds from timber sales on federal forest lands.

The *Public Safety Fund* was established to account for many of the County's public safety programs. It includes the sheriff, communications, radio system, work crew and drug enforcement activities. Revenues consist of property taxes, grants from federal and state agencies, shared revenues, fees and fines, and transfers in from other funds.

The *Title III Fund* was established to account for the funds received from the *Secure Rural Schools and Community Self-Determination Act*. Expenditures are restricted to categories listed in the Act.

The County reports the following major enterprise funds:

The *Salmon Harbor Fund* is used to account for operations at the Salmon Harbor Marina. Current operations include dry camping, boat launching and moorage, marine fueling, sewage waste dumping, and an R.V. park with resort amenities.

The *Solid Waste Fund* is used to account for disposal fees, operations of solid waste and landfill sites, establish and maintain landfill permits, engineering and monitoring costs, and landfill closure and post closure costs.

Additionally, the County reports the following fund types:

*Internal service funds* are used to account for general liability, auto liability, workers' compensation and the County's motor pool activities that are charged to other departments on a cost-reimbursement basis.

*Agency Fund* - The County has one *Agency Fund* that is used to account for the County's collection and turnover of property taxes to all other taxing districts within the County and for miscellaneous clearing accounts held by the Treasurer.

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

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*; agency funds are also reported using the *accrual basis of accounting* but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services, fees and interest are susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the County receives cash.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The only exception is where the elimination would distort the direct costs and program revenues reported by the various functions concerned.

Amounts reported as program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Salmon Harbor Fund, Solid Waste Fund and the County's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County implemented GASB (Government Accounting Standards Board) Statement No. 54 in a prior year. Under GASB No. 54, the Dog Control Fund and Law Library Fund no longer meet the definition of a special revenue fund. These funds have been combined with General Fund for Basic Financial Statement presentation. The Dog Control Fund and Law Library Fund Budget and Actual schedules continue to be shown separately in Other Supplemental Data for Oregon budget law purposes.

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

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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The County also implemented GASB (Governmental Accounting Standards Board) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* in the prior year. GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. Additional information can be found in Note 4C – Pension Plan.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Deposits and Investments*

The County maintains a cash and investment pool that is available for use by all funds. The County reports all short-term, highly liquid money market investments and participating interest-earning investment contracts with a remaining maturity at time of purchase of three months or less at amortized cost. Investments with a remaining maturity at time of purchase of more than three months are valued at fair value.

For purposes of the statement of cash flows, cash and cash equivalents include all assets in the cash and investment management pool. The cash and investment management pool has the general characteristic of a demand deposit account for the proprietary funds in that these funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

2. *Receivables and Payables*

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Accounts receivable represent uncollected rents, fees and other charges. County management believes that the amount of any uncollectible accounts included in receivables is immaterial. Therefore, no provision for uncollectible accounts has been made.

Assessments and mortgage notes receivable represent uncollected amounts assessed against benefited property owners for the cost of local improvements. An allowance for uncollectible amounts is not deemed necessary because substantially all amounts, including delinquent assessments, should be recoverable through liens. Substantially all assessments are collectible in installments, including interest ranging from 4.5% to 7%

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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over a period of ten to fifteen years. The County does not consider assessment receivables to meet the “available” criteria for revenue accrual, as installments are received more than 60 days after year-end.

Property taxes receivables are deemed to be substantially collectible or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary.

Property taxes are levied and become a lien on July 1. Property taxes are assessed in October and tax payments are due November 15<sup>th</sup> of the same year. Under the partial payment schedule, the first one-third of taxes is due November 15<sup>th</sup>, the second one-third on February 15<sup>th</sup>, and the remaining one-third on May 15<sup>th</sup>. A three percent discount is allowed if full payment is made by November 15<sup>th</sup> and a two percent discount is allowed if two-thirds payment is made by November 15<sup>th</sup>. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one and one-third percent per month (16% annually). Property foreclosure proceedings are initiated four years after the tax due date.

3. *Inventories*

Inventories of road repair materials and supplies in the governmental fund of Public Works is valued at average cost and is shown in the balance sheet as an asset and a reservation of fund balance. Inventories of office supplies in the General Fund (also a governmental fund) are valued at cost, using the first-in, first-out (FIFO) method, and are recorded as expenditures when consumed rather than when purchased. Inventories of materials and supplies in the proprietary fund of Fleet Management are valued at average cost and are recorded as expenses when consumed.

4. *Deposits and Prepaid Items*

Deposits represent amounts held by others as agents of the County that remains the property of the County and will be returned to the County. Prepaids represent regularly recurring payments made to vendors for services that reflect costs applicable to future accounting periods. Deposits and prepaids are recorded as expenditures when consumed rather than when purchased.

5. *Capital Assets*

Capital assets are stated at either cost, estimated historical cost or fair market value on the date donated for donated assets. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon disposal of capital assets, the historical cost, estimated historical cost or fair market value of donated assets is removed from County asset records, and proceeds from any sales are generally recorded as revenue in the governmental fund financial statements or as a gain or loss on disposal of assets in proprietary fund and government-wide financial statements.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs of tax exempt debt, less interest earned on investments acquired with these proceeds, incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. No interest was capitalized in fiscal year 2016.

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Sewer system	30 years
Equipment and vehicles	3-20 years
Buildings and improvements	7-50 years
Dams	75 years
Roads and bridges	30-50 years

6. *Compensated Absences*

County employees accumulate earned but unused vacation, compensatory and sick leave benefits in accordance with applicable policy and bargaining agreements. Vacation leave and compensatory time is recorded in government-wide and proprietary financial statements as earned by employees. A liability and expenditure for these amounts is reported in governmental funds only if matured, for example, as a result of employee resignations and retirements. Accumulated sick leave lapses when an employee leaves County employment and, upon separation from service, no monetary obligation exists.

7. *Long-term Obligations*

All County long-term obligations are included in the government-wide financial statements. Long-term obligations directly related to and expected to be paid from proprietary funds are also included in those funds.

8. *Pension Plan*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Deferred outflows/inflows of resources*

The County implemented GASB Statement No. 65 in a prior year. Under GASB No. 65 certain items previously reported as assets or liabilities are now reported as deferred outflows/inflows of resources.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

Similarly, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reports special assessments, property taxes and land sales contracts as *unavailable revenues* in the governmental funds balance sheet.

10. *Net Position Flow Assumption*

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted-net position to have been depleted before unrestricted – net position is applied.

11. *Fund Balance Flow Assumptions*

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Commissioners (the County’s highest level of decision-making authority). The Board can adopt an order prior to the end of the fiscal year to commit a fund balance. Once adopted, the limitation imposed by the Board order remains in place until a similar action is taken (the adoption of another order) to remove or revise the limitation.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Board of Commissioners has by Board order authorized the chief financial officer to assign the fund balance. The Board may also assign a fund balance as it does when appropriating a fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. Normally, an additional action does not have to be taken to remove an assignment.

13. *Use of Estimates*

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

**2. Stewardship, Compliance, and Accountability**

A. Budgetary Information

Except for certain fiduciary funds, state law requires the County to budget all funds. State law further requires that total resources in each fund equal total expenditures and requirements for that fund. Appropriations in all budgeted funds lapse at the end of the fiscal year.

During the month of March each year, all departments of the County submit requests for appropriations to the Budget Officer so that a budget can be prepared. In May, proposed budgets are presented to the County Budget Committee for approval. The County Board of Commissioners holds public hearings and a final budget is adopted no later than June 30.

The County prepares its annual budget on a detailed line item basis for management purposes, and adopts and appropriates the budget for legal control by organizational unit (department) or by expenditure type (personnel services, materials and services, capital outlay, other and transfers) where organizational units are not applicable. The level of control for General, Public Works, Public Safety, Dog Control, Health and Social Services, and Water Development funds is by organizational unit. All other funds are controlled by expenditure type. Under State law, the appropriation levels become the legal spending control levels for County operations. Budgets can be modified during the fiscal year through different means. Management may make line item changes at any time within appropriation categories without formal action. Transfers of appropriations between organizational units, expenditure types or funds require the approval of the Board of Commissioners.

State law requires a supplemental budget to increase appropriations when unexpected additional resources become available. The Board approved one supplemental budget during the year that provided spending authority for additional resources not anticipated at the time the original budget was adopted.

DOUGLAS COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS, continued  
 June 30, 2016

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Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded to restrict a portion of the appropriation, is employed for administrative control purposes in all funds except for Fiduciary Funds. Encumbrances at year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Note 4B identifies encumbrances outstanding at June 30, 2016.

**3. Detailed Notes on all Funds**

**A. Cash and Investments**

The County's cash and investments are comprised of the following at June 30, 2016:

Cash on hand	\$97,916
Deposits with financial institutions	1,115,612
Investments	<u>162,399,816</u>
Total cash and investments	163,613,344
Less cash and investments in agency fund	<u>(1,317,723)</u>
Cash and investments, as reported on the Statement of Net Position	<u><u>\$162,295,621</u></u>

*Deposits*

Deposits with financial institutions are bank demand deposits. Total bank balances, as shown on bank records at June 30, 2016 are \$1,401,788. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, \$606,032 was covered by federal depository insurance (FDIC), and \$795,756 by collateral held in a shared liability pool made up of all public funds depositories in Oregon.

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized against custodial credit risk to the extent required by Oregon Revised Statutes (ORS) 295. Custodial credit risk on deposits is the risk that in the event of bank failure, the County's deposits may not be returned. The amount of collateral is set by the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. The amount of collateral set by the PFCP is between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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*Investments*

State statutes authorize the County to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, commercial paper, and the Oregon Local Government Investment Pool, among others. The County has no investment policy that would further limit its investment choices.

At June 30, 2016, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	\$46,754,792	28.8%
U.S. Government Agency Securities	76,566,052	47.1%
Municipal Securities	8,383,487	5.2%
Corporate Bonds	30,695,485	18.9%
Total investments	\$162,399,816	100.0%

The Oregon Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. The fair value of the County's position in the pool is substantially the same as the value of the County's participant balance.

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2016 were: 72% mature within 93 days, 12% mature from 94 days to one year, 16% mature from one to three years.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

As of June 30, 2016, maturities for the County's other investments are as follows:

	Less than One Year	One to Five Years
U.S. Government Agency Securities:		
Federal Farm Credit Bank	\$2,000,184	\$8,296,135
Federal Home Loan Bank	3,523,446	14,395,328
Federal Home Loan Mortgage Corp.	999,843	7,276,688
Federal Financing Corp.	998,695	5,810,668
Federal National Mortgage Association	3,295,359	13,742,970
Federal Agricultural Mortgage Corp	3,003,423	3,374,262
Private Export Funding Corp.	968,185	2,580,505
Tennessee Valley Authority	152,907	2,098,873
Treasury Notes	1,000,065	3,048,516
Municipal Securities	2,864,386	5,519,101
Corporate Debt	13,735,204	16,960,281
Total	\$32,541,697	\$83,103,327

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The County's U.S. Government Agency securities investments are rated AA+ by Standard and Poor's and Aaa by Moody's. The County's corporate debt investments are rated A by Standard and Poor's and A1 by Moody's. The municipal securities investments are rated Aa3 by Moody's and/or AA- by Standard and Poor's.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

B. Receivables, net

Receivables at June 30, 2016, including the applicable allowance for uncollectible accounts, are as follows:

<u>Receivables</u>	Governmental Funds				Total Gov't Funds
	General	Public Works	Public Safety	Nonmajor governmental funds	
Property Taxes			\$942,027	\$47,882	\$989,909
Assessments		\$27,253			27,253
Accounts	\$1,684,411	764,028	1,155,307	888,088	4,491,834
Notes and Contracts	1,000,000			1,521,619	2,521,619
Interest	449,491	21,059		261,591	732,141
Gross Receivables	3,133,902	812,340	2,097,334	2,719,180	8,762,756
Less: Allowance for Uncollectibles				(401,500)	(401,500)
Net Receivables, end of year	\$3,133,902	\$812,340	\$2,097,334	\$2,317,680	\$8,361,256

<u>Receivables (continued)</u>	Internal Service Funds	Enterprise Funds	Fiduciary Fund	Total
Property Taxes			\$8,921,348	\$9,911,257
Assessments				27,253
Accounts	\$17,606	\$415,704		4,925,144
Notes and Contracts				2,521,619
Interest			5,823	737,964
Gross Receivables	17,606	415,704	8,927,171	18,123,237
Less: Allowance for Uncollectibles				(401,500)
Net Receivables, end of year	\$17,606	\$415,704	\$8,927,171	\$17,721,737

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and right of way	\$11,812,136	\$892,846	\$1,796,322	\$10,908,660
Construction in progress	7,398,675	331,380	2,699,433	5,030,622
Total capital assets not being depreciated	19,210,811	1,224,226	4,495,755	15,939,282
Capital assets being depreciated:				
Buildings and improvements	43,622,740	2,027,527	3,039,292	42,610,975
Furniture and equipment	14,783,440	115,903	891,823	14,007,520
Vehicles and heavy equipment	23,466,731	704,086	6,503,746	17,667,071
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	361,381,715	5,120,368	10,721,910	355,780,173
Total capital assets being depreciated	471,475,946	7,967,884	21,156,771	458,287,059
Less accumulated depreciation for:				
Buildings and improvements	19,055,472	673,329	1,896,346	17,832,455
Furniture and equipment	12,042,661	1,183,346	881,321	12,344,686
Vehicles and heavy equipment	17,119,626	515,268	4,206,146	13,428,748
Dam structures and improvements	9,595,248	376,285		9,971,533
Infrastructure	267,251,770	6,800,869	7,870,045	266,182,594
Total accumulated depreciation	325,064,777	9,549,097	14,853,858	319,760,016
Total capital assets being depreciated, net	146,411,169	(1,581,213)	6,302,913	138,527,043
Governmental activities capital assets, net	\$165,621,980	(\$356,987)	\$10,798,668	\$154,466,325
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$921,221	\$1,299,430		\$2,220,651
Total capital assets not being depreciated	921,221	1,299,430		2,220,651
Capital assets being depreciated:				
Buildings	9,361,075	29,983		9,391,058
Furniture and equipment		353,336		353,336
Vehicles and heavy equipment	312,382	6,194,455	\$290,137	6,216,700
Infrastructure		10,655,357		10,655,357
Total capital assets being depreciated	9,673,457	17,233,131	290,137	26,616,451
Less accumulated depreciation for:				
Buildings	5,549,359	230,866		5,780,225
Furniture and equipment		352,405		352,405
Vehicles and heavy equipment	263,665	4,114,839	249,848	4,128,656
Infrastructure		8,077,879		8,077,879
Total accumulated depreciation	5,813,024	12,775,989	249,848	18,339,165
Total capital assets being depreciated, net	3,860,433	4,457,142	40,289	8,277,286
Business-type activities capital assets, net	\$4,781,654	\$5,756,572	\$40,289	\$10,497,937

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$709,949
Public safety	1,060,330
Highways and streets	6,999,980
Health and welfare	40,251
Culture and recreation	360,863
Conservation	377,724
Total depreciation expense - governmental activities	\$9,549,097
Business-type activities:	
Salmon Harbor	\$253,019
Solid Waste	441,417
Total depreciation expense - business-type activities	\$694,436

Capital assets totaling \$18,458,794 less accumulated depreciation totaling \$12,081,553 were transferred from governmental activities to business-type activities during the year.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2016 is as follows:

Funds	Due from Other Funds	Due to Other Funds	Interfund Loan Receivable	Interfund Loan Payable	Transfers In	Transfers Out
<u>Governmental Funds:</u>						
General Fund	\$2,409,451	\$618,198			\$1,418,082	\$1,657,165
Public Works Fund	38,619	577,629			561,623	5,182,280
Public Safety Fund	34,909	511,245			5,185,646	
Title III Fund		17,770				759,469
Nonmajor governmental funds		366,848	\$2,361,529		1,081,285	467,722
	2,482,979	2,091,690	2,361,529	-	8,246,636	8,066,636
<u>Proprietary Funds:</u>						
Salmon Harbor Fund	78	67,439		\$2,361,529		
Solid Waste Fund	298	451,909			700,000	880,000
Internal service funds	850,037	722,354				
	850,413	1,241,702	-	2,361,529	700,000	880,000
	\$3,333,392	\$3,333,392	\$2,361,529	\$2,361,529	\$8,946,636	\$8,946,636

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

The due to/from other funds balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, and when payments between funds are made.

Interfund Loan Receivable/Payable is the result of a loan from the County Forest Management Fund to the Salmon Harbor Fund for capital asset acquisition. The funds are budgeted to be repaid by the end of the 2017 fiscal year.

Transfers are used to move revenues from the fund with collection authority to the fund authorized to make the expenditure, and to move unrestricted general fund revenues to finance various programs accounted for in other funds in accordance with budgetary authorization.

**E. Unearned Revenue**

A detail of revenue that has been received but not yet earned at June 30, 2016 is as follows:

	General	Public Safety	Title III	Other Gov't Funds	Total
Unearned:					
Fees and rents	\$950	\$47,756		\$10,500	\$59,206
Grant revenues			\$7,426,137		7,426,137
Payment in lieu of taxes	611,888				611,888
<b>Total unearned revenue</b>	<b>\$612,838</b>	<b>\$47,756</b>	<b>\$7,426,137</b>	<b>\$10,500</b>	<b>\$8,097,231</b>

**F. Long-term Liabilities**

**Notes Payable**

Description	Maturity Date	Interest Rates	Original	Balance June 30	
			Loan	2015	2016
OECDD - Green Sanitary	Dec. 1, 2031	5%	\$225,000	\$200,025	
Tri-City Water & Sanitary	Dec. 1, 2024	5.25%-5.63%	756,703	426,022	
City of Sutherlin	Dec. 1, 2025	3.11%	477,000	360,000	\$321,000
City of Reedsport	Dec. 1, 2023	3.00%-4.63%	152,319	84,823	75,936
			<b>\$1,611,022</b>	<b>\$1,070,870</b>	<b>\$396,936</b>

Notes Payable to cities in Douglas County and to the Oregon Economic & Community Development Department (OECDD) are to assist smaller government agencies in Douglas County in developing infrastructure/public improvements necessary to attract and accommodate new business to the area. Douglas County does not own nor maintain the improvements. Funds are budgeted in fiscal year 2017 to pay off City of Reedsport notes payable.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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

Year End June 30	Governmental Activities	
	Principal	Interest
2017	\$50,943	\$12,223
2018	48,002	11,107
2019	51,065	9,718
2020	54,132	7,979
2021	51,204	6,229
2022-2026	141,590	12,372
	<u>\$396,936</u>	<u>\$59,628</u>

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Notes payable	\$1,070,870		\$673,934	\$396,936	\$50,943
Compensated absences	1,922,766	\$1,943,921	1,922,766	1,943,921	618,586
Accrued claims	3,350,000	454,933	454,933	3,350,000	1,000,000
Net Pension liability	17,395,107	38,922,719		56,317,826	
Net OPEB obligation	2,282,346	157,596		2,439,942	
Total	<u>\$26,021,089</u>	<u>\$41,479,169</u>	<u>\$3,051,633</u>	<u>\$64,448,625</u>	<u>\$1,669,529</u>

Notes payable are liabilities of the Industrial Development Fund. The County assists smaller government agencies within Douglas County with their debt service payments where the debt was created for the development of infrastructure and/or public improvements necessary to attract and accommodate business to the County. Douglas County does not receive the loan proceeds and does not own or maintain the infrastructure and/or improvements. Additions to notes payable reflect the County's agreement to assist an agency repay new debt they have incurred to encourage business development within the County.

Compensated absences are liabilities of the funds in which the related payroll costs accrued. Expenditures for liquidating compensated absences are recorded in the general, special revenue, enterprise and internal service funds. At June 30, 2016, \$50,585 of internal service funds compensated absences is included in governmental activities; \$32,230 is recorded in the business-type activity fund of Salmon Harbor and \$60,705 is recorded in the business-type activity fund of Solid Waste. The net OPEB obligation including that in the internal service funds is part of governmental activities. The Landfill closure and post-closure care costs liability was transferred to the Solid Waste Fund during the year. The accrued claims liability is an internal service fund obligation. Note 4C explains the change in net pension liability.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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G. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its Roseburg and Reedsport landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. During the year, the County updated the cost estimates of the landfill closure and postclosure care costs in accordance with the State of Oregon Department of Environmental Quality requirements. The \$12,422,500 shown as landfill closure and postclosure care liability at June 30, 2016, represents a portion of the total closure and postclosure cost based on the use of approximately 71 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents a decrease of \$3,230,800 from the amount of \$15,653,300, which was recorded as the landfill closure and postclosure liability at June 30, 2015. The estimated remaining life of the Roseburg landfill is approximately 9 years. The County will recognize the remaining estimated cost of closure and postclosure care of \$4,002,700 as the remaining estimated capacity of the Roseburg location is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The landfill closure and postclosure care costs liability was moved from governmental activities in 2015 to business-type activities in 2016 with the establishment of the Solid Waste/Landfill enterprise fund.

*Financial Assurance:* The County is required by state and federal regulations to provide assurance of its ability to finance closure and postclosure care costs. Currently, the County demonstrates financial assurance in connection with the estimated closure and postclosure care activities of the landfills using the local government financial assurance test described in Title 40 of the Code of Federal Regulations 258.74 and Oregon Administrative Rule 340-094-0145. The County no longer meets the requirements of the local government financial assurance test because it has not met the operating deficit component for the two prior years. The County received a warning letter in June of 2016 and is working with the Department of Environmental Quality to choose another financial assurance mechanism. As of June 30, 2016 the County assured total closure and postclosure care costs of \$16,425,200.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

**H. Fund Balance Components in the Governmental Fund Financial Statements**

The following schedule presents details of fund balance components at June 30, 2016:

	Major Funds				
	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Nonmajor Governmental Funds
<b><u>FUND BALANCES</u></b>					
<b>Nonspendable:</b>					
Inventories, deposits and prepays	\$177,172	\$1,379,845	\$11,949		\$207,668
<b>Restricted for:</b>					
Federal Secure Rural Schools Title II and Title III programs	114,565		15,640	\$2,667,118	
Law enforcement activities			179,793		
Highways, streets and bridges		63,854,593			
Health and welfare					429,199
District Attorney grant programs	110,172				
Library purposes	456,214				
Building and electrical purposes	572,280				
County Clerk recording purposes	84,864				
Museum programs	9,580				
Parks maintenance and improvements	1,503,559				
Transportation activities	510,969				
Surveyor corner preservation	55,311				
4-H extension service activities					501,493
County schools					42,104
Juvenile programs	8,744				
County fairs					85,674
	<u>3,426,258</u>	<u>63,854,593</u>	<u>195,433</u>	<u>2,667,118</u>	<u>1,058,470</u>
<b>Committed to:</b>					
Health and welfare					176,750
Law enforcement activities			1,713,991		-
Communication services			293,265		-
Radio system			174,703		-
Economic development					3,970,182
Land and forest management					7,628,634
Preservation of fish habitat					10,545
Dog control - spay and neuter	1,917				
Water impound purposes					2,227,771
	<u>1,917</u>	<u>-</u>	<u>2,181,959</u>	<u>-</u>	<u>14,013,882</u>
<b>Assigned to:</b>					
FY17 budget appropriations	10,958,985				
Animal control operations	22,768				
Law Library purposes	66,661				
Capital improvement purposes					4,451,929
	<u>11,048,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,451,929</u>
<b>Unassigned, reported in:</b>					
General Fund	41,712,475				
Total	<u>\$56,366,236</u>	<u>\$65,234,438</u>	<u>\$2,389,341</u>	<u>\$2,667,118</u>	<u>\$19,731,949</u>

DOUGLAS COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS, continued  
 June 30, 2016

**4. Other Information**

**A. Self-insurance and Group Insurance Program**

The County is self-insured for workers' compensation claims and general liability claims, and carries commercial insurance for all other significant risks. The County has established the Employee Benefit Trust Fund (an internal service fund) to account for and finance its uninsured risks of loss. Other County funds make payments to the Employee Benefit Trust based on an estimate of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. Settlements have not exceeded coverage in any of the past three fiscal years.

Claims liabilities for general liability are based on an actuarial estimate of the ultimate cost of settling claims, including incurred but not reported (IBNR) claims. Under Oregon Law, general claims are limited to \$666,700 per claimant and \$1,333,300 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The first \$1 million per occurrence is self-retained and the balance of liability coverage is purchased through a private insurance carrier. The claims paid during the year under this program were \$236,636. The estimated unpaid loss liability including IBNR at June 30, 2016, was \$2,600,000.

Coverage for workers' compensation claims in excess of \$1,000,000 per occurrence is purchased from commercial insurers. Claim liabilities are based on an actuarial estimate of the ultimate cost of settling claims, including incurred but not reported (IBNR) claims. The claims paid during the year under this program were \$218,297. Total estimated unpaid loss liability at June 30, 2016, including IBNR, is \$750,000.

The County provides a cafeteria-style health insurance program to employees. The County pays for the first \$1,365 of the benefits selected by the employee per month. Benefits include medical, dental, vision, life insurance and long term disability insurance. Employees may also choose supplemental life insurance, cancer/ICU, accidental death and dismemberment, short-term disability and deferred compensation.

Changes in the self-insurance program claims liabilities during the past two years are as follows:

Year	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2015-16	\$3,350,000	\$454,933	\$454,933	\$3,350,000
2014-15	\$1,750,000	\$1,927,614	\$327,614	\$3,350,000

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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**B. Commitments and Contingencies**

The County has commitments under various contracts entered into during the normal course of its operations of approximately \$6,873,046 at June 30, 2016. The approximate commitments by fund are as follows:

General Fund	\$2,314,240
Public Works Fund	110,016
Public Safety Fund	2,418,022
Health and Social Services Fund	973,857
Solid Waste Fund	956,898
All other funds	100,013
	<u>\$6,873,046</u>

Other commitments for encumbrances that lapse at year-end but are re-encumbered in the next fiscal year were not material.

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

Any amounts received or receivable from grantor agencies are subject to audit by the grantor agencies, and any adjustments may become a liability of the applicable fund. County management believes that adjustments, if any, will not materially affect the County's financial position.

**C. Pension Plan**

*Plan Description*

The County contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the County's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: 1) The Pension Program, the defined benefit portion of the plan which applies to qualifying County employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. 2) The Individual Account Program (IAP), the defined contribution portion of the plan. Beginning January 1, 2004, all PERS member contributions go into the IAP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

*Benefits provided*

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees and 2.0 for police and fire) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire). General service employees may retire after reaching age 55 (age 50 for police and fire). Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service (age 55 with fewer than 25 years for police and fire). Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

**Disability Benefits**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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the monthly benefit (age 55 for police and fire).

**Benefit Changes after Retirement**

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

**Pension Benefits**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**Death Benefits**

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

**Disability Benefits**

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**Benefit Changes after Retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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3. OPSRP Individual Account Program (OPSRP IAP)

**Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**Death Benefits**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**Recordkeeping**

PERS contracts with VOYA Financial to maintain IAP participant records.

*Contributions*

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$5,650,272, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 25.95 percent for Tier One/Tier Two General Service Members and Police and Fire Members, 16.80 percent for OPSRP Pension Program General Service Members and 20.91 percent for OPSRP Police and Fire Members. An additional 6 percent contribution is required for the OPSRP Individual Account Program.

*Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions*

At June 30, 2016, the County reported a liability of \$57,832,875 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The County's proportion of the net pension liability was based on a projection of the County's long-term share of

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

contributions to the pension plan relative to the projected contributions of all participating entities actuarially determined. PERS has established side accounts for employers that made lump sum payments to the plan in excess of their actuarially required contributions. Since different contribution rates are assessed to employers based on the value of the side accounts, the side account values were reflected separately in the proportionate share calculation. On June 30, 2015, the County's proportion was 0.45060409493%.

For the year ended June 30, 2016, the County recognized pension expense of approximately \$29.4 million. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,395,109	\$ -
Changes in proportionate share	33,607	1,734,084
Net difference between projected and actual earnings on investments	-	5,423,202
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,627,875	-
County's contributions subsequent to the measurement date	5,650,272	-
Deferred outflows/inflows at June 30, 2016	\$ 8,706,863	\$ 7,157,286

Contributions subsequent to the measurement date of \$5,650,272 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Deferred inflows of resources totaling \$7,157,286 less other deferred outflows of resources of \$3,056,591 related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (2,222,530)
2018	(2,222,531)
2019	(2,222,530)
2020	2,562,759
2021	4,137
Total	\$ (4,100,695)

*Actuarial assumptions*

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution

DOUGLAS COUNTY, OREGON  
 NOTES TO BASIC FINANCIAL STATEMENTS, continued  
 June 30, 2016

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rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries; PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-back as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees; Mortality rates are a percentage of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**Long-term expected rate of return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

**Discount rate**

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 94,400,938	\$ 57,832,875	\$ 27,015,604

*Plan Changes Reflected in 2015-16 Financial Statements*

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The Moro decision modified the COLA-related changes of

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation. For GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to Moro is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The County's proportionate share of the increase in the Total Pension Liability resulting from the Moro decision, measured as of June 30, 2015 (reflected in 2015-16 financial statements), is approximately \$24.1 million.

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

D. Postemployment Health Care Benefits

The County implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension*, in FY 2009. To comply with GASB No. 45, the County must account for other postemployment benefits (OPEB) using the accrual basis of accounting rather than a pay-as-you-go basis. Under accrual accounting, a liability must be recognized when employees earn OPEB rather than when the benefits are paid. To determine OPEB liabilities, the County must obtain an actuarial valuation every two years.

*Plan Description*

Until they become eligible for Medicare, the County is required by ORS 243.303 to provide retirees continued group health insurance coverage for themselves and their qualified dependents at the same rates as active employees. Retirees must pay the entire premium in order to maintain coverage; the County does not directly contribute to the cost of premiums for retirees. However, premiums paid by retirees do not represent the full cost of providing health insurance to retirees because the County's rates are determined based on claims experience for both active employees and retirees. Since retirees typically have higher medical claims than active employees, medical coverage would be more expensive for retirees in a separately rated health plan. The additional cost of allowing retirees to purchase health insurance at a blended rate is called an implicit rate subsidy and is required to be valued under GASB No. 45. The County treats this implicit rate subsidy as single-employer, defined benefit OPEB plan administered by the County only to satisfy the accounting and financial reporting requirements of GASB No. 45. These are not stand-alone plans and there are no separately issued financial statements.

*Funding Policy*

Retirees pay the entire cost of premiums at blended rates. The County's only contribution is the implicit rate subsidy which continues to be financed on a pay-as-you-go basis. Contribution requirements are established and may be amended by the County's Board of Commissioners in conjunction with various collective bargaining agreements.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

*Annual OPEB Cost and Net OPEB Obligation*

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC) determined by an actuary. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The County's OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2016 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015-16	\$562,558	72%	\$2,439,942
2014-15	543,028	64%	2,282,346
2013-14	517,672	60%	2,087,175

The annual required contribution and the change in the OPEB obligation for fiscal year 2016 are as follows:

	FY2016
Annual required contribution (ARC)	\$552,777
Interest on net OPEB obligation	91,294
Amortization adjustment to ARC	(81,513)
Annual OPEB cost	562,558
Contributions made (implicit rate subsidy)	(404,962)
Change in net OPEB obligation	157,596
Net OPEB obligation, beginning of year	2,282,346
Net OPEB obligation, end of year	<u>\$2,439,942</u>

*Funded Status and Funding Progress*

As of July 1, 2014, the most recent actuarial valuation date, the actuarially accrued liability was \$5,739,652, all of which is unfunded because the County has not set aside any assets to pre-fund the OPEB based on the implicit rate subsidy. The annual payroll of active employees covered by the County's healthcare plan was \$27,808,531 and the ratio of the unfunded actuarially accrued liability (UAAL) to covered payroll was 21%.

*Actuarial Methods and Assumptions*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided at the time of the valuation and the pattern of cost-sharing between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective, including techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

DOUGLAS COUNTY, OREGON  
NOTES TO BASIC FINANCIAL STATEMENTS, continued  
June 30, 2016

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For the July 1, 2014 actuarial valuation, the actuary used the projected unit credit actuarial cost method. Actuarial assumptions, included a discount rate of 4%, general inflation rate of 3%, projected salary increases of 3.5% per year, and a healthcare cost trend rate of 6.5% initially, reduced by decrements to an ultimate rate of 5% after 15 years. The UAAL is being amortized over an open period of 30 years as a level percentage of projected payrolls.