

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$150,118,602	\$10,549,965	\$160,668,567
Receivables, net	8,502,961	701,885	9,204,846
Internal balances	632,819	(632,819)	\$0
Inventories	1,916,292	42,550	1,958,842
Deposits and prepaid items	1,054,136	1,812	1,055,948
OPEB	268,538		268,538
Capital assets (net of accumulated depreciation):			
Land and right of way	13,901,118	2,220,651	16,121,769
Buildings and improvements	22,246,468	2,918,900	25,165,368
Furniture and equipment	999,868	69,041	1,068,909
Vehicles and heavy equipment	6,513,897	1,900,605	8,414,502
Dams	17,120,934		17,120,934
Infrastructure	75,657,578	1,804,234	77,461,812
Construction in progress	5,209,198	78,019	5,287,217
Total assets	<u>304,142,409</u>	<u>19,654,843</u>	<u>323,797,252</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	35,216,258	1,969,709	37,185,967
Deferred outflows of resources related to OPEB	128,911		128,911
LIABILITIES			
Accounts payable and other current liabilities	5,735,625	256,858	5,992,483
Unearned revenues	7,879,694		7,879,694
Noncurrent liabilities:			0
Due within one year	1,261,535		1,261,535
Due in more than one year	94,988,599	17,458,775	112,447,374
Total liabilities	<u>109,865,453</u>	<u>17,715,633</u>	<u>127,581,086</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	15,393,286	797,086	16,190,372
Deferred inflows of resources related to OPEB	573,498		573,498
NET POSITION			
Net Investment in capital assets	141,649,061	8,991,450	150,640,511
Restricted for:			
Highways and streets	46,788,068		46,788,068
Health and social services	5,550		5,550
Title II and III	3,856,698		3,856,698
4-H Extension Service District	293,037		293,037
Public Safety	109,463		109,463
Building and electrical purposes	1,494,232		1,494,232
Parks maintenance and improvements	321,096		321,096
District Attorney grant programs	176,583		176,583
County Clerk recordings	126,402		126,402
County fair purposes	164,987		164,987
Predatory animal activities	494		494
Juvenile programs	920,429		920,429
Surveyor corner preservation	172,252		172,252
County schools programs	95,422		95,422
Unrestricted (deficit)	17,481,567	(5,879,617)	11,601,950
Total net position	<u>\$213,655,341</u>	<u>\$3,111,833</u>	<u>\$216,767,174</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

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	\$23,971,953	\$12,892,233	\$5,071,231		(\$6,008,489)		(\$6,008,489)
Public safety	29,243,543	4,596,075	6,258,856	\$9,770	(18,378,842)		(18,378,842)
Highways and streets	19,673,887	481,400	17,560,498	34,738	(1,597,251)		(1,597,251)
Health and welfare	5,807,109	71,120	4,512,530		(1,223,459)		(1,223,459)
Culture and recreation	5,822,427	4,539,286	564,970		(718,171)		(718,171)
Conservation	1,325,607	757,706	101,976		(465,925)		(465,925)
Education	1,645,677	869	1,707,136		62,328		62,328
Interest on long-term debt	7,104				(7,104)		(7,104)
Total governmental activities	87,497,307	23,338,689	35,777,197	44,508	(28,336,913)	-	(28,336,913)
Business-type Activities:							
Boat marina/RV park	2,325,290	2,058,523	323,584			\$56,817	56,817
Solid waste/landfill	6,361,773	7,877,748	22,152			1,538,127	1,538,127
Total business-type activities	8,687,063	9,936,271	345,736	-	-	1,594,944	1,594,944
Total primary government	\$96,184,370	\$33,274,960	\$36,122,933	\$44,508	(28,336,913)	1,594,944	(\$26,741,969)
General revenues:							
Property taxes					10,605,646		10,605,646
Grants and contributions not restricted to specific purposes					11,637,640		11,637,640
Unrestricted investment earnings					4,453,422	209,841	4,663,263
Total general revenues					26,696,708	209,841	26,906,549
Gain on sale of assets					49,104	8,514	57,618
Transfers					550,000	(550,000)	
Change in net position					(1,041,101)	1,263,299	222,198
Net position - beginning					214,696,442	1,848,534	216,544,976
Net position - ending					\$213,655,341	\$3,111,833	\$216,767,174

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$58,342,937	\$47,561,768	\$3,702,073	\$9,090,927	\$20,677,027	\$139,374,732
Receivables, net	3,162,851	901,353	2,498,418		1,938,046	8,500,668
Due from other funds	2,577,428	35,631	26,884		32,857	2,672,800
Inventories		1,578,338				1,578,338
Deposits and prepaid items	311,911	4,702	101,708		15,504	433,825
Total assets	\$64,395,127	\$50,081,792	\$6,329,083	\$9,090,927	\$22,663,434	\$152,560,363
LIABILITIES						
Accounts payable	\$3,449,661	\$65,016			\$127,218	\$3,641,895
Accrued payroll, withholdings and benefits	631,893	160,568	\$610,252		88,892	1,491,605
Deposits payable	15,283		22,116		32,891	70,290
Due to other funds	90,924	1,240,548	291,264		593,459	2,216,195
Due to other government units	62,538	1,021				63,559
Unearned revenue	2,549,015		28,896	\$5,291,783	10,000	7,879,694
Total liabilities	6,799,314	1,467,153	952,528	5,291,783	852,460	15,363,238
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - special assessments		\$10,342				\$10,342
Unavailable revenue - land sales contract	\$716,666					716,666
Unavailable revenue - property taxes			\$869,297		\$44,481	913,778
Total deferred inflows of resources	716,666	10,342	869,297	-	44,481	1,640,786
FUND BALANCES						
Nonspendable	\$311,911	\$1,583,040	\$101,708		\$15,504	\$2,012,163
Restricted	3,268,548	47,021,257	109,463	\$3,799,144	559,490	54,757,902
Committed	2,302		4,296,087		17,702,753	22,001,142
Assigned	8,645,482				3,488,746	12,134,228
Unassigned	44,650,904					44,650,904
Total fund balances	56,879,147	48,604,297	4,507,258	3,799,144	21,766,493	135,556,339
Total liabilities, deferred inflows of resources, and fund balances	\$64,395,127	\$50,081,792	\$6,329,083	\$9,090,927	\$22,663,434	\$152,560,363

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, 2019

Fund Balances - Governmental Funds		\$135,556,339
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Other post-employment benefits asset is not available in current period therefore is not reported in the governmental funds</p>		268,538
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Land and right of way	\$13,901,118	
Buildings and improvements	40,654,465	
Furniture and equipment	14,103,232	
Vehicles and heavy equipment	15,546,100	
Dams	28,221,320	
Infrastructure	359,986,238	
Construction in progress	<u>5,209,198</u>	
	477,621,671	
Less accumulated depreciation	<u>(337,050,489)</u>	140,571,182
Deferred Outflows of Resources related to pensions		35,216,258
Deferred Outflows of Resources related to OPEB		128,911
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Notes payable	(198,000)	
Accrued compensated absences	(2,022,158)	
Net Pension liability	(87,922,146)	
Net OPEB obligation	<u>(4,324,870)</u>	(94,467,174)
<p>Deferred Inflows of Resources:</p>		
Amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds.		1,640,786
Related to pensions		(15,393,286)
Related to OPEB		(573,498)
<p>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.</p>		<u>10,707,285</u>
Net Position of Governmental Activities		<u>\$213,655,341</u>

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, 2019

	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Charges for services	\$9,789,534	\$108,237	\$1,948,446		\$2,124,196	\$13,970,413
Permits, licenses and fines	1,067,147	195	362,022			1,429,364
Intergovernmental	14,821,438	17,560,498	5,804,776	\$3,583,643	5,654,252	47,424,607
Property taxes			10,131,890		518,258	10,650,148
Assessments		3,921				3,921
Interest	1,825,515	1,729,832	75,108	192,522	404,596	4,227,573
Other	791,291	365,126	425,613		5,774,759	7,356,789
Total revenues	28,294,925	19,767,809	18,747,855	3,776,165	14,476,061	85,062,815
Expenditures:						
Current:						
General Government	18,277,204			1,498,608	1,299,129	21,074,941
Public Safety	3,200,338		23,390,652			26,590,990
Highways and Streets		10,105,829				10,105,829
Health and Welfare	1,565,430				4,155,081	5,720,511
Culture and Recreation	2,522,748				2,637,442	5,160,190
Conservation					977,431	977,431
Education					1,645,677	1,645,677
Capital outlay	305,094	3,934,992	257,257		494,075	4,991,418
Debt service:						
Principal					42,000	42,000
Interest					7,104	7,104
Total expenditures	25,870,814	14,040,821	23,647,909	1,498,608	11,257,939	76,316,091
Excess (deficiency) of revenues over (under) expenditures	2,424,111	5,726,988	(4,900,054)	2,277,557	3,218,122	8,746,724
Other financing sources (uses):						
Transfers in	1,834,007	430,245	6,615,463		976,222	9,855,937
Transfers out	(946,222)	(7,465,463)		(693,558)	(200,694)	(9,305,937)
Total other financing sources (uses)	887,785	(7,035,218)	6,615,463	(693,558)	775,528	550,000
Net change in fund balances	3,311,896	(1,308,230)	1,715,409	1,583,999	3,993,650	9,296,724
Fund balances, beginning	53,567,251	50,154,181	2,791,849	2,215,145	17,772,843	126,501,269
Change in reserve for inventories		(241,654)				(241,654)
Fund balances, ending	\$56,879,147	\$48,604,297	\$4,507,258	\$3,799,144	\$21,766,493	\$135,556,339

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, 2019

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

Net change in fund balances - Governmental Funds	\$9,296,724
<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	\$2,217,634
Less current year depreciation	<u>(7,929,623)</u>
	(5,711,989)
<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>	
	34,738
<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>	
	(888,769)
<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>	
	(241,654)
<p>Revenues in the statement of activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.</p>	
	(140,090)
<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>	
	(21,300)
<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>	
	(6,110,815)
<p>The change in the OPEB asset and deferred outflows and inflows of resources related to OPEB does not require the use of current financial resources and is not reported in the governmental funds.</p>	
	108,439
<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>2,633,615</u>
Change in net position - governmental activities	<u><u>(\$1,041,101)</u></u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
ASSETS				
Current assets:				
Cash and investments	\$2,030,295	\$8,519,670	\$10,549,965	\$10,743,870
Receivables	126,792	575,093	701,885	2,293
Due from other funds	33,669	1,264	34,933	217,468
Inventories	42,550		42,550	337,954
Deposits and prepaids	1,278	534	1,812	620,311
Total current assets	<u>2,234,584</u>	<u>9,096,561</u>	<u>11,331,145</u>	<u>11,921,896</u>
Capital assets:				
Land	921,221	1,299,430	2,220,651	
Buildings and improvements	9,391,058		9,391,058	
Furniture and equipment	99,921	347,415	447,336	211,036
Vehicles and heavy equipment	389,615	5,807,800	6,197,415	4,055,119
Infrastructure		10,655,357	10,655,357	
Work in Progress	78,019		78,019	
Less accumulated depreciation	<u>(6,827,924)</u>	<u>(13,170,462)</u>	<u>(19,998,386)</u>	<u>(3,188,276)</u>
Total capital assets (net of accumulated depreciation)	<u>4,051,910</u>	<u>4,939,540</u>	<u>8,991,450</u>	<u>1,077,879</u>
Total assets	<u>6,286,494</u>	<u>14,036,101</u>	<u>20,322,595</u>	<u>12,999,775</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pension	<u>310,303</u>	<u>1,659,406</u>	<u>1,969,709</u>	
LIABILITIES				
Current liabilities:				
Accrued payroll, withholdings and benefits	32,994	79,888	112,882	468,276
Deposit payable		4,438	4,438	
Accrued compensated absences	33,601	105,937	139,538	32,960
Accrued claims liability				600,000
Due to other funds	132,021	467,478	599,499	109,507
Total current liabilities	<u>198,616</u>	<u>657,741</u>	<u>856,357</u>	<u>1,210,743</u>
Noncurrent liabilities:				
Accrued claims liability				1,150,000
Net Pension liability	481,347	4,142,928	4,624,275	
Landfill closure/postclosure liability		12,834,500	12,834,500	
Total liabilities	<u>679,963</u>	<u>17,635,169</u>	<u>18,315,132</u>	<u>2,360,743</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	<u>71,747</u>	<u>725,339</u>	<u>797,086</u>	
NET POSITION				
Invested in capital assets	4,051,910	4,939,540	8,991,450	1,077,879
Unrestricted (deficit)	<u>1,793,177</u>	<u>(7,604,541)</u>	<u>(5,811,364)</u>	<u>9,561,153</u>
Total net position	<u>5,845,087</u>	<u>(2,665,001)</u>	<u>3,180,086</u>	<u>10,639,032</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(107,038)</u>	<u>38,785</u>	<u>(68,253)</u>	
Net position of business-type activities	<u>\$5,738,049</u>	<u>(\$2,626,216)</u>	<u>\$3,111,833</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, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
Operating revenues:				
Charges for services	\$1,776,728	\$7,864,521	\$9,641,249	\$12,774,685
Other	281,795	13,227	295,022	673,790
Total operating revenues	<u>2,058,523</u>	<u>7,877,748</u>	<u>9,936,271</u>	<u>13,448,475</u>
Operating expenses:				
Salaries and wages	574,976	1,369,309	1,944,285	437,465
Payroll taxes and benefits	386,028	1,486,919	1,872,947	249,623
Operating supplies and expenses	605,160	2,446,322	3,051,482	8,094,046
Landfill closure/postclosure		498,000	498,000	
Utilities	356,001	36,259	392,260	52,794
Administrative expenses	165,781	214,059	379,840	1,724,860
Depreciation	275,552	412,228	687,780	391,494
Total operating expenses	<u>2,363,498</u>	<u>6,463,096</u>	<u>8,826,594</u>	<u>10,950,282</u>
Operating income (loss)	<u>(304,975)</u>	<u>1,414,652</u>	<u>1,109,677</u>	<u>2,498,193</u>
Nonoperating revenues and expenses:				
Intergovernmental	323,584	22,152	345,736	
Interest income	45,508	164,333	209,841	225,849
Gain (loss) on disposal of capital assets		8,514	8,514	49,104
Total nonoperating revenues and expenses	<u>369,092</u>	<u>194,999</u>	<u>564,091</u>	<u>274,953</u>
Transfers out	<u>(130,000)</u>	<u>(420,000)</u>	<u>(550,000)</u>	
Change in net position	(65,883)	1,189,651	1,123,768	2,773,146
Total net position-beginning	<u>5,910,970</u>	<u>(3,854,652)</u>	<u>2,056,318</u>	<u>7,865,886</u>
Total net position-ending	<u>\$5,845,087</u>	<u>(\$2,665,001)</u>	<u>\$3,180,086</u>	<u>\$10,639,032</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>38,208</u>	<u>101,323</u>	<u>139,531</u>	
Change in net position of business-type activities	<u>(\$27,675)</u>	<u>\$1,290,974</u>	<u>\$1,263,299</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, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
Cash flows from operating activities:				
Receipts from customers	\$2,039,456	\$7,820,990	\$9,860,446	
Receipts from interfund services provided				\$13,482,732
Payments to suppliers and contractors	(1,126,694)	(2,466,066)	(3,592,760)	(12,112,328)
Payments to employees	(889,840)	(2,347,694)	(3,237,534)	(702,093)
Other operating receipts				40,711
Net cash provided by (used in) operating activities	<u>22,922</u>	<u>3,007,230</u>	<u>3,030,152</u>	<u>709,022</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	(130,000)	(420,000)	(550,000)	
Operating grants from other governmental entities	323,584	22,152	345,736	
Net cash provided by (used in) noncapital financing activities	<u>193,584</u>	<u>(397,848)</u>	<u>(204,264)</u>	-
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets		21,910	21,910	62,098
Acquisition of capital assets	(133,623)	(56,036)	(189,659)	(500,181)
Net cash provided by (used in) capital and related financing activities	<u>(133,623)</u>	<u>(34,126)</u>	<u>(167,749)</u>	<u>(438,083)</u>
Cash flows from investing activities:				
Interest received	45,508	164,333	209,841	225,849
Net increase (decrease) in cash and cash equivalents	128,391	2,739,589	2,867,980	496,788
Cash and cash equivalents, beginning	1,901,904	5,780,081	7,681,985	10,247,082
Cash and cash equivalents, ending	<u>\$2,030,295</u>	<u>\$8,519,670</u>	<u>\$10,549,965</u>	<u>\$10,743,870</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(\$304,975)	\$1,414,652	\$1,109,677	\$2,498,193
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	275,552	412,228	687,780	391,494
(Increase) decrease in:				
Accounts receivable	(19,067)	(56,758)	(75,825)	3,721
Prepaid expenses and deposits	360	(26)	334	(615,728)
Inventories	765		765	6,623
Interfund receivables	(33,669)	(417)	(34,086)	71,247
Deferred outflows of resources related to pension	(131,584)	(685,254)	(816,838)	
Increase (decrease) in:				
Accounts payable	(4,124)	(8,285)	(12,409)	(270)
Deposits		1,401	1,401	
Accrued payroll, withholdings and benefits	5,216	15,477	20,693	(16,878)
Accrued compensated absences	8,410	1,848	10,258	1,873
Accrued claims liability				(1,600,000)
Interfund payables	36,916	237,901	274,817	(31,253)
Net pension liability	117,375	516,074	633,449	
Landfill closure/postclosure liability		498,000	498,000	
Deferred inflows of resources related to pension	71,747	660,389	732,136	
Total adjustments	<u>327,897</u>	<u>1,592,578</u>	<u>1,920,475</u>	<u>(1,789,171)</u>
Net cash provided by (used in) operating activities	<u>\$22,922</u>	<u>\$3,007,230</u>	<u>\$3,030,152</u>	<u>\$709,022</u>
Noncash investing, capital and financing activities:				
Book value of capital assets disposed	<u>\$0</u>	<u>\$13,396</u>	<u>\$13,396</u>	<u>\$12,994</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2019

ASSETS

Cash and investments:	
Equity in pooled cash and investments	\$1,923,775
Property taxes receivable	8,801,161
Accrued interest receivable	<u>6,694</u>
Total assets	<u><u>\$10,731,630</u></u>

LIABILITIES

Due to other governmental units	<u>\$10,731,630</u>
Total liabilities	<u><u>\$10,731,630</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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 unit, an entity 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.

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 unit. 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 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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 form 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, unemployment 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 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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 fund 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 the 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.

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 a prior year. GASB

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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.

The County also implemented GASB (Governmental Accounting Standards Board) Statement No. 77, *Tax Abatement Disclosures*. The County participates in a number of property tax abatement programs. All such abatement programs are authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the County and others by other local governments and state agencies. As the amount of taxes abated during the year is immaterial to the County, no additional disclosure has been made.

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented in the previous year. Additional information can be found in Note 4D – Postemployment Healthcare Benefits. Additional information on the Retiree Health Insurance Account (RHIA), as required as part of the implementation, can be found in Note 4E.

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

assessments are collectible in installments, including interest of 4.5% over a period of ten 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 15th of the same year. Under the partial payment schedule, the first one-third of taxes is due November 15th, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. 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 delinquency 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 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 are recorded as expenditures when consumed rather than when purchased. Prepaids are recognized as expenditures when used and consumed (consumption method).

5. *Capital Assets*

Capital assets are stated at either cost, estimated historical cost or acquisition 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 life are not capitalized. Upon disposal of capital assets, the historical cost, estimated historical cost or acquisition 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, 2019

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 2019.

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, bargaining agreements and state law. 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, 2019

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*

Occasionally, 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.

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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 Resource 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.

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, 2019.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

3. Detailed Notes on all Funds

A. Cash and Investments

The County's cash and investments are comprised of the following at June 30, 2019:

Cash on hand	\$153,923
Deposits with financial institutions	7,039,276
Investments	<u>155,399,143</u>
Total cash and investments	162,592,342
Less cash and investments in agency fund	<u>(1,923,775)</u>
Cash and investments, as reported on the Statement of Net Position	<u><u>\$160,668,567</u></u>

Deposits

Deposits with financial institutions are bank demand deposits. Total bank balances, as shown on bank records at June 30, 2019 are \$7,682,274. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, \$3,347,193 was covered by federal depository insurance (FDIC), and \$4,335,081 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, 2019

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, 2019, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	\$52,539,007	33.8%
U.S. Government Agency Securities	48,005,874	30.9%
Municipal Securities	6,134,901	3.9%
Corporate Bonds	48,719,361	31.4%
Total investments	\$155,399,143	100.0%

The fair value was measured at the end of the reporting period, June 30, 2019.

The Oregon Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. Participants' account balances in the pool are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon Short-Term Fund.

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, 2019 were: 59% mature within 93 days, 19% mature from 94 days to one year, 22% mature from one to three years.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

As of June 30, 2019, 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	\$2,985,566	\$6,494,934
Federal Home Loan Bank	3,011,327	4,993,320
Federal Home Loan Mortgage Corp.	1,818,541	11,507,071
Federal National Mortgage Association	3,694,940	4,479,888
Federal Agricultural Mortgage Corp	996,721	
Private Export Funding Corp.	1,544,405	2,499,415
Treasury Strips	2,980,350	
Treasury Notes	999,396	
Municipal Securities	3,358,612	2,776,289
Corporate Debt	<u>20,045,982</u>	<u>28,673,379</u>
Total	<u>\$41,435,840</u>	<u>\$61,424,296</u>

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 Aa3 by Moody's. The municipal securities investments are rated Aa2 by Moody's and/or AA by Standard and Poor's.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

B. Receivables, net

Receivables at June 30, 2019, including the applicable allowance for uncollectible accounts, are as follows:

<u>Receivables</u>	Governmental Funds				
	General	Public Works	Public Safety	Nonmajor governmental funds	Total Gov't Funds
Property Taxes			\$931,255	\$47,484	\$978,739
Assessments		\$10,342			\$10,342
Accounts	\$1,634,331	891,011	1,567,163	754,468	4,846,973
Notes and Contracts	1,008,537			1,281,264	2,289,801
Interest	519,983			256,330	776,313
Gross Receivables	3,162,851	901,353	2,498,418	2,339,546	8,902,168
Less: Allowance for Uncollectibles				(401,500)	(401,500)
Net Receivables, end of year	<u>\$3,162,851</u>	<u>\$901,353</u>	<u>\$2,498,418</u>	<u>\$1,938,046</u>	<u>\$8,500,668</u>

<u>Receivables (continued)</u>	Internal Service Funds	Enterprise Funds	Fiduciary Fund	Total
Property Taxes			\$8,801,161	\$9,779,900
Assessments				10,342
Accounts	\$2,293	\$701,885		5,551,151
Notes and Contracts				2,289,801
Interest			\$6,694	783,007
Gross Receivables	2,293	701,885	8,807,855	18,414,201
Less: Allowance for Uncollectibles				(401,500)
Net Receivables, end of year	<u>\$2,293</u>	<u>\$701,885</u>	<u>\$8,807,855</u>	<u>\$18,012,701</u>

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land and right of way	\$14,067,126		\$166,008	\$13,901,118
Construction in progress	5,597,716	\$326,664	\$715,182	5,209,198
Total capital assets not being depreciated	<u>19,664,842</u>	<u>326,664</u>	<u>881,190</u>	<u>19,110,316</u>
Capital assets being depreciated:				
Buildings and improvements	40,483,147	171,318		40,654,465
Furniture and equipment	14,218,332	141,753	45,817	14,314,268
Vehicles and heavy equipment	18,648,776	2,196,431	1,243,988	19,601,219
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	359,951,500	34,738		359,986,238
Total capital assets being depreciated	<u>461,523,075</u>	<u>2,544,240</u>	<u>1,289,805</u>	<u>462,777,510</u>
Less accumulated depreciation for:				
Buildings and improvements	17,770,544	637,453		18,407,997
Furniture and equipment	12,987,109	372,206	44,915	13,314,400
Vehicles and heavy equipment	13,480,012	713,276	1,105,966	13,087,322
Dam structures and improvements	10,724,102	376,284		11,100,386
Infrastructure	278,106,762	6,221,898		284,328,660
Total accumulated depreciation	<u>333,068,529</u>	<u>8,321,117</u>	<u>1,150,881</u>	<u>340,238,765</u>
Total capital assets being depreciated, net	<u>128,454,546</u>	<u>(5,776,877)</u>	<u>138,924</u>	<u>122,538,745</u>
Governmental activities capital assets, net	<u>\$148,119,388</u>	<u>(\$5,450,213)</u>	<u>\$1,020,114</u>	<u>\$141,649,061</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$2,220,651			\$2,220,651
Construction in progress		\$78,019		78,019
Total capital assets not being depreciated	<u>2,220,651</u>	<u>78,019</u>		<u>2,298,670</u>
Capital assets being depreciated:				
Buildings	9,391,058			9,391,058
Furniture and equipment	435,807	63,489	\$51,960	447,336
Vehicles and heavy equipment	6,227,530	48,151	78,266	6,197,415
Infrastructure	10,655,357			10,655,357
Total capital assets being depreciated	<u>26,709,752</u>	<u>111,640</u>	<u>130,226</u>	<u>26,691,166</u>
Less accumulated depreciation for:				
Buildings	6,233,977	238,181		6,472,158
Furniture and equipment	422,410	7,845	51,960	378,295
Vehicles and heavy equipment	4,177,674	184,006	64,870	4,296,810
Infrastructure	8,593,375	257,748		8,851,123
Total accumulated depreciation	<u>19,427,436</u>	<u>687,780</u>	<u>116,830</u>	<u>19,998,386</u>
Total capital assets being depreciated, net	<u>7,282,316</u>	<u>(576,140)</u>	<u>13,396</u>	<u>6,692,780</u>
Business-type activities capital assets, net	<u>\$9,502,967</u>	<u>(\$498,121)</u>	<u>\$13,396</u>	<u>\$8,991,450</u>

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$815,890
Public safety	317,194
Highways and streets	6,444,521
Health and welfare	5,605
Culture and recreation	353,246
Conservation	384,661
Total depreciation expense - governmental activities	\$8,321,117
Business-type activities:	
Salmon Harbor	\$275,552
Solid Waste	412,228
Total depreciation expense - business-type activities	\$687,780

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Funds</u>	Due from Other Funds	Due to Other Funds	Transfers In	Transfers Out
<u>Governmental Funds:</u>				
General Fund	\$2,577,428	\$90,924	\$1,834,007	\$946,222
Public Works Fund	35,631	1,240,548	430,245	7,465,463
Public Safety Fund	26,884	291,264	6,615,463	
Title III Fund				693,558
Nonmajor governmental funds	32,857	593,459	976,222	200,694
	2,672,800	2,216,195	9,855,937	9,305,937
<u>Proprietary Funds:</u>				
Salmon Harbor Fund	33,669	132,021		130,000
Solid Waste Fund	1,264	467,478		420,000
Internal service funds	217,468	109,507		
	252,401	709,006	-	550,000
	\$2,925,201	\$2,925,201	\$9,855,937	\$9,855,937

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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.

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, 2019 is as follows:

	General	Public Works	Public Safety	Title III	Other Gov't Funds	Total
Unearned:						
Fees and rents	\$4,166		\$28,896			\$33,062
Grant revenues				\$5,291,783	\$10,000	5,301,783
Payment in lieu of taxes	2,544,849					2,544,849
Total unearned revenue	\$2,549,015	-	\$28,896	\$5,291,783	\$10,000	\$7,879,694

F. Long-term Liabilities

Notes Payable

Description	Maturity Date	Interest Rate	Original Loan	Balance June 30	
				2018	2019
City of Sutherlin	Dec. 1, 2025	3.11%	\$477,000	\$240,000	\$198,000

Notes Payable to cities in Douglas County 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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

Year end June 30	Governmental Activities	
	Principal	Interest
2020	45,000	5,756
2021	42,000	4,407
2022	24,000	3,384
2023	24,000	2,640
2024	21,000	1,890
2025-2026	42,000	1,512
	\$198,000	\$19,589

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Notes payable	\$240,000		\$42,000	\$198,000	\$45,000
Compensated absences	1,989,945	\$2,055,118	1,989,945	2,055,118	616,535
Accrued claims	3,350,000	(1,066,175)	533,825	1,750,000	600,000
Net Pension liability	82,726,820	5,195,326		87,922,146	
Net OPEB obligation	4,609,358		284,488	4,324,870	
Total	\$92,916,123	\$6,184,269	\$2,850,258	\$96,250,134	\$1,261,535

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, 2019, \$32,960 of internal service funds compensated absences is included in governmental activities; \$33,601 is recorded in the business-type activity fund of Salmon Harbor and \$105,937 is recorded in the business-type activity fund of Solid Waste. The accrued claims liability is an internal service fund obligation.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

General fund, special revenue funds, enterprise and internal service funds have been used in prior years to liquidate pension/OPEB long-term liabilities. Note 4C explains the change in net pension liability.

G. Legal Debt Margin

The County is subject to legal limitations on the amount of debt it can issue. Since the County has no debt applicable to this limitation, it could still issue the full amount without violating such limitations, \$317,179,434.

H. 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 \$12,834,500 shown as landfill closure and postclosure care liability at June 30, 2019, represents a portion of the total closure and postclosure cost based on the use of approximately 62 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents an increase of \$498,000 from the amount of \$12,336,500, which was recorded as the landfill closure and postclosure liability at June 30, 2018. The estimated remaining life of the Roseburg landfill is approximately 25 years. The County will recognize the remaining estimated cost of closure and postclosure care of \$7,378,000 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 2019. 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. Historically, the County demonstrated 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. Beginning in fiscal year ending June 30, 2015, the County no longer met the requirements of the local government financial assurance test because it could not meet the operating deficit component for the two prior years. The Department of Environmental Quality approved an alternative financial assurance plan in December 2018 after meeting various requirements of the plan proposal. These requirements included passing an ordinance and establishing closure postclosure reserve account for the Roseburg and Reedsport landfill. As of June 30, 2019, \$2,219,481 was deposited into the closure postclosure account in anticipation of future costs. As of June 30, 2019 the County assured total closure and postclosure care costs of \$19,965,541.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

I. Fund Balance Components in the Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2019:

	Major Funds				
	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Nonmajor Governmental Funds
FUND BALANCES					
Nonspendable:					
Inventories, deposits and prepays	\$311,911	\$1,583,040	\$101,708		\$15,504
Restricted for:					
Federal Secure Rural Schools Title II and Title III programs	57,554			\$3,799,144	
Law enforcement activities			109,463		
Highways, streets and bridges		47,021,257			
Health and welfare					5,550
District Attorney grant programs	176,583				
Building and electrical purposes	1,494,232				
County Clerk recording purposes	126,402				
Parks maintenance and improvements	321,096				
Surveyor corner preservation	172,252				
4-H extension service activities					293,037
County schools					95,422
Predatory animal activities					494
Juvenile programs	920,429				
Fairgrounds infrastructure					
County fairs					164,987
	3,268,548	47,021,257	109,463	3,799,144	559,490
Committed to:					
Health and welfare					1,033,891
Law enforcement activities			3,377,568		
Communication services			699,091		
Radio system			219,428		
Economic development					3,111,023
Land and forest management					10,927,433
Preservation of fish habitat					11,075
Dog control - spay and neuter	2,302				
Water impound purposes					2,619,331
	2,302	-	4,296,087	-	17,702,753
Assigned to:					
FY19 budget appropriations	8,405,669				
Animal control operations	23,365				
Law Library purposes	216,448				
Capital improvement purposes					3,488,746
	8,645,482	-	-	-	3,488,746
Unassigned, reported in:					
General Fund	44,650,904				
Total	\$56,879,147	\$48,604,297	\$4,507,258	\$3,799,144	\$21,766,493

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2019

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 \$727,200 per claimant and \$1,454,300 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 \$275,221. The estimated unpaid loss liability including IBNR at June 30, 2019, was \$1,000,000.

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 \$258,604. Total estimated unpaid loss liability at June 30, 2019, including IBNR, is \$750,000.

The County provides a cafeteria-style health insurance program to employees. In January 2019, the County switched from a composite rated health insurance plan to a five (5) tiered plan ranging from employee only to employee plus family. The County pays 90% of medical premiums and 80% of dental premiums. 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
2018-19	\$3,350,000	(\$1,066,175)	\$533,825	\$1,750,000
2017-18	3,350,000	\$930,584	\$930,584	3,350,000

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

B. Commitments and Contingencies

The County has commitments under various contracts entered into during the normal course of its operations of approximately \$5,856,208 at June 30, 2019. The approximate commitments by fund are as follows:

General Fund	\$374,362
Public Works Fund	814,256
Public Safety Fund	2,937,644
Health and Social Services Fund	534,339
Solid Waste Fund	318,693
All other funds	876,914
	<u>\$5,856,208</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 on or 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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.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 the monthly benefit (age 55 for police and fire).

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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 (COLA). The COLA is capped at 2.0 percent.

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 (COLA). The COLA is capped at 2.0 percent.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2019 were \$6,499,034 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 32.18 percent for Tier One/Tier Two General Service Members and Police and Fire Members, 20.55 percent for OPSRP Pension Program General Service Members and 25.32 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, 2019, the County reported a liability of \$92,546,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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, 2018, the County's proportion was 0.52388507%.

For the year ended June 30, 2019, the County recognized pension expense of approximately \$6.6 million. At June 30, 2019, 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
Difference between expected and actual experience	\$ 2,211,585	\$ -
Changes in proportionate share	1,345,182	3,360,474
Net difference between projected and actual earnings on investments	9,942,905	12,829,898
Changes in assumptions	15,115,655	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,071,606	-
County's contributions subsequent to the measurement date	6,499,034	-
Deferred outflows/inflows at June 30, 2019	<u>\$ 37,185,967</u>	<u>\$ 16,190,372</u>

Contributions subsequent to the measurement date of \$6,499,034 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other deferred outflows of resources totaling \$30,686,933 less deferred inflows of resources totaling \$16,190,372 related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 8,086,611
2021	\$ 5,648,307
2022	\$ (364,635)
2023	\$ 783,336
2024	\$ 342,942
Total	<u>\$ 14,496,561</u>

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2019

Actuarial assumptions

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, published July 2017
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	Fair value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2019

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 2017 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.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	100.00%	
Assumed Inflation - Mean		2.50%

Discount rate

The discount rate used to measure the total pension liability was 7.20 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

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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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
County's proportionate share of the net pension liability	\$ 136,183,116	\$ 92,546,421	\$ 56,527,699

Changes in Assumptions

The Public Employees Retirement Board lowered the discount rate and the assumed investment rate of return from 7.5% to 7.2% in the December 31, 2016 valuation.

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the previous year. To comply with GASB No. 75, the County must account for the total other postemployment benefits (OPEB) liability which is equal to the present value of the portion of future expected benefit payments that is considered to have been already earned by participants. There are three dates to define under this statement, the fiscal year-end, the measurement date and the actuarial valuation date. The measurement date must be no earlier than the end of the prior fiscal year, and the actuarial valuation date must be no earlier than 30 months prior to the fiscal year-end. In subsequent years, changes to the total OPEB liability due to actuarial gains or losses or due to changes in assumptions are amortized over the average expected future working lifetime of participants, with unamortized amounts treated as deferred outflows or inflows of resources.

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

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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. 75. 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. 75. 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.

Employees Covered by Plan

The following employees were covered by the plan:

	General Service	Police & Fire	Total
Active Employees	269	104	373
Retirees	26	4	30
Total	295	108	403

Contributions, Funded Status and Funding Progress

As of June 30, 2019, the most recent measurement date and fiscal year-end date, the total OPEB liability was \$4,324,870, 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 \$25,963,495 and the ratio of the total OPEB liability as a percentage of covered payroll was 16.66%. The changes in the postemployment health care benefits liability are as follows:

	FY2019
Total OPEB Liability - beginning	<u>\$4,609,358</u>
Service Cost	283,784
Interest	168,083
Difference between expected and actual experience	12,910
Change in assumptions or other input	(567,733)
Benefit Payments	<u>(181,532)</u>
Change in net OPEB obligation	<u>(284,488)</u>
Total OPEB Liability - ending	<u><u>\$4,324,870</u></u>

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For the year ended June 30, 2019, the County recognized OPEB expense of \$382,514. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,296	
Changes in assumptions		496,766
	\$ 11,296	\$ 496,766
Deferred outflows/inflows at June 30, 2019	\$ 11,296	\$ 496,766

Other deferred outflows of resources totaling \$11,296 less deferred inflows of resources totaling \$496,766 related to OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (69,353)
2021	\$ (69,353)
2022	\$ (69,353)
2023	\$ (69,353)
2024	\$ (69,353)
Thereafter	\$ (138,705)
Total	<u>\$ (485,470)</u>

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.

For the July 1, 2018 actuarial valuation with a measurement date of June 30, 2019, the actuary used the Entry Age Normal actuarial cost method. Actuarial assumptions, included a discount rate of 3.5%, general inflation rate of 2.5%, projected salary increases of 3.5% per year, and a healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 5% after 21 years.

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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability calculated using the discount rate of 3.5%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current rate:

	<u>1% Decrease (2.5%)</u>	<u>Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
Total OPEB liability June 30, 2019	\$ 4,702,770	\$ 4,324,870	\$ 3,976,381

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability calculated using the current healthcare cost trend rates as well as what the total OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability June 30, 2019	\$ 3,797,015	\$ 4,324,870	\$ 4,995,984

E. Postemployment Health Care Benefits – Public Employees Retirement System

Plan Description

The County contributes to an OPEB plan administered by the Oregon Public Employees Retirement System (PERS). The Retiree Health Insurance Account (RHIA) is a cost-sharing multiple-employer defined benefit plan established under Oregon Revised Statute 238.420, which grants the authority to manage the plan to the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits Provided

Eligible PERS members can receive a payment up to \$60 from RHIA toward the monthly cost of health insurance. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The plan was closed to new entrants hired on or after August 29, 2003.

Contributions

PERS funding policy provides for monthly employer contributions at an actuarially determined rate. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a

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percentage or payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2019 were \$117,087. The rates in effect for the fiscal year ended June 30, 2019 were 0.50 percent for Tier One/Tier Two General Service Members and Police and Fire Members, 0.43 percent for OPSRP Pension Program General Service Members and 0.43 percent for OPSRP Police and Fire Members. Employees are not required to contribute to the RHIA Program.

OPEB Assets, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the County reported an asset of \$268,538 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The County's proportion of the net OPEB asset was based on a projection of the County's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities actuarially determined. On June 30, 2018, the County's proportion was 0.24056671%.

For the year ended June 30, 2019, the County recognized OPEB expense of (\$26,600). At June 30, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$ 15,219
Changes in proportionate share	\$ 528	2,765
Net difference between projected and actual earnings on investments		57,896
Changes in assumptions		852
County's contributions subsequent to the measurement date	117,087	
Deferred outflows/inflows at June 30, 2019	\$ 117,615	\$ 76,732

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Contributions subsequent to the measurement date of \$117,087 reported as deferred outflows of resources will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other deferred outflows of resources totaling \$528 less deferred inflows of resources of \$76,732 related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ (25,764)
2021	\$ (25,277)
2022	\$ (19,408)
2023	\$ (5,755)
2024	\$ -
Thereafter	\$ -
Total	\$ (76,204)

Actuarial assumptions

The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. 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 10 years.

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The total OPEB asset in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, published July 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed 10-year period
Asset Valuation Method	Fair value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent overall payroll growth
Retiree Healthcare Participation	Healthy retirees 35%, Disabled retirees 20%
Healthcare Cost Trend Rate	Not applicable
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

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 2017 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.

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Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
 Total	 <u>100.00%</u>	
 Assumed Inflation - Mean		 2.50%

Discount

The discount rate used to measure the total OPEB asset was 7.20 percent for the OPEB 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 OPEB 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 OPEB plan investments for the OPEB plan was applied to all periods of projected benefit payments to determine the total OPEB asset.

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Sensitivity of the County's proportionate share of the net OPEB asset to changes in the discount rate and healthcare cost trend rate

The following presents the County's proportionate share of the net OPEB asset calculated using the discount rate of 7.20%, as well as what the County's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
County's proportionate share of the net OPEB liability (asset)	\$ (156,356)	\$ (268,538)	\$ (364,027)

Since the monthly benefit is capped at \$60, the healthcare cost trend rate has no effect on the County's proportionate share of the net OPEB asset.

Changes of assumptions

The Public Employees Retirement Board lowered the discount rate and the assumed investment rate of return from 7.5% to 7.2% in the December 31, 2016 valuation.

OPEB plan fiduciary net position

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