

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$176,370,856	\$839,084	\$177,209,940	
Receivables, net	7,515,155	55,075	7,570,230	\$1,600,000
Internal balances	136,065	(136,065)		
Inventories	2,088,904	46,275	2,135,179	
Deposits and prepaid items	167,948	4,429	172,377	
Interfund loan balances	2,361,529	(2,361,529)		
Capital assets (net of accumulated depreciation):				
Land and right of way	11,894,136	921,221	12,815,357	
Buildings and improvements	24,829,658	3,873,151	28,702,809	
Furniture and equipment	3,552,795		3,552,795	
Vehicles and heavy equipment	6,150,557	66,944	6,217,501	
Dams	19,002,356		19,002,356	
Infrastructure	97,762,673		97,762,673	
Construction in progress	5,620,214		5,620,214	
Total assets	<u>357,452,846</u>	<u>3,308,585</u>	<u>360,761,431</u>	<u>1,600,000</u>
LIABILITIES				
Accounts payable and other current liabilities	6,447,350	40,737	6,488,087	
Unearned revenues	7,161,933		7,161,933	
Noncurrent liabilities:				
Due within one year	1,322,797		1,322,797	235,000
Due in more than one year	20,312,263		20,312,263	1,365,000
Total liabilities	<u>35,244,343</u>	<u>40,737</u>	<u>35,285,080</u>	<u>1,600,000</u>
NET POSITION				
Net Investment in capital assets	168,812,389	4,861,316	173,673,705	
Restricted for:				
Highways and streets	73,039,071		73,039,071	
Health and social services	4,160,561		4,160,561	
Title II and III	2,999,194		2,999,194	
4-H Extension Service District	528,627		528,627	
Public Safety	563,710		563,710	
Library purposes	291,614		291,614	
Children and family programs	1,149		1,149	
District Attorney grant programs	108,784		108,784	
County Clerk recordings	84,173		84,173	
County juvenile purposes	164,898		164,898	
County park purposes	53,637		53,637	
County fair purposes	29,465		29,465	
Surveyor corner preservation	22,018		22,018	
County schools programs	25,516		25,516	
Unrestricted (deficit)	71,323,697	(1,593,468)	69,730,229	
Total net position	<u>\$322,208,503</u>	<u>\$3,267,848</u>	<u>\$325,476,351</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and		Total	Component Unit
		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	\$18,942,528	\$5,204,139	\$3,571,609		(\$10,166,780)		(\$10,166,780)	
Public safety	24,881,447	3,820,764	4,798,453		(16,262,230)		(16,262,230)	
Highways and streets	19,850,948	173,679	13,508,936	\$13,754,677	7,586,344		7,586,344	
Sanitation	3,322,074	711,084			(2,610,990)		(2,610,990)	
Health and welfare	18,944,045	977,373	14,788,087		(3,178,585)		(3,178,585)	
Culture and recreation	6,165,594	2,745,191	505,221	405,951	(2,509,231)		(2,509,231)	
Conservation	1,266,786	603,860	89,512		(573,414)		(573,414)	
Education	2,114,652	495	2,118,255		4,098		4,098	
Interest on long-term debt	54,122				(54,122)		(54,122)	
Total governmental activities	95,542,196	14,236,585	39,380,073	14,160,628	(27,764,910)	-	(27,764,910)	
Business-type Activities:								
Boat marina/RV park	1,922,743	1,692,257	198,171			(\$32,315)	(32,315)	
Total business-type activities	1,922,743	1,692,257	198,171	-	-	(32,315)	(32,315)	
Total primary government	\$97,464,939	\$15,928,842	\$39,578,244	\$14,160,628	(\$27,764,910)	(\$32,315)	(\$27,797,225)	
Component unit:								
Hospital Facility Authority	\$ 125,125	\$ -	\$ -	\$ -				\$ (125,125)
General revenues:								
Property taxes					9,369,387		9,369,387	
Grants and contributions not restricted to specific purposes					10,763,122		10,763,122	
Unrestricted investment earnings					1,642,140	4,710	1,646,850	125,125
Total general revenues					21,774,649	4,710	21,779,359	125,125
Change in net position					(5,990,261)	(27,605)	(6,017,866)	-
Net position - beginning					328,198,764	3,295,453	331,494,217	-
Net position - ending					\$322,208,503	\$3,267,848	\$325,476,351	\$ -

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$62,018,976	\$73,900,011	\$1,688,397	\$3,995,625	\$9,485,642	\$13,262,958	\$164,351,609
Receivables, net	1,251,489	727,557	1,869,108	1,037,723	67	2,554,288	7,440,232
Due from other funds	2,408,306	12,829	115,622	15,706		1,060	2,553,523
Inventories	1,307	1,762,752					1,764,059
Deposits and prepaid items	60,846	1,729	8,234	29,145		8,770	108,724
Interfund loan receivable						2,361,529	2,361,529
Total assets	\$65,740,924	\$76,404,878	\$3,681,361	\$5,078,199	\$9,485,709	\$18,188,605	\$178,579,676
LIABILITIES							
Accounts payable	\$2,883,361	\$3,607	\$20,255	\$62,755	\$4,000	\$252,495	\$3,226,473
Accrued payroll, withholdings and benefits	409,730	123,444	414,418	116,970		41,628	1,106,190
Due to other funds	89,344	1,208,424	393,319	404,606	25,000	447,015	2,567,708
Due to other government units	75,621	25,628					101,249
Unearned revenue	604,935		32,777	10,500	6,513,721		7,161,933
Total liabilities	4,062,991	1,361,103	860,769	594,831	6,542,721	741,138	14,163,553
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - special assessments		59,043					59,043
Unavailable revenue - land sales contract						886,126	886,126
Unavailable revenue - property taxes			917,366			45,640	963,006
Total deferred inflows of resources	-	59,043	917,366	-	-	931,766	1,908,175
FUND BALANCES							
Nonspendable	62,153	1,764,481	8,234	29,145		8,770	1,872,783
Restricted	766,839	73,220,251	579,350	4,325,220	2,942,988	583,608	82,418,256
Committed	1,042		1,315,642	129,003		13,563,187	15,008,874
Assigned	17,748,479					2,360,136	20,108,615
Unassigned	43,099,420						43,099,420
Total fund balances	61,677,933	74,984,732	1,903,226	4,483,368	2,942,988	16,515,701	162,507,948
Total liabilities, deferred inflows of resources, and fund balances	\$65,740,924	\$76,404,878	\$3,681,361	\$5,078,199	\$9,485,709	\$18,188,605	\$178,579,676

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, 2014

Fund Balances - Governmental Funds \$162,507,948

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

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

Land and right of way	\$11,894,136	
Buildings and improvements	43,284,051	
Furniture and equipment	15,526,432	
Vehicles and heavy equipment	19,471,492	
Dams	28,221,320	
Infrastructure	358,148,897	
Construction in progress	<u>5,620,214</u>	
	482,166,542	
Less accumulated depreciation	<u>(314,235,704)</u>	167,930,838

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

Notes payable	(1,154,093)	
Accrued compensated absences	(1,820,311)	
Net OPEB obligation	(2,087,175)	
Landfill closure and postclosure care cost	<u>(14,780,000)</u>	(19,841,579)

Deferred inflows of resources represents amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds. 1,908,175

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. 9,703,121

Net Position of Governmental Activities \$322,208,503

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, 2014

	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Charges for services	\$4,616,676	\$39,927	\$2,167,279	\$598,760		\$1,624,536	\$9,047,178
Permits, licenses and fines	974,978	2,870	345,796	223,065			1,546,709
Intergovernmental	13,251,810	13,685,453	4,346,467	14,692,106	\$1,693,225	2,723,343	50,392,404
Property taxes			8,943,433			446,105	9,389,538
Assessments		42,656					42,656
Interest	615,164	726,711	5,874	33,910	58,712	127,803	1,568,174
Other	551,237	45,571	219,378	155,548		1,897,886	2,869,620
Total revenues	20,009,865	14,543,188	16,028,227	15,703,389	1,751,937	6,819,673	74,856,279
Expenditures:							
Current:							
General Government	14,005,123				2,056,936	1,145,079	17,207,138
Public Safety	3,075,528		20,025,190				23,100,718
Highways and Streets		10,090,760					10,090,760
Sanitation	2,406,384						2,406,384
Health and Welfare	19,602			18,477,624		96,041	18,593,267
Culture and Recreation	3,508,078					2,241,567	5,749,645
Conservation						874,024	874,024
Education						2,114,652	2,114,652
Capital outlay	1,243,085	787,791	215,016	50,196		2,042,604	4,338,692
Debt service:							
Principal						103,001	103,001
Interest						54,122	54,122
Total expenditures	24,257,800	10,878,551	20,240,206	18,527,820	2,056,936	8,671,090	84,632,403
Excess (deficiency) of revenues over (under) expenditures	(4,247,935)	3,664,637	(4,211,979)	(2,824,431)	(304,999)	(1,851,417)	(9,776,124)
Other financing sources (uses):							
Transfers in	1,717,974	290,608	4,955,551	1,374,479		135,000	8,473,612
Transfers out	(1,718,546)	(5,222,115)	(25,933)	(897,723)	(535,795)	(73,500)	(8,473,612)
Total other financing sources (uses)	(572)	(4,931,507)	4,929,618	476,756	(535,795)	61,500	-
Net change in fund balances	(4,248,507)	(1,266,870)	717,639	(2,347,675)	(840,794)	(1,789,917)	(9,776,124)
Fund balances, beginning as previously stated	65,907,587	76,494,981	1,185,587	6,831,043	3,783,782	18,324,471	172,527,451
Adjust for GASB #54 reclassification	18,853					(18,853)	
Fund balances, beginning as restated	65,926,440	76,494,981	1,185,587	6,831,043	3,783,782	18,305,618	172,527,451
Change in reserve for inventories		(243,379)					(243,379)
Fund balances, ending	\$61,677,933	\$74,984,732	\$1,903,226	\$4,483,368	\$2,942,988	\$16,515,701	\$162,507,948

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

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

Net change in fund balances - Governmental Funds	(\$9,776,124)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay during the year:</p>	
Acquisition of capital assets	\$3,640,123
Less current year depreciation	<u>(11,593,553)</u>
	(7,953,430)
<p>Contributions of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>	
	13,578,159
<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>	
	(615,113)
<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>	
	(243,379)
<p>Revenues in the statement of activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.</p>	
	(66,801)
<p>The increase in the estimated landfill closure and postclosure care costs does not require the use of current financial resources and is not reported in the governmental funds.</p>	
	(425,000)
<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>	
	194,377
<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>(682,950)</u>
Change in net position - governmental activities	<u><u>(\$5,990,261)</u></u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Fund		Governmental
	Salmon Harbor		Activities
	Current Year	Prior Year	Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$839,084	\$597,923	\$12,019,247
Receivables	55,075	53,342	74,923
Due from other funds	478		311,584
Inventories	46,275	29,428	324,845
Deposits and prepaids	4,429	571	59,224
Total current assets	945,341	681,264	12,789,823
Capital assets:			
Land	921,221	921,221	
Buildings and improvements	9,193,618	9,193,618	
Furniture and equipment			211,036
Vehicles and heavy equipment	304,537	280,537	3,566,058
Less accumulated depreciation	(5,558,060)	(5,298,402)	(2,895,543)
Total capital assets (net of accumulated depreciation)	4,861,316	5,096,974	881,551
Total assets	5,806,657	5,778,238	13,671,374
LIABILITIES			
Current liabilities:			
Accrued payroll, withholdings and benefits	18,138	15,294	2,013,438
Accrued compensated absences	22,599	22,408	43,481
Accrued claims liability			600,000
Due to other funds	69,210	36,167	228,667
Interfund loan payable	2,361,529	2,361,529	
Total current liabilities	2,471,476	2,435,398	2,885,586
Noncurrent liabilities:			
Accrued claims liability			1,150,000
Total liabilities	2,471,476	2,435,398	4,035,586
NET POSITION			
Invested in capital assets	4,861,316	5,096,974	881,551
Unrestricted (deficit)	(1,526,135)	(1,754,134)	8,754,237
Total net position	3,335,181	\$3,342,840	\$9,635,788
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(67,333)		
Net position of business-type activities	\$3,267,848		

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, 2014

	Business-type Activities - Enterprise Fund			Governmental
	Salmon Harbor		Total	Activities Internal
	Current Year	Prior Year	Current Year	Service Funds
Operating revenues:				
Charges for services	\$1,292,201	\$1,178,947	\$1,292,201	\$12,788,481
Other	400,056	511,877	400,056	1,110,832
Total operating revenues	<u>1,692,257</u>	<u>1,690,824</u>	<u>1,692,257</u>	<u>13,899,313</u>
Operating expenses:				
Salaries and wages	417,927	523,819	417,927	551,769
Payroll taxes and benefits	206,806	240,242	206,806	350,872
Operating supplies and expenses	586,078	683,523	586,078	10,999,689
Utilities	290,449	299,141	290,449	54,131
Administrative expenses	141,879	124,405	141,879	2,211,456
Depreciation	259,658	259,574	259,658	297,633
Total operating expenses	<u>1,902,797</u>	<u>2,130,704</u>	<u>1,902,797</u>	<u>14,465,550</u>
Operating income (loss)	<u>(210,540)</u>	<u>(439,880)</u>	<u>(210,540)</u>	<u>(566,237)</u>
Nonoperating revenues and expenses:				
Intergovernmental	198,171	196,007	198,171	
Interest income	4,710	5,240	4,710	73,966
Gain (loss) on disposal of capital assets				(210,625)
Total nonoperating revenues	<u>202,881</u>	<u>201,247</u>	<u>202,881</u>	<u>(136,659)</u>
Change in net position	(7,659)	(238,633)	(7,659)	(702,896)
Total net position-beginning	<u>3,342,840</u>	<u>3,581,473</u>		<u>10,338,684</u>
Total net position-ending	<u>\$3,335,181</u>	<u>\$3,342,840</u>		<u>\$9,635,788</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(19,946)</u>	
Change in net position of business-type activities			<u>(\$27,605)</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, 2014

	Business-type Activities - Enterprise Fund Salmon Harbor		Governmental Activities Internal Service Funds
	Current Year	Prior Year	
Cash flow from operating activities:			
Receipts from customers	\$1,690,524	\$1,675,625	
Receipts from interfund services provided			\$13,591,422
Payments to suppliers and contractors	(1,006,546)	(1,125,153)	(12,670,090)
Payments to employees	(621,698)	(767,924)	(400,673)
Other operating receipts			206,342
Net cash provided by (used in) operating activities	<u>62,280</u>	<u>(217,452)</u>	<u>727,001</u>
Cash flows from noncapital financing activities:			
Operating grants from other governmental entities	198,171	196,007	
Net cash provided by (used in) noncapital and related financing activities	<u>198,171</u>	<u>196,007</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(24,000)	(222,665)	(508,636)
Net cash provided by (used in) capital and related financing activities	<u>(24,000)</u>	<u>(222,665)</u>	<u>(508,636)</u>
Cash flows from investing activities:			
Interest received	4,710	5,240	73,966
Net increase (decrease) in cash and cash equivalents	241,161	(238,870)	292,331
Cash and cash equivalents, beginning	597,923	836,793	11,726,916
Cash and cash equivalents, ending	<u>\$839,084</u>	<u>\$597,923</u>	<u>\$12,019,247</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$210,540)	(\$439,880)	(\$566,237)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	259,658	259,574	297,633
(Increase) decrease in:			
Accounts receivable	(1,733)	(15,199)	(35,533)
Prepaid expenses and deposits	(3,858)	24	(3,322)
Inventories	(16,847)	(9,849)	(17,988)
Interfund receivables	(478)		(66,016)
Increase (decrease) in:			
Accounts payable			(4,688)
Accrued payroll, withholdings and benefits	2,844	963	505,456
Accrued compensated absences	191	(4,826)	(3,488)
Accrued claims liability			500,000
Interfund payables	33,043	(8,259)	121,184
Total adjustments	<u>272,820</u>	<u>222,428</u>	<u>1,293,238</u>
Net cash provided by (used in) operating activities	<u>\$62,280</u>	<u>(\$217,452)</u>	<u>\$727,001</u>
Noncash investing, capital and financing activities:			
Book value of capital assets disposed			<u>\$210,625</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2014

ASSETS

Cash and investments:

Equity in pooled cash and investments	\$1,484,773
Property taxes receivable	9,203,808
Accrued interest receivable	<u>20,340</u>

Total assets	<u><u>\$10,708,921</u></u>
--------------	----------------------------

LIABILITIES

Due to other governmental units	<u>\$10,708,921</u>
---------------------------------	---------------------

Total liabilities	<u><u>\$10,708,921</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, 2014

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Component Units

The County reports the following component units:

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.

Discretely Presented Component Unit

The Hospital Facility Authority of Douglas County was created pursuant to ORS 441.530 to provide the people of Douglas County with access to adequate medical care and hospital facilities. The Authority acts as the financing authority for the hospital entity. The Authority has the power to acquire, own, lease, sell and dispose of hospital facilities, or lend money to construct hospital facilities, and to issue bonds and other obligations to provide hospital facilities. Although the Authority is not part of the County, the Douglas County Board of Commissioners appoints members to the Authority's Board. The Board of Commissioners may, at its sole discretion, alter or change the structure, organization, programs or activities of the Authority, subject to any limitations imposed by the impairment of contracts. The Board may dissolve the Authority at any time, provided the Authority has no bonds or other obligations outstanding.

Complete financial statements for the Hospital Facility Authority of Douglas County may be obtained at the Office of Management and Finance, Douglas County, Roseburg, Oregon.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

The *Public Safety Fund* was established to account for many of the County's public safety programs. It includes the sheriff, communications, 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 *Health and Social Services Fund* was established to account for the County's health programs, including general health care, family planning and various other related services. Grants from federal and state agencies are the primary revenue sources for this fund.

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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

The County reports the following major enterprise fund:

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.

Additionally, the County reports the following fund types:

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

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

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

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*; agency funds are also reported using the *accrual basis of accounting* but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

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 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 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.

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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

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

2. *Receivables and Payables*

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

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

Assessments and mortgage notes receivable represent uncollected amounts assessed against benefited property owners for the cost of local improvements. An allowance for uncollectible amounts is not deemed necessary because substantially all amounts, including delinquent assessments, should be recoverable through liens. Substantially all assessments are collectible in installments, including interest ranging from 4.5% to 7% over a period of five to fifteen years. *The* County does not consider assessment receivables to meet the "available" criteria for revenue accrual, as installments are received more than 60 days after year-end.

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

Property taxes are levied and become a lien on July 1. Property taxes are assessed in October and tax payments are due November 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 due date.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

3. *Inventories*

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

4. *Deposits and Prepaid Items*

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

5. *Capital Assets*

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

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 2014.

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

6. *Compensated Absences*

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

7. *Long-term Obligations*

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

8. *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.

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. The County currently has no items that qualify for reporting in this category.

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.

9. *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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

10. *Fund Balance Flow Assumptions*

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

11. *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 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.

12. *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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

13. *Comparative Data*

Comparative total data for the prior year have been presented only for the enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of the fund.

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. By May 15, the proposed budget is 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 (personal services, materials and services, capital outlay, other and transfers) where organizational units are not applicable. The level of control for General, Public Works, Public Safety, Dog Control, Health and Social Services, and Water Development funds is by organizational unit. All other funds are controlled by expenditure type. Under State law, the appropriation levels become the legal spending control levels for County operations. Budgets can be modified during the fiscal year through different means. Management may make line item changes at any time within appropriation categories without formal action. Transfers of appropriations between organizational units, expenditure types or funds require the approval of the Board of Commissioners.

State law requires a supplemental budget to increase appropriations when unexpected additional resources become available. The Board approved two supplemental budgets 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, 2014.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

3. Detailed Notes on all Funds

A. Cash and Investments

The County's cash and investments are comprised of the following at June 30, 2014:

Cash on hand	\$94,451
Deposits with financial institutions	9,441,713
Investments	<u>169,158,549</u>
Total cash and investments	178,694,713
Less cash and investments in agency fund	<u>(1,484,773)</u>
Cash and investments, as reported on the Statement of Net Position	<u><u>\$177,209,940</u></u>

Deposits

Deposits with financial institutions are bank demand deposits. Total bank balances, as shown on bank records at June 30, 2014 are \$10,707,468. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, \$946,047 was covered by federal depository insurance (FDIC), and \$9,761,421 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, 2014

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, 2014, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	\$42,222,045	25.0%
U.S. Government Agency Securities	81,777,107	48.3%
Municipal Securities	10,787,587	6.4%
Corporate Bonds	34,371,810	20.3%
Total investments	\$169,158,549	100.0%

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2014 were: 61% mature within 93 days, 13% mature from 94 days to one year, 26% mature from one to three years, and less than 1% mature greater than three years.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

As of June 30, 2014, 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	\$2,002,054	\$9,833,434
Federal Home Loan Bank	507,413	23,096,827
Federal Home Loan Mortgage Corp.	3,003,873	13,217,351
Federal Financing Corp.	133,920	2,245,843
Federal National Mortgage Association		16,371,672
Federal Agricultural Mortgage Corp		4,759,326
Private Export Funding Corp.	3,027,934	344,628
Tennessee Valley Authority	2,080,906	164,738
Treasury Notes		987,188
Municipal Securities	4,701,670	6,085,917
Corporate Debt	13,720,511	20,651,299
Total	\$29,178,281	\$97,758,223

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 to AAA by Standard and Poor's and/or A1 to Aaa by Moody's. The municipal securities investments are rated AA- to AAA by Standard and Poor's and/or A1 to Aa1 by Moody's.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

B. Receivables, net

Receivables at June 30, 2014, including the applicable allowance for uncollectible accounts, are as follows:

<u>Receivables</u>	Governmental Funds					
	General	Public Works	Public Safety	Health and Social Services	Title III	Nonmajor governmental funds
Property Taxes			\$974,214			\$48,363
Assessments		\$59,043				
Accounts	\$877,568	563,623	894,894	\$1,037,723	\$67	235,021
Notes and Contracts						2,466,285
Interest	373,921	104,891				206,119
Gross Receivables	1,251,489	727,557	1,869,108	1,037,723	67	2,955,788
Less: Allowance for Uncollectibles						(401,500)
Net Receivables, end of year	\$1,251,489	\$727,557	\$1,869,108	\$1,037,723	\$67	\$2,554,288

<u>Receivables (continued)</u>	Enterprise Fund - Salmon Harbor			
	Internal Service Funds	Fiduciary Fund	Total	
Property Taxes		\$9,203,808	\$10,226,385	
Assessments			59,043	
Accounts	\$74,923	\$55,075	3,738,894	
Notes and Contracts			2,466,285	
Interest		20,340	705,271	
Gross Receivables	74,923	55,075	9,224,148	17,195,878
Less: Allowance for Uncollectibles				(401,500)
Net Receivables, end of year	\$74,923	\$55,075	\$9,224,148	\$16,794,378

Discretely Presented Component Unit

The Hospital Facility Authority of Douglas County has a contract receivable that represents an amount loaned by the Authority to the Aspen Foundation for the purchase of a senior residence. Receipts from the repayment of loaned funds are pledged for revenue bond debt service. Annual installments and maturities correspond to Authority revenue bonds at Note 2F. On March 1, 2011 the Trustee under the Indenture of Trust notified the Hospital Authority that an event of default had occurred. On September 1, 2010, payments of principal and interest were due and owing but only the interest payment was made. Interest payments totaling \$125,125 were made in the current fiscal year. As of June 30, 2014, bond principal payments of \$180,000 and interest payments of \$299,376 are delinquent. The amount outstanding at June 30, 2014 is \$1,600,000 for the Aspen Foundation 1997 Series A Bonds.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land and right of way	\$11,877,138	\$16,998		\$11,894,136
Construction in progress	4,790,981	917,774	\$88,541	5,620,214
Total capital assets not being depreciated	16,668,119	934,772	88,541	17,514,350
Capital assets being depreciated:				
Buildings and improvements	41,984,091	1,325,702	25,742	43,284,051
Furniture and equipment	15,675,041	325,248	262,821	15,737,468
Vehicles and heavy equipment	23,613,185	1,475,977	2,051,612	23,037,550
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	344,338,169	13,810,728		358,148,897
Total capital assets being depreciated	453,831,806	16,937,655	2,340,175	468,429,286
Less accumulated depreciation for:				
Buildings and improvements	17,813,806	656,619	16,032	18,454,393
Furniture and equipment	11,202,906	1,237,707	255,940	12,184,673
Vehicles and heavy equipment	17,348,971	723,519	1,185,497	16,886,993
Dam structures and improvements	8,842,680	376,284		9,218,964
Infrastructure	251,489,167	8,897,057		260,386,224
Total accumulated depreciation	306,697,530	11,891,186	1,457,469	317,131,247
Total capital assets being depreciated, net	147,134,276	5,046,469	882,706	151,298,039
Governmental activities capital assets, net	\$163,802,395	\$5,981,241	\$971,247	\$168,812,389
Business-type activities:				
Capital assets not being depreciated:				
Land	\$921,221			\$921,221
Capital assets being depreciated:				
Buildings	9,193,618			9,193,618
Vehicles and heavy equipment	280,537	\$24,000		304,537
Total capital assets being depreciated	9,474,155	24,000	-	9,498,155
Less accumulated depreciation for:				
Buildings	5,092,578	227,889		5,320,467
Vehicles and heavy equipment	205,824	31,769		237,593
Total accumulated depreciation	5,298,402	259,658	-	5,558,060
Total capital assets being depreciated, net	4,175,753	(235,658)	-	3,940,095
Business-type activities capital assets, net	\$5,096,974	(\$235,658)	-	\$4,861,316

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$663,984
Public safety	1,080,571
Highways and streets	8,917,245
Sanitation	414,117
Health and welfare	152,040
Culture and recreation	286,357
Conservation	376,872
Total depreciation expense - governmental activities	\$11,891,186
Business-type activities:	
Salmon Harbor	\$259,658
Total depreciation expense - business-type activities	\$259,658

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Funds</u>	Due from Other Funds	Due to Other Funds	Interfund Loan Receivable	Interfund Loan Payable	Transfers In	Transfers Out
<u>Governmental Funds:</u>						
General Fund	\$2,408,306	\$89,344			\$1,717,974	\$1,718,546
Public Works Fund	12,829	1,208,424			290,608	5,222,115
Public Safety Fund	115,622	393,319			4,955,551	25,933
Health & Social Services Fund	15,706	404,606			1,374,479	897,723
Title III Fund		25,000				535,795
Nonmajor governmental funds	1,060	447,015	\$2,361,529		135,000	73,500
	2,553,523	2,567,708	2,361,529	-	8,473,612	8,473,612
<u>Proprietary Funds:</u>						
Salmon Harbor Fund	478	69,210		\$2,361,529		
Internal service funds	311,584	228,667				
	312,062	297,877	-	2,361,529	-	-
	\$2,865,585	\$2,865,585	\$2,361,529	\$2,361,529	\$8,473,612	\$8,473,612

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

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

Interfund Loan Receivable/Payable is the result of a loan from the County Forest Management Fund to the Salmon Harbor Fund for capital asset acquisition. The funds are budgeted to be repaid by the end of the 2015 fiscal year.

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

E. Unearned Revenue

A detail of revenue that has been received but not yet earned at June 30, 2014 is as follows:

	General	Public Safety	Health & Social Services	Title III	Total
Unearned:					
Fees and rents		\$32,777			\$32,777
Grant revenues			\$10,500	\$6,513,721	6,524,221
Payment in lieu of taxes	\$604,935				604,935
Total unearned revenue	\$604,935	\$32,777	\$10,500	\$6,513,721	\$7,161,933

F. Long-term Liabilities

Primary Government
Notes Payable

Description	Maturity Date	Interest Rates	Original	Balance June 30	
			Loan	2013	2014
OECD	Dec. 1, 2013	5.19%	\$264,000	\$20,465	-
OECD - Green Sanitary	Dec. 1, 2031	5%	225,000	215,000	\$207,695
Tri-City Water & Sanitary	Dec. 1, 2024	5.25%-5.63%	756,703	486,188	456,241
City of Sutherlin	Dec. 1, 2025	3.11%	477,000	438,000	399,000
City of Reedsport	Dec. 1, 2023	3.00%-4.63%	152,319	97,441	91,157
			<u>\$1,875,022</u>	<u>\$1,257,094</u>	<u>\$1,154,093</u>

Notes Payable to cities in Douglas County and to the Oregon Economic & Community Development Department (OECD) 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, 2014

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

Year end June 30	Governmental Activities	
	Principal	Interest
2015	\$83,223	\$50,087
2016	91,446	47,067
2017	95,208	43,607
2018	93,010	40,099
2019	96,855	36,278
2020-2024	487,165	116,240
2025-2029	164,995	25,787
2030-2032	42,191	3,897
	\$1,154,093	\$363,062

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 \$14,780,000 shown as landfill closure and postclosure care liability at June 30, 2014, represents a portion of the total closure and postclosure cost based on the use of approximately 68 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents an increase of \$425,000 from the amount of \$14,355,000, which was recorded as the landfill closure and postclosure liability at June 30, 2013. The estimated remaining life of the Roseburg landfill is approximately 11 years. The County will recognize the remaining estimated cost of closure and postclosure care of \$5,684,700 as the remaining estimated capacity of the Roseburg location is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Financial Assurance: The County is required by state and federal regulations to provide assurance of its ability to finance closure and postclosure care costs. Currently, the County demonstrates financial assurance in connection with the estimated closure and postclosure care activities of the landfills using the local government financial assurance test described in Title 40 of the Code of Federal Regulations 258.74 and Oregon Administrative Rule 340-094-0145. As of June 30, 2014 the County assured total closure and postclosure care costs of \$20,464,700.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

Discretely Presented Component Unit

Revenue Bonds

The Hospital Facility Authority of Douglas County, a component unit of Douglas County, issues bonds where income derived from the repayment of loaned funds is pledged to pay debt service. The 1997 Issue Series A Semiannual Tender Revenue Bonds, with an annual rate of 7.5%, due through fiscal 2028 has an outstanding balance of \$1,600,000 as of June 30, 2014. Debt service principal and interest requirements to maturity are as follows:

Year end June 30	Principal	Interest
In default*	\$180,000	\$299,376
2015	55,000	104,438
2016	60,000	100,125
2017	60,000	95,625
2018	65,000	90,938
2019-2023	415,000	369,562
2024-2028	765,000	174,187
	\$1,600,000	\$1,234,251

*Default under the indenture occurred when the borrower (Aspen Foundation) failed to make the semi-annual principal payment due on September 1, 2010. Semi-annual interest payments have not been made since September 1, 2010; however, lump sum interest payments of \$105,125 and \$20,000 were made on September 1, 2013 and March 3, 2014, respectively. As of June 30, 2014, principal payments of \$180,000 and interest payments of \$299,376 are delinquent.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Notes payable	\$1,257,094		\$103,001	\$1,154,093	\$83,223
Compensated absences	2,164,470	\$1,863,792	2,164,470	1,863,792	589,574
Accrued claims	1,250,000	945,515	445,515	1,750,000	600,000
Net OPEB obligation	1,881,361	205,814		2,087,175	
Landfill closure and postclosure costs	14,355,000	425,000		14,780,000	50,000
Total	<u>\$20,907,925</u>	<u>\$3,440,121</u>	<u>\$2,712,986</u>	<u>\$21,635,060</u>	<u>\$1,322,797</u>

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

Compensated absences are liabilities of the funds in which the related payroll costs accrued. Expenditures for liquidating compensated absences are recorded in the general, special revenue, enterprise and internal service funds. At June 30, 2014, \$43,481 of internal service funds compensated absences is included in governmental activities; and \$22,599 is recorded in the business-type activity fund of Salmon Harbor. The net OPEB obligation including that in the internal service funds is part of governmental activities. Any payments related to landfill closure and post-closure care costs are recorded in the General Fund. The accrued claims liability is an internal service fund obligation.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

G. Fund Balance Components in the Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2014:

	Major Funds					Nonmajor Governmental Funds
	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	
FUND BALANCES						
Nonspendable:						
Inventories, deposits and prepays	\$62,153	\$1,764,481	\$8,234	\$29,145		\$8,770
Restricted for:						
Federal Secure Rural Schools						
Title II and Title III programs	40,566		15,640		\$2,942,988	
Law enforcement activities			563,710			
Highways, streets and bridges		73,220,251				
Health and welfare				4,325,220		
District Attorney grant programs	108,784					
Children and family programs	1,149					
Library purposes	291,614					
County Clerk recording purposes	84,173					
Surveyor corner preservation	22,018					
4-H extension service activities						528,627
County schools						25,516
Juvenile programs	164,898					
Public use law library						
Kanipe Park activities	53,637					
Fairgrounds infrastructure						
County fairs						29,465
	766,839	73,220,251	579,350	4,325,220	2,942,988	583,608
Committed to:						
Health and welfare				129,003		
Law enforcement activities			1,033,318			
Communication services			218,801			
Radio system			63,523			
Economic development						4,662,252
Land and forest management						6,942,791
Preservation of fish habitat						10,386
Dog control - spay and neuter	1,042					
Water impound purposes						1,947,758
	1,042	-	1,315,642	129,003	-	13,563,187
Assigned to:						
FY15 budget appropriations	17,714,490					
Animal control operations	23,687					
Law Library purposes	10,302					
Capital improvement purposes						2,360,136
	17,748,479	-	-	-	-	2,360,136
Unassigned, reported in:						
General Fund	43,099,420					
Total	\$61,677,933	\$74,984,732	\$1,903,226	\$4,483,368	\$2,942,988	\$16,515,701

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2014

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 \$633,300 per claimant and \$1,266,700 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 \$112,533. The estimated unpaid loss liability including IBNR at June 30, 2014, 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 \$332,982. Total estimated unpaid loss liability at June 30, 2014, including IBNR, is \$750,000.

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

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

<u>Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2013-14	\$1,250,000	\$945,515	\$445,515	\$1,750,000
2012-13	\$1,250,000	\$343,791	\$343,791	\$1,250,000

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

B. Commitments and Contingencies

The County has commitments under various contracts entered into during the normal course of its operations of approximately \$5,255,596 at June 30, 2014. The approximate commitments by fund are as follows:

General Fund	\$868,350
Public Works Fund	1,055,475
Public Safety Fund	1,418,552
Health and Social Services Fund	883,809
County Fair Board Fund	336,438
Capital Projects Fund	278,397
Salmon Harbor Fund	23,842
All other funds	390,733
	<u>\$5,255,596</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/Funding Policies

The County is a participating employer in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multi-employer defined benefit public employee pension plan, and maintains a defined contribution plan for the purpose of individual retirement savings through OPERS. OPERS are administered under Oregon Revised Statutes Chapter 238 by the Public Employees Retirement Board (PERB). County employees are eligible to participate in OPERS after six months of employment and benefits vest after five continuous years of service or at age 50.

OPERS, a component unit of the State of Oregon, issue a comprehensive annual financial report that can be obtained by writing Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

County employees participate in one or more of the OPERS retirement plans that provide pension, death, disability, and post-employment healthcare benefits to members or their beneficiaries.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

Public Employee Retirement System (PERS) is an agent multiple-employer defined benefit pension plan provided to members who were hired prior to August 20, 2003. In 1995, the Oregon legislature enacted a second level or “tier” of PERS benefits for persons who established PERS membership on or after January 1, 1996. These Tier Two members do not have the Tier One assumed earnings rate guarantee, and have a higher normal retirement age of 60, compared to 58 for Tier One. Employer contributions to PERS are required by state statute and are made at actuarially determined rates as adopted by the PERB. The County’s PERS rate July 1, 2013 through June 30, 2014 was 22.36% in accordance with the December 31, 2011 valuation as reduced by Senate Bill 822. This rate includes an 18.09% factor for the Tier One/Tier Two unfunded actuarial liability (UAL). Senate Bill 822 enacted in May 2013 reduced the UAL by 4.4% to 13.69% beginning July 1, 2013, compared to the rates originally calculated in the December 31, 2011 actuarial valuation.

Oregon Public Service Retirement Plan (OPSRP) is a cost-sharing multiple-employer defined benefit and defined contribution pension plan created by the Oregon legislature in 2003 as a successor plan for PERS.

- The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The contribution rates for the period July 1, 2013 through June 30, 2014, for the OPSRP defined benefit pension plan were 19.96% for general service employees and 22.69% for police and fire employees. These rates also include a 13.69% factor for the Tier One/Tier Two UAL.
- The Individual Account Program (IAP) is a defined contribution pension plan provided to all members or their beneficiaries who are PERS or OPSRP eligible. Oregon statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Douglas County has elected to pay all of the employees’ required IAP contributions. PERS members retain their existing PERS accounts; however, member contributions have been deposited in the member’s IAP since the beginning of 2004 rather than into the member’s PERS account.

Annual Pension Cost

For June 30, 2014, the County’s annual pension cost of \$8,515,966 was equal to the County’s required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age cost method. The actuarial assumptions included are: (a) rate of inflation 2.75%, (b) 7.75% rate of return on investment of present and future assets, and (c) projected wage growth, excluding seniority/merit raises, of 3.75% per year. The actuarial value of OPERS assets is reported at fair market value. The unfunded actuarial liability is being amortized over a closed period of twenty years.

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2014

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$7,987,952	100%	0
June 30, 2013	7,864,575	100	0
June 30, 2014	8,515,966	100	0

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 88 percent funded. The actuarial accrued liability was \$306,548,858, and the actuarial value of the assets was \$270,412,262, resulting in an unfunded actuarial accrued liability (UAAL) of \$36,136,596. The covered payroll (annual payroll of active employees covered by the plan) was \$30,015,440 and the ratio of the UAAL to the covered payroll was 120%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) on page 47, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. Postemployment Health Care Benefits

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

Plan Description

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

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2014

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.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC) determined by an actuary. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The County's OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013-14	\$517,672	60%	\$2,087,175
2012-13	499,521	57%	1,881,361
2011-12	936,789	43%	1,666,895

The annual required contribution and the change in the OPEB obligation for fiscal year 2014 are as follows:

	FY2014
Annual required contribution (ARC)	\$509,611
Interest on net OPEB obligation	75,254
Amortization adjustment to ARC	(67,193)
Annual OPEB cost	517,672
Contributions made (implicit rate subsidy)	(311,858)
Change in net OPEB obligation	205,814
Net OPEB obligation, beginning of year	1,881,361
Net OPEB obligation, end of year	\$2,087,175

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarially accrued liability was \$5,154,302, 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 \$33,065,963 and the ratio of the unfunded actuarially accrued liability (UAAL) to covered payroll was 16%.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2014

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, 2012 actuarial valuation, the actuary used the projected unit credit actuarial cost method. Actuarial assumptions, included a discount rate of 4%, general inflation rate of 3%, projected salary increases of 3.5% per year, and a healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 18 years. The UAAL is being amortized over an open period of 30 years as a level percentage of projected payrolls.