

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$140,340,727	\$7,681,985	\$148,022,712
Receivables, net	8,245,021	626,060	8,871,081
Internal balances	531,619	(531,619)	
Inventories	2,164,569	43,315	2,207,884
Deposits and prepaid items	553,447	2,146	555,593
Capital assets (net of accumulated depreciation):			
Land and right of way	14,067,126	2,220,651	16,287,777
Buildings and improvements	22,712,603	3,157,081	25,869,684
Furniture and equipment	1,231,223	13,397	1,244,620
Vehicles and heavy equipment	5,168,764	2,049,856	7,218,620
Dams	17,497,218		17,497,218
Infrastructure	81,844,738	2,061,982	83,906,720
Construction in progress	5,597,716		5,597,716
Total assets	299,954,771	17,324,854	317,279,625
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	22,219,930	1,152,871	23,372,801
LIABILITIES			
Accounts payable and other current liabilities	3,896,741	236,915	4,133,656
Unearned revenues	9,183,926		9,183,926
Noncurrent liabilities:			
Due within one year	1,662,632		1,662,632
Due in more than one year	91,253,491	16,327,326	107,580,817
Total liabilities	105,996,790	16,564,241	122,561,031
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	1,481,469	64,950	1,546,419
NET POSITION			
Net Investment in capital assets	148,119,388	9,502,967	157,622,355
Restricted for:			
Highways and streets	48,094,106		48,094,106
Health and social services	196,497		196,497
Title II and III	2,297,021		2,297,021
4-H Extension Service District	290,142		290,142
Public Safety	171,068		171,068
Building and electrical purposes	1,076,901		1,076,901
Parks maintenance and improvements	455,211		455,211
District Attorney grant programs	172,831		172,831
County Clerk recordings	116,816		116,816
County fair purposes	68,352		68,352
Transportation activities	386,679		386,679
Predatory animal activities	308		308
Juvenile programs	984,628		984,628
Surveyor corner preservation	155,029		155,029
County schools programs	30,345		30,345
Unrestricted (deficit)	12,081,120	(7,654,433)	4,426,687
Total net position	\$214,696,442	\$1,848,534	\$216,544,976

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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	\$30,159,830	\$10,405,482	\$4,186,122	\$1,650,000	(\$13,918,226)		(\$13,918,226)
Public safety	28,416,390	4,472,432	6,178,422	\$32,769	(17,732,767)		(17,732,767)
Highways and streets	21,322,263	217,540	14,575,048	5,033,479	(1,496,196)		(1,496,196)
Health and welfare	4,978,995	70,107	4,342,674		(566,214)		(566,214)
Culture and recreation	5,240,325	3,781,785	507,156	2,047,313	1,095,929		1,095,929
Conservation	1,316,863	891,165	23,856		(401,842)		(401,842)
Education	1,974,108	244	1,916,464		(57,400)		(57,400)
Interest on long-term debt	8,116				(8,116)		(8,116)
Total governmental activities	93,416,890	19,838,755	31,729,742	8,763,561	(33,084,832)	-	(33,084,832)
Business-type Activities:							
Boat marina/RV park	2,350,490	2,045,701	297,017			(\$7,772)	(7,772)
Solid waste/landfill	4,837,611	7,441,527	36,319			2,640,235	2,640,235
Total business-type activities	7,188,101	9,487,228	333,336	-	-	2,632,463	2,632,463
Total primary government	\$100,604,991	\$29,325,983	\$32,063,078	\$8,763,561	(33,084,832)	2,632,463	(\$30,452,369)
General revenues:							
Property taxes					10,366,312		10,366,312
Grants and contributions not restricted to specific purposes					10,987,939		10,987,939
Unrestricted investment earnings					1,229,633	101,196	1,330,829
Interfund Loan Write-off						2,361,529	2,361,529
Gain on sale of assets					2,610		2,610
Transfers					288,000	(288,000)	
Total general revenues					22,874,494	2,174,725	25,049,219
Change in net position					(10,210,338)	4,807,188	(5,403,150)
Net position - beginning					226,612,851	(2,958,654)	223,654,197
Prior period adjustment					(1,706,071)		(1,706,071)
Net position - beginning as restated					224,906,780	(2,958,654)	221,948,126
Net position - ending					\$214,696,442	\$1,848,534	\$216,544,976

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$54,465,519	\$47,736,457	\$2,512,672	\$8,696,298	\$16,682,699	\$130,093,645
Receivables, net	3,137,114	1,377,981	1,955,855		1,768,057	8,239,007
Due from other funds	1,232,646	1,195	29,763		12,908	1,276,512
Inventories		1,819,992				1,819,992
Deposits and prepaid items	285,637	20,818	188,751		53,658	548,864
Total assets	<u>\$59,120,916</u>	<u>\$50,956,443</u>	<u>\$4,687,041</u>	<u>\$8,696,298</u>	<u>\$18,517,322</u>	<u>\$141,978,020</u>
LIABILITIES						
Accounts payable	\$1,357,291	\$96,307	\$7,354		\$416,753	\$1,877,705
Accrued payroll, withholdings and benefits	629,938	147,043	551,367		85,344	1,413,692
Deposits payable	22,983		21,072		6,285	50,340
Due to other funds	36,119	544,107	345,501		174,905	1,100,632
Due to other government units	69,038	542				69,580
Unearned revenue	2,629,963		58,110	\$6,481,153	14,700	9,183,926
Total liabilities	<u>4,745,332</u>	<u>787,999</u>	<u>983,404</u>	<u>6,481,153</u>	<u>697,987</u>	<u>13,695,875</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - special assessments		14,263				14,263
Unavailable revenue - land sales contract	808,333					808,333
Unavailable revenue - property taxes			911,788		46,492	958,280
Total deferred inflows of resources	<u>808,333</u>	<u>14,263</u>	<u>911,788</u>	<u>-</u>	<u>46,492</u>	<u>1,780,876</u>
FUND BALANCES						
Nonspendable	285,637	1,840,810	188,751		53,658	2,368,856
Restricted	3,429,971	48,313,371	171,068	2,215,145	585,644	54,715,199
Committed	2,227		2,432,030		13,016,088	15,450,345
Assigned	6,144,461				4,117,453	10,261,914
Unassigned	43,704,955					43,704,955
Total fund balances	<u>53,567,251</u>	<u>50,154,181</u>	<u>2,791,849</u>	<u>2,215,145</u>	<u>17,772,843</u>	<u>126,501,269</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$59,120,916</u>	<u>\$50,956,443</u>	<u>\$4,687,041</u>	<u>\$8,696,298</u>	<u>\$18,517,322</u>	<u>\$141,978,020</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2018

Fund Balances - Governmental Funds \$126,501,269

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	\$14,067,126	
Buildings and improvements	40,483,147	
Furniture and equipment	14,007,296	
Vehicles and heavy equipment	14,539,717	
Dams	28,221,320	
Infrastructure	359,951,500	
Construction in progress	<u>5,597,716</u>	
	476,867,822	
Less accumulated depreciation	<u>(329,730,620)</u>	147,137,202

Deferred Outflows of Resources related to pensions 22,219,930

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

Notes payable	(240,000)	
Accrued compensated absences	(1,958,858)	
Net Pension liability	(82,726,820)	
Net OPEB obligation	<u>(4,609,358)</u>	(89,535,036)

Deferred Inflows of Resources:

Amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds.		1,780,876
Related to pensions		(1,481,469)

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.

8,073,670

Net Position of Governmental Activities

\$214,696,442

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, 2018

	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Charges for services	\$9,437,973	\$161,152	\$2,163,889		\$2,110,148	\$13,873,162
Permits, licenses and fines	1,070,382	712	432,687			1,503,781
Intergovernmental	15,994,035	15,092,236	5,577,650	\$1,387,166	7,305,719	45,356,806
Property taxes			9,881,642		499,615	10,381,257
Assessments		4,741				4,741
Interest	246,981	365,428	61,140	134,299	267,908	1,075,756
Other	751,054	46,194	317,714		2,954,513	4,069,475
Total revenues	27,500,425	15,670,463	18,434,722	1,521,465	13,137,903	76,264,978
Expenditures:						
Current:						
General Government	17,899,634			1,489,699	4,640,429	24,029,762
Public Safety	3,145,569		22,698,585			25,844,154
Highways and Streets		10,730,503				10,730,503
Health and Welfare	1,177,592				3,717,719	4,895,311
Culture and Recreation	2,074,449				2,571,077	4,645,526
Conservation					865,342	865,342
Education					1,974,108	1,974,108
Capital outlay	1,539,894	5,740,707	147,901		3,054,080	10,482,582
Debt service:						
Principal					39,000	39,000
Interest					8,116	8,116
Total expenditures	25,837,138	16,471,210	22,846,486	1,489,699	16,869,871	83,514,404
Excess (deficiency) of revenues over (under) expenditures	1,663,287	(800,747)	(4,411,764)	31,766	(3,731,968)	(7,249,426)
Other financing sources (uses):						
Transfers in	1,489,685	528,017	4,821,541		969,943	7,809,186
Transfers out	(909,943)	(5,625,507)		(702,042)	(283,694)	(7,521,186)
Total other financing sources (uses)	579,742	(5,097,490)	4,821,541	(702,042)	686,249	288,000
Net change in fund balances	2,243,029	(5,898,237)	409,777	(670,276)	(3,045,719)	(6,961,426)
Fund balances, beginning	51,324,222	55,549,898	2,382,072	2,885,421	20,818,562	132,960,175
Change in reserve for inventories		502,520				502,520
Fund balances, ending	\$53,567,251	\$50,154,181	\$2,791,849	\$2,215,145	\$17,772,843	\$126,501,269

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, 2018

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

Net change in fund balances - Governmental Funds	(\$6,961,426)
<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	\$4,983,895
Less current year depreciation	<u>(7,792,497)</u>
	(2,808,602)
<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>	
	6,124,436
<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>	
	(3,076,773)
<p>Governmental funds reported the increase in the Public Works inventory as a change in fund balance; however, in the statement of activities the change is included in expenses.</p>	
	502,520
<p>Revenues in the statement of activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.</p>	
	(128,020)
<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>	
	(267,320)
<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>	
	(3,952,215)
<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>357,062</u>
Change in net position - governmental activities	<u><u>(\$10,210,338)</u></u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
ASSETS				
Current assets:				
Cash and investments	\$1,901,904	\$5,780,081	\$7,681,985	\$10,247,082
Receivables	107,725	518,335	626,060	6,014
Due from other funds		847	847	288,715
Inventories	43,315		43,315	344,577
Deposits and prepaids	1,638	508	2,146	4,583
Total current assets	<u>2,054,582</u>	<u>6,299,771</u>	<u>8,354,353</u>	<u>10,890,971</u>
Capital assets:				
Land	921,221	1,299,430	2,220,651	
Buildings and improvements	9,391,058		9,391,058	
Furniture and equipment	92,468	343,339	435,807	211,036
Vehicles and heavy equipment	352,751	5,874,779	6,227,530	4,109,059
Infrastructure		10,655,357	10,655,357	
Less accumulated depreciation	<u>(6,563,659)</u>	<u>(12,863,777)</u>	<u>(19,427,436)</u>	<u>(3,337,909)</u>
Total capital assets (net of accumulated depreciation)	<u>4,193,839</u>	<u>5,309,128</u>	<u>9,502,967</u>	<u>982,186</u>
Total assets	<u>6,248,421</u>	<u>11,608,899</u>	<u>17,857,320</u>	<u>11,873,157</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pension	<u>178,719</u>	<u>974,152</u>	<u>1,152,871</u>	
LIABILITIES				
Current liabilities:				
Accounts payable	4,124	8,285	12,409	270
Accrued payroll, withholdings and benefits	27,778	64,411	92,189	485,154
Deposit payable		3,037	3,037	
Accrued compensated absences	25,191	104,089	129,280	31,087
Accrued claims liability				1,023,649
Due to other funds	<u>95,105</u>	<u>229,577</u>	<u>324,682</u>	<u>140,760</u>
Total current liabilities	152,198	409,399	561,597	1,680,920
Noncurrent liabilities:				
Accrued claims liability				2,326,351
Net Pension liability	363,972	3,626,854	3,990,826	
Landfill closure/postclosure liability		12,336,500	12,336,500	
Total liabilities	<u>516,170</u>	<u>16,372,753</u>	<u>16,888,923</u>	<u>4,007,271</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension		<u>64,950</u>	<u>64,950</u>	
NET POSITION				
Invested in capital assets	4,193,839	5,309,128	9,502,967	982,186
Unrestricted (deficit)	<u>1,717,131</u>	<u>(9,163,780)</u>	<u>(7,446,649)</u>	<u>6,883,700</u>
Total net position	5,910,970	(3,854,652)	2,056,318	<u>7,865,886</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(145,246)</u>	<u>(62,538)</u>	<u>(207,784)</u>	
Net position of business-type activities	<u>\$5,765,724</u>	<u>(\$3,917,190)</u>	<u>\$1,848,534</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, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Salmon Harbor	Solid Waste	Total	
Operating revenues:				
Charges for services	\$1,655,229	\$7,442,569	\$9,097,798	\$12,641,885
Other	390,472	(1,042)	389,430	500,671
Total operating revenues	<u>2,045,701</u>	<u>7,441,527</u>	<u>9,487,228</u>	<u>13,142,556</u>
Operating expenses:				
Salaries and wages	569,006	1,280,128	1,849,134	753,873
Payroll taxes and benefits	351,020	1,148,144	1,499,164	312,020
Operating supplies and expenses	625,606	2,196,207	2,821,813	9,811,179
Landfill closure/postclosure		(467,883)	(467,883)	
Utilities	350,420	40,336	390,756	60,046
Administrative expenses	180,416	199,651	380,067	1,659,099
Depreciation	267,371	413,648	681,019	375,969
Total operating expenses	<u>2,343,839</u>	<u>4,810,231</u>	<u>7,154,070</u>	<u>12,972,186</u>
Operating income (loss)	<u>(298,138)</u>	<u>2,631,296</u>	<u>2,333,158</u>	<u>170,370</u>
Nonoperating revenues and expenses:				
Intergovernmental	297,017	36,319	333,336	
Interest income	28,699	72,497	101,196	153,877
Gain (loss) on disposal of capital assets		(3,826)	(3,826)	2,610
Total nonoperating revenues and expenses	<u>325,716</u>	<u>104,990</u>	<u>430,706</u>	<u>156,487</u>
Interfund loan write off	2,361,529		2,361,529	
Transfers out	(117,000)	(171,000)	(288,000)	
Change in net position	2,272,107	2,565,286	4,837,393	326,857
Total net position-beginning	<u>3,638,863</u>	<u>(6,419,938)</u>	<u>(2,781,075)</u>	<u>7,539,029</u>
Total net position-ending	<u>\$5,910,970</u>	<u>(\$3,854,652)</u>	<u>\$2,056,318</u>	<u>\$7,865,886</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(6,651)</u>	<u>(23,554)</u>	<u>(30,205)</u>	
Change in net position of business-type activities	<u>\$2,265,456</u>	<u>\$2,541,732</u>	<u>\$4,807,188</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, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Salmon Harbor	Solid Waste	Total	Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$2,038,337	\$7,622,133	\$9,660,470	
Receipts from interfund services provided				\$13,036,322
Payments to suppliers and contractors	(1,143,401)	(2,547,875)	(3,691,276)	(10,940,598)
Payments to employees	(906,668)	(2,167,732)	(3,074,400)	(1,084,922)
Other operating receipts				80,968
Net cash provided by (used in) operating activities	<u>(11,732)</u>	<u>2,906,526</u>	<u>2,894,794</u>	<u>1,091,770</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	(117,000)	(171,000)	(288,000)	
Operating grants from other governmental entities	297,017	36,319	333,336	
Net cash provided by (used in) noncapital financing activities	<u>180,017</u>	<u>(134,681)</u>	<u>45,336</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets				2,610
Acquisition of capital assets	(47,956)	(103,770)	(151,726)	(374,911)
Net cash provided by (used in) capital and related financing activities	<u>(47,956)</u>	<u>(103,770)</u>	<u>(151,726)</u>	<u>(372,301)</u>
Cash flows from investing activities:				
Interest received	28,699	72,497	101,196	153,877
Net increase (decrease) in cash and cash equivalents	149,028	2,740,572	2,889,600	873,346
Cash and cash equivalents, beginning	1,752,876	3,039,509	4,792,385	9,373,736
Cash and cash equivalents, ending	<u>\$1,901,904</u>	<u>\$5,780,081</u>	<u>\$7,681,985</u>	<u>\$10,247,082</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(\$298,138)	\$2,631,296	\$2,333,158	\$170,370
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	267,371	413,648	681,019	375,969
(Increase) decrease in:				
Accounts receivable	(7,364)	180,606	173,242	3,512
Prepaid expenses and deposits	(296)	(508)	(804)	573,349
Inventories	(19,246)		(19,246)	(71,471)
Interfund receivables		2,995	2,995	(28,778)
Deferred outflows of resources related to pension	62,807	506,239	569,046	
Increase (decrease) in:				
Accounts payable	961	(116,792)	(115,831)	270
Deposits		1,337	1,337	
Accrued payroll, withholdings and benefits	1,034	29,649	30,683	6,495
Accrued compensated absences	(1,293)	(5,549)	(6,842)	(25,524)
Interfund payables	31,622	40,604	72,226	87,578
Net pension liability	(49,190)	(160,219)	(209,409)	
Landfill closure/postclosure liability		(507,200)	(507,200)	
Deferred inflows of resources related to pension		(109,580)	(109,580)	
Total adjustments	<u>286,406</u>	<u>275,230</u>	<u>561,636</u>	<u>921,400</u>
Net cash provided by (used in) operating activities	<u>(\$11,732)</u>	<u>\$2,906,526</u>	<u>\$2,894,794</u>	<u>\$1,091,770</u>
Noncash investing, capital and financing activities:				
Interfund loan write off	\$2,361,529		\$2,361,529	
Book value of capital assets disposed		\$3,826	\$3,826	

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2018

ASSETS

Cash and investments:

Equity in pooled cash and investments	\$1,470,777
Property taxes receivable	9,218,080
Accrued interest receivable	<u>78,187</u>

Total assets	<u><u>\$10,767,044</u></u>
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LIABILITIES

Due to other governmental units	<u>\$10,767,044</u>
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Total liabilities	<u><u>\$10,767,044</u></u>
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The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Component Units

The County reports the following component unit:

Blended Component Unit

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

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

B. Government-wide and Fund Financial Statements

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

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Salmon Harbor Fund, Solid Waste Fund and the County's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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 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.

D. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The County implemented GASB Statement No. 75 in the year ending June 30, 2018. Additional information can be found in Note 4D – Postemployment Healthcare Benefits and in Note 5 – Prior Period Adjustment. The Retiree Health Insurance Account (RHIA), as required as part of the implementation, is immaterial to the County and therefore has not been excluded.

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

1. *Deposits and Investments*

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

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

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

2. *Receivables and Payables*

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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 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*

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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.

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 2018.

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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.

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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.

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.

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2018

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, 2018.

3. Detailed Notes on all Funds

A. Cash and Investments

The County's cash and investments are comprised of the following at June 30, 2018:

Cash on hand	\$134,763
Deposits with financial institutions	4,811,654
Investments	<u>144,547,072</u>
Total cash and investments	149,493,489
Less cash and investments in agency fund	<u>(1,470,777)</u>
Cash and investments, as reported on the Statement of Net Position	<u><u>\$148,022,712</u></u>

Deposits

Deposits with financial institutions are bank demand deposits. Total bank balances, as shown on bank records at June 30, 2018 are \$7,938,772. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, \$1,433,941 was covered by federal depository insurance (FDIC), and \$6,504,831 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, 2018

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, 2018, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	\$34,197,982	23.7%
U.S. Government Agency Securities	54,266,749	37.5%
Municipal Securities	7,804,114	5.4%
Corporate Bonds	48,278,227	33.4%
Total investments	\$144,547,072	100.0%

The fair value was measured at the end of the reporting period, June 30, 2018.

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, 2018 were: 61% mature within 93 days, 20% mature from 94 days to one year, 19% mature from one to three years.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

As of June 30, 2018, 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	\$2,503,774	\$4,883,946
Federal Home Loan Bank	\$4,694,113	3,447,123
Federal Home Loan Mortgage Corp.	692,879	11,700,157
Federal Financing Corp.	1,587,538	
Federal National Mortgage Association	6,408,602	6,562,622
Federal Agricultural Mortgage Corp	3,791,877	983,621
Private Export Funding Corp.	1,499,978	1,528,069
Tennessee Valley Authority	999,020	
Treasury Notes	1,990,813	992,617
Municipal Securities	2,745,148	5,058,966
Corporate Debt	7,309,559	40,968,668
Total	\$34,223,301	\$76,125,789

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 AA- by Standard and Poor's and Aa3 by Moody's. The municipal securities investments are rated Aa1 by Moody's and AA+ by Standard and Poor's.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

B. Receivables, net

Receivables at June 30, 2018, 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			\$977,953	\$49,687	\$1,027,640
Assessments		\$14,263			\$14,263
Accounts	\$1,784,843	1,363,718	977,902	548,893	4,675,356
Notes and Contracts	808,333			1,281,936	2,090,269
Interest	543,938			289,041	832,979
Gross Receivables	3,137,114	1,377,981	1,955,855	2,169,557	8,640,507
Less: Allowance for Uncollectibles				(401,500)	(401,500)
Net Receivables, end of year	\$3,137,114	\$1,377,981	\$1,955,855	\$1,768,057	\$8,239,007

<u>Receivables (continued)</u>	Internal Service Funds	Enterprise Funds	Fiduciary Fund	Total
Property Taxes			\$9,218,080	\$10,245,720
Assessments				14,263
Accounts	\$6,014	\$626,060		5,307,430
Notes and Contracts				2,090,269
Interest			\$78,187	911,166
Gross Receivables	6,014	626,060	9,296,267	18,568,848
Less: Allowance for Uncollectibles				(401,500)
Net Receivables, end of year	\$6,014	\$626,060	\$9,296,267	\$18,167,348

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

C. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land and right of way	\$10,908,660	\$3,418,191	\$259,725	\$14,067,126
Construction in progress	5,577,655	\$575,034	\$554,973	5,597,716
Total capital assets not being depreciated	16,486,315	3,993,225	814,698	19,664,842
Capital assets being depreciated:				
Buildings and improvements	43,158,244	962,469	3,637,566	40,483,147
Furniture and equipment	14,099,936	470,386	351,990	14,218,332
Vehicles and heavy equipment	17,519,138	1,473,886	344,248	18,648,776
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	355,780,173	5,138,249	966,922	359,951,500
Total capital assets being depreciated	458,778,811	8,044,990	5,300,726	461,523,075
Less accumulated depreciation for:				
Buildings and improvements	18,464,297	658,754	1,352,507	17,770,544
Furniture and equipment	12,938,756	351,680	303,327	12,987,109
Vehicles and heavy equipment	13,201,547	571,247	292,782	13,480,012
Dam structures and improvements	10,347,817	376,285		10,724,102
Infrastructure	272,431,324	6,210,500	535,062	278,106,762
Total accumulated depreciation	327,383,741	8,168,466	2,483,678	333,068,529
Total capital assets being depreciated, net	131,395,070	(123,476)	2,817,048	128,454,546
Governmental activities capital assets, net	\$147,881,385	\$3,869,749	\$3,631,746	\$148,119,388
Business-type activities:				
Capital assets not being depreciated:				
Land	\$2,220,651			\$2,220,651
Total capital assets not being depreciated	2,220,651			2,220,651
Capital assets being depreciated:				
Buildings	9,391,058			9,391,058
Furniture and equipment	435,807			435,807
Vehicles and heavy equipment	6,094,934	151,726	19,130	6,227,530
Infrastructure	10,655,357			10,655,357
Total capital assets being depreciated	26,577,156	151,726	19,130	26,709,752
Less accumulated depreciation for:				
Buildings	5,999,898	234,079		6,233,977
Furniture and equipment	416,036	6,374		422,410
Vehicles and heavy equipment	4,010,160	182,818	15,304	4,177,674
Infrastructure	8,335,627	257,748		8,593,375
Total accumulated depreciation	18,761,721	681,019	15,304	19,427,436
Total capital assets being depreciated, net	7,815,435	(529,293)	3,826	7,282,316
Business-type activities capital assets, net	\$10,036,086	(\$529,293)	\$3,826	\$9,502,967

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$787,007
Public safety	314,066
Highways and streets	6,318,019
Health and welfare	4,105
Culture and recreation	364,898
Conservation	380,371
Total depreciation expense - governmental activities	\$8,168,466
Business-type activities:	
Salmon Harbor	\$267,371
Solid Waste	413,648
Total depreciation expense - business-type activities	\$681,019

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2018 is as follows:

Funds	Due from Other Funds	Due to Other Funds	Transfers In	Transfers Out
<u>Governmental Funds:</u>				
General Fund	\$1,232,646	\$36,119	\$1,489,685	\$909,943
Public Works Fund	1,195	544,107	528,017	5,625,507
Public Safety Fund	29,763	345,501	4,821,541	
Title III Fund				702,042
Nonmajor governmental funds	12,908	174,905	969,943	283,694
	1,276,512	1,100,632	7,809,186	7,521,186
<u>Proprietary Funds:</u>				
Salmon Harbor Fund		95,105		117,000
Solid Waste Fund	847	229,577		171,000
Internal service funds	288,715	140,760		
	289,562	465,442	-	288,000
	\$1,566,074	\$1,566,074	\$7,809,186	\$7,809,186

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2018

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, 2018 is as follows:

	General	Public Works	Public Safety	Title III	Other Gov't Funds	Total
Unearned:						
Fees and rents	\$19,805		\$58,110			\$77,915
Grant revenues				\$6,481,153	\$14,700	6,495,853
Payment in lieu of taxes	2,610,158					2,610,158
Total unearned revenue	\$2,629,963	-	\$58,110	\$6,481,153	\$14,700	\$9,183,926

F. Long-term Liabilities

Notes Payable

Description	Maturity Date	Interest Rate	Original	Balance June 30	
			Loan	2017	2018
City of Sutherlin	Dec. 1, 2025	3.11%	\$477,000	\$279,000	\$240,000

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, 2018

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

Year end June 30	Governmental Activities	
	Principal	Interest
2019	42,000	7,104
2020	45,000	5,756
2021	42,000	4,407
2022	24,000	3,384
2023	24,000	2,640
2024-2026	63,000	3,402
	\$240,000	\$26,693

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Notes payable	\$279,000		\$39,000	\$240,000	\$42,000
Compensated absences	1,928,564	\$1,989,945	1,928,564	1,989,945	596,983
Accrued claims	3,350,000	930,584	930,584	3,350,000	1,023,649
Net Pension liability	88,580,561		5,853,741	82,726,820	
Net OPEB obligation	4,389,943	219,415		4,609,358	
Total	\$98,528,068	\$3,139,944	\$8,751,889	\$92,916,123	\$1,662,632

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, 2018, \$31,087 of internal service funds compensated absences is included in governmental activities; \$25,191 is recorded in the business-type activity fund of Salmon Harbor and \$104,089 is recorded in the business-type activity fund of Solid Waste. The net OPEB obligation including that in the internal service funds is part of governmental activities. The accrued claims liability is an internal service fund obligation. General fund, special revenue funds, enterprise and internal service funds have been used in prior years to liquidate pension liabilities. Note 4C explains the change in net pension liability.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

G. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its Roseburg and Reedsport landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. During the year, the County updated the cost estimates of the landfill closure and postclosure care costs in accordance with the State of Oregon Department of Environmental Quality requirements. The \$12,336,500 shown as landfill closure and postclosure care liability at June 30, 2018, represents a portion of the total closure and postclosure cost based on the use of approximately 60 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents an decrease of \$507,200 from the amount of \$12,843,700, which was recorded as the landfill closure and postclosure liability at June 30, 2017. The estimated remaining life of the Roseburg landfill is approximately 26 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 2018. 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 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. 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 County received a warning letter in June of 2016 and is working with the Department of Environmental Quality to choose another financial assurance mechanism. The Department of Environmental Quality issued a conditional approval of the proposed alternative financial assurance plan in June 2018. As of June 30, 2018 the County assured total closure and postclosure care costs of \$19,714,500.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

H. Fund Balance Components in the Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2018:

	Major Funds				
	General Fund	Public Works Fund	Public Safety Fund	Title III Fund	Nonmajor Governmental Funds
FUND BALANCES					
Nonspendable:					
Inventories, deposits and prepays	\$285,637	\$1,840,810	\$188,751		\$53,658
Restricted for:					
Federal Secure Rural Schools Title II and Title III programs	81,876			\$2,215,145	
Law enforcement activities			171,068		
Highways, streets and bridges		48,313,371			
Health and welfare					196,497
District Attorney grant programs	172,831				
Building and electrical purposes	1,076,901				
County Clerk recording purposes	116,816				
Parks maintenance and improvements	455,211				
Transportation activities	386,679				
Surveyor corner preservation	155,029				
4-H extension service activities					290,142
County schools					30,345
Predatory animal activities					308
Juvenile programs	984,628				
Fairgrounds infrastructure					
County fairs					68,352
	3,429,971	48,313,371	171,068	2,215,145	585,644
Committed to:					
Health and welfare					815,611
Law enforcement activities			1,707,940		
Communication services			508,321		
Radio system			215,769		
Economic development					2,852,369
Land and forest management					6,538,751
Preservation of fish habitat					10,836
Dog control - spay and neuter	2,227				
Water impound purposes					2,798,521
	2,227	-	2,432,030	-	13,016,088
Assigned to:					
FY19 budget appropriations	5,944,405				
Animal control operations	36,566				
Law Library purposes	163,490				
Capital improvement purposes					4,117,453
	6,144,461	-	-	-	4,117,453
Unassigned, reported in:					
General Fund	43,704,955				
Total	\$53,567,251	\$50,154,181	\$2,791,849	\$2,215,145	\$17,772,843

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2018

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 \$706,000 per claimant and \$1,412,000 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 \$374,436. The estimated unpaid loss liability including IBNR at June 30, 2018, was \$2,576,351.

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 \$556,148. Total estimated unpaid loss liability at June 30, 2018, including IBNR, is \$750,000.

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

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

Year	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2017-18	\$3,350,000	\$930,584	\$930,584	\$3,350,000
2016-17	3,350,000	1,258,544	1,258,544	3,350,000

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

B. Commitments and Contingencies

The County has commitments under various contracts entered into during the normal course of its operations of approximately \$6,716,354 at June 30, 2018. The approximate commitments by fund are as follows:

General Fund	\$880,829
Public Works Fund	182,177
Public Safety Fund	4,040,051
Health and Social Services Fund	877,165
Solid Waste Fund	664,399
All other funds	<u>71,733</u>
	<u>\$6,716,354</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 establishes the Public Employees Retirement Board as the governing body of PERS. PERS

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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
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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.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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, 2018 were \$6,452,302 excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2018 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, 2018, the County reported a liability of \$86,717,646 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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 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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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account values were reflected separately in the proportionate share calculation. On June 30, 2017, the County's proportion was 0.43624561%.

For the year ended June 30, 2018, the County recognized pension expense of approximately \$4.2 million. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Difference between expected and actual experience	\$ 2,855,874	\$ -
Changes in proportionate share	47,466	1,546,419
Net difference between projected and actual earnings on investments	608,394	
Changes in assumptions	10,764,479	
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,644,286	
County's contributions subsequent to the measurement date	<u>6,452,302</u>	
Deferred outflows/inflows at June 30, 2018	<u>\$ 23,372,801</u>	<u>\$ 1,546,419</u>

Contributions subsequent to the measurement date of \$6,452,302 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other deferred outflows of resources totaling \$16,920,499 less deferred inflows of resources totaling \$1,546,419 related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 3,071,777
2020	7,720,167
2021	5,231,836
2022	(913,883)
2023	<u>264,183</u>
Total	<u>\$ 15,374,080</u>

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

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2018

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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, published September 2015
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	7.50 percent
Discount Rate	7.50 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-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in September 2015 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

DOUGLAS COUNTY, OREGON
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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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
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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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
County's proportionate share of the net pension liability	\$ 128,302,199	\$ 86,717,646	\$ 51,944,974

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 year ending June 30, 2018. 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. There were no deferred outflows or inflows of resources calculated at June 30, 2018.

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. 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2018

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	316	101	417
Retirees	32	5	37
Total	348	106	454

Contributions, Funded Status and Funding Progress

As of June 30, 2018, the most recent measurement date and fiscal year-end date, the total OPEB liability was \$4,609,358, 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 \$28,686,204 and the ratio of the total OPEB liability as a percentage of covered payroll was 16.07%. The changes in the postemployment health care benefits liability are as follows:

	FY2018
Total OPEB Liability - beginning	\$4,389,943
Service Cost	275,518
Interest	154,779
Benefit Payments	(210,882)
Change in net OPEB obligation	219,415
Total OPEB Liability - ending	<u><u>\$4,609,358</u></u>

For the year ended June 30, 2018, the County recognized OPEB expense of \$219,415. There were no reported deferred outflows or deferred inflows of resources.

Actuarial Methods and Assumptions

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

DOUGLAS COUNTY, OREGON
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For the July 1, 2016 actuarial valuation with a measurement date of June 30, 2018, 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% per year, and a healthcare cost trend rate of 6.4% initially, reduced by decrements to an ultimate rate of 5% after 14 years.

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, 2018	\$ 5,057,859	\$ 4,609,358	\$ 4,202,792

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, 2018	\$ 3,990,557	\$ 4,609,358	\$ 5,357,233

5. Prior Period Adjustment

Based on implementation of GASB No. 75, the County had a prior period adjustment to the beginning net position at July 1, 2017. The effect of this adjustment is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position - July 1, 2017, as previously reported	\$ 226,612,851	\$ (2,958,654)
Prior period adjustment	(1,706,071)	
Net position - July 1, 2017, as restated	\$ 224,906,780	\$ (2,958,654)