

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$197,527,020	\$763,820	\$198,290,840	
Receivables	9,272,311	180,917	9,453,228	\$1,600,000
Internal balances	135,259	(135,259)		
Inventories	2,758,822	20,071	2,778,893	
Deposits and prepaid items	896,761	4,134	900,895	
Interfund loan balances	2,361,529	(2,361,529)		
Capital assets (net of accumulated depreciation):				
Land	12,132,028	921,221	13,053,249	
Buildings and improvements	25,854,109	4,354,161	30,208,270	
Furniture and equipment	5,953,537		5,953,537	
Vehicles and heavy equipment	6,875,277	102,305	6,977,582	
Dams	20,131,209		20,131,209	
Infrastructure	102,060,220		102,060,220	
Construction in progress	8,102,994		8,102,994	
Total assets	394,061,076	3,849,841	397,910,917	1,600,000
LIABILITIES				
Accounts payable and other current liabilities	7,676,230	73,079	7,749,309	
Unearned revenues	5,125,439		5,125,439	
Noncurrent liabilities:				
Due within one year	1,277,147		1,277,147	85,000
Due in more than one year	17,228,171		17,228,171	1,515,000
Total liabilities	31,306,987	73,079	31,380,066	1,600,000
NET ASSETS				
Investment in capital assets	181,109,374	5,377,687	186,487,061	
Restricted for:				
Highways and streets	82,883,101		82,883,101	
Health and social services	6,451,941		6,451,941	
Title II and III	4,554,534		4,554,534	
Other purposes	1,726,299		1,726,299	
Unrestricted (deficit)	86,028,840	(1,600,925)	84,427,915	
Total net assets	\$362,754,089	\$3,776,762	\$366,530,851	-

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government :								
Governmental activities:								
General government	\$21,070,812	\$5,316,485	\$7,033,049		(\$8,721,278)		(\$8,721,278)	
Public safety	23,853,599	3,504,863	5,157,052		(15,191,684)		(15,191,684)	
Highways and streets	21,653,779	213,781	18,396,392		(3,043,606)		(3,043,606)	
Sanitation	2,869,455	728,240			(2,141,215)		(2,141,215)	
Health and welfare	27,857,819	985,807	27,000,358		128,346		128,346	
Culture and recreation	6,578,149	3,282,442	498,456		(2,797,251)		(2,797,251)	
Conservation	1,165,109	1,130,941	107,629		73,461		73,461	
Education	3,651,014	537	3,644,169		(6,308)		(6,308)	
Interest on long-term debt	68,137				(68,137)		(68,137)	
Total governmental activities	108,767,873	15,163,096	61,837,105	-	(31,767,672)	-	(31,767,672)	
Business-type Activities:								
Boat marina/RV park	2,070,234	1,619,753	251,180	\$399,178		\$199,877	199,877	
Total business-type activities	2,070,234	1,619,753	251,180	399,178	-	199,877	199,877	
Total primary government	\$110,838,107	\$16,782,849	\$62,088,285	\$399,178	(31,767,672)	199,877	(31,567,795)	
Component unit:								
Hospital Facility Authority	\$60,000	\$ -	\$ -					(\$60,000)
General revenues:								
Property taxes					8,523,575		8,523,575	
Grants and contributions not restricted to specific purposes					19,282,732		19,282,732	
Unrestricted investment earnings					1,844,199	12,371	1,856,570	60,000
Gain on sale of capital assets					20,281		20,281	
Total general revenues and transfers					29,670,787	12,371	29,683,158	60,000
Change in net assets					(2,096,885)	212,248	(1,884,637)	-
Net assets - beginning as previously stated					365,670,001	3,564,514	369,234,515	-
Adjust for beginning net OPEB obligation					(819,027)		(819,027)	
Net assets - beginning as restated					364,850,974	3,564,514	368,415,488	-
Net assets - ending					\$362,754,089	\$3,776,762	\$366,530,851	-

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$73,366,371	\$83,647,701	\$1,174,459	\$6,823,621	\$8,702,862	\$13,406,340	\$187,121,354
Receivables	1,687,156	1,010,548	1,928,497	1,392,597		3,225,688	9,244,486
Due from other funds	2,153,581	7,358	18,240	74,593		1,861	2,255,633
Inventories	2,675	2,423,840					2,426,515
Deposits and prepaid items	798,780	816	23,195	39,541		5,997	868,329
Interfund loan receivable						2,361,529	2,361,529
Total assets	\$78,008,563	\$87,090,263	\$3,144,391	\$8,330,352	\$8,702,862	\$19,001,415	\$204,277,846
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$3,163,003	\$1,547	\$4,294	\$323,660		\$107,527	\$3,600,031
Accrued payroll, withholdings and benefits	939,505	277,618	796,361	576,801		98,320	2,688,605
Due to other funds	364,978	1,122,924	201,781	410,638		127,413	2,227,734
Due to other government units	68,491	110,377					178,868
Deferred revenues	613,741	161,226	1,015,724	15,000	\$4,420,405	1,344,564	7,570,660
Total liabilities	5,149,718	1,673,692	2,018,160	1,326,099	4,420,405	1,677,824	16,265,898
Fund balances:							
Nonspendable	801,455	2,424,656	23,195	39,541		5,997	3,294,844
Restricted	1,167,363	82,991,915	187,427	6,854,253	4,282,457	637,589	96,121,004
Committed			915,609	110,459		12,408,280	13,434,348
Assigned	2,120,165					4,271,725	6,391,890
Unassigned	68,769,862						68,769,862
Total fund balances	72,858,845	85,416,571	1,126,231	7,004,253	4,282,457	17,323,591	188,011,948
Total liabilities and fund balances	\$78,008,563	\$87,090,263	\$3,144,391	\$8,330,352	\$8,702,862	\$19,001,415	\$204,277,846

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 ASSETS
June 30, 2011

Fund Balances - Governmental Funds	\$188,011,948
------------------------------------	---------------

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

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

Land	\$12,132,028	
Buildings and improvements	42,684,395	
Furniture and equipment	14,992,677	
Vehicles and heavy equipment	20,172,108	
Dams	28,221,320	
Infrastructure	337,069,449	
Construction in progress	<u>8,102,994</u>	
	463,374,971	
Less accumulated depreciation	<u>(282,928,335)</u>	180,446,636

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

Notes payable	(1,191,184)	
Accrued compensated absences	(2,139,654)	
Net OPEB obligation	(1,128,498)	
Landfill closure and postclosure care cost	<u>(12,748,000)</u>	(17,207,336)

Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds

2,445,221

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

9,057,620

Net Assets of Governmental Activities

\$362,754,089

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, 2011

	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Charges for services	\$4,522,706	\$69,060	\$1,708,884	\$584,217		\$2,396,832	\$9,281,699
Permits, licenses and fines	776,858	2,222	350,316	197,221		158,385	1,485,002
Intergovernmental	22,922,386	18,396,391	4,060,277	26,911,626	\$4,685,070	4,144,087	81,119,837
Property taxes			7,995,733			398,770	8,394,503
Assessments		40,634					40,634
Interest	592,723	712,220	21,439	79,986	98,524	212,217	1,717,109
Other	973,928	142,500	300,777	204,369	936	1,463,128	3,085,638
Total revenues	29,788,601	19,363,027	14,437,426	27,977,419	4,784,530	8,773,419	105,124,422
Expenditures:							
Current:							
General Government	14,591,785				4,053,050	1,351,073	19,995,908
Public Safety	3,418,039		18,841,783				22,259,822
Highways and Streets		11,012,867					11,012,867
Sanitation	2,448,517						2,448,517
Health and Welfare	41,310			27,125,391		88,732	27,255,433
Culture and Recreation	3,729,530					2,360,915	6,090,445
Conservation						779,918	779,918
Education						3,651,014	3,651,014
Capital outlay	498,306	3,669,510	241,516	161,248		200,662	4,771,242
Debt service:							
Principal						88,677	88,677
Interest						68,137	68,137
Total expenditures	24,727,487	14,682,377	19,083,299	27,286,639	4,053,050	8,589,128	98,421,980
Excess (deficiency) of revenues over (under) expenditures	5,061,114	4,680,650	(4,645,873)	690,780	731,480	184,291	6,702,442
Other financing sources (uses):							
Transfers in	1,766,069		4,666,970	1,369,418		60,000	7,862,457
Transfers out	(1,786,418)	(4,398,231)	(18,000)	(697,811)	(725,929)	(236,068)	(7,862,457)
Total other financing sources (uses)	(20,349)	(4,398,231)	4,648,970	671,607	(725,929)	(176,068)	-
Net change in fund balances	5,040,765	282,419	3,097	1,362,387	5,551	8,223	6,702,442
Fund balances, beginning as previously stated	67,808,985	84,546,556	1,123,134	5,641,866	4,276,906	17,324,463	180,721,910
Adjust for GASB #54 reclassification	9,095					(9,095)	
Fund balances, beginning as restated	67,818,080	84,546,556	1,123,134	5,641,866	4,276,906	17,315,368	180,721,910
Change in reserve for inventories		587,596					587,596
Fund balances, ending	\$72,858,845	\$85,416,571	\$1,126,231	\$7,004,253	\$4,282,457	\$17,323,591	\$188,011,948

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

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

Net change in fund balances - Governmental Funds \$6,702,442

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:

Acquisition of capital assets	\$1,900,555	
Less current year depreciation	<u>(11,485,453)</u>	(9,584,898)

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. (257,627)

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. 587,596

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 100,861

The decrease in the estimated landfill closure and postclosure care costs does not require the use of current financial resources and is not reported in the governmental funds. 79,000

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. (141,330)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds, along with any change in contributed capital, is reported with governmental activities. 417,071

Change in net assets - governmental activities (\$2,096,885)

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Fund		Governmental
	Salmon Harbor		Activities
	Current Year	Prior Year	Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$763,820	\$987,684	\$10,405,666
Receivables	180,917	21,120	27,825
Due from other funds	20	18,861	313,406
Inventories	20,071	15,422	332,307
Deposits and prepaids	4,134	772	28,432
Total current assets	968,962	1,043,859	11,107,636
Capital assets:			
Land	921,221	921,221	
Buildings and improvements	9,008,271	8,420,748	
Furniture and equipment			212,175
Vehicles and heavy equipment	260,188	236,320	3,707,637
Less accumulated depreciation	(4,811,993)	(4,564,401)	(3,257,074)
Total capital assets (net of accumulated depreciation)	5,377,687	5,013,888	662,738
Total assets	6,346,649	6,057,747	11,770,374
LIABILITIES			
Current liabilities:			
Accounts payable			7,903
Accrued payroll, withholdings and benefits	40,587	37,914	1,200,823
Accrued compensated absences	32,492	28,897	47,982
Accrued claims liability			450,000
Due to other funds	109,427	53,303	231,898
Interfund loan payable	2,361,529	2,361,529	
Total current liabilities	2,544,035	2,481,643	1,938,606
Noncurrent liabilities:			
Accrued claims liability			800,000
Total liabilities	2,544,035	2,481,643	2,738,606
NET ASSETS			
Invested in capital assets	5,377,687	5,013,888	662,738
Unrestricted (deficit)	(1,575,073)	(1,437,784)	8,369,030
Total net assets	3,802,614	\$3,576,104	\$9,031,768
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(25,852)		
Net assets of business-type activities	\$3,776,762		

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
for the year ended June 30, 2011

	Business-type Activities - Enterprise Fund			Governmental
	Salmon Harbor		Total	Activities Internal
	Current Year	Prior Year	Current Year	Service Funds
Operating revenues:				
Charges for services	\$1,122,711	\$1,185,238	\$1,122,711	\$12,483,987
Other	497,042	402,472	497,042	1,298,335
Total operating revenues	<u>1,619,753</u>	<u>1,587,710</u>	<u>1,619,753</u>	<u>13,782,322</u>
Operating expenses:				
Salaries and wages	501,587	486,535	501,587	585,133
Payroll taxes and benefits	267,241	258,750	267,241	314,313
Operating supplies and expenses	617,305	566,815	617,305	10,220,746
Utilities	292,895	293,874	292,895	56,738
Administrative expenses	129,352	94,640	129,352	2,061,264
Depreciation	247,592	232,925	247,592	288,690
Total operating expenses	<u>2,055,972</u>	<u>1,933,539</u>	<u>2,055,972</u>	<u>13,526,884</u>
Operating income (loss)	<u>(436,219)</u>	<u>(345,829)</u>	<u>(436,219)</u>	<u>255,438</u>
Nonoperating revenues and expenses:				
Intergovernmental	251,180	279,063	251,180	
Interest income	12,371	14,597	12,371	127,090
Gain (loss) on sale of capital assets				20,281
Total nonoperating revenues	<u>263,551</u>	<u>293,660</u>	<u>263,551</u>	<u>147,371</u>
Income (loss) before contributions	<u>(172,668)</u>	<u>(52,169)</u>	<u>(172,668)</u>	<u>402,809</u>
Capital contributions	<u>399,178</u>	<u>238,475</u>	<u>399,178</u>	
Change in net assets	226,510	186,306	226,510	402,809
Total net assets-beginning	<u>3,576,104</u>	<u>3,389,798</u>		<u>8,628,959</u>
Total net assets-ending	<u>\$3,802,614</u>	<u>\$3,576,104</u>		<u>\$9,031,768</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(14,262)</u>	
Change in net assets of business-type activities			<u>\$212,248</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, 2011

	Business-type Activities - Enterprise Fund Salmon Harbor		Governmental Activities Internal Service Funds
	Current Year	Prior Year	
Cash flow from operating activities:			
Receipts from customers	\$1,601,846	\$1,609,715	
Receipts from interfund services provided			\$13,731,900
Payments to suppliers and contractors	(972,598)	(967,596)	(12,522,509)
Payments to employees	(762,560)	(741,408)	(769,206)
Other operating receipts			106,028
Net cash provided by (used in) operating activities	<u>(133,312)</u>	<u>(99,289)</u>	<u>546,213</u>
Cash flows from noncapital financing activities:			
Operating grants from other governmental entities	251,180	279,063	
Net cash provided by (used in) noncapital and related financing activities	<u>251,180</u>	<u>279,063</u>	
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets			24,610
Capital contributions	257,288	238,475	
Acquisition of capital assets	(611,391)	(376,200)	(309,590)
Net cash provided by (used in) capital and related financing activities	<u>(354,103)</u>	<u>(137,725)</u>	<u>(284,980)</u>
Cash flows from investing activities:			
Interest received	12,371	14,597	127,090
Net increase (decrease) in cash and cash equivalents	(223,864)	56,646	388,323
Cash and cash equivalents, beginning	987,684	931,038	10,017,343
Cash and cash equivalents, ending	<u>\$763,820</u>	<u>\$987,684</u>	<u>\$10,405,666</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$436,219)	(\$345,829)	\$255,438
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	247,592	232,925	288,690
(Increase) decrease in:			
Accounts receivable	(17,907)	22,005	21,297
Prepaid expenses and deposits	(3,362)	(470)	626
Inventories	(4,649)	11,874	24,033
Interfund receivables	18,841	(18,672)	34,309
Increase (decrease) in:			
Accounts payable			(88)
Accrued payroll, withholdings and benefits	2,673	2,686	126,673
Accrued compensated absences	3,595	1,191	3,567
Interfund payables	56,124	(4,999)	(208,332)
Total adjustments	<u>302,907</u>	<u>246,540</u>	<u>290,775</u>
Net cash provided by (used in) operating activities	<u>(\$133,312)</u>	<u>(\$99,289)</u>	<u>\$546,213</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
June 30, 2011

ASSETS

Cash and investments:

Equity in pooled cash and investments	\$1,027,629
Property taxes receivable	9,628,469
Accrued interest receivable	<u>86,872</u>

Total assets	<u><u>\$10,742,970</u></u>
--------------	----------------------------

LIABILITIES

Due to other governmental units	<u>\$10,742,970</u>
---------------------------------	---------------------

Total liabilities	<u><u>\$10,742,970</u></u>
-------------------	----------------------------

NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Component Units

The County reports the following component units:

Blended Component Unit

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

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

Discretely Presented Component Unit

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

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

B. Government-wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Changes in Net Assets report information on all of 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

The County reports the following major governmental funds:

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

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

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

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

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

The County reports the following major enterprise fund:

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

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 are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Proprietary funds apply all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

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

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

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

D. Assets, Liabilities and Net Assets or Fund Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

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

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

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

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

3. *Inventories, Deposits and Prepaids*

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

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

4. *Capital Assets*

Capital assets are stated at either cost, estimated historical cost or fair market value on the date donated for donated assets. The capitalization threshold for general capital

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

assets is \$5,000 for assets reported in the government-wide financial statements and in the proprietary funds. Individual or aggregate assets with a cost of less than \$5,000 are not capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon disposal of capital assets, the historical cost, estimated historical cost or fair market value of donated assets is removed from County asset records, and proceeds from any sales are generally recorded as revenue in the governmental fund financial statements or as a gain or loss on disposal of assets in proprietary fund and government-wide financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs of tax exempt debt, less interest earned on investments acquired with these proceeds, incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. No interest was capitalized in fiscal year 2011.

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

5. *Compensated Absences*

County employees accumulate earned but unused vacation, compensatory and sick leave benefits in accordance with applicable policy and bargaining agreements. Vacation leave and compensatory time is recorded in government-wide and proprietary financial statements as earned by employees. A liability and expenditure for these amounts is reported in governmental funds only if matured, for example, as a result of employee resignations and retirements. Sick pay, which does not vest, is recorded when leave is taken.

6. *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 is also included in those funds.

7. *Net Assets in the government-wide financial statements and proprietary financial statements*

Invested in Capital Assets consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

Restricted is the amount restricted by external creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted is the amount of all net assets that do not meet the definition of “invested in capital assets” or “restricted” net assets.

8. *Fund balances in the governmental fund financial statements*

The County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in order to conform to the accounting standards established by the Government Accounting Standards Board. To comply with GASB No. 54, the County must use the following classifications for fund balances:

Nonspendable – amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners (the County’s highest level of decision-making authority). Commitments may be established, modified, or rescinded through orders or resolutions approved by the Board of Commissioners.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the County’s adopted policy, the County Accountant may assign amounts for specific purposes.

Unassigned – total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (residual net resources); and any excess of nonspendable, restricted, and committed fund balance over total fund balance in a governmental fund other than the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

9. *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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. *Comparative Data*

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

E. Implementation of New GASB Pronouncement

In this fiscal year, the County adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in order to conform to the accounting standards established by the Government Accounting Standards Board. Under GASB No. 54 the Dog Control Fund no longer meets the definition of a special revenue fund since a substantial portion of the fund's inflows are not from restricted or committed sources. This fund has been combined with General Fund for Basic Financial Statement presentation. The Dog Control Fund Budget and Actual schedule continues to be shown separately in Other Supplemental Data for Oregon budget law purposes.

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. All annual appropriations lapse at fiscal year end.

During the month of March each year, all departments of the County submit requests for appropriations to the Budget Officer so that a budget can be prepared. By May 15, the proposed budget is presented to the County Budget Committee for approval. The County Board of Commissioners holds public hearings and a final budget is adopted no later than June 30.

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

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

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2011

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 reappropriated and honored during the subsequent year. Note 4B identifies encumbrances outstanding at June 30, 2011.

B. Expenditures in Excess of Appropriations

Oregon state law requires disclosure of expenditures in excess of budgeted appropriations. For the year ended June 30, 2011, actual expenditures (on a budgetary basis) exceeded appropriations for Materials and Services in the County Fair Board Fund by \$15,371. The overexpenditure was funded by an unanticipated beginning carryover in the fund.

3. *Detailed Notes on all Funds*

A. Cash and Investments

The County's cash and investments are comprised of the following at June 30, 2011:

Cash on hand	\$160,720
Deposits with financial institutions	13,903,837
Investments	<u>185,253,912</u>
Total cash and investments	199,318,469
Less cash and investments in agency fund	<u>(1,027,629)</u>
Cash and investments, as reported on the Statement of Net Assets	<u><u>\$198,290,840</u></u>

Deposits

Deposits with financial institutions are bank demand deposits. Total bank balances, as shown on bank records at June 30, 2011 is \$14,302,483. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, \$3,030,238 was covered by federal depository insurance (FDIC), and \$11,272,245 by collateral held in a shared liability pool made up of all public funds depositories in Oregon.

Effective July 1, 2008, the Oregon State Treasurer became 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 to the extent required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank. The \$11,272,245 in

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

County deposits covered by the state collateral pool is exposed to custodial credit risk because the collateral is not held by a third-party custodian bank in the County's name.

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, 2011, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	\$42,502,586	23%
U.S. Government Agency Securities	111,736,819	60%
Commercial Paper	1,000,000	1%
Municipal Securities	2,435,425	1%
Corporate Bonds	27,579,082	15%
Total investments	\$185,253,912	100%

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2011 were: 55% mature within 93 days, 23% mature from 94 days to one year, and 22% mature from one to three years.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

As of June 30, 2011, maturities for the County's other investments are as follows:

	Less than One Year	One to Three Years
U.S. Government Agency Securities:		
Federal Farm Credit Bank		\$4,006,038
Federal Home Loan Bank	\$3,292,500	22,402,601
Federal Home Loan Mortgage Corp.		4,002,994
Federal Financing Corp.	303,089	
Federal National Mortgage Association	696,059	68,953,655
Private Export Funding Corp.	3,091,687	
Tennessee Valley Authority	2,986,164	
Treasury Notes		2,002,032
Commercial Paper	1,000,000	
Municipal Securities		2,435,425
Corporate Debt	13,745,234	13,833,848
Total	\$25,114,733	\$117,636,593

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 and Tennessee Valley Authority investment are rated AAA by Standard and Poor's and/or Aaa by Moody's. The County's corporate debt investments are rated A+ by Standard and Poor's and Aa3 by Moody's with the exception of the investment in Lehman Brothers. Lehman Brothers rating has been withdrawn due to their bankruptcy filing on September 15, 2008. The Lehman Brothers note with a par value of \$3 million and a maturity date of January 23, 2009 is currently in default. The note has been valued at \$450,000 based on the estimated proceeds the County is expected to receive as a senior unsecured creditor in the bankruptcy proceedings. The municipal securities investment is rated AA3 by Moody's.

B. Receivables

	Property Taxes	Assess- ments	Accounts	Notes & Contracts	Interest	Total
Governmental activities:						
General Fund			\$1,171,532		\$515,624	\$1,687,156
Public Works Fund		\$161,226	602,059	\$240,778	6,485	1,010,548
Public Safety Fund	\$1,004,800		923,697			1,928,497
Health & Social Services Fund			1,392,597			1,392,597
Nonmajor governmental funds	48,923		441,833	2,611,237	123,695	3,225,688
	1,053,723	161,226	4,531,718	2,852,015	645,804	9,244,486
Internal service funds			27,825			27,825
	1,053,723	161,226	4,559,543	2,852,015	645,804	9,272,311
Business-type activities:						
Salmon Harbor Fund			180,917			180,917
Fiduciary Fund - Agency	9,628,469				86,872	9,715,341
Receivables, end of year	\$10,682,192	\$161,226	\$4,740,460	\$2,852,015	\$732,676	\$19,168,569

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

Primary Government

There is no material receivable balance expected to be uncollectible. Therefore, no provision for uncollectible accounts has been made.

Discretely Presented Component Unit

The Hospital Facility Authority of Douglas County has a contract receivable that represent an amount loaned by the Authority to the Aspen Foundation for the purchase of a senior residence. Receipts from the repayment of loaned funds are pledged for revenue bond debt service. Annual installments and maturities correspond to Authority revenue bonds at Note 2F. On March 1, 2011 the Trustee under the Indenture of Trust notified the Hospital Authority that an event of default occurred under the indenture. On September 1, 2010, payments of principal through a sinking fund payment in the amount of \$40,000 and of interest in the amount of \$60,000 were due but only the interest component of the payment was made; and on March 1, 2011, an interest payment was due and not paid. The amount outstanding at June 30, 2011 is \$1,600,000 for the Aspen Foundation 1997 Series A Bonds.

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$12,248,938		\$116,910	\$12,132,028
Construction in progress	8,877,224	\$552,632	1,326,862	8,102,994
Total capital assets not being depreciated	21,126,162	552,632	1,443,772	20,235,022
Capital assets being depreciated:				
Buildings and improvements	42,741,761	194,587	251,953	42,684,395
Furniture and equipment	15,556,167	121,976	473,291	15,204,852
Vehicles and heavy equipment	23,659,920	817,179	597,354	23,879,745
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	335,782,581	1,850,633	563,765	337,069,449
Total capital assets being depreciated	445,961,749	2,984,375	1,886,363	447,059,761
Less accumulated depreciation for:				
Buildings and improvements	16,334,020	659,331	163,065	16,830,286
Furniture and equipment	8,365,556	1,354,380	468,621	9,251,315
Vehicles and heavy equipment	16,576,655	974,045	546,232	17,004,468
Dam structures and improvements	7,713,827	376,284		8,090,111
Infrastructure	227,162,525	8,410,103	563,399	235,009,229
Total accumulated depreciation	276,152,583	11,774,143	1,741,317	286,185,409
Total capital assets being depreciated, net	169,809,166	(8,789,768)	145,046	160,874,352
Governmental activities capital assets, net	\$190,935,328	(\$8,237,136)	\$1,588,818	\$181,109,374

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$921,221			\$921,221
Capital assets being depreciated:				
Buildings	8,420,748	\$587,523		9,008,271
Vehicles and heavy equipment	236,320	23,868		260,188
Total capital assets being depreciated	8,657,068	611,391	-	9,268,459
Less accumulated depreciation for:				
Buildings	4,434,259	219,851		4,654,110
Vehicles and heavy equipment	130,142	27,741		157,883
Total accumulated depreciation	4,564,401	247,592	-	4,811,993
Total capital assets being depreciated, net	4,092,667	363,799	-	4,456,466
Business-type activities capital assets, net	\$5,013,888	\$363,799	-	\$5,377,687

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$681,511
Public safety	1,084,485
Highways and streets	8,680,273
Sanitation	454,608
Health and welfare	214,096
Culture and recreation	282,886
Conservation	376,284
Total depreciation expense - governmental activities	\$11,774,143
Business-type activities:	
Salmon Harbor	\$247,592
Total depreciation expense - business-type activities	\$247,592

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Funds</u>	Due from Other Funds	Due to Other Funds	Interfund Loan Receivable	Interfund Loan Payable	Transfers In	Transfers Out
<u>Governmental Funds:</u>						
General Fund	\$2,153,581	\$364,978			\$1,766,069	\$1,786,418
Public Works Fund	7,358	1,122,924				4,398,231
Public Safety Fund	18,240	201,781			4,666,970	18,000
Health & Social Services Fund	74,593	410,638			1,369,418	697,811
Title III Fund						725,929
Nonmajor governmental funds	1,861	127,413	\$2,361,529		60,000	236,068
	<u>2,255,633</u>	<u>2,227,734</u>	<u>2,361,529</u>	-	<u>7,862,457</u>	<u>7,862,457</u>
<u>Proprietary Funds:</u>						
Salmon Harbor Fund	20	109,427		\$2,361,529		
Internal service funds	313,406	231,898				
	<u>313,426</u>	<u>341,325</u>	-	<u>2,361,529</u>	-	-
	<u>\$2,569,059</u>	<u>\$2,569,059</u>	<u>\$2,361,529</u>	<u>\$2,361,529</u>	<u>\$7,862,457</u>	<u>\$7,862,457</u>

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

Interfund Loan Receivable/Payable is the result of a loan from the County Forest Management Fund to the Salmon Harbor Fund for capital asset acquisition. The funds are budgeted to be repaid by the end of the 2012 fiscal year.

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

E. Deferred Revenue

The County governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, or that have been received but are not yet earned. At June 30, 2011, deferred revenue consisted of the following:

	General	Public Works	Public Safety	Health & Social Services	Title III	Other Gov't Funds	Total
Unearned:							
Fees and rents	\$11,175						\$11,175
Grant revenues	50,000		\$76,293	\$15,000	\$4,420,405		4,561,698
Payment in lieu of taxes	552,566						552,566
	613,741	-	76,293	15,000	4,420,405	-	5,125,439
Unavailable:							
Assessments		\$161,226					161,226
Land sales contract						\$1,298,376	1,298,376
Property taxes receivable			939,431			46,188	985,619
Total deferred revenue	\$613,741	\$161,226	\$1,015,724	\$15,000	\$4,420,405	\$1,344,564	\$7,570,660

F. Long-term Liabilities

Primary Government
Notes Payable

Description	Maturity Date	Interest Rates	Original	Balance June 30	
			Loan	2010	2011
OECDD	Dec. 1, 2010	5.00%	\$105,500	\$7,879	-
OECDD	Dec. 1, 2013	5.19%	264,000	75,997	\$58,414
City of Sutherlin	Nov.1, 2012	5.00%	84,230	18,406	12,568
Tri-City Water & Sanitary	Dec. 1, 2024	5.25%-5.63%	756,703	569,540	545,323
City of Sutherlin	Dec. 1, 2025	4.45%-5.50%	675,000	492,000	465,000
City of Reedsport	Dec. 1, 2023	3.00%-4.63%	152,319	116,039	109,879
			\$2,037,752	\$1,279,861	\$1,191,184

Notes Payable to cities in Douglas County and to the Oregon Economic & Community Development Department (OECDD) are to assist smaller government agencies in Douglas County develop 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, 2011

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

Year end June 30	Governmental Activities	
	Principal	Interest
2012	\$87,269	\$63,649
2013	91,822	59,126
2014	86,697	54,361
2015	69,553	49,837
2016-2019	411,765	188,813
2020-2024	420,678	73,734
2025-2026	23,400	1,287
	<u>\$1,191,184</u>	<u>\$490,807</u>

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 \$12,748,000 shown as landfill closure and postclosure care liability at June 30, 2011, represents a portion of the total closure and postclosure cost based on the use of approximately 61 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents a decrease of \$79,000 from the amount of \$12,827,000, which was recorded as the landfill closure and postclosure liability at June 30, 2010. The estimated remaining life of the Roseburg landfill is approximately 13 years. The County will recognize the remaining estimated cost of closure and postclosure care of \$6,552,000 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 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Financial Assurance: The County is required by state and federal regulations to provide assurance of its ability to finance closure and postclosure care costs. Currently, the County demonstrates financial assurance in connection with the estimated closure and postclosure care activities of the landfills using the local government financial assurance test described in Title 40 of the Code of Federal Regulations 258.74 and Oregon Administrative Rule 340-094-0145. As of June 30, 2011 the County assured total closure and postclosure care costs of \$19,300,000.

Discretely Presented Component Unit

Revenue Bonds

The Hospital Facility Authority of Douglas County, a component unit of Douglas County, issues bonds where income derived from the repayment of loaned funds is pledged to pay debt service. The 1997 Issue Series A Semiannual Tender Revenue Bonds, with an annual rate of 7.5%, due through fiscal 2028 has an outstanding balance of \$1,600,000 as of June 30, 2011. Debt service principal and interest requirements to maturity are as follows:

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

Year end June 30	Principal	Interest
2011*	\$40,000	\$60,750
2012	45,000	115,312
2013	45,000	111,938
2014	50,000	108,375
2015	55,000	104,438
2016-2020	330,000	453,000
2021-2025	485,000	302,062
2026-2028	550,000	75,375
	<u>\$1,600,000</u>	<u>\$1,331,250</u>

*On March 1, 2011 the Trustee under the Indenture of Trust notified the Hospital Authority that an event of default occurred under the indenture. On September 1, 2010, payments of principal through a sinking fund payment in the amount of \$40,000 and of interest in the amount of \$60,000 were due but only the interest component of the payment was made; and on March 1, 2011, an interest payment was due and not paid. Interest due June 30, 2011 including interest on the bonds not redeemed was \$60,750.

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Notes payable	\$1,279,861		\$88,677	\$1,191,184	\$87,269
Compensated absences	2,263,533	\$2,187,636	2,263,533	2,187,636	689,878
Accrued claims	1,250,000	496,327	496,327	1,250,000	450,000
Net OPEB obligation	819,027	309,471		1,128,498	-
Landfill closure and postclosure costs	12,827,000		79,000	12,748,000	50,000
Total	<u>\$18,439,421</u>	<u>\$2,993,434</u>	<u>\$2,927,537</u>	<u>\$18,505,318</u>	<u>\$1,277,147</u>

Notes payable are liabilities of the Industrial Development Fund. 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, 2011, \$47,982 of internal service funds compensated absences is included in governmental activities; and \$32,492 is recorded in the business-type activity fund of Salmon Harbor. The net OPEB obligation including that in the internal service funds is part of governmental activities. Any payments related to landfill closure and postclosure care costs are recorded in the General Fund. The accrued claims liability is an internal service fund obligation.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

G. Fund Balance Components in the Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2011:

	Major Funds					
	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Nonmajor Governmental Funds
FUND BALANCES						
Nonspendable:						
Inventories, deposits and prepays	\$801,455	\$2,424,656	\$23,195	\$39,541		\$5,997
Restricted for:						
Federal Secure Rural Schools Title II and Title III programs	84,650		187,427		\$4,282,457	
Highways, streets and bridges		82,991,915				
Health and welfare				6,854,253		148,688
District Attorney grant assistance programs	160,489					
Children and family programs	187,864					
Library programs and infrastructure	597,537					
County Clerk recording infrastructure	88,522					
Surveyor corner preservation	48,301					
4-H extension service district						319,657
County schools						1,464
Public use law library						45,765
Liquor law enforcement						2,413
County fairs and shows						119,602
	1,167,363	82,991,915	187,427	6,854,253	4,282,457	637,589
Committed to:						
Health and welfare				110,459		
Law enforcement activities			880,013			
Communication services			35,596			
Economic development						4,108,625
Restoration and management of county owned forest lands						6,825,491
Preservation of salmon habitat						11,304
Operations and maintenance of water impoundments						1,462,860
	-	-	915,609	110,459	-	12,408,280
Assigned to:						
FY12 budget appropriations	2,109,815					
Dog control operations	10,350					
Outlays for capital assets and facilities						4,271,725
	2,120,165	-	-	-	-	4,271,725
Unassigned, reported in:						
General Fund	68,769,862					
Total	\$72,858,845	\$85,416,571	\$1,126,231	\$7,004,253	\$4,282,457	\$17,323,591

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

H. Restatement of Beginning Net Assets

Beginning Net Assets on the Statement of Activities is restated to reflect the Net OPEB obligation for prior periods.

I. Restatement of Beginning Fund Balance

The operations and fund balance of the Dog Control Fund, a separate fund for budgetary purposes, have been combined with the General Fund for presentation in the basic financial statements. Although the fund continues to meet the criteria of a special revenue fund under Oregon Revised Statutes, it no longer meets the requirements to be a separate fund under GASB No. 54.

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 coverages in any of the past three fiscal years.

Claims liabilities for general liability are based an actuarial estimate of the ultimate cost of settling claims, including incurred but not reported (IBNR) claims. Per Oregon Revised Statutes claims which occurred prior to July 1, 2009 could not exceed \$200,000 per claimant and \$500,000 aggregate per occurrence. The limits were increased to \$500,000 per claimant and \$1 million per occurrence for claims incurred from July 1, 2009 to June 30, 2010. The limits are further increased to \$533,300/\$1,066,700 for claims incurred from July 1 2010 to June 30, 2011. 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 \$328,355. The estimated unpaid loss liability including IBNR at June 30, 2011, was \$750,000.

Coverage for workers' compensation claims in excess of \$1,000,000 per occurrence is purchased from commercial insurers. Claim liabilities are based 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 \$167,972. Total estimated unpaid loss liability at June 30, 2011, including IBNR, is \$500,000.

The County provides a cafeteria-style health insurance program to employees. The County pays for the first \$1,019 of the benefits selected by the employee per month. Benefits include medical, dental, vision and life insurance. Employees may also choose supplemental life insurance, cancer/ICU, accidental death and dismemberment, short-term disability and deferred compensation.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

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
2010-11	\$1,250,000	\$496,327	\$496,327	\$1,250,000
2009-10	1,250,000	243,771	243,771	1,250,000

B. Commitments and Contingencies

The County has commitments under various contracts entered into during the normal course of its operations of approximately \$4,901,335 at June 30, 2011. The approximate commitments by fund are as follows:

General Fund	\$376,287
Public Works Fund	316,761
Public Safety Fund	3,819,606
Health and Social Services Fund	217,875
County Forest Management Fund	6,026
County Fair Board Fund	71,193
Water Development Fund	53,334
All other funds	40,253
	\$4,901,335

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

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

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

C. Pension Plan

Plan Description/Funding Policies

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

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

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

Public Employee Retirement System (PERS) is an agent multiple-employer defined benefit pension plan provided to members who were hired prior to August 20, 2003. In 1995, the Oregon legislature enacted a second level or "tier" of PERS benefits for persons who established PERS membership on or after January 1, 1996. These Tier Two members do not have the Tier One assumed earnings rate guarantee, and have a higher normal retirement age of 60, compared to 58 for Tier One. Employer contributions to PERS are required by state statute and are made at actuarially determined rates as adopted by the PERB. The County's PERS rate July 1, 2010 through June 30, 2011 was 15.86% in accordance with the December 31, 2007 valuation. This rate includes a 9.8% factor for the Tier One/Tier Two unfunded actuarial liability (UAL).

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

- The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The contribution rates for the period July 1, 2010 through June 30, 2011, for the OPSRP defined benefit pension plan were 15.72% for general service employees and 18.43% for police and fire employees. These rates also include a 9.8% factor for the Tier One/Tier Two UAL.
- The Individual Account Program (IAP) is a defined contribution pension plan provided to all members or their beneficiaries who are PERS or OPSRP eligible. Oregon statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Douglas County has elected to pay all of the employees' required IAP contributions. PERS members retain their existing PERS accounts; however, member contributions have been deposited in the member's IAP since the beginning of 2004 rather than into the member's PERS account.

Annual Pension Cost

For June 30, 2011, the County's annual pension cost of \$6,891,309 was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age cost method. The actuarial assumptions included are: (a) rate of inflation 2.75 %, (b) 8.0% rate of return on investment of present and future assets, and (c) projected wage growth, excluding seniority/merit raises, of 3.75% per year. The actuarial value of OPERS assets is reported at fair market value. The unfunded actuarial liability is being amortized over a closed period of twenty years.

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2011

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$8,105,566	100%	0
June 30, 2010	6,773,143	100	0
June 30, 2011	6,891,309	100	0

Funding Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 78 percent funded. The actuarial accrued liability was \$305,065,495, and the actuarial value of the assets was \$237,499,259, resulting in an unfunded actuarial accrued liability (UAAL) of \$67,566,236. The covered payroll (annual payroll of active employees covered by the plan) was \$31,655,167 and the ratio of the UAAL to the covered payroll was 213%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) on page 44, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. Postemployment Health Care Benefits

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

Plan Description

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

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2011

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC) determined by an actuary. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The County's OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2011 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$626,328	51%	\$1,128,498
2009-10	841,899	56%	819,027
2008-09	824,255	46%	441,103

The annual required contribution and the change in the OPEB obligation for fiscal year 2011 are as follows:

	FY2011
Annual required contribution (ARC)	\$622,819
Interest on net OPEB obligation	32,761
Amortization adjustment to ARC	(29,252)
Annual OPEB cost	626,328
Contributions made (implicit rate subsidy)	(316,857)
Change in net OPEB obligation	309,471
Net OPEB obligation, beginning of year	819,027
Net OPEB obligation, end of year	\$1,128,498

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the actuarially accrued liability was \$6,630,388, all of which is unfunded because the County has not set aside any assets to pre-fund the OPEB based on the implicit rate subsidy. The annual payroll of active employees covered by the County's healthcare plan was \$33,515,034 and the ratio of the unfunded actuarially accrued liability (UAAL) to covered payroll was 20%.

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2011

made about the future. Calculations are based on the types of benefits provided at the time of the valuation and the pattern of cost-sharing between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective, including techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the July 1, 2010 actuarial valuation, the actuary used the projected unit credit actuarial cost method. Actuarial assumptions, included a discount rate of 4%, projected salary increases of 3.5% per year, and a healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 10 years. The UAAL is being amortized over an open period of 30 years as a level percentage of projected payrolls.