

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 188,100,976	\$836,793	\$ 188,937,769	
Receivables	8,378,938	38,143	8,417,081	\$1,600,000
Internal balances	81,874	(81,874)		
Inventories	2,519,236	19,579	2,538,815	
Deposits and prepaid items	587,711	595	588,306	
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	25,275,728	4,124,653	29,400,381	
Furniture and equipment	4,725,515		4,725,515	
Vehicles and heavy equipment	6,535,430	88,009	6,623,439	
Dams	19,754,924		19,754,924	
Infrastructure	98,072,525		98,072,525	
Construction in progress	5,098,174		5,098,174	
Total assets	<u>373,624,588</u>	<u>3,585,590</u>	<u>377,210,178</u>	<u>1,600,000</u>
LIABILITIES				
Accounts payable and other current liabilities	5,187,586	41,565	5,229,151	
Unearned revenues	4,722,975		4,722,975	
Noncurrent liabilities:				
Due within one year	1,303,605		1,303,605	130,000
Due in more than one year	20,471,539		20,471,539	1,470,000
Total liabilities	<u>31,685,705</u>	<u>41,565</u>	<u>31,727,270</u>	<u>1,600,000</u>
NET ASSETS				
Investment in capital assets	171,594,324	5,133,883	176,728,207	
Restricted for:				
Highways and streets	78,493,113		78,493,113	
Health and social services	6,528,713		6,528,713	
Title II and III	4,835,882		4,835,882	
Other purposes	1,521,498		1,521,498	
Unrestricted (deficit)	78,965,353	(1,589,858)	77,375,495	
Total net assets	<u>\$341,938,883</u>	<u>\$3,544,025</u>	<u>\$345,482,908</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

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	Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities:							
General government	\$19,309,705	\$5,115,436	\$5,839,746	(\$8,354,523)		(\$8,354,523)	
Public safety	25,118,005	3,475,927	4,989,589	(16,652,489)		(16,652,489)	
Highways and streets	22,313,834	80,051	14,245,393	(7,988,390)		(7,988,390)	
Sanitation	5,268,463	704,121		(4,564,342)		(4,564,342)	
Health and welfare	27,000,903	860,958	25,083,186	(1,056,759)		(1,056,759)	
Culture and recreation	6,140,440	2,608,235	484,536	(3,047,669)		(3,047,669)	
Conservation	1,204,324	1,029,013	118,071	(57,240)		(57,240)	
Education	2,020,090	1,117	2,058,498	39,525		39,525	
Interest on long-term debt	63,650			(63,650)		(63,650)	
Total governmental activities	108,439,414	13,874,858	52,819,019	(41,745,537)	-	(41,745,537)	
Business-type Activities:							
Boat marina/RV park	2,185,859	1,744,503	203,700		(\$237,656)	(237,656)	
Total business-type activities	2,185,859	1,744,503	203,700	-	(237,656)	(237,656)	
Total primary government	\$110,625,273	\$15,619,361	\$53,022,719	(41,745,537)	(237,656)	(41,983,193)	
Component unit:							
Hospital Facility Authority	\$ -	\$ -	\$ -				\$ -
General revenues:							
Property taxes				8,823,504		8,823,504	
Grants and contributions not restricted to specific purposes				10,477,888		10,477,888	
Unrestricted investment earnings				1,623,762	9,312	1,633,074	
Gain (loss) on sale of capital assets				5,177	(4,393)	784	
Total general revenues and transfers				20,930,331	4,919	20,935,250	-
Change in net assets				(20,815,206)	(232,737)	(21,047,943)	-
Net assets - beginning				362,754,089	3,776,762	366,530,851	
Net assets - ending				\$341,938,883	\$3,544,025	\$345,482,908	\$ -

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Industrial Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$68,002,611	\$78,942,537	\$626,764	\$7,112,387	\$8,664,563	\$2,917,111	\$10,785,094	\$177,051,067
Receivables	1,329,171	1,088,480	1,882,106	807,965		2,779,761	480,282	8,367,765
Due from other funds	1,777,734	39,573	22,023	2,380			103	1,841,813
Inventories	4,165	2,235,390						2,239,555
Deposits and prepaid items	368,472	12,616	115,604	29,957			5,160	531,809
Interfund loan receivable							2,361,529	2,361,529
Total assets	\$71,482,153	\$82,318,596	\$2,646,497	\$7,952,689	\$8,664,563	\$5,696,872	\$13,632,168	\$192,393,538
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$2,176,358	\$12,760	\$13,684	\$261,500			\$91,692	\$2,555,994
Accrued payroll, withholdings and benefits	342,780	93,542	335,147	230,653			29,434	1,031,556
Due to other funds	111,267	1,122,143	281,922	326,467		\$18,885	100,064	1,960,748
Due to other government units	89,226	105,678						194,904
Deferred revenues	622,020	134,687	1,032,930	10,183	\$4,021,975	1,316,587	48,348	7,186,730
Total liabilities	3,341,651	1,468,810	1,663,683	828,803	4,021,975	1,335,472	269,538	12,929,932
Fund balances:								
Nonspendable	372,637	2,248,006	115,604	29,957			5,160	2,771,364
Restricted	949,409	78,601,780	107,398	6,973,885	4,642,588		657,985	91,933,045
Committed	77		759,812	120,044		4,361,400	8,622,226	13,863,559
Assigned	5,663,248						4,077,259	9,740,507
Unassigned	61,155,131							61,155,131
Total fund balances	68,140,502	80,849,786	982,814	7,123,886	4,642,588	4,361,400	13,362,630	179,463,606
Total liabilities and fund balances	\$71,482,153	\$82,318,596	\$2,646,497	\$7,952,689	\$8,664,563	\$5,696,872	\$13,632,168	\$192,393,538

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, 2012

Fund Balances - Governmental Funds	\$179,463,606
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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	42,750,994	
Furniture and equipment	14,806,036	
Vehicles and heavy equipment	20,218,688	
Dams	28,221,320	
Infrastructure	341,032,223	
Construction in progress	<u>5,098,174</u>	
	464,259,463	
Less accumulated depreciation	<u>(293,474,103)</u>	170,785,360

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

Notes payable	(1,328,916)	
Accrued compensated absences	(2,197,929)	
Net OPEB obligation	(1,666,895)	
Landfill closure and postclosure care cost	<u>(15,289,000)</u>	(20,482,740)

Deferred revenue represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.	2,463,755
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Internal service funds are used by management to charge the costs of certain activities to individual funds. Net assets of the internal service funds are reported with governmental activities.	<u>9,708,902</u>
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Net Assets of Governmental Activities	<u><u>\$341,938,883</u></u>
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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, 2012

	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Industrial Development Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Charges for services	\$4,373,889	\$32,558	\$1,966,995	\$461,464			\$2,116,304	\$8,951,210
Permits, licenses and fines	834,440	1,088	317,144	222,412			115,202	1,490,286
Intergovernmental	13,864,402	14,245,394	4,030,121	24,990,205	\$3,363,418	\$443,908	2,359,461	63,296,909
Property taxes			8,375,696				420,946	8,796,642
Assessments		26,539						26,539
Interest	528,563	619,107	19,279	70,599	88,864	68,082	117,644	1,512,138
Other	417,210	46,406	250,314	177,083		50,334	1,290,128	2,231,475
Total revenues	20,018,504	14,971,092	14,959,549	25,921,763	3,452,282	562,324	6,419,685	86,305,199
Expenditures:								
Current:								
General Government	14,741,842				2,498,340	149,311	812,501	18,201,994
Public Safety	3,293,569		19,854,818					23,148,387
Highways and Streets		10,748,845						10,748,845
Sanitation	2,255,942							2,255,942
Health and Welfare	29,416			26,332,682			103,791	26,465,889
Culture and Recreation	3,539,964						2,273,376	5,813,340
Conservation							817,199	817,199
Education							2,020,090	2,020,090
Capital outlay	416,865	4,112,813	251,241	82,594		9,320	169,654	5,042,487
Debt service:								
Principal							87,268	87,268
Interest							63,650	63,650
Total expenditures	24,277,598	14,861,658	20,106,059	26,415,276	2,498,340	309,549	6,196,611	94,665,091
Excess (deficiency) of revenues over (under) expenditures	(4,259,094)	109,434	(5,146,510)	(493,513)	953,942	252,775	223,074	(8,359,892)
Other financing sources (uses):								
Transfers in	1,610,455	55,000	5,021,093	1,310,869			60,000	8,057,417
Transfers out	(2,069,704)	(4,542,769)	(18,000)	(697,723)	(593,811)		(135,410)	(8,057,417)
Total other financing sources (uses)	(459,249)	(4,487,769)	5,003,093	613,146	(593,811)	-	(75,410)	-
Net change in fund balances	(4,718,343)	(4,378,335)	(143,417)	119,633	360,131	252,775	147,664	(8,359,892)
Fund balances, beginning	72,858,845	85,416,571	1,126,231	7,004,253	4,282,457	4,108,625	13,214,966	188,011,948
Change in reserve for inventories		(188,450)						(188,450)
Fund balances, ending	\$68,140,502	\$80,849,786	\$982,814	\$7,123,886	\$4,642,588	\$4,361,400	\$13,362,630	\$179,463,606

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, 2012

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

Net change in fund balances - Governmental Funds (\$8,359,892)

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	\$1,810,404	
Less current year depreciation	<u>(11,409,325)</u>	(9,598,921)

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. (62,355)

Governmental funds reported the decrease in the Public Works inventory as a change in fund balance; however, in the statement of activities the change is included in expenses. (188,450)

Revenues in the statement of activities that do not provide current financial resources are not considered "available" and are deferred in the governmental funds. 18,534

The increase in the estimated landfill closure and postclosure care costs does not require the use of current financial resources and is not reported in the governmental funds. (2,541,000)

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. (734,404)

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. 651,282

Change in net assets - governmental activities (\$20,815,206)

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business-type Activities - Enterprise Fund		Governmental
	Salmon Harbor		Activities
	Current Year	Prior Year	Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$836,793	\$763,820	\$11,049,909
Receivables	38,143	180,917	11,173
Due from other funds		20	273,534
Inventories	19,579	20,071	279,681
Deposits and prepaids	595	4,134	55,902
Total current assets	895,110	968,962	11,670,199
Capital assets:			
Land	921,221	921,221	
Buildings and improvements	8,990,698	9,008,271	
Furniture and equipment			212,175
Vehicles and heavy equipment	260,792	260,188	3,811,983
Less accumulated depreciation	(5,038,828)	(4,811,993)	(3,215,194)
Total capital assets (net of accumulated depreciation)	5,133,883	5,377,687	808,964
Total assets	6,028,993	6,346,649	12,479,163
LIABILITIES			
Current liabilities:			
Accounts payable			3,511
Accrued payroll, withholdings and benefits	14,331	40,587	1,401,621
Accrued compensated absences	27,234	32,492	42,404
Accrued claims liability			450,000
Due to other funds	44,426	109,427	110,173
Interfund loan payable	2,361,529	2,361,529	
Total current liabilities	2,447,520	2,544,035	2,007,709
Noncurrent liabilities:			
Accrued claims liability			800,000
Total liabilities	2,447,520	2,544,035	2,807,709
NET ASSETS			
Invested in capital assets	5,133,883	5,377,687	808,964
Unrestricted (deficit)	(1,552,410)	(1,575,073)	8,862,490
Total net assets	3,581,473	\$3,802,614	\$9,671,454
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(37,448)		
Net assets of business-type activities	\$3,544,025		

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, 2012

	Business-type Activities - Enterprise Fund		Total	Governmental
	Salmon Harbor			Activities
	Current Year	Prior Year		Internal
			Current Year	Service Funds
Operating revenues:				
Charges for services	\$1,157,733	\$1,122,711	\$1,157,733	\$12,763,765
Other	586,770	497,042	586,770	1,408,675
Total operating revenues	<u>1,744,503</u>	<u>1,619,753</u>	<u>1,744,503</u>	<u>14,172,440</u>
Operating expenses:				
Salaries and wages	506,531	501,587	506,531	639,162
Payroll taxes and benefits	247,377	267,241	247,377	320,049
Operating supplies and expenses	756,963	617,305	756,963	10,074,301
Utilities	297,065	292,895	297,065	61,414
Administrative expenses	110,071	129,352	110,071	2,294,090
Depreciation	256,256	247,592	256,256	260,538
Total operating expenses	<u>2,174,263</u>	<u>2,055,972</u>	<u>2,174,263</u>	<u>13,649,554</u>
Operating income (loss)	<u>(429,760)</u>	<u>(436,219)</u>	<u>(429,760)</u>	<u>522,886</u>
Nonoperating revenues and expenses:				
Intergovernmental	203,700	251,180	203,700	
Interest income	9,312	12,371	9,312	111,623
Gain (loss) on disposal of capital assets	(4,393)		(4,393)	5,177
Total nonoperating revenues	<u>208,619</u>	<u>263,551</u>	<u>208,619</u>	<u>116,800</u>
Income (loss) before contributions	<u>(221,141)</u>	<u>(172,668)</u>	<u>(221,141)</u>	<u>639,686</u>
Capital contributions		<u>399,178</u>		
Change in net assets	<u>(221,141)</u>	<u>226,510</u>	<u>(221,141)</u>	<u>639,686</u>
Total net assets-beginning	<u>3,802,614</u>	<u>3,576,104</u>		<u>9,031,768</u>
Total net assets-ending	<u>\$3,581,473</u>	<u>\$3,802,614</u>		<u>\$9,671,454</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(11,596)</u>	
Change in net assets of business-type activities			<u>(\$232,737)</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, 2012

	Business-type Activities - Enterprise Fund Salmon Harbor		Governmental Activities Internal Service Funds
	Current Year	Prior Year	
Cash flow from operating activities:			
Receipts from customers	\$1,887,277	\$1,601,846	
Receipts from interfund services provided			\$14,060,441
Payments to suppliers and contractors	(1,225,049)	(972,598)	(12,530,766)
Payments to employees	(785,422)	(762,560)	(763,991)
Other operating receipts			168,523
Net cash provided by (used in) operating activities	<u>(123,194)</u>	<u>(133,312)</u>	<u>934,207</u>
Cash flows from noncapital financing activities:			
Operating grants from other governmental entities	<u>203,700</u>	<u>251,180</u>	
Net cash provided by (used in) noncapital and related financing activities	<u>203,700</u>	<u>251,180</u>	
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets			28,725
Capital contributions		257,288	
Acquisition of capital assets	<u>(16,845)</u>	<u>(611,391)</u>	<u>(430,312)</u>
Net cash provided by (used in) capital and related financing activities	<u>(16,845)</u>	<u>(354,103)</u>	<u>(401,587)</u>
Cash flows from investing activities:			
Interest received	<u>9,312</u>	<u>12,371</u>	<u>111,623</u>
Net increase (decrease) in cash and cash equivalents	72,973	(223,864)	644,243
Cash and cash equivalents, beginning	<u>763,820</u>	<u>987,684</u>	<u>10,405,666</u>
Cash and cash equivalents, ending	<u><u>\$836,793</u></u>	<u><u>\$763,820</u></u>	<u><u>\$11,049,909</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	<u>(\$429,760)</u>	<u>(\$436,219)</u>	<u>\$522,886</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	256,256	247,592	260,538
(Increase) decrease in:			
Accounts receivable	142,774	(17,907)	16,652
Prepaid expenses and deposits	3,539	(3,362)	(27,470)
Inventories	492	(4,649)	52,626
Interfund receivables	20	18,841	39,872
Increase (decrease) in:			
Accounts payable			(4,392)
Accrued payroll, withholdings and benefits	(26,256)	2,673	200,798
Accrued compensated absences	(5,258)	3,595	(5,578)
Interfund payables	(65,001)	56,124	(121,725)
Total adjustments	<u>306,566</u>	<u>302,907</u>	<u>411,321</u>
Net cash provided by (used in) operating activities	<u><u>(\$123,194)</u></u>	<u><u>(\$133,312)</u></u>	<u><u>\$934,207</u></u>
Noncash investing capital, and financing activities:			
Capital contribution receivable			\$141,890

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
June 30, 2012

ASSETS

Cash and investments:

Equity in pooled cash and investments	\$1,365,397
Property taxes receivable	10,005,792
Accrued interest receivable	<u>31,571</u>

Total assets	<u><u>\$11,402,760</u></u>
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LIABILITIES

Due to other governmental units	<u>\$11,402,760</u>
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Total liabilities	<u><u>\$11,402,760</u></u>
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NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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 to the Authority's Board. The Board of Commissioners may, at its sole discretion, alter or change the structure, organization, programs or activities of the Authority, subject to any limitations imposed by the impairment of contracts. The Board may dissolve the Authority at any time, provided the Authority has no bonds or other obligations outstanding.

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

B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Changes in Net Assets 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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 *Industrial Development Fund* was established to account for the revenue and expenditures related to efforts made by the County to attract new industry to the County. Primary sources of revenue are from the state lottery for uses provided in ORS 461.540, interest and principal collected from economic development loans and the sale of lands developed to attract industry.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The only exception is where the elimination would distort the direct costs and program revenues reported by the various functions concerned.

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

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

The County implemented GASB (Government Accounting Standards Board) Statement No. 54 in a prior year. Under GASB No. 54, the Dog Control Fund no longer meets the definition of a special revenue fund. 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.

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).

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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2. *Receivables and Payables*

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

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

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

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

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs of tax exempt debt, less interest earned on investments acquired with these proceeds, incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. No interest was capitalized in fiscal year 2012.

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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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.

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 for which constraints have been imposed by formal action of the Board of Commissioners (the County’s highest level of decision-making authority). Committed amounts cannot be used for any other purpose unless the specified use is removed or changed by the same type of action.

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 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 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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 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.

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 three 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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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, 2012.

3. Detailed Notes on all Funds

A. Cash and Investments

The County's cash and investments are comprised of the following at June 30, 2012:

Cash on hand	\$157,596
Deposits with financial institutions	13,042,928
Investments	<u>177,102,642</u>
Total cash and investments	190,303,166
Less cash and investments in agency fund	<u>(1,365,397)</u>
Cash and investments, as reported on the Statement of Net Assets	<u><u>\$188,937,769</u></u>

Deposits

Deposits with financial institutions are bank demand deposits. Total bank balances, as shown on bank records at June 30, 2012 are \$13,947,305. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, \$2,544,405 was covered by federal depository insurance (FDIC), and \$11,402,900 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.

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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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At June 30, 2012, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	\$33,890,885	19%
U.S. Government Agency Securities	84,710,779	48%
Commercial Paper	1,000,000	1%
Municipal Securities	6,954,077	4%
Corporate Bonds	50,546,901	28%
Total investments	\$177,102,642	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, 2012 were: 63% mature within 93 days, 17% mature from 94 days to one year, and 20% mature from one to three years.

As of June 30, 2012, maturities for the County are other investments are as follows:

	Less than One Year	One to Three Years
U.S. Government Agency Securities:		
Federal Farm Credit Bank		\$10,009,346
Federal Home Loan Bank	\$9,870,051	4,478,945
Federal Home Loan Mortgage Corp.		23,609,489
Federal Financing Corp.	2,405,596	3,958,930
Federal National Mortgage Association		28,356,450
Federal Agricultural Mortgage Corp		2,021,972
Commercial Paper	1,000,000	
Municipal Securities	3,130,379	3,823,698
Corporate Debt	16,721,523	33,825,378
Total	\$33,127,549	\$110,084,208

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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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/or Aaa by Moody's. The County's corporate debt investments are rated A+ by Standard and Poor's and Aa3 by Moody's. The municipal securities investments are rated Aa by Moody's.

On March 6, 2012 the County sold a Lehman Brothers note for \$791,250. The County had revalued the note at \$450,000 when Lehman Brothers filed for bankruptcy on September 15, 2008. The note had an original par value of \$3 million and a maturity date of January 23, 2009. The revaluation of the note was based on the estimated proceeds the County expected to receive as a senior unsecured creditor in the bankruptcy proceedings.

B. Receivables

	Property Taxes	Assess- ments	Accounts	Notes & Contracts	Interest	Total
Governmental activities:						
General Fund			\$992,335		\$336,836	\$1,329,171
Public Works Fund		\$134,687	741,779	\$206,381	5,633	1,088,480
Public Safety Fund	\$1,045,162		836,944			1,882,106
Health & Social Services Fund			807,965			807,965
Industrial Development Fund			102,988	2,525,553	151,220	2,779,761
Nonmajor governmental funds	52,345		361,584	66,353		480,282
	1,097,507	134,687	3,843,595	2,798,287	493,689	8,367,765
Internal service funds			11,173			11,173
	1,097,507	134,687	3,854,768	2,798,287	493,689	8,378,938
Business-type activities:						
Salmon Harbor Fund			38,143			38,143
Fiduciary Fund - Agency	10,005,792				31,571	10,037,363
Receivables, end of year	\$11,103,299	\$134,687	\$3,892,911	\$2,798,287	\$525,260	\$18,454,444

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 represents an amount loaned by the Authority to the Aspen Foundation for the purchase of a senior residence. Receipts from the repayment of loaned funds are pledged for revenue bond debt service. Annual installments and maturities correspond to Authority revenue bonds at Note 2F. On March 1, 2011 the Trustee under the Indenture of Trust notified the Hospital Authority that an event of default occurred under the indenture. On September 1, 2011, payments of delinquent principal of \$40,000 and current principal of \$45,000 were due through a sinking fund payment in the amount of \$85,000. Neither the principal nor the interest component was paid. Interest due June 30, 2012 including interest on the bonds not redeemed is \$182,125. The amount outstanding at June 30, 2012 is \$1,600,000 for the Aspen Foundation 1997 Series A Bonds.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$12,132,028			\$12,132,028
Construction in progress	8,102,994	\$448,598	\$3,453,418	5,098,174
Total capital assets not being depreciated	20,235,022	448,598	3,453,418	17,230,202
Capital assets being depreciated:				
Buildings and improvements	42,684,395	87,151	20,552	42,750,994
Furniture and equipment	15,204,852	94,680	281,321	15,018,211
Vehicles and heavy equipment	23,879,745	535,656	384,730	24,030,671
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	337,069,449	4,528,049	565,275	341,032,223
Total capital assets being depreciated	447,059,761	5,245,536	1,251,878	451,053,419
Less accumulated depreciation for:				
Buildings and improvements	16,830,286	657,475	12,495	17,475,266
Furniture and equipment	9,251,315	1,322,702	281,321	10,292,696
Vehicles and heavy equipment	17,004,468	837,226	346,453	17,495,241
Dam structures and improvements	8,090,111	376,285		8,466,396
Infrastructure	235,009,229	8,476,175	525,706	242,959,698
Total accumulated depreciation	286,185,409	11,669,863	1,165,975	296,689,297
Total capital assets being depreciated, net	160,874,352	(6,424,327)	85,903	154,364,122
Governmental activities capital assets, net	\$181,109,374	(\$5,975,729)	\$3,539,321	\$171,594,324
Business-type activities:				
Capital assets not being depreciated:				
Land	\$921,221			\$921,221
Capital assets being depreciated:				
Buildings	9,008,271		\$17,573	8,990,698
Vehicles and heavy equipment	260,188	\$16,845	16,241	260,792
Total capital assets being depreciated	9,268,459	16,845	33,814	9,251,490
Less accumulated depreciation for:				
Buildings	4,654,110	225,115	13,180	4,866,045
Vehicles and heavy equipment	157,883	31,141	16,241	172,783
Total accumulated depreciation	4,811,993	256,256	29,421	5,038,828
Total capital assets being depreciated, net	4,456,466	(239,411)	4,393	4,212,662
Business-type activities capital assets, net	\$5,377,687	(\$239,411)	\$4,393	\$5,133,883

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$646,628
Public safety	1,088,811
Highways and streets	8,651,849
Sanitation	425,830
Health and welfare	209,643
Culture and recreation	270,817
Conservation	376,285
Total depreciation expense - governmental activities	\$11,669,863
Business-type activities:	
Salmon Harbor	\$256,256
Total depreciation expense - business-type activities	\$256,256

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2012 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	\$1,777,734	\$111,267			\$1,610,455	\$2,069,704
Public Works Fund	39,573	1,122,143			55,000	4,542,769
Public Safety Fund	22,023	281,922			5,021,093	18,000
Health & Social Services Fund	2,380	326,467			1,310,869	697,723
Title III Fund						593,811
Industrial Development Fund		18,885				
Nonmajor governmental funds	103	100,064	\$2,361,529		60,000	135,410
	1,841,813	1,960,748	2,361,529	-	8,057,417	8,057,417
<u>Proprietary Funds:</u>						
Salmon Harbor Fund		44,426		\$2,361,529		
Internal service funds	273,534	110,173				
	273,534	154,599	-	2,361,529	-	-
	\$2,115,347	\$2,115,347	\$2,361,529	\$2,361,529	\$8,057,417	\$8,057,417

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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 2013 fiscal year.

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

E. 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, 2012, deferred revenue consisted of the following:

	General	Public Works	Public Safety	Health & Social Services	Title III	Industrial Development Fund	Other Gov't Funds	Total
Unearned:								
Fees and rents	\$2,710		\$68,797	\$183				\$71,690
Grant revenues	50,000			10,000	\$4,021,975			4,081,975
Payment in lieu of taxes	569,310							569,310
	622,020	-	68,797	10,183	4,021,975	-	-	4,722,975
Unavailable:								
Assessments		\$134,687						134,687
Land sales contract						\$1,316,587		1,316,587
Property taxes receivable			964,133				\$48,348	1,012,481
Total deferred revenue	\$622,020	\$134,687	\$1,032,930	\$10,183	\$4,021,975	\$1,316,587	\$48,348	\$7,186,730

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

F. Long-term Liabilities

Primary Government
Notes Payable

Description	Maturity Date	Interest Rates	Original Loan	Balance June 30	
				2011	2012
OECCD	Dec. 1, 2013	5.19%	\$264,000	\$58,414	\$39,919
OECCD - Green Sanitary	Dec. 1, 2031	5%	225,000	-	225,000
City of Sutherlin	Nov.1, 2012	5.00%	84,230	12,568	6,437
Tri-City Water & Sanitary	Dec. 1, 2024	5.25%-5.63%	756,703	545,323	515,878
City of Sutherlin	Dec. 1, 2025	4.45%-5.50%	675,000	465,000	438,000
City of Reedsport	Dec. 1, 2023	3.00%-4.63%	152,319	109,879	103,682
			<u>\$2,157,252</u>	<u>\$1,191,184</u>	<u>\$1,328,916</u>

Notes Payable to cities in Douglas County and to the Oregon Economic & Community Development Department (OECCD) 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.

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

Year end June 30	Governmental Activities	
	Principal	Interest
2013	\$101,822	\$67,346
2014	94,002	65,111
2015	77,223	60,222
2016	85,446	56,191
2017	89,208	51,731
2018-2022	481,372	185,053
2023-2027	328,003	59,329
2028-2032	71,840	10,358
	<u>\$1,328,916</u>	<u>\$555,341</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 \$15,289,000 shown as landfill closure and postclosure care liability at June 30, 2012, represents a portion of the total closure and postclosure cost based on the use of approximately 63 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents an increase of \$2,541,000 from the amount of \$12,748,000,

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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which was recorded as the landfill closure and postclosure liability at June 30, 2011. 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 \$7,511,000 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 2012. 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, 2012 the County assured total closure and postclosure care costs of \$22,800,000.

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, 2012. Debt service principal and interest requirements to maturity are as follows:

Year end June 30	Principal	Interest
2012*	\$85,000	\$182,125
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>\$1,337,313</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 as a result of the borrower's failure to provide sufficient funds to the Trust to pay interest and principal due on the bonds. Bond principal and interest payments delinquent at June 30, 2012 are \$85,000 and \$182,125 respectively.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Notes payable	\$1,191,184	\$225,000	\$87,268	\$1,328,916	\$101,822
Compensated absences	2,187,636	2,240,333	2,187,636	2,240,333	701,783
Accrued claims	1,250,000	673,426	673,426	1,250,000	450,000
Net OPEB obligation	1,128,498	538,397		1,666,895	
Landfill closure and postclosure costs	12,748,000	2,541,000		15,289,000	50,000
Total	<u>\$18,505,318</u>	<u>\$6,218,156</u>	<u>\$2,948,330</u>	<u>\$21,775,144</u>	<u>\$1,303,605</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, 2012, \$42,404 of internal service funds compensated absences is included in governmental activities; and \$27,234 is recorded in the business-type activity fund of Salmon Harbor. The net OPEB obligation including that in the internal service funds is part of governmental activities. Any payments related to landfill closure and post-closure care costs are recorded in the General Fund. The accrued claims liability is an internal service fund obligation.

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 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2012

G. Fund Balance Components in the Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2012:

	Major Funds						
	General Fund	Public Works Fund	Public Safety Fund	Health and Social Services Fund	Title III Fund	Industrial Development Fund	Nonmajor Governmental Funds
FUND BALANCES							
Nonspendable:							
Inventories, deposits and prepays	\$372,637	\$2,248,006	\$115,604	\$29,957			\$5,160
Restricted for:							
Federal Secure Rural Schools Title II and Title III programs					\$4,642,588		
Highways, streets and bridges	85,896	78,601,780	107,398				
Health and welfare				6,973,885			139,514
District Attorney grant assistance programs	141,180						
Children and family programs	148,229						
Library programs and infrastructure	471,955						
County Clerk recording infrastructure	96,465						
Surveyor corner preservation	5,684						
4-H extension service district							401,461
County schools							42,942
Public use law library							33,478
Liquor law enforcement							1,092
County fairs and shows							39,498
	949,409	78,601,780	107,398	6,973,885	4,642,588	-	657,985
Committed to:							
Health and welfare				120,044			
Law enforcement activities			727,790				
Communication services			32,022				
Economic development					\$4,361,400		
Restoration and management of county owned forest lands							6,849,247
Preservation of salmon habitat							11,424
Dog control - spay and neuter	77						0
Operations and maintenance of water impoundments							0
							1,761,555
	77	-	759,812	120,044	-	4,361,400	8,622,226
Assigned to:							
FY13 budget appropriations	5,652,031						
Dog control operations	11,217						
Outlays for capital assets and facilities							4,077,259
	5,663,248	-	-	-	-	-	4,077,259
Unassigned, reported in:							
General Fund	61,155,131						
Total	\$68,140,502	\$80,849,786	\$982,814	\$7,123,886	\$4,642,588	\$4,361,400	\$13,362,630

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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 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 \$566,700 per claimant and \$1,133,300 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The first \$1 million per occurrence is self-retained and the balance of liability coverage is purchased through a private insurance carrier. The claims paid during the year under this program were \$372,693. The estimated unpaid loss liability including IBNR at June 30, 2012, 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 \$300,733. Total estimated unpaid loss liability at June 30, 2012, 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, 2012

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
2011-12	\$1,250,000	\$673,426	\$673,426	\$1,250,000
2010-11	1,250,000	496,327	496,327	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 \$7,774,989 at June 30, 2012. The approximate commitments by fund are as follows:

General Fund	\$1,136,299
Public Works Fund	1,122,115
Public Safety Fund	3,158,445
Health and Social Services Fund	799,945
County Fair Board Fund	369,641
Capital Projects Fund	562,420
Salmon Harbor Fund	206,667
All other funds	419,457
	\$7,774,989

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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

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 are administered under Oregon Revised Statutes Chapter 238 by the Public Employees Retirement Board (PERB). County employees are eligible to participate in OPERS after six months of employment and benefits vest after five continuous years of service or at age 50.

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

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

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, 2011 through June 30, 2012 was 20.39% in accordance with the December 31, 2009 valuation. This rate includes a 12.47% 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, 2011 through June 30, 2012, for the OPSRP defined benefit pension plan were 18.60% for general service employees and 21.31% for police and fire employees. These rates also include a 12.47% 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.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2012

Annual Pension Cost

For June 30, 2012, the County's annual pension cost of \$7,987,952 was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2009 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.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$6,773,143	100%	0
June 30, 2011	6,891,309	100	0
June 30, 2012	7,987,952	100	0

Funding Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 74 percent funded. The actuarial accrued liability was \$308,521,151, and the actuarial value of the assets was \$228,167,624, resulting in an unfunded actuarial accrued liability (UAAL) of \$80,353,527. The covered payroll (annual payroll of active employees covered by the plan) was \$29,880,985 and the ratio of the UAAL to the covered payroll was 269%.

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) use 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

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 June 30, 2012

active employees, medical coverage would be more expensive for retirees in a separately rated health plan. The additional cost of allowing retirees to purchase health insurance at a blended rate is called an implicit rate subsidy and is required to be valued under GASB No. 45. The County treats this implicit rate subsidy as single-employer, defined benefit OPEB plan administered by the County only to satisfy the accounting and financial reporting requirements of GASB No. 45. These are not stand-alone plans and there are no separately issued financial statements.

Funding Policy

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

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 2012 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$936,789	43%	\$1,666,895
2010-11	626,328	51%	1,128,498
2009-10	841,899	56%	819,027

The annual required contribution and the change in the OPEB obligation for fiscal year 2012 are as follows:

	FY2012
Annual required contribution (ARC)	\$931,404
Interest on net OPEB obligation	50,261
Amortization adjustment to ARC	(44,876)
Annual OPEB cost	936,789
Contributions made (implicit rate subsidy)	(398,392)
Change in net OPEB obligation	538,397
Net OPEB obligation, beginning of year	1,128,498
Net OPEB obligation, end of year	\$1,666,895

DOUGLAS COUNTY, OREGON
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Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the actuarially accrued liability was \$7,890,162, 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 \$33,515,025 and the ratio of the unfunded actuarially accrued liability (UAAL) to covered payroll was 24%.

Actuarial Methods and Assumptions

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

For the July 1, 2010 actuarial valuation, the actuary used the projected unit credit actuarial cost method. Actuarial assumptions, included a discount rate of 4%, general inflation rate of 3%, projected salary increases of 3.5% per year, and a healthcare cost trend rate of 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.