

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$163,070,593	\$1,109,434	\$164,180,027	
Receivables, net	7,918,713	68,707	7,987,420	\$1,600,000
Internal balances	220,086	(220,086)		
Inventories	1,837,070	35,942	1,873,012	
Deposits and prepaid items	325,902	2,041	327,943	
Interfund loan balances	2,361,529	(2,361,529)		
Capital assets (net of accumulated depreciation):				
Land and right of way	11,812,136	921,221	12,733,357	
Buildings and improvements	24,567,268	3,811,716	28,378,984	
Furniture and equipment	2,740,779		2,740,779	
Vehicles and heavy equipment	6,347,105	48,717	6,395,822	
Dams	18,626,072		18,626,072	
Infrastructure	94,129,945		94,129,945	
Construction in progress	7,398,675		7,398,675	
Total assets	<u>341,355,873</u>	<u>3,416,163</u>	<u>344,772,036</u>	<u>1,600,000</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pension	<u>6,997,120</u>	<u>32,568</u>	<u>7,029,688</u>	
LIABILITIES				
Accounts payable and other current liabilities	6,079,209	46,051	6,125,260	
Unearned revenues	7,087,097		7,087,097	
Noncurrent liabilities:				
Due within one year	2,819,471		2,819,471	295,000
Due in more than one year	<u>38,854,918</u>	<u>35,144</u>	<u>38,890,062</u>	<u>1,305,000</u>
Total liabilities	<u>54,840,695</u>	<u>81,195</u>	<u>54,921,890</u>	<u>1,600,000</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	<u>20,803,253</u>	<u>42,030</u>	<u>20,845,283</u>	
NET POSITION				
Net Investment in capital assets	165,621,980	4,781,654	170,403,634	
Restricted for:				
Highways and streets	68,487,067		68,487,067	
Health and social services	458,953		458,953	
Title II and III	3,250,193		3,250,193	
4-H Extension Service District	562,291		562,291	
Public Safety	85,567		85,567	
Building and electrical purposes	195,860		195,860	
Courtroom improvements	172,437		172,437	
Library purposes	143,894		143,894	
District Attorney grant programs	112,032		112,032	
County Clerk recordings	88,761		88,761	
County juvenile purposes	122,768		122,768	
County fair purposes	14,966		14,966	
Drug abuse prevention programs	3		3	
Surveyor corner preservation	17,618		17,618	
County schools programs	13,300		13,300	
Unrestricted (deficit)	<u>33,361,355</u>	<u>(1,456,148)</u>	<u>31,905,207</u>	
Total net position	<u>\$272,709,045</u>	<u>\$3,325,506</u>	<u>\$276,034,551</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and		Total	Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position			
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$15,812,377	\$6,290,758	\$4,761,266		(\$4,760,353)		(\$4,760,353)	
Public safety	20,151,110	3,993,572	3,968,004		(12,189,534)		(12,189,534)	
Highways and streets	17,734,963	137,424	13,072,541	\$ 2,855,763	(1,669,235)		(1,669,235)	
Sanitation	3,473,890	875,972			(2,597,918)		(2,597,918)	
Health and welfare	9,012,469	245,609	4,997,786		(3,769,074)		(3,769,074)	
Culture and recreation	5,577,848	2,655,608	617,204	704,660	(1,600,376)		(1,600,376)	
Conservation	1,148,972	802,958	181,695		(164,319)		(164,319)	
Education	2,035,069	666	2,021,290		(13,113)		(13,113)	
Interest on long-term debt	50,088				(50,088)		(50,088)	
Total governmental activities	74,996,786	15,002,567	29,619,786	3,560,423	(26,814,010)	-	(26,814,010)	
Business-type Activities:								
Boat marina/RV park	2,078,265	1,937,909	272,541			\$132,185	132,185	
Total business-type activities	2,078,265	1,937,909	272,541	-	-	132,185	132,185	
Total primary government	\$77,075,051	\$16,940,476	\$29,892,327	\$3,560,423	(\$26,814,010)	\$132,185	(\$26,681,825)	
Component unit:								
Hospital Facility Authority	\$ -	\$ -	\$ -	\$ -			\$ -	
General revenues:								
Property taxes					9,686,638		9,686,638	
Grants and contributions not restricted to specific purposes					10,431,699		10,431,699	
Unrestricted investment earnings					1,294,892	7,082	1,301,974	
Special item - Gain on sale of land					53,567		53,567	
Total general revenues					21,466,796	7,082	21,473,878	-
Change in net position					(5,347,214)	139,267	(5,207,947)	-
Net position - beginning as previously reported					322,208,503	3,267,848	325,476,351	-
Prior period adjustment					(44,152,244)	(81,609)	(44,233,853)	
Net position - beginning as restated					278,056,259	3,186,239	281,242,498	
Net position - ending					\$272,709,045	\$3,325,506	\$276,034,551	\$ -

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	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	\$54,877,366	\$68,935,120	\$1,455,633	\$591,962	\$9,733,660	\$15,992,669	\$151,586,410
Receivables, net	2,126,188	786,039	1,840,710	537,592		2,592,883	7,883,412
Due from other funds	1,378,280		29,582	3,607		10,486	1,421,955
Inventories	4,469	1,498,878					1,503,347
Deposits and prepaid items	209,563	13,172	6,811	660		23,828	254,034
Interfund loan receivable						2,361,529	2,361,529
Total assets	\$58,595,866	\$71,233,209	\$3,332,736	\$1,133,821	\$9,733,660	\$20,981,395	\$165,010,687
LIABILITIES							
Accounts payable	\$2,597,201	\$66,738	\$12,005	\$55,664		\$147,885	\$2,879,493
Accrued payroll, withholdings and benefits	475,538	141,202	488,515	90,782		48,615	1,244,652
Due to other funds	149,130	752,118	270,356	179,261		73,087	1,423,952
Due to other government units	70,978	24,535					95,513
Unearned revenue	573,719		3,771	10,500	\$6,499,107		7,087,097
Total liabilities	3,866,566	984,593	774,647	336,207	6,499,107	269,587	12,730,707
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - special assessments		42,774					42,774
Unavailable revenue - land sales contract						886,126	886,126
Unavailable revenue - property taxes			905,642			45,138	950,780
Total deferred inflows of resources	-	42,774	905,642	-	-	931,264	1,879,680
FUND BALANCES							
Nonspendable	214,032	1,512,050	6,811	660		23,828	1,757,381
Restricted	680,933	68,693,792	101,207	566,897	3,234,553	762,997	74,040,379
Committed	1,517		1,544,429	230,057		14,146,028	15,922,031
Assigned	5,659,559					4,847,691	10,507,250
Unassigned	48,173,259						48,173,259
Total fund balances	54,729,300	70,205,842	1,652,447	797,614	3,234,553	19,780,544	150,400,300
Total liabilities, deferred inflows of resources, and fund balances	\$58,595,866	\$71,233,209	\$3,332,736	\$1,133,821	\$9,733,660	\$20,981,395	\$165,010,687

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2015

Fund Balances - Governmental Funds \$150,400,300

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

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

Land and right of way	\$11,812,136	
Buildings and improvements	43,622,740	
Furniture and equipment	14,572,404	
Vehicles and heavy equipment	19,902,523	
Dams	28,221,320	
Infrastructure	361,381,715	
Construction in progress	<u>7,398,675</u>	
	486,911,513	
Less accumulated depreciation	<u>(322,218,732)</u>	164,692,781

Deferred Outflows of Resources

Contributions subsequent to Measurement Date (Pension Plan)		5,374,908
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,622,212

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

Notes payable	(1,070,870)	
Accrued compensated absences	(1,878,202)	
Net Pension liability	(17,395,107)	
Net OPEB obligation	(2,282,346)	
Landfill closure and postclosure care cost	<u>(15,653,300)</u>	(38,279,825)

Deferred inflows of resources represents amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds. 1,879,680

Deferred inflows of resources

Net difference between projected and actual earnings on investments		(20,803,253)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. Net position of the internal service funds are reported with governmental activities.

	<u>7,822,242</u>	
Net Position of Governmental Activities		<u><u>\$272,709,045</u></u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	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	\$5,492,855	\$4,365	\$2,026,416	\$165,465		\$1,850,330	\$9,539,431
Permits, licenses and fines	1,057,331	1,024	465,224	214			1,523,793
Intergovernmental	13,976,862	14,072,541	3,758,435	3,761,937	\$2,883,907	3,310,438	41,764,120
Property taxes			9,239,437			459,427	9,698,864
Assessments		16,269					16,269
Interest	444,490	545,861	12,452	20,579	65,537	126,154	1,215,073
Other	662,674	99,497	246,897	78,304		2,030,922	3,118,294
Total revenues	21,634,212	14,739,557	15,748,861	4,026,499	2,949,444	7,777,271	66,875,844
Expenditures:							
Current:							
General Government	14,938,457				1,827,048	1,152,357	17,917,862
Public Safety	2,403,876		20,926,160				23,330,036
Highways and Streets		10,476,079					10,476,079
Sanitation	2,321,950						2,321,950
Health and Welfare	1,048,681			8,530,406		96,635	9,675,722
Culture and Recreation	3,716,536					2,254,158	5,970,694
Conservation						876,262	876,262
Education						2,035,069	2,035,069
Capital outlay	1,268,191	3,884,589	264,115	8,106		557,632	5,982,633
Debt service:							
Principal						83,223	83,223
Interest						50,088	50,088
Total expenditures	25,697,691	14,360,668	21,190,275	8,538,512	1,827,048	7,105,424	78,719,618
Excess (deficiency) of revenues over (under) expenditures	(4,063,479)	378,889	(5,441,414)	(4,512,013)	1,122,396	671,847	(11,843,774)
Other financing sources (uses):							
Transfers in	1,380,996	532,899	5,192,465	1,352,484		2,680,496	11,139,340
Transfers out	(4,266,150)	(5,426,804)	(1,830)	(526,225)	(830,831)	(87,500)	(11,139,340)
Total other financing sources (uses)	(2,885,154)	(4,893,905)	5,190,635	826,259	(830,831)	2,592,996	-
Net change in fund balances	(6,948,633)	(4,515,016)	(250,779)	(3,685,754)	291,565	3,264,843	(11,843,774)
Fund balances, beginning	61,677,933	74,984,732	1,903,226	4,483,368	2,942,988	16,515,701	162,507,948
Change in reserve for inventories		(263,874)					(263,874)
Fund balances, ending	\$54,729,300	\$70,205,842	\$1,652,447	\$797,614	\$3,234,553	\$19,780,544	\$150,400,300

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, 2015

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

Net change in fund balances - Governmental Funds	(\$11,843,774)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay during the year:</p>	
Acquisition of capital assets	\$4,699,167
Less current year depreciation	<u>(9,641,007)</u>
	(4,941,840)
<p>Contributions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>	
	1,855,763
<p>In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. The difference represents the book value of the capital assets sold.</p>	
	(151,980)
<p>Governmental funds reported the decrease in the Public Works inventory as a change in fund balance; however, in the statement of activities the change is included in expenses.</p>	
	(263,874)
<p>Revenues in the statement of activities that do not provide current financial resources are deferred inflows of resources in the governmental funds.</p>	
	(28,495)
<p>The increase in the estimated landfill closure and postclosure care costs does not require the use of current financial resources and is not reported in the governmental funds.</p>	
	(873,300)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
	(169,839)
<p>The change in the net pension liability and deferred outflows and inflows of resources related to pension does not require the use of current financial resources and is not reported in the governmental funds.</p>	
	12,951,004
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds, along with any change in contributed capital, is reported with governmental activities.</p>	
	<u>(1,880,879)</u>
Change in net position - governmental activities	<u><u>(\$5,347,214)</u></u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities - Enterprise Fund		Governmental Activities
	Salmon Harbor		Internal
	Current Year	Prior Year	Service Funds
ASSETS			
Current assets:			
Cash and investments	\$1,109,434	\$839,084	\$11,484,183
Receivables	68,707	55,075	35,301
Due from other funds	99	478	334,130
Inventories	35,942	46,275	333,723
Deposits and prepaids	2,041	4,429	71,868
Total current assets	<u>1,216,223</u>	<u>945,341</u>	<u>12,259,205</u>
Capital assets:			
Land	921,221	921,221	
Buildings and improvements	9,361,075	9,193,618	
Furniture and equipment			211,036
Vehicles and heavy equipment	312,382	304,537	3,564,208
Less accumulated depreciation	<u>(5,813,024)</u>	<u>(5,558,060)</u>	<u>(2,846,045)</u>
Total capital assets (net of accumulated depreciation)	<u>4,781,654</u>	<u>4,861,316</u>	<u>929,199</u>
Total assets	<u>5,997,877</u>	<u>5,806,657</u>	<u>13,188,404</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	<u>32,568</u>	<u>20,455</u>	
LIABILITIES			
Current liabilities:			
Accounts payable	741		316
Accrued payroll, withholdings and benefits	19,534	18,138	1,859,235
Accrued compensated absences	25,776	22,599	44,564
Accrued claims liability			1,000,000
Due to other funds	104,163	69,210	228,069
Interfund loan payable	<u>2,361,529</u>	<u>2,361,529</u>	
Total current liabilities	2,511,743	2,471,476	3,132,184
Noncurrent liabilities:			
Accrued claims liability			2,350,000
Net Pension liability	<u>35,144</u>	<u>102,064</u>	
Total liabilities	<u>2,546,887</u>	<u>2,573,540</u>	<u>5,482,184</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	<u>42,030</u>		
NET POSITION			
Invested in capital assets	4,781,654	4,861,316	929,199
Unrestricted (deficit)	<u>(1,340,126)</u>	<u>(1,607,744)</u>	<u>6,777,021</u>
Total net position	3,441,528	<u>\$3,253,572</u>	<u>\$7,706,220</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(116,022)</u>		
Net position of business-type activities	<u>\$3,325,506</u>		

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2015

	Business-type Activities - Enterprise Fund		Governmental Activities
	Salmon Harbor		Internal Service Funds
	Current Year	Prior Year	
Operating revenues:			
Charges for services	\$1,491,551	\$1,292,201	\$11,489,345
Other	446,358	400,056	866,641
Total operating revenues	<u>1,937,909</u>	<u>1,692,257</u>	<u>12,355,986</u>
Operating expenses:			
Salaries and wages	406,845	417,927	561,989
Payroll taxes and benefits	246,640	206,806	365,800
Operating supplies and expenses	630,532	586,078	11,033,690
Utilities	308,592	290,449	49,579
Administrative expenses	182,003	141,879	2,021,567
Depreciation	254,964	259,658	313,150
Total operating expenses	<u>2,029,576</u>	<u>1,902,797</u>	<u>14,345,775</u>
Operating income (loss)	<u>(91,667)</u>	<u>(210,540)</u>	<u>(1,989,789)</u>
Nonoperating revenues and expenses:			
Intergovernmental	272,541	198,171	
Interest income	7,082	4,710	79,819
Gain (loss) on disposal of capital assets			(19,598)
Total nonoperating revenues and expenses	<u>279,623</u>	<u>202,881</u>	<u>60,221</u>
Change in net position	<u>187,956</u>	<u>(7,659)</u>	<u>(1,929,568)</u>
Net position-beginning as previously reported	3,335,181	3,342,840	9,635,788
Prior period adjustment	<u>(81,609)</u>		
Net position-beginning as restated	<u>3,253,572</u>	<u>3,342,840</u>	<u>9,635,788</u>
Net position-ending	<u>\$3,441,528</u>	<u>\$3,335,181</u>	<u>\$7,706,220</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(48,689)</u>		
Change in net position of business-type activities	<u>\$139,267</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, 2015

	Business-type Activities - Enterprise Fund Salmon Harbor		Governmental Activities Internal Service Funds
	Current Year	Prior Year	
Cash flows from operating activities:			
Receipts from customers	\$1,924,277	\$1,690,524	
Receipts from interfund services provided			\$12,196,578
Payments to suppliers and contractors	(1,072,333)	(1,006,546)	(11,526,640)
Payments to employees	(685,915)	(621,698)	(1,080,909)
Other operating receipts			176,484
Net cash provided by (used in) operating activities	<u>166,029</u>	<u>62,280</u>	<u>(234,487)</u>
Cash flows from noncapital financing activities:			
Operating grants from other governmental entities	<u>272,541</u>	<u>198,171</u>	
Net cash provided by (used in) noncapital financing activities	<u>272,541</u>	<u>198,171</u>	-
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(175,302)</u>	<u>(24,000)</u>	<u>(380,396)</u>
Net cash provided by (used in) capital and related financing activities	<u>(175,302)</u>	<u>(24,000)</u>	<u>(380,396)</u>
Cash flows from investing activities:			
Interest received	<u>7,082</u>	<u>4,710</u>	<u>79,819</u>
Net increase (decrease) in cash and cash equivalents	270,350	241,161	(535,064)
Cash and cash equivalents, beginning	<u>839,084</u>	<u>597,923</u>	<u>12,019,247</u>
Cash and cash equivalents, ending	<u>\$1,109,434</u>	<u>\$839,084</u>	<u>\$11,484,183</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	<u>(\$91,667)</u>	<u>(\$210,540)</u>	<u>(\$1,989,789)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	254,964	259,658	313,150
(Increase) decrease in:			
Accounts receivable	(13,632)	(1,733)	39,622
Prepaid expenses and deposits	2,388	(3,858)	(12,644)
Inventories	10,333	(16,847)	(8,878)
Interfund receivables	379	(478)	(22,546)
Deferred outflows of resources related to pension	(12,113)		
Increase (decrease) in:			
Accounts payable	741		316
Accrued payroll, withholdings and benefits	1,396	2,844	(154,203)
Accrued compensated absences	3,177	191	1,083
Accrued claims liability			1,600,000
Interfund payables	34,953	33,043	(598)
Net pension liability	(66,920)		
Deferred inflows of resources related to pension	42,030		
Total adjustments	<u>257,696</u>	<u>272,820</u>	<u>1,755,302</u>
Net cash provided by (used in) operating activities	<u>\$166,029</u>	<u>\$62,280</u>	<u>(\$234,487)</u>
Noncash investing, capital and financing activities:			
Book value of capital assets disposed			<u>\$19,598</u>

The accompanying notes are an integral part of this statement.

DOUGLAS COUNTY, OREGON
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2015

ASSETS

Cash and investments:

Equity in pooled cash and investments	\$1,152,974
Property taxes receivable	9,161,781
Accrued interest receivable	<u>45,645</u>

Total assets	<u><u>\$10,360,400</u></u>
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LIABILITIES

Due to other governmental units	<u>\$10,360,400</u>
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Total liabilities	<u><u>\$10,360,400</u></u>
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The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Component Units

The County reports the following component units:

Blended Component Unit

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

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

Discretely Presented Component Unit

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

B. Government-wide and Fund Financial Statements

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

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

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

The County reports the following major governmental funds:

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

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

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

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

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

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

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

The County implemented GASB (Government Accounting Standards Board) Statement No. 54 in a prior year. Under GASB No. 54, the Dog Control Fund and Law Library Fund no longer meet the definition of a special revenue fund. These funds have been combined with General Fund for Basic Financial Statement presentation. The Dog Control Fund and Law Library Fund Budget and Actual schedules continue to be shown separately in Other Supplemental Data for Oregon budget law purposes.

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

D. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The County implemented GASB Statements No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note 4C – Pension Plan and Note 5 – Prior Period Adjustment.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

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

1. *Deposits and Investments*

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

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

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

2. *Receivables and Payables*

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

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*

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

4. *Deposits and Prepaid Items*

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

5. *Capital Assets*

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs of tax exempt debt, less interest earned on investments acquired with these proceeds, incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. No interest was capitalized in fiscal year 2015.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Sewer system	30 years
Equipment and vehicles	3-20 years
Buildings and improvements	7-50 years
Dams	75 years
Roads and bridges	30-50 years

6. *Compensated Absences*

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

7. *Long-term Obligations*

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

8. *Pension Plan*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Deferred outflows/inflows of resources*

The County implemented GASB Statement No. 65 in a prior year. Under GASB No. 65 certain items previously reported as assets or liabilities are now reported as deferred outflows/inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

Similarly, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reports special assessments, property taxes and land sales contracts as *unavailable revenues* in the governmental funds balance sheet.

10. *Net Position Flow Assumption*

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted-net position to have been depleted before unrestricted – net position is applied.

11. *Fund Balance Flow Assumptions*

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

12. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Commissioners (the County's highest level of decision-making authority). The Board can adopt an order prior to the end of the fiscal year to commit a fund balance. Once adopted, the limitation imposed by the Board order remains in place until a similar action is taken (the adoption of another order) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Board of Commissioners has by Board order authorized the chief financial officer to assign the fund balance. The Board may also assign a fund balance as it does when appropriating a fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments,

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

assignments generally only exist temporarily. Normally, an additional action does not have to be taken to remove an assignment.

13. *Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. *Comparative Data*

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

2. *Stewardship, Compliance, and Accountability*

A. Budgetary Information

Except for certain fiduciary funds, state law requires the County to budget all funds. State law further requires that total resources in each fund equal total expenditures and requirements for that fund. Appropriations in all budgeted funds lapse at the end of the fiscal year.

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

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

State law requires a supplemental budget to increase appropriations when unexpected additional resources become available. The Board approved one supplemental budget during the year that provided spending authority for additional resources not anticipated at the time the original budget was adopted.

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2015

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded to restrict a portion of the appropriation, is employed for administrative control purposes in all funds except for Fiduciary Funds. Encumbrances at year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Note 4B identifies encumbrances outstanding at June 30, 2015.

3. Detailed Notes on all Funds

A. Cash and Investments

The County's cash and investments are comprised of the following at June 30, 2015:

Cash on hand	\$140,486
Deposits with financial institutions	3,095,791
Investments	<u>162,096,724</u>
Total cash and investments	165,333,001
Less cash and investments in agency fund	<u>(1,152,974)</u>
Cash and investments, as reported on the Statement of Net Position	<u><u>\$164,180,027</u></u>

Deposits

Deposits with financial institutions are bank demand deposits. Total bank balances, as shown on bank records at June 30, 2015 are \$2,418,477. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, \$590,441 was covered by federal depository insurance (FDIC), and \$1,828,036 by collateral held in a shared liability pool made up of all public funds depositories in Oregon.

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized against custodial credit risk to the extent required by Oregon Revised Statutes (ORS) 295. Custodial credit risk on deposits is the risk that in the event of bank failure, the County's deposits may not be returned. The amount of collateral is set by the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. The amount of collateral set by the PFCP is between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

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, 2015, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	\$38,291,302	23.6%
U.S. Government Agency Securities	82,207,414	50.8%
Municipal Securities	9,119,580	5.6%
Corporate Bonds	32,478,428	20.0%
Total investments	\$162,096,724	100.0%

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2015 were: 74% mature within 93 days, 6% mature from 94 days to one year, 20% mature from one to three years.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

As of June 30, 2015, maturities for the County's other investments are as follows:

	Less than One Year	One to Five Years
U.S. Government Agency Securities:		
Federal Farm Credit Bank	\$6,059,908	\$8,483,284
Federal Home Loan Bank	8,054,530	14,153,896
Federal Home Loan Mortgage Corp.	7,007,613	3,442,062
Federal Financing Corp.	345,720	3,044,564
Federal National Mortgage Association	5,614,585	13,590,782
Federal Agricultural Mortgage Corp	1,000,015	6,817,238
Private Export Funding Corp.	329,761	969,553
Tennessee Valley Authority		2,296,637
Treasury Notes		997,266
Municipal Securities	364,912	8,754,668
Corporate Debt	11,565,146	20,913,282
Total	\$40,342,190	\$83,463,232

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

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

B. Receivables, net

Receivables at June 30, 2015, including the applicable allowance for uncollectible accounts, are as follows:

<u>Receivables</u>	Governmental Funds				
	General	Public Works	Public Safety	Health and Social Services	Nonmajor governmental funds
Property Taxes			\$976,414		\$48,448
Assessments		\$42,774			
Accounts	\$1,710,935	692,160	864,296	\$537,592	267,578
Notes and Contracts					2,444,789
Interest	415,253	51,105			233,568
Gross Receivables	2,126,188	786,039	1,840,710	537,592	2,994,383
Less: Allowance for Uncollectibles					(401,500)
Net Receivables, end of year	\$2,126,188	\$786,039	\$1,840,710	\$537,592	\$2,592,883

<u>Receivables (continued)</u>	Enterprise Fund -			
	Internal Service Funds	Salmon Harbor	Fiduciary Fund	Total
Property Taxes			\$9,161,781	\$10,186,643
Assessments				42,774
Accounts	\$35,301	\$68,707		4,176,569
Notes and Contracts				2,444,789
Interest			45,645	745,571
Gross Receivables	35,301	68,707	9,207,426	17,596,346
Less: Allowance for Uncollectibles				(401,500)
Net Receivables, end of year	\$35,301	\$68,707	\$9,207,426	\$17,194,846

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 3F. On March 1, 2011 the Trustee under the Indenture of Trust notified the Hospital Authority that an event of default had occurred. On September 1, 2010, payments of principal and interest were due and owing but only the interest payment was made. Interest payments totaling \$125,125 were made in the previous fiscal year. As of June 30, 2015, bond principal payments of \$235,000 and interest payments of \$420,752 are delinquent. The amount outstanding at June 30, 2015 is \$1,600,000 for the Aspen Foundation 1997 Series A Bonds.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

C. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land and right of way	\$11,894,136		\$82,000	\$11,812,136
Construction in progress	5,620,214	\$1,998,319	219,858	7,398,675
Total capital assets not being depreciated	17,514,350	1,998,319	301,858	19,210,811
Capital assets being depreciated:				
Buildings and improvements	43,284,051	446,566	107,877	43,622,740
Furniture and equipment	15,737,468	369,387	1,323,415	14,783,440
Vehicles and heavy equipment	23,037,550	966,903	537,722	23,466,731
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	358,148,897	3,374,009	141,191	361,381,715
Total capital assets being depreciated	468,429,286	5,156,865	2,110,205	471,475,946
Less accumulated depreciation for:				
Buildings and improvements	18,454,393	674,997	73,918	19,055,472
Furniture and equipment	12,184,673	1,179,550	1,321,562	12,042,661
Vehicles and heavy equipment	16,886,993	720,824	488,191	17,119,626
Dam structures and improvements	9,218,964	376,284		9,595,248
Infrastructure	260,386,224	7,002,502	136,956	267,251,770
Total accumulated depreciation	317,131,247	9,954,157	2,020,627	325,064,777
Total capital assets being depreciated, net	151,298,039	(4,797,292)	89,578	146,411,169
Governmental activities capital assets, net	\$168,812,389	(\$2,798,973)	\$391,436	\$165,621,980
Business-type activities:				
Capital assets not being depreciated:				
Land	\$921,221			\$921,221
Capital assets being depreciated:				
Buildings	9,193,618	\$167,457		9,361,075
Vehicles and heavy equipment	304,537	\$7,845		312,382
Total capital assets being depreciated	9,498,155	175,302	-	9,673,457
Less accumulated depreciation for:				
Buildings	5,320,467	228,892		5,549,359
Vehicles and heavy equipment	237,593	26,072		263,665
Total accumulated depreciation	5,558,060	254,964	-	5,813,024
Total capital assets being depreciated, net	3,940,095	(79,662)	-	3,860,433
Business-type activities capital assets, net	\$4,861,316	(\$79,662)	-	\$4,781,654

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$683,808
Public safety	1,052,513
Highways and streets	6,980,003
Sanitation	460,506
Health and welfare	83,533
Culture and recreation	316,002
Conservation	377,792
Total depreciation expense - governmental activities	\$9,954,157
Business-type activities:	
Salmon Harbor	\$254,964
Total depreciation expense - business-type activities	\$254,964

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2015 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	\$1,378,280	\$149,130			\$1,380,996	\$4,266,150
Public Works Fund		752,118			532,899	5,426,804
Public Safety Fund	29,582	270,356			5,192,465	1,830
Health & Social Services Fund	3,607	179,261			1,352,484	526,225
Title III Fund						830,831
Nonmajor governmental funds	10,486	73,087	\$2,361,529		2,680,496	87,500
	1,421,955	1,423,952	2,361,529	-	11,139,340	11,139,340
<u>Proprietary Funds:</u>						
Salmon Harbor Fund	99	104,163		\$2,361,529		
Internal service funds	334,130	228,069				
	334,229	332,232	-	2,361,529	-	-
	\$1,756,184	\$1,756,184	\$2,361,529	\$2,361,529	\$11,139,340	\$11,139,340

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

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 2016 fiscal year.

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

E. Unearned Revenue

A detail of revenue that has been received but not yet earned at June 30, 2015 is as follows:

	General	Public Safety	Health & Social Services	Title III	Total
Unearned:					
Fees and rents	\$15,828	\$3,771			\$19,599
Grant revenues			\$10,500	\$6,499,107	6,509,607
Payment in lieu of taxes	\$557,891				557,891
Total unearned revenue	\$573,719	\$3,771	\$10,500	\$6,499,107	\$7,087,097

F. Long-term Liabilities

Primary Government
Notes Payable

Description	Maturity Date	Interest Rates	Original Loan	Balance June 30	
				2014	2015
OECD - Green Sanitary	Dec. 1, 2031	5%	\$225,000	\$207,695	\$200,025
Tri-City Water & Sanitary	Dec. 1, 2024	5.25%-5.63%	756,703	456,241	426,022
City of Sutherlin	Dec. 1, 2025	3.11%	477,000	399,000	360,000
City of Reedsport	Dec. 1, 2023	3.00%-4.63%	152,319	91,157	84,823
			\$1,611,022	\$1,154,093	\$1,070,870

Notes Payable to cities in Douglas County and to the Oregon Economic & Community Development Department (OECD) are to assist smaller government agencies in Douglas County in developing infrastructure/public improvements necessary to attract and accommodate new business to the area. Douglas County does not own nor maintain the improvements. Funds are budgeted in fiscal year 2016 to pay off OECD – Green Sanitary and Tri-City Water & Sanitary notes payable.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

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

Year end June 30	Governmental Activities	
	Principal	Interest
2016	\$91,446	\$47,067
2017	95,208	43,607
2018	93,010	40,099
2019	96,855	36,278
2020	100,746	32,068
2021-2025	473,873	93,903
2026-2030	93,485	18,165
2031-2032	26,247	1,788
	\$1,070,870	\$312,975

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 \$15,653,300 shown as landfill closure and postclosure care liability at June 30, 2015, represents a portion of the total closure and postclosure cost based on the use of approximately 69 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents an increase of \$873,300 from the amount of \$14,780,000, which was recorded as the landfill closure and postclosure liability at June 30, 2014. The estimated remaining life of the Roseburg landfill is approximately 10 years. The County will recognize the remaining estimated cost of closure and postclosure care of \$5,505,100 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 2015. 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, 2015 the County assured total closure and postclosure care costs of \$21,158,400.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

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, 2015. Debt service principal and interest requirements to maturity are as follows:

Year end June 30	Principal	Interest
In default*	\$235,000	\$420,752
2016	60,000	100,125
2017	60,000	95,625
2018	65,000	90,938
2019	70,000	85,875
2020-2024	450,000	337,124
2025-2028	660,000	120,750
	\$1,600,000	\$1,251,189

*Default under the indenture occurred when the borrower (Aspen Foundation) failed to make the semi-annual principal payment due on September 1, 2010. Semi-annual interest payments have not been made since September 1, 2010. As of June 30, 2015 principal payments of \$235,000 and interest payments of \$420,752 are delinquent.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Notes payable	\$1,154,093		\$83,223	\$1,070,870	\$91,446
Compensated absences	1,863,792	\$1,922,766	1,863,792	1,922,766	608,025
Accrued claims	1,750,000	1,927,614	327,614	3,350,000	1,000,000
Net Pension liability	50,518,196		33,123,089	17,395,107	
Net OPEB obligation	2,087,175	195,171		2,282,346	
Landfill closure and postclosure costs	14,780,000	873,300		15,653,300	1,120,000
Total	<u>\$72,153,256</u>	<u>\$4,918,851</u>	<u>\$35,397,718</u>	<u>\$41,674,389</u>	<u>\$2,819,471</u>

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

Compensated absences are liabilities of the funds in which the related payroll costs accrued. Expenditures for liquidating compensated absences are recorded in the general, special revenue, enterprise and internal service funds. At June 30, 2015, \$44,564 of internal service funds compensated absences is included in governmental activities; and \$25,776 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. Note 4C explains the change in net pension liability.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

G. Fund Balance Components in the Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2015:

	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	\$214,032	\$1,512,050	\$6,811	\$660		\$23,828
Restricted for:						
Federal Secure Rural Schools						
Title II and Title III programs	46,868		15,640		\$3,234,553	
Law enforcement activities			85,567			
Highways, streets and bridges		68,693,792				
Health and welfare				566,897		3
District Attorney grant programs	112,032					
Library purposes	143,894					
Building and electrical purposes	195,860					
Courtroom improvements						172,437
County Clerk recording purposes	88,761					
Surveyor corner preservation	17,618					
4-H extension service activities						562,291
County schools						13,300
Juvenile programs	75,900					
County fairs						14,966
	680,933	68,693,792	101,207	566,897	3,234,553	762,997
Committed to:						
Health and welfare				230,057		
Law enforcement activities			1,246,582			
Communication services			181,721			
Radio system			116,126			
Economic development						4,528,071
Land and forest management						7,589,004
Preservation of fish habitat						10,449
Dog control - spay and neuter	1,517					
Water impound purposes						2,018,504
	1,517	-	1,544,429	230,057	-	14,146,028
Assigned to:						
FY16 budget appropriations	5,610,100					
Animal control operations	18,313					
Law Library purposes	31,146					
Capital improvement purposes						4,847,691
	5,659,559	-	-	-	-	4,847,691
Unassigned, reported in:						
General Fund	48,173,259					
Total	\$54,729,300	\$70,205,842	\$1,652,447	\$797,614	\$3,234,553	\$19,780,544

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

4. Other Information

A. Self-insurance and Group Insurance Program

The County is self-insured for workers' compensation claims and general liability claims, and carries commercial insurance for all other significant risks. The County has established the Employee Benefit Trust Fund (an internal service fund) to account for and finance its uninsured risks of loss. Other County funds make payments to the Employee Benefit Trust based on an estimate of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. Settlements have not exceeded coverage in any of the past three fiscal years.

Claims liabilities for general liability are based on an actuarial estimate of the ultimate cost of settling claims, including incurred but not reported (IBNR) claims. Under Oregon Law, general claims are limited to \$666,700 per claimant and \$1,333,300 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 \$39,564. The estimated unpaid loss liability including IBNR at June 30, 2015, was \$2,600,000.

Coverage for workers' compensation claims in excess of \$1,000,000 per occurrence is purchased from commercial insurers. Claim liabilities are based on an actuarial estimate of the ultimate cost of settling claims, including incurred but not reported (IBNR) claims. The claims paid during the year under this program were \$288,050. Total estimated unpaid loss liability at June 30, 2015, including IBNR, is \$750,000.

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

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

Year	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2014-15	\$1,750,000	\$1,927,614	\$327,614	\$3,350,000
2013-14	\$1,250,000	\$945,515	\$445,515	\$1,750,000

DOUGLAS COUNTY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS, continued
 June 30, 2015

B. Commitments and Contingencies

The County has commitments under various contracts entered into during the normal course of its operations of approximately \$7,644,811 at June 30, 2015. The approximate commitments by fund are as follows:

General Fund	\$1,705,922
Public Works Fund	2,107,484
Public Safety Fund	2,771,923
Health and Social Services Fund	86,275
County Fair Board Fund	446,954
Capital Projects Fund	217,253
Salmon Harbor Fund	1,877
All other funds	307,123
	\$7,644,811

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

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

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

C. Pension Plan

Plan Description

The County contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the County's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: 1) The Pension Program, the defined benefit portion of the plan which applies to qualifying County employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. 2) The Individual Account Program (IAP), the defined contribution portion of the plan. Beginning January 1, 2004, all PERS member contributions go into the IAP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Benefits provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees and 2.0 for police and fire) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire). General service employees may retire after reaching age 55 (age 50 for police and fire). Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service (age 55 with fewer than 25 years for police and fire). Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit (age 55 for police and fire).

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
June 30, 2015

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$5,397,961, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 21.77 percent for Tier One/Tier Two General Service Members and Police and Fire Members, 19.47 percent for OPSRP Pension Program General Service Members and 22.2 percent for OPSRP Police and Fire Members. An additional 6 percent contribution is required for the OPSRP Individual Account Program

Pension Assets, Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2015, the County reported a liability of \$17,430,251 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities actuarially determined. PERS has established side accounts for employers that made lump

DOUGLAS COUNTY, OREGON
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June 30, 2015

sum payments to the plan in excess of their actuarially required contributions. Since different contribution rates are assessed to employers based on the value of the side accounts, the side account values were reflected separately in the proportionate share calculation. On June 30, 2014, the County's proportion was 0.47658986%.

For the year ended June 30, 2015, the County recognized pension income of \$7,590,046. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ 20,845,283
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,631,727	-
County's contributions subsequent to the measurement date	5,397,961	-
Year Ended June 30, 2015	\$ 7,029,688	\$ 20,845,283

The amount of \$5,397,961 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows	Deferred Inflows
2016	\$ 354,723	\$ (5,211,321)
2017	354,723	(5,211,322)
2018	354,723	(5,211,320)
2019	354,723	(5,211,320)
2020	212,835	
Total	\$ 1,631,727	\$ (20,845,283)

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed

DOUGLAS COUNTY, OREGON
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period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries; PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-back as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees; Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

DOUGLAS COUNTY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS, continued
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Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability (asset)	\$ 51,109,766	\$ 17,430,251	\$ (11,054,799)

Pension Plan Fiduciary Net Position

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

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Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by PERS.

D. Postemployment Health Care Benefits

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

Plan Description

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

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

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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 2015 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014-15	\$543,028	64%	\$2,282,346
2013-14	517,672	60%	2,087,175
2012-13	499,521	57%	1,881,361

The annual required contribution and the change in the OPEB obligation for fiscal year 2015 are as follows:

	FY2015
Annual required contribution (ARC)	\$534,084
Interest on net OPEB obligation	83,487
Amortization adjustment to ARC	(74,543)
Annual OPEB cost	543,028
Contributions made (implicit rate subsidy)	(347,857)
Change in net OPEB obligation	195,171
Net OPEB obligation, beginning of year	2,087,175
Net OPEB obligation, end of year	<u>\$2,282,346</u>

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarially accrued liability was \$5,739,652, 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 \$27,808,531 and the ratio of the unfunded actuarially accrued liability (UAAL) to covered payroll was 21%.

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, 2014 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 7% initially, reduced by decrements to an ultimate rate of 5% after 16 years. The UAAL is being amortized over an open period of 30 years as a level percentage of projected payrolls.

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5. Prior Period Adjustment

Based on implementation of GASB No. 68 and No. 71, the County had a prior period adjustment to the beginning net position at July 1, 2014. The effect of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Enterprise Fund Salmon Harbor
Net position - July 1, 2014, as previously reported	\$ 322,208,503	\$ 3,267,848	\$ 3,335,181
Prior period adjustment	(44,152,244)	(81,609)	(81,609)
Net position - July 1, 2014, as restated	\$ 278,056,259	\$ 3,186,239	\$ 3,253,572