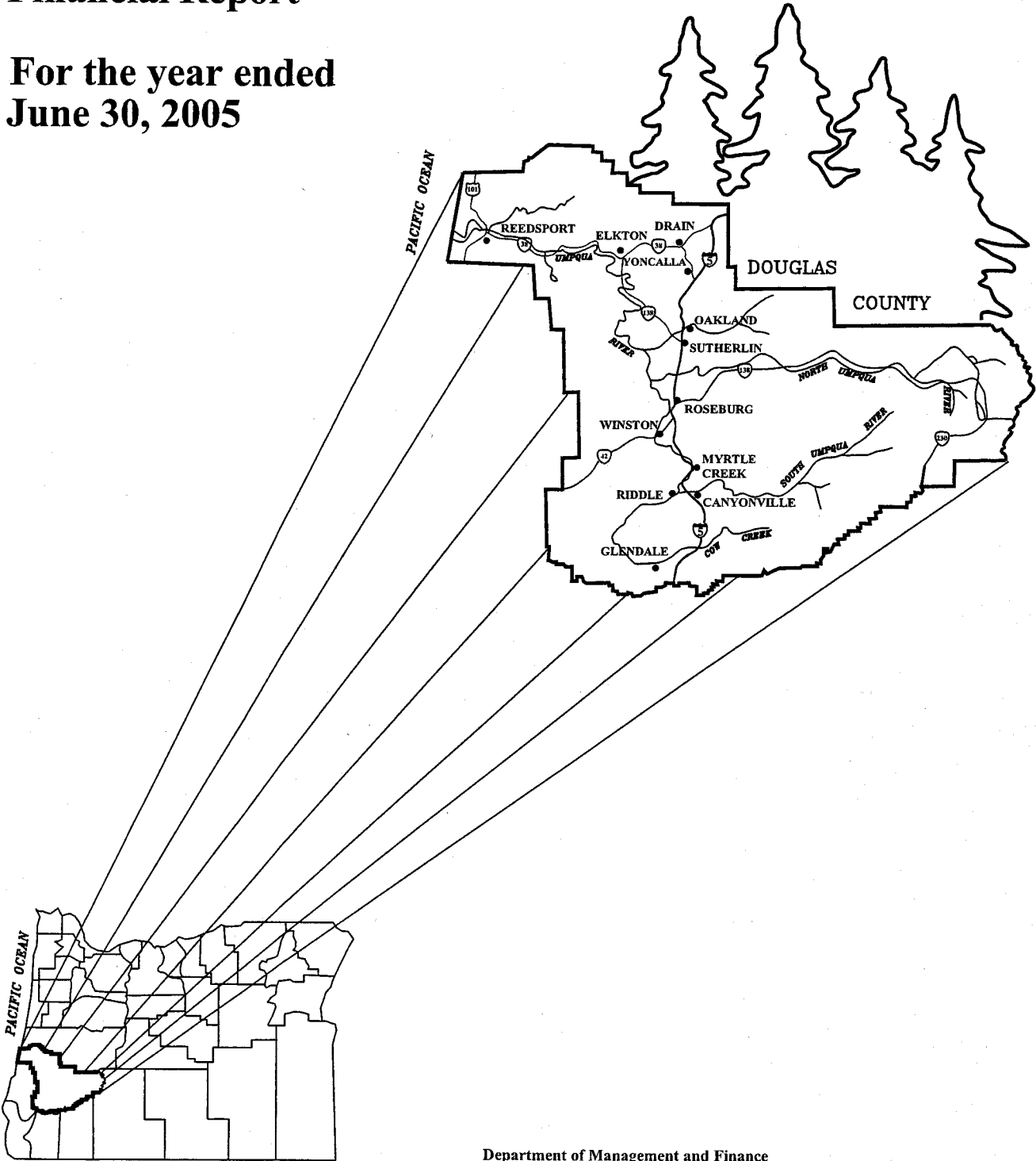


DOUGLAS COUNTY, OREGON

Comprehensive Annual Financial Report

For the year ended
June 30, 2005



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DOUGLAS COUNTY, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ending June 30, 2005

DOUGLAS COUNTY, OREGON
Comprehensive Annual Financial Report

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INTRODUCTORY SECTION



OFFICE OF MANAGEMENT AND FINANCE

County Courthouse • 1036 SE Douglas, Room 301 • Roseburg, Oregon 97470

Sandra K. Correll, Chief Financial Officer

ACCOUNTS PAYABLE
(541)440-6164

PAYROLL
(541)440-4250

PURCHASING
(541) 440-4247

November 18, 2005

To the Citizens and Board of Commissioners
of Douglas, Oregon:

We are pleased to submit the Comprehensive Annual Financial Report of Douglas County, Oregon, for the fiscal year ended June 30, 2005, together with the opinion thereon of our independent certified public accounting firm licensed to perform municipal audits in Oregon. This report, required by Oregon Revised Statute 297.425 is prepared by Management and Finance. Also included are the auditor's report on internal controls and compliance in accordance with Government Auditing Standards and Audit Comments and Disclosures required under the Minimum Standards for Audits of Oregon Municipal Corporations Section of the Oregon Administrative Rules.

In addition, the County is required to have a comprehensive single audit of its Federal Assistance Programs in accordance with the provisions of Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133 and the provisions of *Government Auditing Standards* promulgated by the U.S. Comptroller General as they pertain to financial and compliance audits. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and accountants' reports on the internal control and compliance with applicable laws and regulations, are included in a separately issued single audit report.

This report consists of management's representations concerning the finances of Douglas County, Oregon. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the county has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the county's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the county's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Douglas County's financial statements have been audited by Kenneth Kuhns & Co., Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the county for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Kenneth Kuhns & Co. has concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Douglas County's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Douglas County's MD&A can be found immediately following the independent auditors' report.

PROFILE OF DOUGLAS COUNTY, OREGON

The County was incorporated January 7, 1852. It extends from sea level at the Pacific Ocean to Mt. Thielsen (9,182 feet high) in the Cascade Range. The Umpqua River marks the dividing line between northern and southern Oregon, and its entire watershed lies within the County's boundaries. Douglas County contains the largest stand of old growth timber in the world. It has a land area of 5,071 square miles and a population of 102,350. The County is empowered to levy a property tax on both real and personal property.

The County operates under a three member Board of Commissioners. The Board is responsible for passing ordinances and resolutions, adopting the budget, appointing committees, and overseeing the day-to-day operations of the government. Board members serve four-year terms with two members' terms expiring simultaneously and the third member's term being staggered.

Douglas County provides a full range of services, including public safety protection; corrections and probation; construction and maintenance of roads, highways, bridges and other infrastructure; health and social services; library and community enhancement; and internal business support. Douglas County is also financially accountable for a legally separate entity created to provide the people of Douglas County with access to adequate medical care and hospital facilities, which is reported separately within Douglas County's financial statements. Additional information on this legally separate entity can be found in note 1 of the notes to the financial statements.

The annual budget serves as the foundation for the county's financial planning and control. The budget is prepared on the modified accrual basis of accounting. In accordance with state statutes, the County budgets all funds except trust and agency funds. The County Board of Commissioners adopts the budget by department for those funds having more than one department and by major expenditure classification for those funds with only one department. The expenditure appropriations lapse at the end of the fiscal year. Additional resources and corresponding appropriations may be added to the budget during the fiscal year through a supplemental budget process. Original and supplemental budgets may be modified during the fiscal year by the use of appropriation transfers between categories. The Board of Commissioners must approve any supplemental budget and any appropriation transfer in a public meeting. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy. Historically, Douglas County's economic base has relied heavily on the lumber and wood products industry. This is not surprising when you consider that slightly over half of the County's total acreage is owned by the federal government and managed by the Bureau of Land Management and the Forest Service.

In recent years, the economic base has become more diversified. Population increases have been largely from the migration of retirement age people from other states. This, in turn, has contributed to moderate job growth in the both service and retail sectors. The service industries with the most growth are amusement and recreation, business services, social services, and health services.

Financial outlook. Historically, Douglas County's major source of revenue has been derived from timber harvests. In 1992, environmental concerns brought timber sales to a standstill. In 1993 Congress agreed to pay counties 85 percent of the average receipts from fiscal years 1986-87 through 1990-91. Beginning with fiscal 1994-95 counties began receiving a guaranteed payment that reduced by 3 percent a year. In October 2000, HR 2389, Federal Public Law 106-393 "Secure Rural Schools and Community Self-Determination Act of 2000" was enacted. These funds account for approximately 45% of the county's total annual revenues. The County will receive these funds through fiscal year 2006-07. Continuation of this funding beyond fiscal 2006-07 will require congressional action. Douglas County will continue to budget conservatively and manage reserves carefully until county funding can be stabilized.

Cash management policies and practices. The County Treasurer, an elected official, is responsible for the investment of all available monies. The County Treasurer complies with state statutes and limits investments primarily to certificates of deposit, obligations of the U.S. Treasury and its agencies, and repurchase agreements. A written Investment Policy, which regulates the County's investment objectives, diversification, limitations and reporting requirements and governs investment transactions, is reviewed with the Board of Commissioners annually.

The maturities of the investments range from one day to three years with an average maturity of 24 months. The average yield on investments was 2.675% during 2004-05. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the County intends to hold to maturity.

Risk management. The County has established an internal service fund to account for risk management activities and to protect the human, physical and financial assets of the County. As part of the County's plan for risk management, resources are accumulated in the Employee Benefits Trust Fund to meet potential losses. In addition, various control techniques, including loss prevention training and consultation, have been implemented to minimize losses. The County is self-insured for general liability and unemployment. The County is partially self-insured for workers' compensation. Third party coverage is currently maintained for workers' compensation claims in excess of \$750,000. Additional information on the County's risk management activity can be found in note 4A of the notes to the financial statements.

Pension benefits. Substantially all County employees are participants in the State of Oregon Public Employees' Retirement System (OPERS). Every other year, an independent actuary engaged by OPERS calculates the amount of the annual contribution rate that member employers must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. The County's employer contribution rate was 12.09% in 2004-05. Additional information on OPERS can be found on their web site at: <http://oregon.gov/PERS>. Additional information on the County's pension plan benefits can be found in note 4D of the notes to the financial statements.

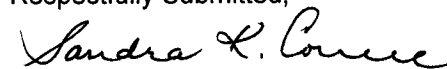
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the year ended June 30, 2004. This was the seventeenth consecutive year that the County has received this prestigious national award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the employees in the Finance Department who maintained the records and assisted in the preparation of this report. Appreciation is also extended to the Board of Commissioners for their interest and support in planning and conducting the financial operations of the County.

Respectfully Submitted,



Sandra K. Correll
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Douglas County,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



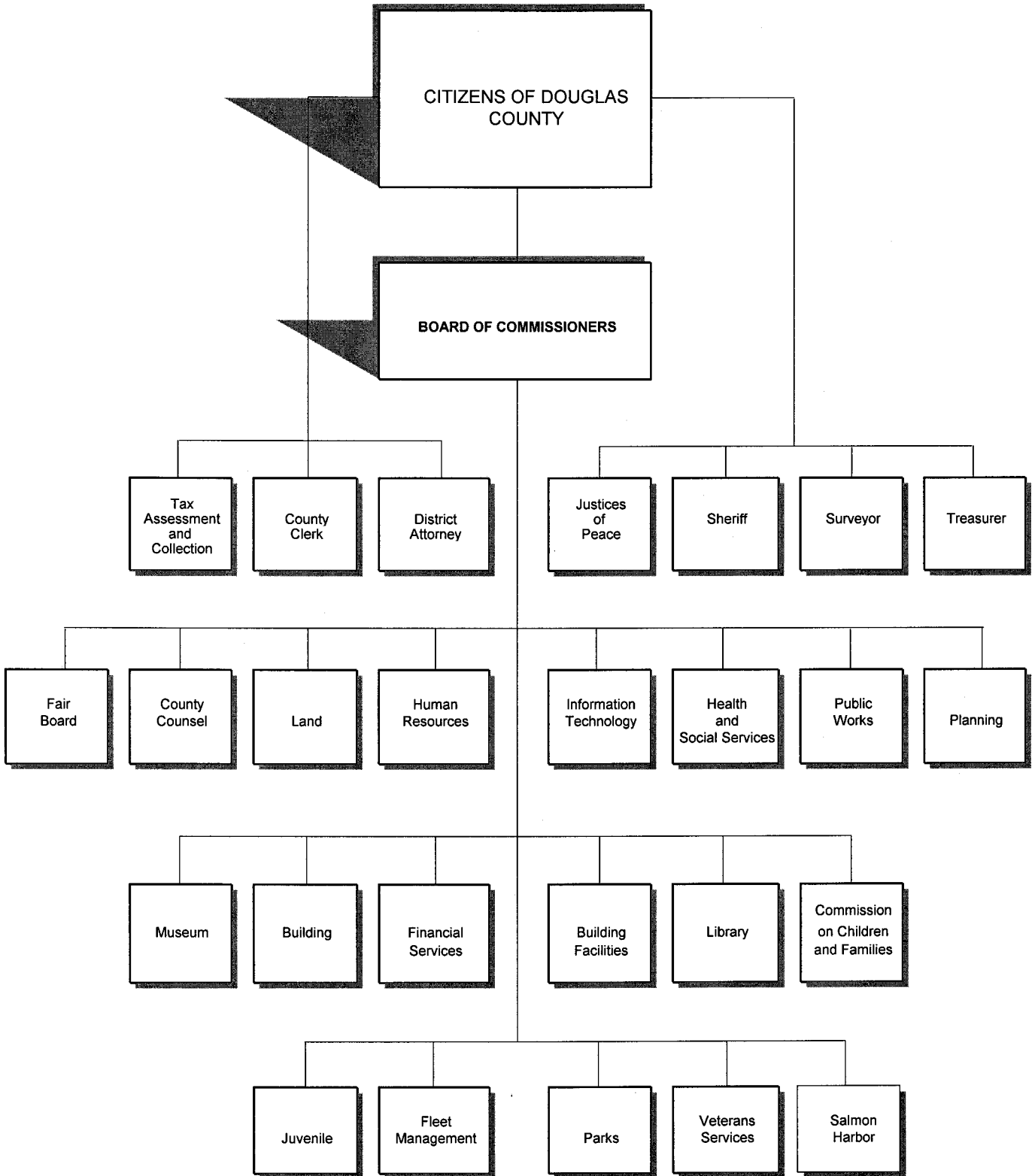
Nancy L. Zjelke

President

Jeffrey R. Emery

Executive Director

DOUGLAS COUNTY, OREGON
ORGANIZATION CHART



DOUGLAS COUNTY, OREGON
LISTING OF PRINCIPAL OFFICIALS
as of June 30, 2005

BOARD OF COUNTY COMMISSIONERS
COUNTY COURTHOUSE
Roseburg, Oregon 97470

Telephone: (541) 440-4201

Name

Term Expiration Date

Doug Robertson
P.O. Box 383
Roseburg, Oregon 97470

December 31, 2008

Dan Van Slyke
11492 Buckhorn Road
Glide, Oregon 97443

December 31, 2006

Marilyn Kittelman
2303 Elkhead Road
Yoncalla, Oregon 97499

December 31, 2008

FINANCIAL SECTION

KENNETH KUHN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
570 LIBERTY STREET S.E., SUITE 210
SALEM OREGON 97301-3594
TELEPHONE (503) 585-2550

INDEPENDENT AUDITOR'S REPORT

November 18, 2005

Board of Commissioners
Douglas County, Oregon
Roseburg, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Douglas County, Oregon, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Douglas County, Oregon, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9, the schedule of funding progress on page 39 and the budgetary comparison information for the General Fund, the Public Works Fund, the Public Safety Fund and the Health and Social Services Fund on pages 40 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of management's discussion and analysis and the schedule of funding progress. However, we did not audit management's discussion and analysis or the schedule of funding progress and express no opinion on them. The budgetary comparison information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Douglas County, Oregon's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005 on our consideration of Douglas County, Oregon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

Douglas County, Oregon

Management's Discussion and Analysis

(MD&A)

We offer this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, which begins on page i, and the financial statements, which begin on page 10.

Financial Highlights

- Douglas County's assets exceeded its liabilities at June 30, 2005, by \$362,833,468 (*net assets*). Of this amount, \$54,076,965 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$18,293,318. This increase is due primarily to state funding that will be used to renovate county bridges.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$43,222,599 or 174% of total General Fund expenditures.

Overview of the Financial Statements

This discussion is intended to serve as an introduction to Douglas County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector business reporting. One of the strengths of the new *government-wide financial statements* is that they eliminate what has had the appearance of double counting of internal service fund (charge-back) operations. These statements reflect the charged expenses in the programs for which services were provided, but do not reflect the expenses a second time as the costs that comprise these charges.

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. The County's capital assets (land, buildings, equipment and infrastructure) are included in this statement and reported net of their accumulated depreciation. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, conservation and education. The business-type activities of the County include a sewer treatment plant and the Salmon Harbor facility operation.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Hospital Facility Authority for which the County is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 10.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: *governmental funds, proprietary funds, and fiduciary funds.*

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Works Fund, Public Safety Fund and Health and Social Services Fund, all of which are considered to be major governmental funds. Data from the remaining governmental funds (non-major governmental funds) are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and respective reconciliations can be found beginning on page 12.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its sewer treatment plant operations and for the operation of the Salmon Harbor facility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its risk management activities and fleet operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The enterprise fund financial statements provide separate information for the sewer treatment plant operations and the operation of the Salmon Harbor facility. The Salmon Harbor Fund is considered to be a major fund. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the proprietary and internal service funds is provided in the form of combining statements and fund schedules elsewhere in this report. The basic proprietary fund financial statements can be found on beginning on page 16.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support County programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 19.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 20.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees; and budgetary comparative schedules for the County's major funds. Required supplementary information can be found on page 39.

Combining and individual fund statements and schedules for nonmajor funds can be found immediately following the required supplementary information.

Government-wide Financial Analysis

Net assets, over time, may serve as a useful indicator of a government's financial position. Douglas County's assets, including its capital assets net of depreciation, exceeded its liabilities by \$362,833,468.

The largest portion of the County's net assets (57%) reflects its investment in capital assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Approximately 28% of the County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance (15%) of *unrestricted net assets* (\$54,076,965) may be used to meet the government's ongoing obligations to citizens and creditors.

Douglas County's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Cash and investments	\$166,617,750	\$145,765,479	\$1,205,198	\$1,386,672	\$167,822,948	\$147,152,151
Receivables	7,122,442	7,347,589	40,608	26,678	7,163,050	7,374,267
Internal balances	146,182		(146,182)			
Other assets	3,663,925	3,192,973	14,831	21,370	3,678,756	3,214,343
Interfund loan balances	2,361,529	2,361,529	(2,361,529)	(2,361,529)		
Capital assets	201,416,885	200,857,392	6,012,331	5,844,712	207,429,216	206,702,104
Total assets	381,328,713	359,524,962	4,765,257	4,917,903	386,093,970	364,442,865
Noncurrent liabilities	13,649,975	12,474,899			13,649,975	12,474,899
Other liabilities	9,563,066	7,386,606	47,461	41,210	9,610,527	7,427,816
Total liabilities	23,213,041	19,861,505	47,461	41,210	23,260,502	19,902,715
Net assets:						
Invested in capital assets	201,416,885	200,857,392	6,012,331	5,844,712	207,429,216	206,702,104
Restricted	101,327,287	81,619,046			101,327,287	81,619,046
Unrestricted	55,371,500	57,319,008	(1,294,535)	(1,100,008)	54,076,965	56,219,000
Total net assets	\$358,115,672	\$339,795,446	\$4,717,796	\$4,744,704	\$362,833,468	\$344,540,150

Douglas County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Revenues:						
Program revenues:						
Charges, fees and fines	\$11,483,171	\$12,470,737	\$1,728,482	\$1,638,466	\$13,211,653	\$14,109,203
Operating grants and contributions	79,187,360	57,968,857			79,187,360	57,968,857
Capital contributions	635,443	1,837,500			635,443	1,837,500
General revenues:						
Property taxes	6,194,146	5,702,210			6,194,146	5,702,210
Grants and contributions not restricted to specific programs	24,963,801	24,458,015	423,963	281,233	25,387,764	24,739,248
Gain on sale of assets	240,500				240,500	
Unrestricted investment earnings	4,481,310	1,183,245	36,755	32,111	4,518,065	1,215,356
Total revenues	127,185,731	103,620,564	2,189,200	1,951,810	129,374,931	105,572,374
Expenses:						
General government	26,999,463	23,937,853			26,999,463	23,937,853
Public safety	19,895,326	19,619,694			19,895,326	19,619,694
Highways and streets	23,575,513	23,612,089			23,575,513	23,612,089
Sanitation	5,662,893	1,007,499			5,662,893	1,007,499
Health and welfare	20,367,441	20,009,226			20,367,441	20,009,226
Culture and recreation	6,270,108	6,215,442			6,270,108	6,215,442
Conservation	1,104,040	995,030			1,104,040	995,030
Education	4,913,530	4,833,697			4,913,530	4,833,697
Interest on long-term debt	95,191	92,854			95,191	92,854
Sewer			505,431	456,770	505,431	456,770
Recreational facility			1,692,677	1,587,054	1,692,677	1,587,054
Total expenses	108,883,505	100,323,384	2,198,108	2,043,824	111,081,613	102,367,208
Increase (decrease) in net assets before transfers	18,302,226	3,297,180	(8,908)	(92,014)	18,293,318	3,205,166
Transfers	18,000	23,000	(18,000)	(23,000)		
Increase (decrease) in net assets	18,320,226	3,320,180	(26,908)	(115,014)	18,293,318	3,205,166
Net assets - July 1	339,795,446	336,475,266	4,744,704	4,859,718	344,540,150	341,334,984
Net assets - June 30	\$358,115,672	\$339,795,446	\$4,717,796	\$4,744,704	\$362,833,468	\$344,540,150

Governmental activities. Governmental activities increased net assets by \$18,320,226. This increase was primarily the result of increased funding from the state for the renovation of county bridges.

Business-type activities. Business-type activities decreased net assets by \$26,908. This decrease is primarily the result of increased operating costs associated with the Salmon Harbor Marina facility.

Financial Analysis of County Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$166,665,087 an increase of \$18,320,226 over the prior year. Over 96% of this total ending balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to deposits, notes receivable, advances to other funds unpaid by year-end, and inventories.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$43,222,599, while total fund balance reached \$44,008,352. Unreserved fund balance represents 122% of total general fund expenditures and transfers to other funds.

The fund balance of the County's General Fund increased by \$620,639 in 2004-05. This increase is primarily attributable to the conservative budgeting practices of the governing board over the last few years.

The Public Works fund balance increased by \$19,933,086 including change in inventory. This increase is due primarily to additional funding from the State of Oregon for bridge projects. At the end of the current fiscal year, the unreserved fund balance of the Public Works Fund was \$94,574,488.

The Public Safety fund balance decreased \$341,121 to \$1,399,476. This decrease was due primarily to a decrease in charges for services, licenses and fines.

The Health & Social Services fund balance increased \$78,449 to \$4,215,704. This increase was due primarily to the increase in charges for services.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, for its two enterprise funds (Salmon Harbor and Glide-Idleld Sewer). Operations in these funds did not change significantly from the prior year.

General Fund Budgetary Highlights

Total appropriations in the General Fund's final amended budget were \$1,937,500 higher than the original budget. Major components of the increase were as follows:

- \$1,500,000 transfer to the Capital Projects Fund to complete the new fairgrounds convention center;
- \$300,000 transfer to the Employee Benefit Trust Fund to increase self-insurance reserves as recommended in the current actuarial report; and
- \$137,500 additional program costs in Building and Planning that were reflected in additional fee revenues from added services.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$207,429,213 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads and bridges, park and recreational facilities. The County's net increase (additions, deductions and depreciation) in capital assets was \$727,109.

Capital Assets at Year-End (net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$12,097,215	\$12,021,314	\$921,221	\$921,221	\$13,018,436	\$12,942,535
Buildings & improvements	25,056,933	25,319,665	5,069,054	4,901,006	30,125,987	30,220,671
Furniture and equipment	1,108,477	1,244,238			1,108,477	1,244,238
Vehicles & heavy equipment	8,196,757	8,611,764	22,056	22,485	8,218,813	8,634,249
Dams	22,388,915	22,765,199			22,388,915	22,765,199
Infrastructure	115,332,534	118,457,919			115,332,534	118,457,919
Construction in progress	17,236,051	12,437,293			17,236,051	12,437,293
Totals	\$201,416,882	\$200,857,392	\$6,012,331	\$5,844,712	\$207,429,213	\$206,702,104

The following table reconciles the changes in capital assets:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$417,751,659	\$13,281,439	\$431,033,098
Additions	13,203,700	540,415	13,744,115
Retirements	(3,566,889)		(3,566,889)
Depreciation	(225,971,588)	(7,809,523)	(233,781,111)
Ending balance	<u>\$201,416,882</u>	<u>\$6,012,331</u>	<u>\$207,429,213</u>

Additional information on the County's capital assets can be found in note 3C beginning on page 30.

Long-term Debt. As of year-end, the County had \$1,742,210 in notes payable for industrial development within the County. The change of \$70,890 from the prior year was due to an additional loan in the amount of \$152,319 from the Oregon Department of Economic Development for water system improvements on Bolin Island less payments on loans in the amount of \$81,429 made during the year.

Douglas County has no outstanding bonded debt.

Additional information on the County's long-term debt can be found in note 3F beginning on page 32 of this report.

Economic Factors and Next Year's Budgets and Rates.

- The single most significant source of county revenue is the federal Rural Schools and Community Self-Determination Act, which provides funds in lieu of declining timber harvest revenues. The approximately \$50 million from this funding source will increase 1% annually until fiscal 2006-07 when