NOTES TO BASIC FINANCIAL STATEMENTS

Note 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. As required by generally accepted accounting principles, these financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The 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. The component unit has a June 30 year-end. The County has no blended component units.

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

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

B. Government-wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Changes in Net Assets report information on all of the nonfiduciary activities of the County (the primary government) and its component unit. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the County is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for 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. Revenues consist primarily of motor vehicle fee apportionments from the State of Oregon and revenues under Federal Public Law 106-393 that replace the former apportionment of proceeds from sale of timber on federal forest lands.

The *Public Safety Fu*nd was established to account for many of the County's public safety programs. It includes the sheriff, communications, parole and probation and drug enforcement activities. Revenues consist of property taxes, grants from federal and state agencies, shared revenues, fees and fines, and operating transfers from the General Fund.

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. Revenues consist primarily of grants from federal and state agencies and operating transfers from the General Fund.

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

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

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

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

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

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, Glide-Idleyld Sewer Fund and the

County's internal service funds are charges to customers for sales and services. The sewer fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

- *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).

- *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 6% to 7.125% over a period of seven to seventeen years. The County does not consider assessment receivables to meet the "available" criteria for revenue accrual, as installments are received more than 60 days after year-end.

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

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

- *Inventories and Deposits and Prepaids*

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

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

- *Capital Assets*

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs of tax exempt debt, less interest earned on investments acquired with these proceeds, incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. No interest was capitalized in fiscal year 2004-05.

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

- *Compensated Absences*

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

- *Long-term Obligations*

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

- *Restricted Net Assets*

Restricted net assets reported in the statement of net assets represent amounts for which constraints were imposed by creditors, grantors, contributors or laws and regulations.

- *Reserved Fund Balances*

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

- *Comparative Data*

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

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

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

On or before January 1 of each year, the Board of Commissioners appoints a Budget Officer. 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 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, County Forest Management and Water Development funds is by organizational unit. All other funds are controlled by expenditure type. Under State law, the appropriation levels become the legal spending control levels for County operations. Budgets can be modified during the fiscal year through different means. Management may make line item changes at any time within appropriation categories without formal action. Transfers of appropriations between organizational units, expenditure types or funds require the approval of the Board of Commissioners.

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded to restrict a portion of the appropriation, is employed for administrative control purposes in all funds except for Fiduciary Funds. Encumbrances at year-end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Note 4B identifies encumbrances outstanding at June 30, 2005.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2005, actual expenditures (on a budgetary basis) exceeded appropriations for materials and services in the County Fair Board Fund by $19,214. Oregon Local Budget Law allows the governing body to increase appropriations during the year. However, no formal action was taken on the above overexpenditures. Additional revenues funded the overexpenditures.

Note 3 - Detailed Notes on all Funds

A. Cash and Investments

The County's cash and investments are comprised of the following at June 30, 2005:

Cash on hand	$88,983
Deposits with financial institutions	6,393,365
Investments	163,298,780
Total cash and investments	169,781,128
Less cash and investments in agency fund	(1,958,180)
Cash and investments, as reported Statement of Net Assets	$167,822,948

Deposits
Deposits with financial institutions are bank demand deposits. The total bank balance, as shown on the banks' records at June 30, 2005 is $8,606,392. Of these deposits, $338,864 was covered by federal depository insurance, and $8,267,528 was collateralized to the extent required by state law. Oregon laws require municipal corporations to obtain certificates of participation issued by a pool manager for amounts on deposit in excess of federal depository insurance, and the County held $38,100,000 in certificates at June 30, 2005. Oregon Revised Statutes require the depository institution to maintain on deposit with a custodian bank collateral pool securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager. Deposits in excess of federal depository insurance, even to the extent collateralized by certificates of participation, are considered uncollateralized by GASB Statement No. 40.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy for deposits custodial credit risk is to follow state law. As of June 30, 2005, $8,267,528 of the County's bank balances of $8,606,392 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$6,200,646
Uninsured and collateral held by pledging bank's collateral custodian but not in the County's name	2,066,882
Total	$8,267,528

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, 2005, the County's investments consisted of:

	Fair Value	Percent
Investment in Oregon Local Government		
Investment Pool	$5,985,697	3.7%
U.S. Government Agency Securities	153,918,303	94.2%
Corporate Bonds	2,929,260	1.8%
Tennessee Valley Authority	465,520	0.3%
Total investments	$163,298,780	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 odes 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, 2005 were: 82% mature within 93 days, 12% mature from 94 days to one year, and 65 mature from one to three years.

As of June 30, 2005, maturities for the County's other investments are as follows:

	Less than One Year	One to Two Years	Two to Five Years
U.S. Government Agency Securities:			
Federal Farm Credit Bank		$2,954,063	$3,861,169
Federal Home Loan Bank	$8,870,625	981,875	11,902,812
Federal Home Loan Mortgage Corporation	25,195,022	47,281,582	2,998,452
Federal national Mortgage Association	14,746,875	29,187,703	5,938,125
Corporate Debt	2,929,260		
Tennessee Valley Authority		465,520	
Total	$51,741,782	$80,870,743	$24,700,558

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The County's U.S. Government Agency securities investments and Tennessee Valley Authority investment are rated AAA by Standard and Poor's and/or Aaa by Moody's. The County's corporate debt investment is rated A+ by Standard and Poor's and Aa3 by Moody's.

B. Receivables

Receivables as of year-end are as follows:

Primary Government

	Property Taxes	Assess-ments and Mortgage Notes	Accounts	Notes & Contracts	Interest	Total
Governmental activities:						
General Fund		$5,145	$725,027		$1,034,910	$1,765,082
Public Works Fund		102,368	491,471			593,839
Public Safety Fund	$551,808		1,334,272			1,886,080
Health & Social Services Fund			847,473			847,473
Nonmajor governmental funds			216,380	$1,775,030	1,731	1,993,141
	551,808	107,513	3,614,623	1,775,030	1,036,641	7,085,615
Internal service funds			36,827			36,827
	551,808	107,513	3,651,450	1,775,030	1,036,641	7,122,442
Business-type activities:						
Salmon Harbor Fund			40,608			40,608
Fiduciary Fund - Agency	5,352,239					5,352,239
	$5,904,047	$107,513	$3,692,058	$1,775,030	$1,036,641	$12,515,289

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

Discretely Presented Component Unit
The Hospital Facility Authority of Douglas County has Contracts receivable that represent an amount loaned by the Authority for construction and operation of health care facilities and refinancing of previously issued Authority debt to Catholic Health Initiatives. Contracts receivable also includes an amount loaned to the Aspen Foundation for the purchase of a senior residence. Receipts from the repayment of loaned funds are pledged for revenue bond debt service. Annual installments and maturities correspond to Authority revenue bonds at Note 2F.

The amounts outstanding at June 30, 2005 are as follows:

Aspen Foundation:	
Related to 1997 Series A and B Bonds	$1,760,000

C. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$12,021,314	$75,901		$12,097,215
Construction in progress	12,437,293	7,528,994	$2,730,236	17,236,051
Total capital assets not being depreciated	24,458,607	7,604,895	2,730,236	29,333,266
Capital assets being depreciated:				
Buildings and improvements	37,832,715	311,054	9,215	38,134,554
Furniture and equipment	6,164,439	152,089	201,768	6,114,760
Vehicles and heavy equipment	21,272,494	899,915	574,264	21,598,145
Dam structures and improvements	28,221,320			28,221,320
Infrastructure	299,802,084	4,235,747	51,406	303,986,425
Total capital assets being depreciated	393,293,052	5,598,805	836,653	398,055,204
Less accumulated depreciation for:				
Buildings and improvements	12,513,050	569,953	5,382	13,077,621
Furniture and equipment	4,920,201	287,850	201,768	5,006,283
Vehicles and heavy equipment	12,660,730	1,209,287	468,629	13,401,388
Dam structures and improvements	5,456,121	376,284		5,832,405
Infrastructure	181,344,165	7,354,448	44,722	188,653,891
Total accumulated depreciation	216,894,267	9,797,822	720,501	225,971,588
Total capital assets being depreciated, net	176,398,785	(4,199,017)	116,152	172,083,616
Governmental activities capital assets, net	$200,857,392	$3,405,878	$2,846,388	$201,416,882
Business-type activities:				
Capital assets not being depreciated:				
Land	$921,221			$921,221
Capital assets being depreciated:				
Buildings	12,259,976	$534,025		12,794,001
Vehicles and heavy equipment	100,242	6,390		106,632
Total capital assets being depreciated	12,360,218	540,415	-	12,900,633
Less accumulated depreciation for:				
Buildings	7,358,971	365,976		7,724,947
Vehicles and heavy equipment	77,756	6,820		84,576
Total accumulated depreciation	7,436,727	372,796	-	7,809,523
Total capital assets being depreciated, net	4,923,491	167,619	-	5,091,110
Business-type activities capital assets, net	$5,844,712	$167,619	$ -	$6,012,331

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$774,385
Public safety	116,052
Highways and streets	7,762,115
Sanitation	469,731
Health and welfare	93,361
Culture and recreation	202,414
Conservation	379,764
Total depreciation expense - governmental activities	$9,797,822
Business-type activities:	
Salmon Harbor	$197,156
Glide/Idleyld Sewer	175,640
Total depreciation expense - business-type activities	$372,796

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2005 is as follows:

Funds	Due from Other Funds	Due to Other Funds	Interfund Loan Receivable	Interfund Loan Payable	Transfers In	Transfers Out
Governmental Funds:						
General Fund	$2,180,169	$1,030,865			$2,276,147	$10,409,828
Public Works Fund	22,085	1,187,044				2,831,907
Public Safety Fund	23,027	266,589			3,819,973	
Health & Social Services Fund	71,948	329,182			1,740,636	383,173
Nonmajor governmental funds	735,174	544,742	$2,361,529		6,402,428	896,276
	3,032,403	3,358,422	2,361,529	-	14,239,184	14,521,184
Proprietary Funds:						
Salmon Harbor Fund	470	135,471		$2,361,529		
Glide/Idleyld Sewer Fund	9,302	24,952				18,000
Internal service funds	600,317	123,647			300,000	
	610,089	284,070	-	2,361,529	300,000	18,000
	$3,642,492	$3,642,492	$2,361,529	$2,361,529	$14,539,184	$14,539,184

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 Receivables/Payables are the result of loans from the Public Works Fund and the County Forest Management Fund to other funds for capital asset acquisition. The funds are budgeted to be repaid by the end of the 2006 fiscal year.
Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues

collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

E. Deferred Revenue

The County governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, or that have been received but are not yet earned. At June 30, 2005, deferred revenue consisted of the following:

	General	Public Works	Public Safety	Health & Social Services	Other Gov't Funds	Total
Unearned:						
Fees and rents	$ 50,000					$50,000
Grant revenues				$9,528		9,528
Payment in lieu of taxes	187,830					187,830
	237,830	-	-	9,528	-	247,358
Unavailable:						
Assessments	5,145	$102,368				107,513
Land sales contract					$489,500	489,500
Property taxes receivable			498,351			498,351
Total deferred revenue	$242,975	$102,368	$498,351	$9,528	$489,500	$1,342,722

F. Long-term Liabilities

Primary Government
Notes Payable

The following notes are for infrastructure improvements to accommodate future economic development in Douglas County:

Description	Maturity Date	Interest Rates	Balance June 30 2004	Balance June 30 2005
Oregon Dept. of Economic Development	Jan. 15, 2010	5.00%	$55,665	$47,139
Oregon Dept. of Economic Development	April 3, 2009	5.00%	13,896	11,381
Oregon Dept. of Economic Development	July 15, 2009	5.00%	34,378	29,276
Oregon Dept. of Economic Development	Dec. 1, 2010	5.00%	47,874	41,994
Oregon Dept. of Economic Development	Dec. 1, 2013	5.19%	164,700	151,721
City of Sutherlin	Oct. 20, 2011	5.00%	48,041	43,684
City of Reedsport	Dec. 1, 2023	3.0%-4.65%	685,766	667,666
City of Sutherlin	Dec. 1, 2025	4.45%-5.50%	621,000	603,000
Oregon Dept. of Economic Development	Dec. 1, 2025	5.25%-5.625%	-	146,349
			$1,671,320	$1,742,210

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

Year end	Governmental Activities	
June 30	Principal	Interest
2006	$86,615	$91,037
2007	88,909	86,755
2008	91,321	82,357
2009	96,853	77,837
2010	98,652	73,038
2011-2015	424,017	295,110
2016-2020	411,765	188,813
2021-2025	420,678	73,734
2026	23,400	1,287
	$1,742,210	$969,968

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 $10,532,000 as landfill closure and postclosure care liability at June 30, 2005, represents a portion of the total closure and postclosure cost based on the use of approximately 48 percent of estimated capacity of the Roseburg landfill and 100 percent use of estimated capacity of the Reedsport landfill. This represents an increase of $2,667,000 from the amount of $7,865,000, which was recorded as the landfill closure and postclosure liability at June 30, 2004. The estimated remaining life of the Roseburg landfill is approximately 18-20 years. The County will recognize the remaining estimated cost of closure and postclosure care of $9,568,000 as the remaining estimated capacity of the Roseburg location is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal regulations to provide assurance of its ability to finance closure and postclosure care costs.

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. Revenue bonds outstanding at June 30, 2005 are as follows:

1997 Series A Semiannual Tender Revenue Bonds, redeemable at the option of the Aspen Foundation beginning September 1, 2007 at a redemption price of 102%, declining to 101% on September 1, 2008 and to 100% on September 1, 2009 and thereafter, at an annual rate of 7.5%, due through fiscal 2028	$ 1,745,000
1997 Series B Semiannual Tender Revenue Bonds, redeemable at maturity, with interest at 9%, due through fiscal 2006	15,000
	$ 1,760,000

Revenue bond debt service principal and interest requirements to maturity are as follows:

Year end June 30	Principal	Interest
2006	$30,000	$130,988
2007	30,000	128,625
2008	30,000	126,375
2009	35,000	123,937
2010	35,000	121,313
2011-2015	235,000	558,563
2016-2020	330,000	453,000
2021-2025	485,000	302,062
2026-2028	550,000	75,375
	$1,760,000	$2,020,238

Changes in General Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Notes payable	$1,671,320	$152,319	$81,429	$1,742,210	$86,615
Compensated absences	2,151,105	2,203,697	2,151,105	2,203,697	741,317
Landfill closure and postclosure costs	7,865,000	2,667,000		10,532,000	
Governmental activities long-term liabilities	$11,687,425	$5,023,016	$2,232,534	$14,477,907	$827,932

Notes payable are liabilities of the Industrial Development Fund – a nonmajor governmental fund. Compensated absences are liabilities of the funds in which the related payroll costs accrued. At June 30, 2005, $59,521 of internal service funds compensated absences is included in governmental activities. Any payments related to landfill closure and postclosure care costs are recorded in the General Fund.

Note 4 - Other Information

A. Self-insurance and Group Insurance Program

The County is self-insured for workers' compensation and general liability. 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. Settled claims resulting from the County's risks have not exceeded insurance coverage in any of the past three fiscal years.

The County estimates losses for general liability using the ratio of loss at each development stage to ultimate loss, based on self-insurance programs of similar public entities and on the County's own history. Per Oregon Revised Statute 30.270 (1)(b)(c), general claims are limited to $100,000 per person, and an additional $100,000 per person under special circumstances and $500,000 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The claims paid during the year under this program were $12,813. The estimated unpaid loss liability, which includes an estimate for claims that have been incurred but not reported at June 30, 2005, was $1,202,000.

The County also partially self-insures for workers' compensation. The first $750,000 per occurrence is self-retained and the balance of liability coverage is purchased through a private insurance carrier. The County estimates losses based on claim data developed as of June 30, 2005 compiled by the County's claims administrator. The claims paid during the year under this program were $212,927. Total estimated unpaid loss liability at June 30, 2005; including an estimate for claims that have been incurred but not reported is $1,200,000.

The County provides a cafeteria-style health insurance program to employees. The County pays for the first $831 of the benefits selected by the employee per month. Benefits include medical, dental, vision and life insurance. Employees may also choose supplemental life insurance, cancer/ICU, accidental death and dismemberment, short-term disability and deferred compensation.

The following schedule presents changes in the self-insurance program claims liability amount for fiscals 2004 and 2005:

Year	Beginning of Year Balance	Claims and Changes in Estimates	Claim Payments	End of Year Balance
2004-05	$2,071,273	$556,467	$225,740	$2,402,000
2003-04	1,420,502	1,012,056	361,285	2,071,273

B. Commitments and Contingencies

The County has commitments under various contracts entered into during the normal course of its operations of approximately $7,040,900 at June 30, 2005. The approximate commitments by fund are as follows:

General Fund	$624,800
Public Works Fund	3,797,200
Health and Social Services Fund	335,600
Industrial Development Fund	50,200
Capital Projects Fund	1,820,700
All other funds	412,400
	$7,040,900

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. Deferred Compensation Plan

The County offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Prior to August 20,1996 assets in IRC Section 457 plans could not legally be placed in trust, consequently employees' account balances participation in the plan were potentially at risk. To remedy this situation, Congress amended IRC Section 457 as of August 20, 1996 by adding a subsection requiring assets and income of the plant to be placed in trust.

Monies accumulated by the County under its deferred compensation plans have been deposited with various trustees. The amount deferred since the inception of the plans and associated investment earnings totals $13,062,973 at June 30, 2005.

Provisions of Governmental Accounting Standards Board Statement 32 eliminates the requirement that governmental entities relying upon third parties to manage IRC 457 assets report such assets on their balance sheets.

D. Pension Plan

Plan Description
The County contributes to the Oregon Public Employees Retirement System (OPERS), an agent multi-employer public employee system that acts as a common investment and administrative agent for public employers in the State of Oregon. The Public Employes Retirement Board (PERB) administers the Plan under Oregon Revised Statutes (ORS) Chapter 238. All County employees are eligible to participate in OPERS after 6 months of employment. Generally, employees who retire at or after age 55 with 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.67% of their final average monthly salary (as defined) for each year of credited service. Benefits fully vest after 5 years of service. Vested employees with fewer than 30 years of service will receive reduced benefits if retirement occurs prior to age 58. OPERS also provides death and disability benefits. Benefits are established by state statute.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing OPERS, P.O. Box 73, Portland, Oregon 97207-0073.

Funding Policy
The OPERS funding policy provides for actuarially determined periodic contributions at rates to accumulate sufficient assets to pay benefits when due. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension obligation as described in the preceding section. State statute requires covered employees to contribute 6% of their subject salary to the system, but allows the employer to pay any or all of the employees' contribution in addition to the required employers' contribution. The County currently pays 100% of the required employees' contribution in addition to the employer's required contribution. The County is required to contribute an actuarially determined rate (currently 12.09% for Tier I and Tier II employees) of annual covered payroll. Beginning in January 2004, the County began contributing at a rate of 8.04% for Oregon Public Service Retirement Plan member employees.

Annual Pension Cost
For June 30, 2005, the County's annual pension cost of $5,588,634 was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age cost method. The actuarial assumptions included are: (a) rate of inflation 3.5 %, (b) 8.0% rate of return on investment of present and future assets, (c) projected salary increases of 4.25% per year attributable to general wage adjustments, with additional increases of promotion and longevity that vary by age and service, and (d) 2% per year projected post retirement benefit increases. As of December 31, 2003 the actuarial value of OPERS assets was equivalent to the market value of the assets. The unfunded actuarial liability is amortized as a level percentage of covered payrolls over a twenty-four year open period. For a schedule of funding progress see page 39.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	$6,197,851	100%	$0
June 30, 2004	5,713,958	100	0
June 30, 2005	5,588,634	100	0