

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 28, 2005

Board of Commissioners
Josephine County, Oregon
Grants Pass, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Josephine 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, each major fund, and the aggregate remaining fund information of Josephine 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 and the budgetary comparison information for the General Fund, Public Works Operating Fund, Mental Health Program Fund and Regional Hospital Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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. However, we did not audit management's discussion and analysis and express no opinion on it. The budgetary comparison information for the General Fund, Public Works Operating Fund, Mental Health Program Fund and Regional Hospital Fund 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Josephine 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 December 28, 2005 on our consideration of Josephine 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.

JOSEPHINE COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's comprehensive annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2005. This discussion and analysis is intended to serve as an introduction of the County's basic financial statement. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund issues.

We encourage readers to consider the information presented here in conjunction with our letter of transmittal beginning on page 2 of this report.

Financial Highlights

- The assets of Josephine County exceeded its liabilities at the close of the most recent fiscal year by \$28,906,926 (total net assets).
- The County's total net assets increased by \$6,963,888 mostly as a result of receiving \$3.9 million for county bridge construction. In addition, the county has reserved \$1.6 million for future payroll liability.
- At June 30, 2005 the County's governmental funds reported combined ending fund balances of \$23,233,254 an increase of \$4,722,270 in comparison to the prior year.
- Josephine County's total outstanding debt for bonds, leases, and loans decreased by \$823,931 in comparison to the prior year as a result of normal loan payments. No new debt was issued during the year.

Overview of the Financial Statements

The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the County's finances, in a manner similar to a private-sector business. All of the County's activities are reported in the government-wide statements, except for activities accounted for in fiduciary funds because resources of those funds are not available to support the County's own programs.

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.

JOSEPHINE COUNTY, OREGON

The statement of activities presents information showing how the County's net assets changed during the fiscal year. All of the changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

These two government-wide financial statements report the County's net assets and the change in net assets. Net assets, which represent the difference between assets and liabilities, are one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating. However, to assess the overall health of the County, you need to consider additional non-financial factors such as changes in the property tax base and changes in the County's economy.

The government-wide financial statements of the County are divided into the following two categories:

1. Governmental activities. This includes the basic services provided by the County to its citizens, such as public assistance programs, public safety and public health. O&C funds, property taxes, federal grants, and state grants finance most of these activities. The County's internal service funds, which provide services to other County departments, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.

2. Business-type activities. The County charges fees to customers to help cover the costs of certain services it provides. These activities include the Jail Commissary and the two airports.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds (not the County as a whole). Funds are accounting mechanisms the County uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the County uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

All of the County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long term focus of the government-wide statements, we provide information following the governmental fund statements that reconciles the government-wide focus to the governmental fund focus.

JOSEPHINE COUNTY, OREGON

The County maintains over fifty individual governmental funds. Information is presented separately in the governmental fund financial statements for the five major governmental funds, including the general fund. Data from the other 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.

Proprietary funds. Services for which the County charges customers a fee, similar to a business operation, are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long-term and short-term financial information. The County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. We use internal service funds (the other type of proprietary fund) to report activities that provide services to the County's other programs and activities (such as the County's Central Motor Pool).

The proprietary fund financial statements provide separate information for the Airports Fund, which is the County's only major proprietary fund. The Jail Commissary Fund is the sole remaining proprietary fund and is presented alongside the major fund. The internal service funds are combined into aggregated presentations. Individual fund data for each of the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The County is the trustee, or fiduciary, for these funds. Fiduciary funds are accounted for in a manner similar to proprietary funds. All of the County's fiduciary activities are reported in a separate statement of changes in fiduciary net assets. These activities have been excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Notes to the Financial Statements

The basic financial statements also include notes, which provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a section of required supplementary information (RSI) which contains budget-to-actual comparison schedules for the County's general fund and the major special revenue funds. The combining financial statements referred to earlier are presented immediately following the required supplementary information. These combining statements provide details about our nonmajor governmental funds, enterprise funds, and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

A statistical section containing selected financial, economic, and demographic information is presented immediately following the combining statements.

JOSEPHINE COUNTY, OREGON

Government-wide Financial Analysis

Net Assets. Net assets may serve over time as a useful indicator of a government's financial position. Josephine County's combined net assets for the current fiscal year were approximately \$28.9 million as shown in Table 1. The largest portion of this balance consists of capital assets (e.g. land, buildings, and equipment). Since the County uses its capital assets to provide services to citizens, this amount is not available for future spending.

An additional portion of the County's net assets represent resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$16.1 million which indicates that reservations of net assets exceed total net assets.

Table 1
Josephine County's Net Assets – June 30, 2005
(in millions)

	Governmental Activities	Business-type Activities	Total
Total Assets	\$68.2	\$2.3	\$70.5
Total Liabilities	41.5	0.1	41.6
Net Assets:			
Invested in Capital Assets, net of related debt	24.9	2.0	26.9
Restricted	18.1	-	18.1
Unrestricted	(16.3)	0.2	(16.1)
Total Net Assets	\$26.7	\$2.2	\$28.9

Changes in Net Assets. The County's combined change in net assets for the current fiscal year was an increase of \$7.0 million as shown in Table 2. Several governmental activities had an increase in net assets and several had a decrease in net assets.

The major increases occurred in the County Bridge Construction Fund and the Payroll Liability Reserve Fund. The County Bridge Construction Fund received approximately \$3.9 million in grant money from the State of Oregon to rebuild certain bridges in the County. The entire grant was received this fiscal year and will be spent over the next couple of years. The Payroll Liability Reserve Fund is accumulating resources in order to fund the County's liability for Compensated Absences.

The major decreases occurred in the Regional Hospital Fund and the Title III Projects Fund. The Regional Hospital Fund received funding in the 2003-04 fiscal year to pay acute care costs for indigents. These funds were disbursed in the 2004-05 fiscal year.

JOSEPHINE COUNTY, OREGON

The decrease in the Title III Projects Fund was due to project funding for Emergency Services and Search & Rescue.

Net assets for business-type activities increased slightly as a result of normal operations.

Table 2
Josephine County's Changes in Net Assets
For the year ended June 30, 2005
(in millions)

	Governmental Activities	Business-type Activities	Total
Total Revenues	\$72.3	\$0.9	\$73.2
Total Expenses	65.6	0.6	66.2
Change in Net Assets	6.7	0.3	7.0
Net Assets – July 1, 2004	20.1	1.8	21.9
Net Assets – June 30, 2005	\$26.8	\$2.1	\$28.9

Financial Analysis of the County's Funds

As noted earlier, Josephine 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 of near-term inflows, outflows, and resources available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County'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 \$23.2 million, an increase of \$4.7 million over the prior year. Approximately 95% of this total amount constitutes unreserved fund balance, which is available for spending on governmental programs at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it represents amounts which have already been committed.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance in the general fund was \$2.7 million, and increase of approximately \$166,000 from the prior year. Revenues from property tax and O&C funding as well as expenditures both increased slightly. In addition, several funds that had been reported as special revenue funds in prior years were consolidated into the general fund.

JOSEPHINE COUNTY, OREGON

The Public Works fund balance increased by \$858,480 mainly due to a reduction in expenditures for road and bridge repairs.

The Mental Health fund balance increased by \$490,913 mainly due to savings in personal service costs from vacancies and new hires.

The Regional Hospital Program fund balance decreased by \$868,438 mainly due to disbursement of funds received in the prior fiscal year for acute care costs for indigents.

The County Bridge Construction fund balance increased by \$3,406,592 due to receiving state grant funds in the current fiscal year for rebuilding certain bridges. Expenditures related to this project will be incurred over the next couple of years and we expect this fund will eventually be closed.

Proprietary Funds. Total proprietary fund net assets increased by \$329,782 due mainly to federal funding of capital improvement projects at the County's two airports.

Fiduciary Funds. Fiduciary funds account for resources held for the benefit of parties outside the government. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

General Fund Budgetary Highlights

The general fund increase of \$252,423 between the original adopted budget and the final budget was primarily due to additional funds received from several federal and state grants.

Actual expenditures in the general fund were less than the final budgeted expenditures by \$2.9 million. The difference between budget and actual was found mostly in personal services due to vacancies and new hires. In addition, two projects funded by Title III dollars were budgeted but not completed: 1. Forestry Department conservation easements for fire mitigation; and, 2. Planning Department program for fire assessment.

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2005 was \$38.5 million (net of accumulated depreciation). This investment in capital assets included land, buildings, improvements, equipment, and construction in progress. It does not include the County's infrastructure of roads or bridges. The County's investment in capital assets decreased less than 1% for the fiscal year.

Major capital asset events during the fiscal year included the following:

- \$229,554 to purchase new vehicles for the County Fleet (Motor Pool)
- \$472,012 in runway improvements at the two airports
- \$782,146 to purchase a building for the Search & Rescue program

Additional information on capital assets can be found in Note 4 of this report.

JOSEPHINE COUNTY, OREGON

Debt Administration

The County's total bonded debt outstanding as of June 30, 2005 was \$24.0 million. The outstanding balance represents prior year funding for the construction of the Adult Jail and for the PERS unfunded actuarial liability, both of which are backed by the full faith and credit of the County. There was no new bonded debt issued during the fiscal year.

Under state law, Josephine County has a general obligation debt limitation of 2% of the real market value of taxable property in the county. As of June 30, 2005 the County's general obligation bonded debt of \$10.8 million was well below the legal limitation of \$130 million.

The County's last bond sale in 2001 received a rating of "Aaa" from Moody's Investor Service. Additional information about the County's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budget

Josephine County is faced with some major financial issues, which impact both current and future budgets. These are discussed in the following paragraphs.

O & C Funding Expires Soon. The largest source of Josephine County general fund revenues is the federal Secure Rural Schools and Community Self-Determination Act (O & C replacement funds or Public Law 106-393), which became law on October 30, 2000. This law provides revenue to counties and schools in rural areas in lieu of declining O & C and Forest Service receipts. This money is necessary because a very large percentage of Josephine County is forestland that is not subject to property taxes. It is estimated that Josephine County will receive a total of \$15.2 million for the budget year of 2005-06.

The O & C money represents an extremely vital source of revenue for the County, especially for the County's general fund where it is over 40% of available resources. The funding under PL 106-393 only lasts through fiscal year 2006-07, and Congressional action will be required to renew it. The Board of County Commissioners is working to ensure continuation of these payments and, along with County Department Heads and Elected Officials, is making contingency plans in case the program is continued at a lower level or is completely discontinued by Congress.

Local Government Funding Constraints. With the passage of statewide constitutional property tax limitations of Ballot Measures 5 and 47/50, Josephine County's ability to solve its financial problems through tax measures is severely constrained. In a sense the County is locked in at the \$.5867 permanent tax rate and it would be almost impossible to increase that rate. One possible solution is to form County Service Districts, which if approved by voters, would have their own permanent rate. Moreover, Josephine County has the lowest permanent tax rate in the state. The second lowest rate is Curry County with a rate of \$.5996. Other neighboring counties, Coos (\$1.0799), Douglas (\$1.1124) and Jackson (\$2.0099), all have substantially higher rates. The average permanent tax rate in Oregon is \$2.8348. Josephine County's low tax rate is in part a reflection of the dependence on the now uncertain O & C funds at the time the rates were made permanent.

JOSEPHINE COUNTY, OREGON

The tax rate constraint mentioned above limits assessed value increases to 3% per year, or market value, whichever is lower. No property may increase in value more than 3% in any year unless it is substantially revised or seeks voluntary rezoning. The cap on assessed values and the requirement to assess new construction similarly to existing properties has continued to increase the gap between market value and assessed value. Property value is increasing faster than 3%, and the artificial constitutional gap keeps the tax rate from responding to the real increases in total value. The limitation of assessed values keeps the current tax rate from producing sufficient revenue. Rising population, increased public demand for services and inflationary pressures are causing operating costs to increase faster than revenues, and this situation is projected to cause very significant budget gaps in the future, even if the O & C funds are renewed at the same level.

PERS. The 2003 Oregon State Legislature enacted major revisions to the Oregon Public Employees Retirement System (PERS) in order to make it more affordable to the State of Oregon and all local governments in Oregon. These changes offset the County's unfunded actuarial liability by approximately \$33 million, still not enough to offset the increases caused by PERS investment losses. Not surprisingly, a large number of employee unions and individuals have appealed the reform legislation to the Oregon Supreme Court, and the final outcome remains uncertain.

Health Care Premiums. Like most employers and individuals, Josephine County has been faced with double-digit increases in recent years in the health care premiums it pays (in part) for its employees. Even small increases in this item have a major impact on the County.

Declining State Funding. Josephine County receives a large number of grants from the State. The total budget for 2005-06 for state grants is \$22.9 million. These grants help fund various programs operated by the County, primarily in the Mental Health, Community Action and Community Justice departments. Due to cutbacks at the State, grants expected to be received by these three departments are down from the prior year, and this trend could continue unless Oregon's economy improves enough to provide the State with more tax revenues.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Josephine County Finance Department, 500 NW 6th St, Grants Pass, OR, 97526.

DID YOU KNOW?

Although several Indian tribes lived in the area from which Josephine County was created, most of their members had been moved to reservations by 1856. In late 1856 all Indians in southwest Oregon, with the exception of a few tiny bands, were moved to the Siletz Reservation in Polk County.

Josephine County was also the home to a large Chinese population. Most had come to the area to work gold claims purchased from whites no longer interested in working them. Even though they could not own land, they had to pay a tax to mine gold, and were relegated to inferior claims. (Source: Oregon State Archives)



BASIC FINANCIAL STATEMENTS



JOSEPHINE COUNTY, OREGON

**Statement of Net Assets
June 30, 2005**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash & Investments	\$ 25,838,301	\$ 216,157	\$ 26,054,458
Taxes Receivable	247,656	-	247,656
Other Receivables	1,853,391	117,023	1,970,414
Internal Balances	33,226	(33,226)	-
Due From Other Governments	2,928,403	-	2,928,403
Inventories	705,314	18,728	724,042
Other Assets	61,900	-	61,900
Capital Assets:			
Land	9,800,413	611,814	10,412,227
Buildings & Improvements	32,047,248	3,962,204	36,009,452
Equipment	9,807,016	17,882	9,824,898
Less - Accumulated Depreciation	(15,121,310)	(2,614,175)	(17,735,485)
Total Assets	68,201,558	2,296,407	70,497,965
Liabilities:			
Accounts Payable	2,829,241	135,363	2,964,604
Accrued Payroll Liabilities	1,954,050	2,355	1,956,405
Accrued Interest Payable	87,178	-	87,178
Claims Payable	541,393	-	541,393
Due to Other Governments	113,758	-	113,758
Deferred Revenue	1,457,588	-	1,457,588
Other Liabilities	163,788	-	163,788
Noncurrent Liabilities:			
Due in One Year:			
Bonds Payable	1,010,000	-	1,010,000
Leases Payable	29,483	-	29,483
Loans Payable	92,250	-	92,250
Compensated Absences	1,238,329	-	1,238,329
Landfill Closure Costs	1,241,435	-	1,241,435
Due in More Than One Year:			
Bonds Payable	23,008,723	-	23,008,723
Leases Payable	155,017	-	155,017
Loans Payable	461,950	-	461,950
Compensated Absences	3,288,248	-	3,288,248
Landfill Closure Costs	3,780,890	-	3,780,890
Total Liabilities	41,453,321	137,718	41,591,039
Net Assets:			
Invested in Capital Assets, net of related debt	24,919,667	1,977,725	26,897,392
Restricted for:			
General Government	563,136	-	563,136
Public Safety	968,846	-	968,846
Public Works	9,689,206	-	9,689,206
Culture and Recreation	712,046	-	712,046
Community Development	1,862,473	-	1,862,473
Health & Human Services	3,945,531	-	3,945,531
Debt Service	355,858	-	355,858
Unrestricted	(16,268,526)	180,964	(16,087,562)
Total Net Assets	\$ 26,748,237	\$ 2,158,689	\$ 28,906,926

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON

**Statement of Activities
For the Year Ended June 30, 2005**

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Government	\$ 8,019,981	\$ 6,218,250	\$ 7,708,878	\$ 5,907,147
Public Safety	15,217,040	16,179	2,627,927	(12,572,934)
Public Works	7,487,302	123,359	10,870,845	3,506,902
Culture and Recreation	3,454,429	1,350,210	2,389,736	285,517
Community Development	2,537,919	1,059,562	300,534	(1,177,823)
Health & Human Services	27,547,123	689,049	22,292,009	(4,566,065)
Interest on long-term debt	1,372,836	-	40,776	(1,332,060)
Total Governmental Activities	<u>\$ 65,636,630</u>	<u>\$ 9,456,609</u>	<u>\$ 46,230,705</u>	<u>\$ (9,949,316)</u>
Business-type Activities:				
Public Safety	39,410	60,343	-	20,933
Culture and Recreation	592,640	293,448	565,631	266,439
Total Business-type Activities	<u>632,050</u>	<u>353,791</u>	<u>565,631</u>	<u>287,372</u>
Total Primary Government	<u>\$ 66,268,680</u>	<u>\$ 9,810,400</u>	<u>\$ 46,796,336</u>	<u>\$ (9,661,944)</u>

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Changes in Net Assets:			
Net (Expense) Revenue	\$ (9,949,316)	\$ 287,372	\$ (9,661,944)
General Revenues:			
Property Taxes	3,858,159	-	3,858,159
Other taxes	885,104	-	885,104
Grants and Contributions not restricted to specific programs	11,537,016	-	11,537,016
Unrestricted Interest and Investment Earnings	341,077	4,476	345,553
Transfers - Internal Activities	(37,000)	37,000	-
Change in Net Assets	6,635,040	328,848	6,963,888
Net Assets - July 1, 2004	<u>20,113,197</u>	<u>1,829,841</u>	<u>21,943,038</u>
Net Assets - June 30, 2005	<u>\$ 26,748,237</u>	<u>\$ 2,158,689</u>	<u>\$ 28,906,926</u>

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Governmental Funds

Balance Sheet
June 30, 2005

	General Fund	Public Works	Mental Health	Regional Hospital
Assets				
Current Assets				
Cash & Investments	\$ 4,201,688	\$ 5,254,601	\$ 632,223	\$ 2,242,466
Taxes Receivable	163,435	-	-	-
Other Receivables	1,083,370	-	303,751	-
Due From Other Governments	1,120,703	392,111	466,874	250,000
Due From Other Funds	1,226,386	327,500	706,621	-
Inventories	-	664,247	-	-
Other Assets	-	-	50	-
Total Assets	\$ 7,795,582	\$ 6,638,459	\$ 2,109,519	\$ 2,492,466
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 636,072	\$ 76,189	\$ 306,340	\$ 179,077
Accrued Payroll Liabilities	1,370,717	105,657	130,658	-
Due To Other Governments	29,934	-	-	-
Due To Other Funds	1,650,290	173,999	793,276	507,360
Deferred Revenue	1,447,813	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	5,134,826	355,845	1,230,274	686,437
Fund Balances:				
Reserved for:				
Participant Distributions	-	-	-	250,000
Permanent Endowment	-	-	-	-
Debt Service	-	-	-	-
Unreserved, Reported in :				
General Fund	2,660,756	-	-	-
Special Revenue Funds	-	6,282,614	879,245	1,556,029
Debt Service Funds	-	-	-	-
Capital Project Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	2,660,756	6,282,614	879,245	1,806,029
Total Liabilities and Fund Balances	\$ 7,795,582	\$ 6,638,459	\$ 2,109,519	\$ 2,492,466

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Governmental Funds

Balance Sheet (Continued)
June 30, 2005

	County Bridge Construction	Other Governmental Funds	Total Governmental Funds
Assets			
Current Assets			
Cash & Investments	\$ 3,494,865	\$ 7,834,559	\$ 23,660,402
Taxes Receivable		84,221	247,656
Other Receivables		421,136	1,808,257
Due From Other Governments		698,715	2,928,403
Due From Other Funds		1,581,737	3,842,244
Inventories		-	664,247
Other Assets		61,850	61,900
Total Assets	\$ 3,494,865	\$ 10,682,218	\$ 33,213,109
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 8,970	\$ 999,174	\$ 2,205,822
Accrued Payroll Liabilities		249,062	1,856,094
Due To Other Governments		83,824	113,758
Due To Other Funds	79,303	920,812	4,125,040
Deferred Revenue		231,328	1,679,141
Other Liabilities		-	-
Total Liabilities	88,273	2,484,200	9,979,855
Fund Balances:			
Reserved for:			
Participant Distributions		-	250,000
Permanent Endowment		414,672	414,672
Debt Service		355,888	355,888
Unreserved, Reported in :			
General Fund		-	2,660,756
Special Revenue Funds		5,455,418	14,173,306
Debt Service Funds		1,651,013	1,651,013
Capital Project Funds	3,406,592	180,567	3,587,159
Permanent Funds		140,460	140,460
Total Fund Balances	3,406,592	8,198,018	23,233,254
Total Liabilities and Fund Balances	\$ 3,494,865	\$ 10,682,218	\$ 33,213,109

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Governmental Funds

**Reconciliation of the Balance Sheet
to the Statement of Net Assets
as of June 30, 2005**

Fund Balances - Governmental Funds	\$	23,233,254
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Governmental capital assets	47,987,097	
less accumulated depreciation	(12,208,371)	35,778,726
<p>Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds:</p>		
Property Taxes		221,552
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Bonds Payable	(24,018,723)	
Leases Payable	(184,500)	
Loans Payable	(554,200)	
Accrued Interest Payable	(87,178)	
Compensated Absences	(4,526,577)	
Lanfill Closure Costs	(5,022,325)	(34,393,503)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. Net assets of the internal service funds that are reported with governmental activities.</p>		
		1,908,208
Net Assets of Governmental Activities	\$	26,748,237

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2005

	General Fund	Public Works	Mental Health	Regional Hospital
Revenues:				
Taxes	\$ 3,326,008	\$ 4,383,676	\$ 60,580	\$ -
Fees and Charges for Services	5,405,777	123,359	232,712	-
Intergovernmental Revenues	15,065,262	2,235,710	9,324,839	1,662,549
Interfund Charges for Services	478,999	529,990	-	-
Other Revenues	781,889	246,066	105,099	47,420
Total Revenues	25,057,935	7,518,801	9,723,230	1,709,969
Expenditures:				
Current:				
General Government	3,635,881	-	-	-
Public Safety	15,382,006	-	-	-
Public Works	-	6,654,078	-	-
Culture & Recreation	-	-	-	-
Community Development	2,141,335	-	-	-
Human Services	3,866,148	-	9,605,522	2,193,944
Debt Service - Principle	-	-	-	-
Debt Service - Interest	-	-	-	-
Total Expenditures	25,025,370	6,654,078	9,605,522	2,193,944
Excess of Revenues Over (Under)				
Expenditures	32,565	864,723	117,708	(483,975)
Other Financing Sources (Uses):				
Transfers In	1,555,972	9,657	968,546	-
Transfers Out	(1,422,600)	(15,900)	(595,341)	(384,463)
Total Other Financing Sources (Uses)	133,372	(6,243)	373,205	(384,463)
Net Change in Fund Balance	165,937	858,480	490,913	(868,438)
Fund Balances - July 1, 2004	2,494,819	5,424,134	388,332	2,674,467
Fund Balances - June 30, 2005	<u>\$ 2,660,756</u>	<u>\$ 6,282,614</u>	<u>\$ 879,245</u>	<u>\$ 1,806,029</u>

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Fiscal Year Ended June 30, 2005

	County Bridge Construction	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ 1,360,854	\$ 9,131,118
Fees and Charges for Services	-	2,934,986	8,696,834
Intergovernmental Revenues	3,923,000	19,222,177	51,433,537
Interfund Charges for Services	-	2,800,693	3,809,682
Other Revenues	82,393	942,649	2,205,516
Total Revenues	4,005,393	27,261,359	75,276,687
Expenditures:			
Current:			
General Government	-	4,245,277	7,881,158
Public Safety	-	1,991,064	17,373,070
Public Works	598,801	1,224,065	8,476,944
Culture & Recreation	-	3,564,773	3,564,773
Community Development	-	642,397	2,783,732
Human Services	-	12,731,954	28,397,568
Debt Service - Principle	-	955,258	955,258
Debt Service - Interest	-	1,022,337	1,022,337
Total Expenditures	598,801	26,377,125	70,454,840
Excess of Revenues Over (Under)			
Expenditures	3,406,592	884,234	4,821,847
Other Financing Sources (Uses):			
Transfers In	-	2,617,634	5,151,809
Transfers Out	-	(2,833,082)	(5,251,386)
Total Other Financing Sources (Uses)	-	(215,448)	(99,577)
Net Change in Fund Balance	3,406,592	668,786	4,722,270
Fund Balances - July 1, 2004	-	7,529,232	18,510,984
Fund Balances - June 30, 2005	<u>\$ 3,406,592</u>	<u>\$ 8,198,018</u>	<u>\$ 23,233,254</u>

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Governmental Funds

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2005**

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

Net change in fund balances - total governmental funds	\$	4,722,270
<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 in the current period.</p>		
Expenditures for capital assets	899,549	
less current year depreciation	<u>(1,135,722)</u>	(236,173)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred property tax revenues	(4,180)	
Change in deferred assessments	<u>(31,000)</u>	(35,180)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while repayment of long-term debt principal consumes current financial resources of governmental funds. However, neither transaction has any effect on net assets</p>		
Long-term principal repaid	1,130,787	
Amortization of deferred interest bonds	<u>(306,856)</u>	823,931
<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>		
Compensated absences	1,191,029	
Landfill closure costs	237,785	
Accrued interest on debt	<u>4,262</u>	1,433,076
Adjustment to reflect the consolidation of internal service funds to governmental funds		<u>(72,884)</u>
Change in net assets of governmental activities	\$	<u><u>6,635,040</u></u>

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Proprietary Funds

Statement of Net Assets
June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Airports Fund	Nonmajor Enterprise (Jail Commissary)	Total Current Year	Total Prior Year	
Assets:					
Current Assets:					
Cash & Investments	\$ 112,722	\$ 103,435	\$ 216,157	\$ 201,811	\$ 2,177,899
Accounts Receivable	117,023	-	117,023	438,716	45,134
Due From Other Funds	-	-	-	-	741,981
Inventories	18,728	-	18,728	-	41,067
Total Current Assets	248,473	103,435	351,908	640,527	3,006,081
Capital Assets:					
Land	611,814	-	611,814	611,814	-
Buildings and Improvements	3,962,204	-	3,962,204	3,159,577	-
Equipment	17,882	-	17,882	12,882	3,667,580
Construction in Progress	-	-	-	330,615	-
Less - Accumulated Depreciation	(2,614,175)	-	(2,614,175)	(2,451,555)	(2,912,939)
Total Capital Assets, net of Accumulated Depreciation	1,977,725	-	1,977,725	1,663,333	754,641
Total Assets	2,226,198	103,435	2,329,633	2,303,860	3,760,722
Liabilities:					
Current Liabilities:					
Accounts Payable	135,284	79	135,363	447,117	623,419
Accrued Payroll Liabilities	2,355	-	2,355	6,004	97,956
Claims Payable	-	-	-	-	541,393
Due to Other Funds	22,383	7,061	29,444	18,050	593,529
Total Liabilities	160,022	7,140	167,162	471,171	1,856,297
Net Assets:					
Invested in Capital Assets	1,977,725	-	1,977,725	1,663,333	754,641
Unrestricted	88,451	96,295	184,746	169,356	1,149,784
Total Net Assets	\$ 2,066,176	\$ 96,295	\$ 2,162,471	1,832,689	\$ 1,904,425
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(3,782)		
Net Assets of business-type activities			\$ 2,158,689		

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Airports Fund	Nonmajor Enterprise (Jail Commissary)	Total Current Year	Total Prior Year	
Revenues:					
Fees and Charges for Services	\$ 255,620	\$ 60,343	\$ 315,963	\$ 280,451	\$ 294,289
Interfund Charges for Services		-	-	-	11,830,482
Other Revenues	37,828	-	37,828	-	609,613
Total Revenues	293,448	60,343	353,791	280,451	12,734,384
Expenses:					
Personal Services	72,854	-	72,854	94,864	8,276,528
Materials & Services	316,872	38,717	355,589	338,726	3,651,860
Depreciation	162,620	-	162,620	148,499	357,903
Interfund Payment for Services	39,360	693	40,053	28,691	622,757
Total Expenses	591,706	39,410	631,116	610,780	12,909,048
Operating Income (Loss)	(298,258)	20,933	(277,325)	(330,329)	(174,664)
Nonoperating Revenues:					
Intergovernmental revenues	238,568	-	238,568	174,349	-
Interest Income	2,620	1,856	4,476	8,005	38,268
Total Nonoperating Revenues	241,188	1,856	243,044	182,354	38,268
Net Income (Loss) Before Contributions and Transfers	(57,070)	22,789	(34,281)	(147,975)	(136,396)
Capital grant contributions	327,063	-	327,063	330,615	-
Transfers In	37,000	-	37,000	12,000	252,574
Transfers Out	-	-	-	-	(189,997)
Change in Net Assets	306,993	22,789	329,782	194,640	(73,819)
Total Net Assets - July 1, 2004	1,759,183	73,506		1,638,049	1,978,244
Total Net Assets - June 30, 2005	2,066,176	96,295		1,832,689	\$ 1,904,425
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(934)		
Change in net assets of business-type activities			\$ 328,848		

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Proprietary Funds

Statement of Cash Flows
for the year ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Airports Fund	Nonmajor Enterprise (Jail Commissary)	Total Current Year	Total Prior Year	
Cash Flows from Operating Activities					
Cash received from users	\$ 224,039	\$ 68,278	\$ 292,317	\$ 278,024	\$ 12,005,309
Cash received from other sources	37,828	-	37,828	-	561,911
Cash paid to suppliers	(537,647)	(32,743)	(570,390)	(162,474)	(3,825,136)
Cash paid to employees	(76,503)	-	(76,503)	(97,943)	(8,375,332)
Net cash provided by operating activities	<u>(352,283)</u>	<u>35,535</u>	<u>(316,748)</u>	<u>17,607</u>	<u>366,752</u>
Cash Flows from Non-capital Financing Activities					
Operating transfers made	-	-	-	-	(189,997)
Operating transfers received	37,000	-	37,000	15,000	252,574
Intergovernmental Receipts	332,060	-	332,060	74,341	-
Net cash provided by noncapital and related financing activities	<u>369,060</u>	<u>-</u>	<u>369,060</u>	<u>89,341</u>	<u>62,577</u>
Cash Flows from Capital Financing Activities					
Capital Grant Contributions	578,910	-	578,910	-	-
Purchase of capital assets	(621,352)	-	(621,352)	(118,220)	(212,116)
Net cash provided by capital and related financing activities	<u>(42,442)</u>	<u>-</u>	<u>(42,442)</u>	<u>(118,220)</u>	<u>(212,116)</u>
Cash Flows from Investing Activities					
Interest income received	2,620	1,856	4,476	8,005	38,268
Net cash provided by investing activities	<u>2,620</u>	<u>1,856</u>	<u>4,476</u>	<u>8,005</u>	<u>38,268</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(23,045)	37,391	14,346	(3,267)	255,481
Cash and Cash Equivalents - July 1, 2004	135,767	66,044	201,811	205,078	1,922,418
Cash and Cash Equivalents - June 30, 2005	<u>\$ 112,722</u>	<u>\$ 103,435</u>	<u>\$ 216,157</u>	<u>\$ 201,811</u>	<u>\$ 2,177,899</u>

Reconciliation of Net Operating Income (Loss)
to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ (298,258)	\$ 20,933	\$ (277,325)	\$ (330,329)	\$ (174,564)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	162,620	-	162,620	148,499	357,903
(Increase) Decrease in accounts receivable	(31,581)	7,935	(23,646)	335	160,995
(Increase) Decrease in due from other funds	-	-	-	-	(327,303)
(Increase) Decrease in inventories	(18,728)	-	(18,728)	-	(956)
Increase (Decrease) in accounts payable	(167,020)	(394)	(167,414)	204,984	(20,463)
Increase (Decrease) in payroll payable	(3,649)	-	(3,649)	(3,079)	(152,765)
Increase (Decrease) in due to other funds	4,333	7,061	11,394	(23)	510,312
Increase (Decrease) in deposits payable	-	-	-	(2,780)	-
Increase (Decrease) in claims payable	-	-	-	-	13,593
Total adjustments	<u>(54,025)</u>	<u>14,602</u>	<u>(39,423)</u>	<u>347,936</u>	<u>541,316</u>
Net cash provided by operating activities	<u>\$ (352,283)</u>	<u>\$ 35,535</u>	<u>\$ (316,748)</u>	<u>\$ 17,607</u>	<u>\$ 366,752</u>

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Fiduciary Funds

Statement of Fiduciary Net Assets
June 30, 2005

	Trust and Agency Funds
Assets:	
Cash & Investments	\$ 6,437,530
Taxes Receivable	2,108,134
Accounts Receivable	223,764
Due From Other Funds	164,136
Total Assets	<u>\$ 8,933,564</u>
Liabilities:	
Accounts Payable	\$ 667,642
Due To Other Governments	3,121,088
Due To Other Funds	348
Money Held for Others	5,144,486
Total Liabilities	<u>\$ 8,933,564</u>

The notes to the financial statements are an integral part of this statement.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Josephine County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The significant accounting policies of the county are described below.

A. Reporting Entity:

Josephine County was formed under the predecessor chapter to Oregon Revised Statutes (ORS) 202, and its present “home rule” charter, effective January 5, 1981, was adopted under Article VI, Section 10 of the Oregon State Constitution. Its boundaries are established by ORS 201.150. A Board of Commissioners consisting of three independently elected members governs the County.

Blended Component Units – As required by generally accepted accounting principles, these financial statements present the County and its blended component unit, 4H-Extension, for which the County is considered to be financially accountable.

A blended component unit, although a legally separate entity is, in substance, part of the County’s operations and so data from it is combined with data of the County. A board comprised of the County’s Commissioners governs this blended component. The 4H Extension is included in the non-major special revenue funds and, like the County, has a June 30 fiscal year-end.

B. Government-wide and Fund Financial Statements:

Government-wide Financial Statements – The Statement of Net Assets and Statement of Activities report information for all of the non-fiduciary activities of the County and its component unit. *Governmental activities*, which are primarily supported by intergovernmental revenues and taxes, are reported separately from *business-type activities*, which rely primarily upon fees charged to external parties. All significant interfund transactions have been eliminated from these statements.

The Statement of Activities demonstrates the extent to which direct expenses of the County’s functions/programs listed in the statement (such as General Government, Public Safety, Human Services etc.) are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or program and 2) grants and intergovernmental revenues that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items which are not specific program revenues are reported as general revenues in the Statement of activities.

Fund Financial Statements – 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 non-major funds.

The County reports the following major governmental funds:

General Fund – This is the County’s primary operating fund. It accounts for all financial resources of the general government, except for those requiring separate accounting in another fund.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Public Works Fund – The expenditures of this fund are restricted under Article IX of the Constitution of the State of Oregon for construction, reconstruction, improvement, repair, maintenance, operation, use and policing of public highways, roads and streets within the County. Major sources of revenue include motor fuel taxes and forest service receipts.

Mental Health Fund – This fund accounts for the main mental health operations and programs. Resources of this fund are primarily from federal and state grants and from alcohol tax. Expenditures are for mental health care activities.

Regional Hospital Fund – This fund accounts for moneys received for the provision of mental health beds for patients that require hospital commitment. Resources are received from the State of Oregon.

County Bridge Construction Fund – This fund was established July 1, 2004 to account for the expenditure of grant money received from the State to rebuild certain bridges in the County.

The County reports the following major enterprise fund:

Airports Fund – This fund accounts for the operations of the county's airports located in Merlin, and Cave Junction, Oregon. User fees are the primary source of revenue. Expenditures are for the administration and maintenance of the airport buildings and grounds.

Additionally the County reports the following fund types

Proprietary Funds – Account for the operations of predominantly self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis, and internal service funds account for services provided to other departments or agencies of the County or other governments, on a cost reimbursement basis.

Trust and Agency Funds – Are a type of fiduciary fund which account for resources received and held by the County in a fiduciary capacity.

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary Fund, and Fiduciary Fund Financial Statements – The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied. In contrast, agency funds report only assets and liabilities and do not have a measurement focus.

The County applies all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. It does not apply FASB guidance issued subsequent to November 30, 1989 unless specifically adopted by the GASB.

Governmental Fund Financial Statements – All governmental fund types are accounted for using a *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 generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Federal and state grants (to the extent that eligible expenditures are incurred), licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues within the current fiscal period. Expenditures are generally recorded when

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 the payment is due.

When program expenses are incurred for which both restricted and unrestricted net assets are available to finance the program, it is the County's policy to first apply restricted resources to such programs, followed by unrestricted resources.

D. Investments:

Investments included in cash and investments are reported at fair value. The County invests primarily in the State of Oregon Local Government Investment Pool and U.S. Government and Agencies Securities. Oregon Revised Statutes authorize all County investments. Interest earned from pooled investments is allocated based upon a fund's portion of the total average daily investment balance. The County maintains depository insurance under Federal depository insurance coverage and state and financial institution collateral pools for its cash deposits and investments, except for the Local Government Investment Pool and U.S. government and agencies securities which are exempt from statutes requiring insurance.

E. Receivables:

The County levies, collects, and distributes property taxes for all taxing districts within its boundaries. Property taxes attach as an enforceable lien on property as of July 1. All taxes are levied as of the lien date and are payable in three installments on November 15, February 15 and May 15. Property taxes receivable in governmental funds represent only the County's portion of uncollected property taxes. They are delinquent and are offset by deferred revenue in the government-wide statement of net assets and in individual fund balance sheets. Accordingly, they are not recorded as revenue until received.

For the year ended June 30, 2005, the County's tax levy did not exceed the Oregon constitutional limitation. All other districts' property taxes receivable is reported in the Trust and Agency Funds.

Special Assessments are recognized as receivable at the time property owners are assessed for property improvements. Delinquent receivables are those special assessments remaining unpaid after the date on which a penalty for non-payment is attached.

"Bancrofted" assessments occur when installments are two payments (one year) late. Such assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Accounts and other receivables in governmental and proprietary fund types are recorded as revenue when earned, except for timber sales, which are recorded as revenue when the logging occurs.

F. Inventories:

Governmental Funds – Inventory of parts and supplies is held by the Public Works Department and is valued at average cost. Inventories are recorded as expenditures when consumed rather than when purchased.

G. Capital Assets:

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The County has elected to delay the retroactive reporting of infrastructure assets as allowed by GASB 34. There were no infrastructure additions during the year.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	35
Vehicles and machinery	5 to 15
Office furniture and equipment	3 to 10
Computer equipment	3

H. Landfill Closure and Post-closure Care Liabilities:

The County records landfill closure and post-closure costs as incurred over the life the related landfills. The estimated liability is reported in the government-wide statement of net assets.

I. Long-term Debt:

All County long-term debt is included in the government-wide financial statements. Long-term debt directly related to and expected to be paid from proprietary funds is also included in those funds. Unmatured long-term debt information is shown in Note 5.

J. Compensated Absences:

Accumulated vested compensated absences are accrued in the government-wide financial statements as earned by employees.

The County established the Payroll Liability Reserve Debt Service Fund for the purpose of accumulating resources to pay employees for time management leave, vacation leave, and sick leave. Resources are provided by other County funds. Unused management leave and vacation leave is paid upon termination according to applicable union or non-union rules, and is recorded as an expenditure at time of payment. Sick pay, which does not vest, is recorded as an expenditure when it is taken.

K. Fund Equity:

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

L. 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 or regulations.

M. Cash Flows Statement:

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Accordingly, all County investments are considered to be cash equivalents.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

N. Property Tax Calendar:

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15 and May 15. Real property taxes unpaid on May 16 are considered delinquent. The County levies, collects and distributes property taxes for all taxing jurisdictions within its boundaries. Uncollected taxes, including delinquent amounts, are deemed to be substantially collectible or recoverable through liens, and are recorded as revenue when received.

O. Comparative Data:

Comparative total data for the prior year have been presented only for the 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 – CASH AND INVESTMENTS:

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

Cash on hand	\$	11,687
Deposits with financial institutions		10,551,831
Investments		<u>21,928,470</u>
Total cash and investments		32,491,988
Less cash and investments in agency fund		<u>(6,437,530)</u>
Cash and investments, as reported in statement of net assets		<u><u>\$ 26,054,458</u></u>

Deposits

Deposits with financial institutions are bank demand deposits. The total bank balance, as shown on the banks' records at June 30, 2005, is \$11,628,875. Of these deposits, \$602,949 was covered by federal depository insurance, and \$11,025,926 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 \$65,700,000 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 does not have a policy for deposits custodial credit risk. As of June 30, 2005, \$11,025,926 of the County's bank balance of \$11,628,875 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	8,269,444
Uninsured and collateral held by pledging bank's collateral custodian but not in the County's name		<u>2,756,482</u>
Total		<u><u>\$ 11,025,926</u></u>

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 2 – CASH AND INVESTMENTS: (Continued)

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	\$ 18,925,281	86.3%
US Government Agency Securities:		
Federal Farm Credit Bank	1,005,072	4.6%
Federal Home Loan Mortgage Corporation	1,001,066	4.6%
Federal Home Loan Bank	997,051	4.5%
Total investments	\$ 21,928,470	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, 2005 were: 82% mature within 93 days, 12% mature from 94 days to one year, and 6% 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
U.S. Government Agency Securities:		
Federal Farm Credit Bank	\$ -	\$ 1,005,072
Federal Home Loan Mortgage Corporation	-	1,001,066
Federal Home Loan Bank	997,051	-
Total	\$ 997,051	\$ 2,006,138

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 AAA by Standard and Poor's and Aaa by Moody's.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 2 – CASH AND INVESTMENTS: (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments in U.S. Government agency securities are held by the County's counterparty, not in the County's name.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES:

The following is a listing of interfund receivables and payables by fund at June 30, 2005:

	Receivable	Payable
Governmental Funds:		
General Fund	\$ 1,226,386	\$ 1,650,290
Public Works Fund	327,500	173,999
Mental Health Fund	706,621	793,276
Regional Hospital Fund	-	507,360
County Bridge Construction Fund	-	79,303
Nonmajor governmental funds	1,581,737	920,812
Proprietary Funds:		
Airport Fund	-	22,383
Jail Commissary	-	7,061
Internal service funds	741,981	593,529
Fiduciary Funds	164,136	348
	\$ 4,748,361	\$ 4,748,361

Within these interfund receivables and payables is an interfund loan of \$16,050 that is payable by the Airport Fund to the General Fund. The interfund loan is due in the 2005-06 fiscal year. All other interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and when the related payments between funds are made.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 4 – CAPITAL ASSETS:

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

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 9,658,219	\$ 142,194	\$ -	\$ 9,800,413
Construction in Progress	5,506	-	5,506	-
	<u>9,663,725</u>	<u>142,194</u>	<u>5,506</u>	<u>9,800,413</u>
Total Capital Assets not being depreciated				
	<u>9,663,725</u>	<u>142,194</u>	<u>5,506</u>	<u>9,800,413</u>
Capital Assets being depreciated:				
Building and Improvements	31,407,296	639,952	-	32,047,248
Equipment	9,479,608	352,463	25,055	9,807,016
	<u>40,886,904</u>	<u>992,415</u>	<u>25,055</u>	<u>41,854,264</u>
Total Capital Assets being depreciated:				
	<u>40,886,904</u>	<u>992,415</u>	<u>25,055</u>	<u>41,854,264</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	5,794,402	912,971	-	6,707,373
Equipment	7,840,799	580,654	7,516	8,413,937
	<u>13,635,201</u>	<u>1,493,625</u>	<u>7,516</u>	<u>15,121,310</u>
Total Accumulated Depreciation				
	<u>13,635,201</u>	<u>1,493,625</u>	<u>7,516</u>	<u>15,121,310</u>
Total Capital Assets being depreciated, net				
	<u>27,251,703</u>	<u>(501,210)</u>	<u>17,539</u>	<u>26,732,954</u>
Governmental Activities Capital Assets, net				
	<u>\$ 36,915,428</u>	<u>\$ (359,016)</u>	<u>\$ 23,045</u>	<u>\$ 36,533,367</u>
Business-type Activities:				
Capital Assets not being depreciated:				
Land	\$ 611,814	\$ -	\$ -	\$ 611,814
Construction in Progress	330,615	-	330,615	-
	<u>942,429</u>	<u>-</u>	<u>330,615</u>	<u>611,814</u>
Total Capital Assets not being depreciated				
	<u>942,429</u>	<u>-</u>	<u>330,615</u>	<u>611,814</u>
Capital Assets being depreciated:				
Building and Improvements	3,159,577	802,627	-	3,962,204
Equipment	12,882	5,000	-	17,882
	<u>3,172,459</u>	<u>807,627</u>	<u>-</u>	<u>3,980,086</u>
Total Capital Assets being depreciated				
	<u>3,172,459</u>	<u>807,627</u>	<u>-</u>	<u>3,980,086</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,439,468	161,516	383	2,600,601
Equipment	12,087	1,104	(383)	13,574
	<u>2,451,555</u>	<u>162,620</u>	<u>-</u>	<u>2,614,175</u>
Total Accumulated Depreciation				
	<u>2,451,555</u>	<u>162,620</u>	<u>-</u>	<u>2,614,175</u>
Total Capital Assets being depreciated, net				
	<u>720,904</u>	<u>645,007</u>	<u>-</u>	<u>1,365,911</u>
Business-type Activities Capital Assets, net				
	<u>\$ 1,663,333</u>	<u>\$ 645,007</u>	<u>\$ 330,615</u>	<u>\$ 1,977,725</u>

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 4 – CAPITAL ASSETS: (Continued)

Depreciation expense was charged to functions/programs of the County as follows:

Governmental Activities:

Public Safety	\$ 501,209
Culture and Recreation	164,569
General Government	144,333
Human Services	93,510
Public Works	232,101
Internal Service Funds	<u>357,903</u>
 Total Depreciation Expense, Governmental Activities	 <u><u>\$ 1,493,625</u></u>

Business-type Activities:

Airports	<u>\$ 162,620</u>
 Total Depreciation Expense, Business-type Activities	 <u><u>\$ 162,620</u></u>

NOTE 5 – LONG TERM OBLIGATIONS:

Changes in long-term obligations for the year ended June 30, 2005 are as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
General Government Activities:					
Bonds Payable:					
Adult Jail Facility Bond	\$ 11,485,000	\$ -	\$ 610,000	\$ 10,875,000	\$ 635,000
PERS Bond	13,176,867	306,856	340,000	13,143,723	375,000
Loans Payable:					
OR Dept of Energy Loan	7,961	-	7,961	-	-
OHCSO Secured Treatment Facility Loan	373,439	-	14,040	359,399	14,288
Community Correction Building Loan	127,554	-	12,500	115,054	13,404
Crestview Loop	81,461	-	1,714	79,747	1,791
Leases Payable:					
Mental Health, Public Health, A&T System	276,750	-	92,250	184,500	92,250
Finance and Recording System	52,322	-	52,322	-	-
Compensated Absences Payable	5,717,606	-	1,191,029	4,526,577	1,238,329
Solid Waste Facilities Closure and Monitoring Cost Payable	5,260,110	-	237,785	5,022,325	1,241,435
Governmental Activities Long-term Liabilities	<u><u>\$ 36,559,070</u></u>	<u><u>\$ 306,856</u></u>	<u><u>\$ 2,559,601</u></u>	<u><u>\$ 34,306,325</u></u>	<u><u>\$ 3,611,497</u></u>

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 5 – LONG TERM OBLIGATIONS: (Continued)

Bonds Payable:

Adult Jail Facility Bond – In 2000, after Josephine County voters approved levies for the construction of an adult jail facility, the County issued \$13,940,000 in Bonds for the construction of the facility. Interest rates on the bonds range from 4.20% to 4.875%. Payments are made annually with the final payment of \$1,137,894 due on June 1, 2018.

Future obligations of the Adult Jail Facility Bond are as follows:

Fiscal Year of Maturity	Principal			June 30, 2005
	Outstanding July 1, 2004	Paid During Year	Outstanding June 30, 2005	Future Interest
2004-05	\$ 610,000	\$ 610,000	\$ -	\$ -
2005-06	635,000	-	635,000	496,715
2006-07	665,000	-	665,000	469,728
2007-08	690,000	-	690,000	441,465
2008-09	720,000	-	720,000	412,485
2009-10	755,000	-	755,000	382,245
2010-11	785,000	-	785,000	349,403
2011-12	820,000	-	820,000	314,470
2012-13	860,000	-	860,000	277,570
2013-14	900,000	-	900,000	237,580
2014-15	940,000	-	940,000	195,280
2015-16	985,000	-	985,000	150,630
2016-17	1,035,000	-	1,035,000	103,350
2017-18	1,085,000	-	1,085,000	52,894
	<u>\$ 11,485,000</u>	<u>\$ 610,000</u>	<u>\$ 10,875,000</u>	<u>\$ 3,883,515</u>

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 5 – LONG TERM OBLIGATIONS: (Continued)

PERS Bond – In fiscal year 2001-2002 the County issued \$12,894,947 of Limited Tax Pension Obligation Revenue Bonds and transferred the net proceeds to the State of Oregon Public Employees Retirement System to cover the County’s unfunded actuarial liability at that time. Principal payments are due annually through June 1, 2024, and interest is payable in December and June of each year with rates ranging from 4.8% to 6.7%. Obligations maturing through June 1, 2018 and deferred interest obligations and are shown at matured value.

Future principal and interest maturities are as follows:

<u>Fiscal Year of Maturity</u>	<u>Principal</u>			<u>June 30, 2005 Future Interest</u>
	<u>Outstanding July 1, 2004</u>	<u>Matured and Paid During Year</u>	<u>Outstanding June 30, 2005</u>	
2004-05	\$ 340,000	\$ 340,000	\$ -	\$ -
2005-06	375,000	-	375,000	495,594
2006-07	410,000	-	410,000	495,594
2007-08	450,000	-	450,000	495,594
2008-09	490,000	-	490,000	495,594
2009-10	530,000	-	530,000	495,594
2010-11	575,000	-	575,000	495,594
2011-12	620,000	-	620,000	495,594
2012-13	670,000	-	670,000	495,594
2013-14	720,000	-	720,000	495,594
2014-15	770,000	-	770,000	495,594
2015-16	825,000	-	825,000	495,594
2016-17	880,000	-	880,000	495,594
2017-18	940,000	-	940,000	495,594
2018-19	1,005,000	-	1,005,000	487,938
2019-20	1,130,000	-	1,130,000	426,381
2020-21	1,265,000	-	1,265,000	357,169
2021-22	1,415,000	-	1,415,000	279,687
2022-23	1,575,000	-	1,575,000	191,250
2023-24	1,485,000	-	1,485,000	92,812
	16,470,000	340,000	16,130,000	8,277,959
Less:				
Deferred Interest	(3,293,133)	(306,856)	(2,986,277)	-
	<u>\$ 13,176,867</u>	<u>\$ 33,144</u>	<u>\$ 13,143,723</u>	<u>\$ 8,277,959</u>

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 5 – LONG TERM OBLIGATIONS: (Continued)

Loans Payable:

Energy Loan – The State of Oregon Department of Energy issued three loans for energy improvements to three County facilities. They were payable in monthly installments totaling \$1,707 including interest that ranged from 7.61% to 8.0% per annum. The final payment was made in June 2005.

OHCS D Secured Treatment Facility Loan – Obtained to acquire the Hugo Hills Secured Treatment Facility, the loan is payable in monthly installments of \$1,705 including interest at 1.75% per annum. The property is collateral for the loan. Annual requirement to repay the OHCS D loan are as follows:

Fiscal Year of Maturity	Principal			June 30, 2005
	Outstanding July 1, 2004	Paid During Year	Outstanding June 30, 2005	Future Interest
2004-05	\$ 14,040	\$ 14,040	\$ -	\$ -
2005-06	14,288	-	14,288	6,175
2006-07	14,540	-	14,540	5,923
2007-08	14,797	-	14,797	5,667
2008-09	15,058	-	15,058	5,406
2009-10	15,323	-	15,323	5,140
2010-11	15,594	-	15,594	4,870
2011-12	15,869	-	15,869	4,595
2012-13	16,149	-	16,149	4,315
2013-14	16,434	-	16,434	4,030
2014-15	16,724	-	16,724	3,740
2015-16	17,019	-	17,019	3,445
2016-17	17,319	-	17,319	3,145
2017-18	17,624	-	17,624	2,839
2018-19	17,935	-	17,935	2,528
2019-20	18,252	-	18,252	2,212
2020-21	18,574	-	18,574	1,890
2021-22	18,901	-	18,901	1,562
2022-23	19,235	-	19,235	1,229
2023-24	19,574	-	19,574	889
2024-25	19,919	-	19,919	544
2025-26	20,271	-	20,271	193
	<u>\$ 373,439</u>	<u>\$ 14,040</u>	<u>\$ 359,399</u>	<u>\$ 70,337</u>

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 5 – LONG TERM OBLIGATIONS: (Continued)

Community Correction Loan – In May 1997, the County purchased the 4th and D Street day reporting center with a mortgage payable to the seller of the property. The loan is payable in monthly installments of \$1,752 which includes interest at a rate of 7.00% per annum, and is collateralized by the property. The payments continue through November 2012.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal			June 30, 2005
	Outstanding July 1, 2004	Paid During Year	Outstanding June 30, 2005	Future Interest
2004-05	\$ 12,500	\$ 12,500	\$ -	\$ -
2005-06	13,404		13,404	7,629
2006-07	14,372		14,372	6,660
2007-08	15,411		15,411	5,621
2008-09	16,526		16,526	4,506
2009-10	17,720		17,720	3,312
2010-11	19,001		19,001	2,031
2011-12	18,620		18,620	357
	<u>\$ 127,554</u>	<u>\$ 12,500</u>	<u>\$ 115,054</u>	<u>\$ 30,116</u>

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 5 – LONG TERM OBLIGATIONS: (Continued)

Crestview Sewer Treatment Plant – Annual installments of \$5,380 are made to USDA – Rural Development for the construction of the treatment plant. The payment includes interest of 4.5% per annum

Future commitments on the Crestview Loan for the years ending June 30 are as follows:

Fiscal Year of Maturity	Principal			June 30, 2005
	Outstanding July 1, 2004	Paid During Year	Outstanding June 30, 2005	Future Interest
2004-05	\$ 1,714	\$ 1,714	\$ -	\$ -
2005-06	1,791	-	1,791	3,589
2006-07	1,872	-	1,872	3,508
2007-08	1,956	-	1,956	3,424
2008-09	2,044	-	2,044	3,336
2009-10	2,136	-	2,136	3,244
2010-11	2,232	-	2,232	3,148
2011-12	2,333	-	2,333	3,047
2012-13	2,437	-	2,437	2,942
2013-14	2,547	-	2,547	2,832
2014-15	2,662	-	2,662	2,718
2015-16	2,782	-	2,782	2,598
2016-17	2,907	-	2,907	2,473
2017-18	3,038	-	3,038	2,342
2018-19	3,174	-	3,174	2,205
2019-20	3,317	-	3,317	2,062
2020-21	3,466	-	3,466	1,913
2021-22	3,622	-	3,622	1,757
2022-23	3,785	-	3,785	1,594
2023-24	3,956	-	3,956	1,424
2024-25	4,134	-	4,134	1,246
2025-26	4,320	-	4,320	1,060
2026-27	4,514	-	4,514	865
2027-28	4,717	-	4,717	662
2028-29	4,929	-	4,929	450
2029-30	5,076	-	5,076	228
	\$ 81,461	\$ 1,714	\$ 79,747	\$ 54,667

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 5 – LONG TERM OBLIGATIONS: (Continued)

Leases Payable:

Mental Health, Public Health, and A&T Systems Lease – This lease consists of an installment purchase of computers and software for Mental Health, Public Health, and Assessment and Taxation. Annual principal payments are \$92,250. Interest on the lease is 4.25% per annum.

Annual requirements to repay the lease are as follows:

Fiscal Year of Maturity	Principal			June 30, 2005
	Outstanding July 1, 2004	Paid During Year	Outstanding June 30, 2005	Future Interest
2004-05	\$ 92,250	\$ 92,250	\$ -	\$ -
2005-06	92,250	-	92,250	5,881
2006-07	92,250	-	92,250	1,960
	<u>\$ 276,750</u>	<u>\$ 92,250</u>	<u>\$ 184,500</u>	<u>\$ 7,841</u>

Finance and Clerk’s Recording Lease – In March of 2002, the County obtained a lease to finance computers and software for the Finance Accounting System and the Clerk’s Recording System in annual payments of \$52,322 plus 4.0% per annum. The final payment was made in May 2005.

Solid Waste Facilities Closure Costs:

The County owns the Kerby Landfill, which closed during fiscal year 1993-94, and the Marlsan Lagoon, which closed during fiscal year 1996-97. Monitoring of the Marlsan Lagoon includes a landfill that was closed in 1976.

State and federal laws and regulations require the County to place final cover on the landfill and lagoon sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites after closure. The \$5,022,325 reported as solid waste facilities closure costs liability at June 30, 2005, represents the best estimate of the County’s liability for closure and post-closure care costs. These amounts are based on what it would cost to perform all closure and post-closure in 2005-06 and beyond. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 6 – RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1987-88 the County established a self-insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the self-insurance fund provides coverage for up to a maximum of \$100,000 for each general liability claim, \$100,000 for each automobile accident claim, \$25,000 for each property loss or damage, and the first \$400,000 for each workers compensation claim. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded the self-insurance retention (SIR) since the program began.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 6 – RISK MANAGEMENT: (Continued)

All funds of the County participate in the risk management program and make payments to the self-insurance fund based on estimates needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$541,393 reported in the self-insurance fund at June 30, 2005 is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claims liability is based on an evaluation of outstanding claims, using past experience and current assessments of potential and probable exposure, as well as an estimate for incurred but not reported claims as of June 30, 2005. Changes in estimates of claims costs resulting from the County's continuous review process and differences between estimates and payment of claims are recognized in the results of operations of the self-insurance fund.

Changes in the insurance fund's claims liability amount in fiscal years 2005 and 2004 were:

	2004-05	2003-04
Balance July 1	\$ 527,800	\$ 511,238
Current year claims and changes in estimates	321,270	270,502
Claim Payments	(307,677)	(253,940)
Balance - June 30	\$ 541,393	\$ 527,800

NOTE 7 – TRANSFERS:

Transfers are summarized as follows:

Transfer From	Transfer To						Total
	Governmental Funds						
	General	Public Works	Mental Health	Nonmajor	Enterprise	Internal Service	
Governmental Funds:							
General	\$ -	\$ -	\$ 41,569	\$ 1,381,031	\$ -	\$ -	\$ 1,422,600
Public Works	15,900	-	-	-	-	-	15,900
Mental Health	545,556	-	-	49,785	-	-	595,341
Regional Hospital	-	-	384,463	-	-	-	384,463
Nonmajor	969,519	9,657	542,514	1,186,818	37,000	87,574	2,833,082
Proprietary Funds:							
Internal Service	24,997	-	-	-	-	165,000	189,997
Total	\$ 1,555,972	\$ 9,657	\$ 968,546	\$ 2,617,634	\$ 37,000	\$ 252,574	\$ 5,441,383

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 to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 8 – PENSION PLAN:

State of Oregon Public Employees Retirement System Plan:

Plan Descriptions – The County participates in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The system is a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes Chapter 238 by the Public Employees Retirement Board. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional but irrevocable if elected. A stand-alone financial report is not available for the County. However, the State of Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, 11410 SW 68th Parkway, PO Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-PERS.

Funding Policy – PERS members are required to contribute 6% of their annual covered salary. The County is required to contribute an actuarially determined rate; the rate during the year ended June 30, 2005 was 9.45% of annual covered payroll through May 31, 2005 and 14.12% starting in the month of June 2005. The contribution requirements of plan members and the County are established and may be amended by the Public Employees Retirement Board.

Annual Pension Cost – For 2004-05, the County’s annual pension cost of \$2,459,832 for the system was equal to the County’s required and actual contributions.

Three-Year Trend Information –

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 2,459,832	100%	\$ -
June 30, 2004	2,423,100	100%	-
June 30, 2003	2,205,000	100%	-

Deferred Compensation:

The County also has a deferred compensation plan for its employees. Employees may elect to contribute to their individual deferred compensation accounts, and the County will match the employee contribution up to 3% or 6%, depending on employee eligibility and classification. The County’s deferred compensation cost for the year ended June 30, 2005 was \$830,119.

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims for which an adverse judgment is probable and which can be reasonably estimated have been accrued in the County’s Self-Insurance Fund. In the opinion of County management, based on the advice of legal counsel and the County’s insurance agent with respect to such other litigation and claims, the ultimate disposition of these matters will not have a material adverse effect on the financial position or results of operations of the County.

Amounts receivable or received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any unforeseen disallowed claims, including amounts already collected, could become a liability of the General Fund or other applicable funds.

JOSEPHINE COUNTY, OREGON
Notes to Financial Statements
for the Year Ended June 30, 2005

NOTE 10 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information:

The County budgets all funds except Fiduciary Funds and clearing accounts.

The County follows these procedures, which conform to Local Budget Law for Oregon, in establishing the budgetary data reflected in the financial statements:

1. Around May 1, the County’s Budget Officer and Board of County Commissioners submit a proposed budget to the County Budget Committee for the ensuing fiscal year starting July 1. The budget includes recommended expenditure category levels and the estimated revenues that will finance them.
2. The Budget Committee holds public hearings on the proposed budget and recommends a budget which is published at least two weeks prior to the adoption of the budget resolution by the County’s Board of Commissioners at a public hearing.
3. After a hearing and prior to July 1, the budget is enacted by a Commissioners’ resolution. If it is not enacted prior to July, the County has no authority to expend monies until the resolution is enacted.
4. The County’s appropriation resolution established the level of control for expenditures at the department level for the General Fund and Administrative Internal Service Fund and at the expenditure category level for all other funds. The departments are authorized to transfer appropriations between line items within a category, but transfers between categories and departments must be approved by the Board of Commissioners by resolution at a regular business session. All other revisions that increase the total appropriations of any department or fund, other than through the receipt of a designated grant, must be made using a supplemental budget. This process requires a hearing and enactment by the Board of Commissioners.
5. The budget for the department or fund receiving designated grant money is increased by resolution of the Board of County Commissioners at a regular weekly business session.
6. Formal budgetary review is employed as a management control device during the year for the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Internal Service Funds.
7. Appropriations lapse at the end of the fiscal year.

The County adopted four supplemental budgets during the year.

Total expenditures did not exceed the total budget in the major funds.

Deficit Fund Equity:

On June 30, 2005 the following funds had deficit fund balances/net assets:

<u>Fund</u>	<u>Amount</u>
Josephine County Fair	\$ 107,068
Health Insurance Fund	1,989

DID YOU KNOW?

Josephine County is located in southwestern Oregon and was created by the Territorial Legislature on January 22, 1856, from the western half of Jackson County. It was the nineteenth, and last, county created before statehood. Josephine County was named for Josephine Rollins, the first white woman to settle in southern Oregon.

Most of the commercial activity during the territorial period centered on gold mining and the supply of provisions to miners. Miners had been active in the Rogue and Illinois Valleys since 1851. By the late 1850s, however, gold mining was beginning to decline and population dwindled as well. In 1859, gold was discovered along the Fraser River in British Columbia and an exodus from Josephine County occurred. (Source: Oregon State Archives)

