Comments of the Independent Accountants Required by the State of Oregon
Minimum Standards for Audits of Oregon Municipal Corporations

To the Board of Commissioners
Coos County, Oregon

Oregon Administrative Rules 162-10-050 through 162-10-320 of the Minimum Standards for
Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation
with the Oregon State Board of Accountancy, enumerate the financial statements, schedules,
comments and disclosures required in audit reports. The required statements and schedules are
set forth in the preceding pages of this report. Required comments and disclosures related to
our audit of such statements and schedules are set forth as follows:

REPORT ON ACCOUNTING AND INTERNAL CONTROL STRUCTURE

We have audited the financial statements of the Coos County, as of and for the year ended June
30, 2004, and have issued our report thereon dated October 26, 2004. We conducted our audit
in accordance with auditing standards generally accepted in the United States of America and

In planning and performing our audit, we considered Coos County's internal control over financial
reporting in order to determine our auditing procedures for the purpose of expressing our opinion
on the financial statements and not to provide assurance on the internal control over financial
reporting. Our consideration of the internal control over financial reporting would not necessarily
disclose all matters in the internal control over financial reporting that might be material
weaknesses. A material weakness is a condition in which the design or operation of one or more
of the internal control components does not reduce to a relatively low level the risk that
misstatements in amounts that would be material in relation to the financial statements being
audited may occur and not be detected within a timely period by employees in the normal course
of performing their assigned functions. We noted no matters involving the internal control over
financial reporting and its operation that we consider to be material weaknesses.

The condition of the accounting records was generally excellent. Data was readily available and
sufficient for audit.

COLLATERAL

We reviewed compliance with legal requirements pertaining to the amount and adequacy of
collateral pledged by depositories to secure the deposit of public funds. Nothing came to our
attention to indicate that the County does not comply with these legal requirements.
INDEBTEDNESS

We reviewed compliance relating to short-term and long-term debt, including limitations on the amount of debt which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements, including any restrictions on the use of monies available to retire indebtedness. We found no instances in which the County had not complied with these legal or contractual provisions relating to short-term or long-term debt.

BUDGET

We reviewed budget procedures for compliance with Oregon local budget law. We found that the budget for the year ended June 30, 2004, was prepared, adopted, and executed in accordance with local budget law.

We found that the budget for the year ending June 30, 2005, was prepared and adopted in accordance with local budget law.

INSURANCE AND FIDELITY BONDS

We reviewed compliance with legal requirements relating to insurance and fidelity bond coverage. During our audit, we found no instances of noncompliance with these legal requirements pertaining to insurance and fidelity bond coverage.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

During our audit, we found no material instances of noncompliance with appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.

INVESTMENTS

We reviewed policies and procedures relating to investments of public funds. During fiscal year 2003-04 the County twice exceeded the limitation on funds placed in the Local Government Investment Pool for more that 20 days, pursuant to ORS 294.810. Other than the preceding, nothing came to our attention to indicate that the County does not materially comply with legal requirements relating to investment of public funds.
PUBLIC CONTRACTS AND PURCHASING

We reviewed procedures relating to awarding of public contracts and the construction of public improvements. During our audit, we found no evidence to indicate that the County does not materially comply with legal requirements (as contained in ORS Chapter 279) pertaining to public contracts and purchasing.

This report is intended solely for the information and use of management, the Board, and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

HALLIS LLC
Certified Public Accountant

[Signature]

Eugene, Oregon
October 26, 2004
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of County Commissioners
Coos County, Oregon

Compliance

We have audited the compliance of Coos County, Oregon, with the types of compliance requirements described in the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Coos County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Coos County’s management. Our responsibility is to express an opinion on Coos County’s compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coos County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Coos County’s compliance with those requirements.

In our opinion, Coos County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.
Internal Control Over Compliance

The management of Coos County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Coos County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than specified parties.

HALLIS LLC
Certified Public Accountant

Eugene, Oregon
October 26, 2004
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

Board of County Commissioners
Coos County, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Coos County as of and for the year ended June 30, 2004, which collectively comprise Coos County's basic financial statements and have issued our report thereon dated October 26, 2004. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Coos County, Oregon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by an error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate communication dated October 26, 2004.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Coos County, Oregon's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract, and grants, noncompliance with which could have a direct and material effect on the determination
of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of County Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than specified parties.

HALLIS LLC
Certified Public Accountant

Eugene, Oregon
October 26, 2004