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

February 2, 2007

To the Board of Commissioners of Coos County:

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 Coos County, Oregon (the County) as of and for the year ended June 30, 2006 which collectively comprise Coos County, Oregon's basic financial statements and have issued our report thereon dated February 2, 2007. 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'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 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. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the District in a separate letter dated February 2, 2007.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Coos County 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management; Coos County Board of Commissioners; the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Shirley MacAdam

Hough, MacAdam & Warntik, LLC
Certified Public Accountants
INDEPENDENT AUDITOR'S COMMENTS

Audit Report Requirements

Oregon Administrative Rules 162-10-000 through 162-10-330 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 schedules, comments, and disclosures not included in the preceding section of this report are as follows:

Accounting Systems and Internal Controls

Coos County’s accounting systems are adequate and the accounting records are properly maintained. The internal controls for the County are operating as designed and no material weaknesses or reportable conditions were noted. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the County in a separate letter dated February 2, 2007.

Collateral

Based on the results of our tests, balances on deposit with financial institutions were secured in accordance with the requirements of ORS 295.015.

Indebtedness

Based on the results of our tests, the County has not exceeded its legal debt limitation as provided by ORS 328.245. The County was in compliance with all debt covenants and all payments were made on a timely basis.

Budget

We reviewed the preparation, adoption, and execution of the budget for the current year and the preparation and adoption of the ensuing year's budget.

The resolution authorizing appropriations for each fund sets the legal limit for expenditures. The level of control for the General Fund and the Mental Health Special Revenue Fund is by department, while the level of control in all other Special Revenue Funds, Debt Service and Proprietary Funds is by total personal services, materials and services, capital outlay, debt service and other expenditures.

Based on the results of our tests, the County has complied with statutory requirements for the current and ensuing year's budgets, except as follows:

Expenditures exceeded appropriations for the fiscal year ended June 30, 2006 in the following amounts:

| Library Service District Fund            | Support of Libraries | $137,327 |

Deficit net assets - The Waste Disposal Fund ended the year with deficit net asset balance of ($1,263,206). Management expects these deficit balances to be reduced in future years by an increase in revenues and transfers into the fund in excess of total expenditures.
Insurance and Fidelity Bonds

The County is in compliance with the legal requirements pertaining to insurance and fidelity bond coverage. We are not competent by training to state whether the insurance policies covering County owned property in force at June 30, 2006, are adequate.

Based on the results of our tests the County has complied with the provisions of ORS 332.525 regarding the bonding of County personnel.

Investments

Based on the results of our tests, the County was in compliance with legal requirements of ORS 294 pertaining to investment of public funds.

Public Contracts and Purchasing

Based on the results of our tests and our review of the minutes, the County appears to be in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.

Programs Funded from Outside Sources

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the County complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance with Programs funded from Outside Sources.

Highway Funds

The County is in compliance with legal requirements pertaining to the use of revenue from taxes on motor vehicle use fuel and road funds.

Statement of Accountability for Independently Elected Officials