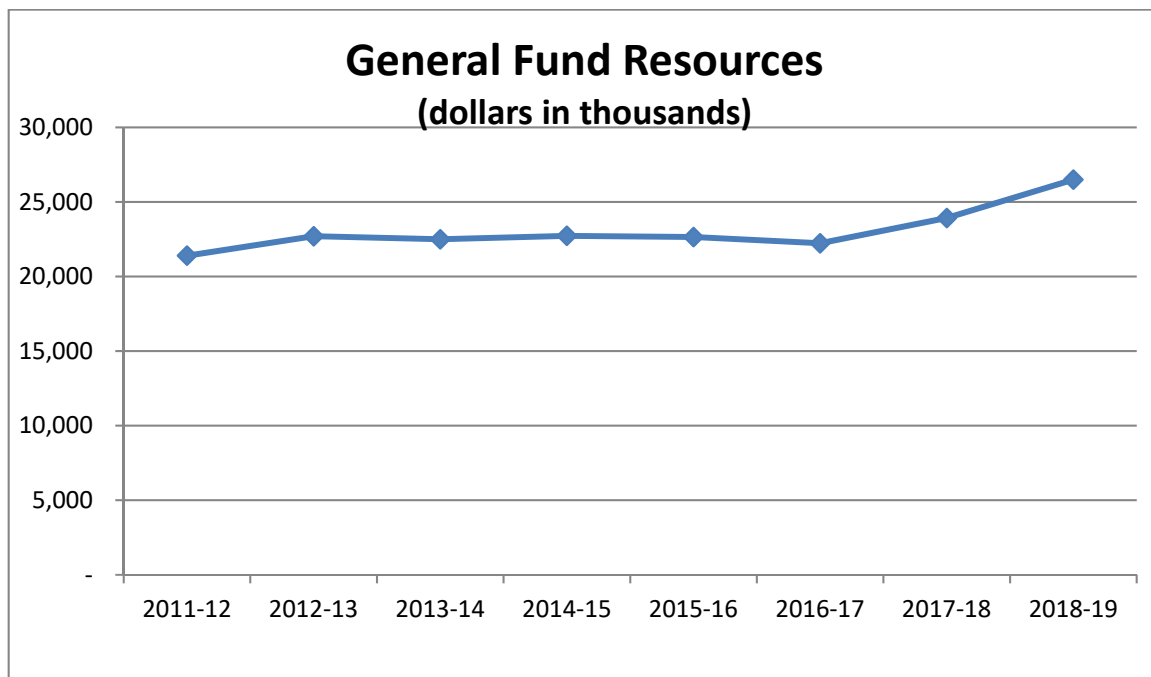


**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

The management of Coos County, Oregon offers this overview and analysis of the financial activities of the County, for the fiscal year ended June 30, 2019. We encourage readers to consider the information here in conjunction with the accompanying basic financial statements.

**Financial Highlights (*dollars in thousands*)**

- The County's assets exceeded its liabilities at June 30, 2019 by \$149,949 (*net position*) – an increase of \$2,321 or 1.57%. Of this amount, \$3,748 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's revenues increased by 11.90% in the Governmental activities, they decreased by 3.52% in the Proprietary activities. Expenses for the Governmental activities increased by \$4,864 or 8.41%, and Proprietary decreased by \$786 or 17.70%. Net position in Governmental activities increased \$1,619 or 2.14% and Proprietary funds increased by \$.7 or 1.8 %.



**Overview of the Financial Statements**

Coos County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

**Government-wide financial statements** are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector business. The government-wide financial statements include not only the County itself (known as the primary government), but also three legally separate component units, Coos County Library Service District, Coos County 4-H Extension Service District, and the Coos County Area Transit Service District, for which the County is financially accountable. Although legally separate, the governing body of each component unit is identical to the County's, and because the services of the component units are exclusively for the benefit of the County, they are included as an integral part of the primary government. Complete financial statements for each may be obtained from the Coos County Treasurer's Office, 250 N. Baxter, Coquille, OR 97423.

»The *statement of net position* presents information on all the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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

### **Governmental Funds**

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

The General Fund is used to account for the financial resources of the County that are not accounted for in any other fund. Principal sources of revenue are Oregon and California land grant proceeds, state and federal revenues, property taxes, licenses and permits, charges for services and interest. Ordinary expenditures are for general administration, public safety, community services, and welfare and health services.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented *for governmental funds* with similar information presented *for governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. There is a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

The County maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Works Fund, Health & Wellness Fund, County Forest Fund, and Coos County Area Transit Service District which are considered to be major funds. Data from the other 26 governmental funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided in the supplementary statements section of this report.

The County adopts an annual budget for all of its funds except the fiduciary funds. A budgetary comparison statement has been provided for the governmental funds as part of the required supplemental information and the supplementary information. There are also individual budgetary statements for all major and non-major funds to demonstrate compliance with this budget elsewhere in this report.

Special Revenue Funds – Special revenue funds are used to account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Funds included in the category are: Animal Control, Public Works, Public Health, Planning, LNG, Law Library, County Parks, Community Corrections, Crime Victim Assistance, South Coast Interagency Narcotics Team (SCINT), Coos Health & Wellness, Economic Development, Bandon Dunes Assessment, PL110-343 Title III, County Forest, Administrative Grants, County School, Foot Paths and Bicycle Trails, Industrial Development, Public Health-Title XIX, Mental Health-Title XIX, County Family Mediation, 911 / Dispatch, County Clerk Records, and the Public Land Corner Preservation funds.

Component Units-Special Revenue Funds – The Coos County Library Service District, the 4-H Extension Service District, and the Coos County Area Transit Service District are reported as special revenue funds of the County.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond and loan principal and interest.

### **Proprietary Funds**

*Proprietary funds* are used to account for activities where the emphasis is placed on net income determination. The County maintains only enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its County Fair Fund, Waste Disposal Fund, Waste Disposal Reserve Fund and Gas Pipeline Fund, which are financed primarily by admission charges, waste disposal fees, bond sales and intergovernmental revenues.

The proprietary fund financial statements provide separate information for each business-type fund. Additionally Individual fund data for the proprietary funds is provided in the form of *combining statements* elsewhere in this report.

### **Fiduciary Funds**

Agency Funds – These funds account for resources received and held by the County in a fiduciary capacity or as an agent for other governments and other funds. Fiduciary funds are *not* reflected in the government-wide statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements of this report.

**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* referred to earlier in connection with non-major governmental funds and other schedules and information that are required by the State of Oregon. This information can be found in the supplementary information section of this report.

**Government-wide Financial Analysis (*dollars in thousands*)**

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$149,949 at the close of the most recent fiscal year. The County's investment in capital assets (land, construction in progress, buildings, improvements, machinery and equipment, bridges and infrastructure), less any related debt to acquire those assets is approximately 83.66% of total net position. The County uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Coos County's Net Position**  
*in thousands*

	Governmental Activities		Business-type Activities		Total		Comparison	
	2019	2018	2019	2018	2019	2018	Difference	
Current and other assets	\$ 46,789	\$ 41,696	\$ 5,405	\$ 5,223	\$ 52,194	\$ 46,919	\$ 5,275	11.24%
Capital assets	89,784	89,201	41,065	41,650	130,849	130,851	(2)	0.00%
<b>Total assets</b>	<b>136,573</b>	<b>130,897</b>	<b>46,470</b>	<b>46,873</b>	<b>183,043</b>	<b>177,770</b>	<b>5,273</b>	<b>2.97%</b>
Deferred outflow related to pensions	12,783	11,075	220	190	13,003	11,265	1,738	15.43%
Long-term liabilities	28,159	1,412	5,647	6,334	33,806	7,746	26,060	336.43%
Other liabilities	7,704	31,323	1,518	1,924	9,222	33,247	(24,025)	-72.26%
<b>Total liabilities</b>	<b>35,863</b>	<b>32,735</b>	<b>7,165</b>	<b>8,258</b>	<b>43,028</b>	<b>40,993</b>	<b>2,035</b>	<b>4.96%</b>
Deferred inflow related to pensions and OPEB	3,018	1,076	51	18	3,069	1,094	1,975	180.53%
Net position:								
Invested in capital assets	89,179	89,202	36,270	35,790	125,449	124,992	457	0.37%
Restricted	20,752	20,194	-	261	20,752	20,455	297	1.45%
Unrestricted	544	(1,235)	3,204	2,737	3,748	1,502	2,246	149.53%
<b>Total net position</b>	<b>\$ 110,475</b>	<b>\$ 108,161</b>	<b>\$ 39,474</b>	<b>\$ 38,788</b>	<b>\$ 149,949</b>	<b>\$ 146,949</b>	<b>\$ 3,000</b>	<b>2.04%</b>

**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

**Changes in Net Position**

The County's *unrestricted net position* of \$3,748 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the County is able to report positive balances in almost all categories of net position. The government as a whole, as well as its separate governmental activities, all reported a positive balance. The Coos County Fair Fund, a proprietary fund, reported a negative balance mostly due to the pension liability.

In the following Statement of Changes in Net Position the beginning net positions in governmental and business-type activities do not match the previous year due to the Coos County Area Transit Fund being reclassified from a business-type fund to a governmental fund.

**Coos County's Changes in Net Position**  
*in thousands*

	Governmental		Business-type		Total		Comparison		
	Activities		Activities				Difference		
	2019	2018	2019	2018	2019	2018			
<b>REVENUE:</b>									
Program revenues:									
Charges for services & contracts	\$ 16,929	\$ 11,595	\$ 3,293	\$ 2,351	\$ 20,222	\$ 13,946	\$ 6,276	45.00%	
Operating grants & contributions	33,907	29,203	-	847	33,907	30,050	3,857	12.84%	
Capital grants & contributions	979	3,014	644	33	1,623	3,047	(1,424)	-46.73%	
General revenues:									
Property taxes	11,246	10,865	-	-	11,246	10,865	381	3.51%	
Grants & contributions not restricted to specific programs	-	2,785	-	-	-	2,785	(2,785)	-100.00%	
Interest on investments	993	636	117	-	1,110	636	474	74.53%	
Other revenue	518	593	-	-	518	593	(75)	-12.65%	
<b>Total revenues</b>	<b>64,572</b>	<b>58,691</b>	<b>4,054</b>	<b>3,231</b>	<b>68,626</b>	<b>61,922</b>	<b>6,704</b>	<b>10.83%</b>	
<b>EXPENDITURES:</b>									
Current:									
General Government	8,167	8,342	-	-	8,167	8,342	(175)	-2.10%	
Public Safety	17,125	15,679	-	-	17,125	15,679	1,446	9.22%	
Public Works	8,739	8,696	1,353	1,418	10,092	10,114	(22)	-0.22%	
Health & Welfare	18,976	18,082	-	-	18,976	18,082	894	4.94%	
Culture & Recreation	5,934	5,560	415	397	6,349	5,957	392	6.58%	
Community Development	1,936	990	-	-	1,936	990	946	95.56%	
Intergovernmental	1,504	934	-	-	1,504	934	570	61.03%	
Sanitation	-	-	1,886	1,809	1,886	1,809	77	4.26%	
Interest	286	336	-	-	286	336	(50)	-14.88%	
<b>Total expenditures</b>	<b>62,667</b>	<b>58,619</b>	<b>3,654</b>	<b>3,624</b>	<b>66,321</b>	<b>62,243</b>	<b>4,078</b>	<b>6.55%</b>	
Change in net position before transfers	1,905	72	400	(393)	2,305	(321)	2,626	-818.07%	
Transfers	(286)	(375)	286	375	-	-	-	0.00%	
<b>Change in net position</b>	<b>1,619</b>	<b>(303)</b>	<b>686</b>	<b>(18)</b>	<b>2,305</b>	<b>(321)</b>	<b>2,626</b>	<b>-818.07%</b>	
Net position beginning	108,856	108,908	38,788	38,806	147,644	147,714	(70)	-0.05%	
Prior period adjustment	-	251	-	-	-	251	(251)	-100.00%	
Net position beginning, restated	108,856	109,159	38,788	38,806	147,644	147,965	(321)	-0.22%	
<b>Net position ending</b>	<b>\$ 110,475</b>	<b>\$ 108,856</b>	<b>\$ 39,474</b>	<b>\$ 38,788</b>	<b>\$ 149,949</b>	<b>\$ 147,644</b>	<b>\$ 2,556</b>	<b>1.56%</b>	

**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

**Capital Assets**

Bonded Debt. At the end of the current fiscal year, Coos County had total bonded debt outstanding of \$4,795. This entire amount is debt backed by the full faith and credit of the government through assessment to property owners.

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounted to \$130,849 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, improvements other than buildings, equipment, and infrastructure.

**COOS COUNTY'S CAPITAL ASSETS (In thousands)**

	Governmental Activities	Business-type Activities	Total
Land	\$ 6,566	\$ 592	\$ 7,158
Construction in progress	1,207	333	1,540
Buildings and building improvements	27,410	2,996	30,406
Infrastructure	118,020	52,652	170,672
Machinery and equipment	21,077	541	21,618
Improvements other than buildings	4,882	2,457	7,339
	<u>\$ 179,162</u>	<u>\$ 59,571</u>	<u>\$ 238,733</u>

Major capital asset events during the current fiscal year by Coos County included the following:

Work continues to bring the Coos County Pipeline into compliance with the US Army Corps of Engineers Consent Decree.

There was much discussion in the budget process with regard to deferred maintenance of buildings, facilities and County owned infrastructure as well as management and timely replacement of vehicles and equipment. Planned maintenance and replacement of capital items is a necessary challenge that must be addressed to ensure the ability to provide essential county services in the future.

Coos County Health & Wellness finished construction on a new building in Coos Bay. It is located in a complex with Advanced Health and Oregon Coast Community Action (ORCCA). Each of these organizations will be able to work more efficiently as they have overlapping and/or related services. They will also be able to share some operating costs (security, landscaping, etc.).

**Debt Administration**

On July 1, 2003, the County issued bonds for the local share of the natural gas pipeline project. Coos County voters passed a bond measure in 1999 authorizing an amount not to exceed \$27 million. Prior to the sale, Coos County received a bond rating from Moody's Investors Services of A3. The total of the general obligation bonds sold was \$17.76 million (including issuance costs). The bonds were taxable and sold for an interest cost of 4.56%.

**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

**Bonded Indebtedness**

*in thousands*

<b>General Obligation Debt Capacity</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Taxable Real Market Value	\$ 7,062,173	\$ 7,340,849
General Obligation Bond Debt Limitation (2% of Real Market Value)	141,243	146,817
Less: Outstanding debt subject to limit	5,860	4,795
Remaining Legal General Obligation Debt Capacity	\$ 135,383	\$ 142,022
Percent of Capacity Issued	4.1%	3.3%

Under Oregon Revised Statute (ORS) 287A.100 the aggregate amount of general obligation bonded indebtedness of the County is limited to two percent of the real market value of all taxable property in the County, computed in accordance with ORS 308.207. Additional information on the County's bonded debt can be found in the Notes to the Financial Statements.

Under Oregon Revised Statute (ORS) 287A.100 the aggregate amount of general obligation bonded indebtedness of the County is limited to two percent of the real market value of all taxable property in the County, computed in accordance with ORS 308.207. Additional information on the County's bonded debt can be found in the Notes to the Financial Statements.

**Budgetary Highlights**

The County budgets all funds (except fiduciary funds) in compliance with Oregon budget law. Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

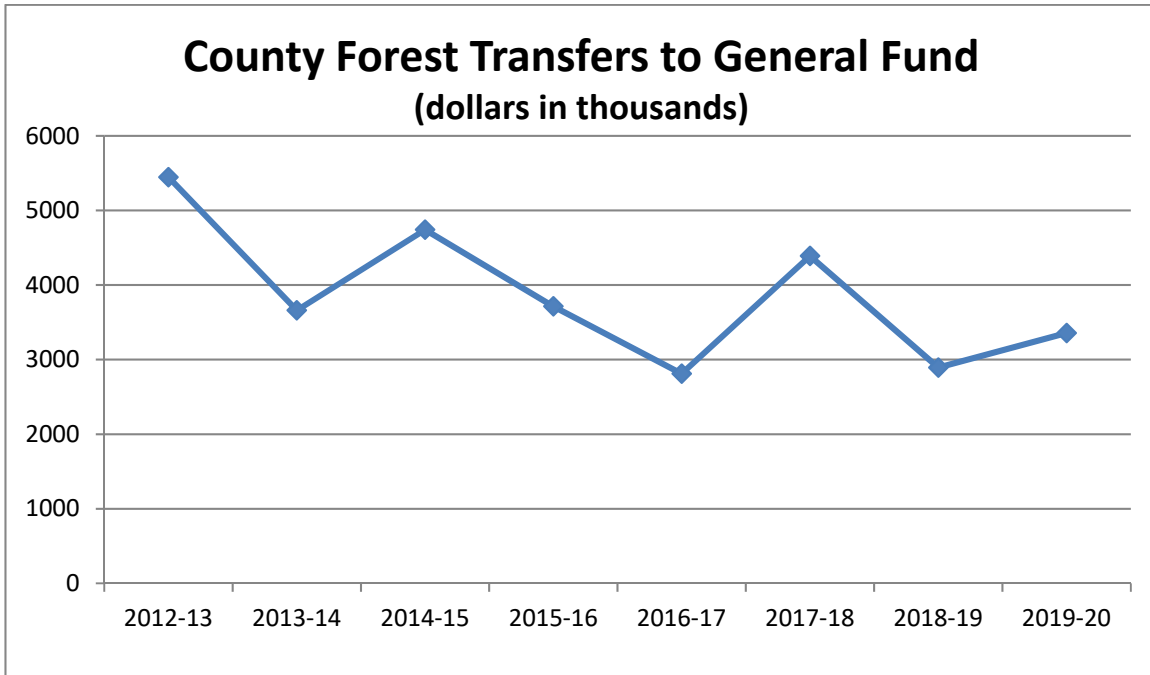
- ❖ Minor transfers of appropriations between line items within funds.

All of the budget changes were done by resolution or a supplemental budget as required by Oregon budget law.

**Economic Factors and Next Year's Budgets**

- ◆ The General Fund is the chief operating fund of Coos County. The County will continue to have to adjust the amount of spending available in future fiscal year budgets. Program services will have to be adjusted or eliminated to balance the budget. No taxes can be increased, other than the allowable 3 percent increase on taxable property value allowed by state law. The General Fund budgeted a beginning fund balance of \$5,830. The County placed \$2,366 in an operating contingency for 2019-2020.
- ◆ The General Fund's proposed expenditures total \$24,744, with resources other than taxes of \$19,464. The amount budgeted for current year taxes is \$5,280, based upon our full tax rate authority of \$1.0799 per thousand. The County provides property tax assessment/collection services for all taxing districts in the County, such as schools, cities, ports, and other districts at a cost of \$2,182.
- ◆ Coos County created the County Forest Fund in 1999 to serve as a revenue stabilization fund. All receipts from the sale of timber and/or forest related products are deposited into the fund each year. In previous budget cycles, a 5-year rolling average of the receipts into the fund were appropriated into the General Fund. Annual transfers were calculated as the total receipts for the previous five years, divided by five, less the current years budgeted operating expenses. The FY 2019-2020 Forestry Department operating budget is \$1,022. The County Forest Fund balance on June 30, 2019 was \$9,078.

**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019



Note: In fiscal year 2017-18 excess funds of \$1.1 million from a comparison of Budget and Actual expenses since fiscal year 2001-02 were transferred in addition to the formula.

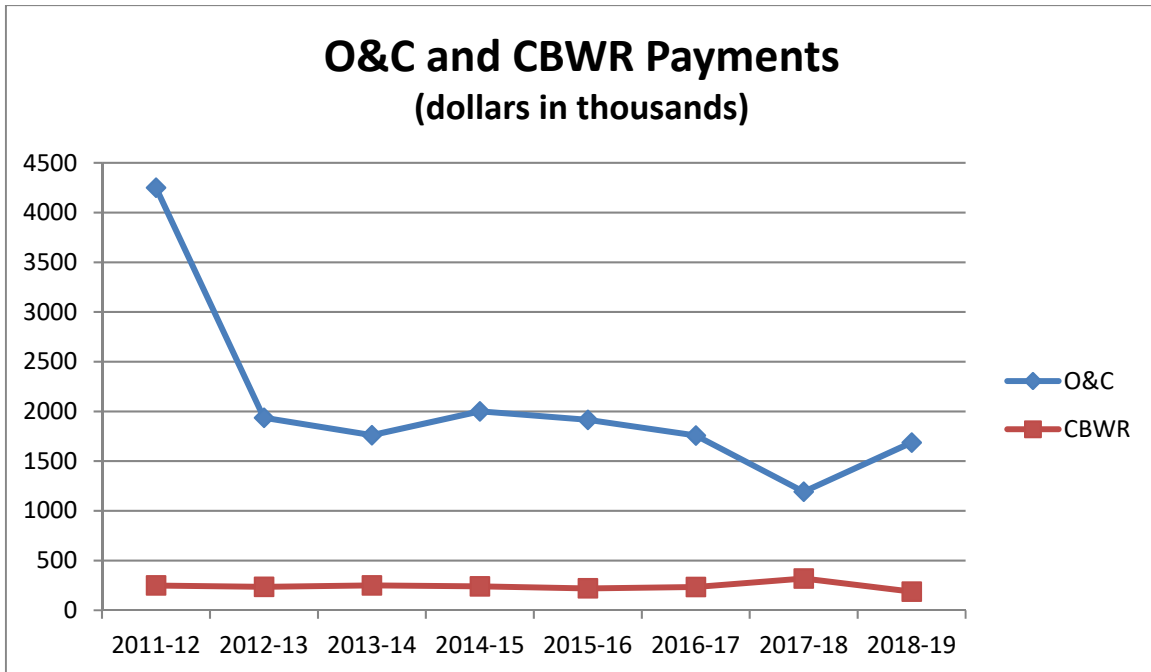
- ◆ Retention of federal in-lieu of timber revenue continues to be a problem.

In March 2018, Congress reauthorized the Secure Rural Schools and Community Self-Determination Program Act (SRS) for two additional years. The two year reauthorization meant that in 2018 the County was back under the Oregon and California Act (O&C) and Coos Bay Wagon Road (CBWR) statutory payment methods.

In FY 2019-2020, the SRS net payment to the General Fund (Title I), for the O&C lands, will be \$1,498. The County Road Department FY 2019-2020 SRS Title I payment, for the CBWR lands and U.S. Forest Service, is budgeted to be \$234.



**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 For the Year Ended June 30, 2019



- ◆ Current County services and activities are either state mandated or considered essential to public safety or health. Future across the board budget cuts are not practical in that further reductions will not allow program criteria to be met, thus the inability to function.
- ◆ The Board of Commissioners also serves as the Governing Board for the Coos County Library Service District, 4-H Extension Service District, and the Coos County Area Transit Service District, which are separate entities from Coos County. There are four funds that require the levying of taxes; the General Fund, Bonded Debt Fund, Library Service District Fund and the 4-H Extension Service District Fund.
- ◆ The Library Service District's adopted expenditures for 2019-2020 total \$3,896 with resources other than taxes of \$225. The 4-H Extension Service District's adopted expenditures for 2019-2020 total \$693, with resources other than taxes of \$246. The Library and 4-H Extension Service Districts both intend to certify their total permanent tax rates in 2019-2020. The Library rate is \$.7289 per thousand and the 4-H Extension rate is \$.0888 per thousand.
- ◆ All of these factors were considered in preparing the County's budgets for the 2019-2020 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of Coos County's finances for all those with an interest in the County's finances. For more information on the component units of Coos County please refer to each component unit's separately issued financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Coos County Finance Department, 250 N Baxter, Coquille, Oregon 97423.