I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coos County (the County) operates under Oregon Revised Statutes (ORS) Title 20. Control of the County is vested in its Board of Commissioners, who are elected to office by voters within the County. Other elected officials of the County whose general duties and responsibilities are covered by various ORS chapters include the Assessor, Clerk, District Attorney, Sheriff, Surveyor, and Treasurer.

The basic financial statements include all financial activities, organizations and functions for which the Board is responsible for financial accountability, based on criteria established by the Governmental Accounting Standards Board. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Therefore, although legally separate entities, component units are, in substance, part of the primary government's operations and data from these units are included in the financial statements of the primary government. Additionally, if the governing body of the component unit is substantially the same as that of the primary government (the County) and the management of the primary government has operational responsibility for the component unit, the component unit's financial data is to be blended with the primary government's financial data.

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. Based on application of the aforementioned criteria established by the Governmental Accounting Standards Board (GASB), the County has three component units, Coos County Library Service District, the Coos County 4-H & Extension Service District and the Coos County Area Transit Service District.

Coos County Library Service District and the Coos County 4-H & Extension Service District - The Districts serve all citizens of the county and are governed by the County's Board of Commissioners. The Board approves the Districts' budgets, levies taxes, and approves contracts with all cities and universities receiving County support payments. The Districts are reported as special revenue funds within the County's financial statements using blended method of presentation. Financial statements for the Districts may be obtained from the Coos County Clerk.

Coos County Area Transit Service District - The District serves all citizens of the County and is governed by the County's Board of Commissioners. The Board approves the District's budget and approves contracts. The District is reported as a business-type fund within the County's financial statements using blended method of presentation. Financial statements for the District may be obtained from the Coos County Clerk.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide Statements: The government-wide statements are prepared using the economic resources measurement focus and are reported on the accrual basis. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide statements are the Statement of Net Position and the Statement of Activities. They display information about the primary government (the County) and its component units.

These statements include the financial activities of the overall government, except for fiduciary activities. Inter-fund activity such as loans and transfers are eliminated to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County.

Governmental activities – The County's general government activities are reported in this category, including general government, public safety, public works, health and welfare, conservation, community development, culture and recreation and intergovernmental. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

Business-type activities – The County's business-type activities include operating a waste disposal facility, natural gas pipeline, County fair and transportation service district. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements report detailed information about the County. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The various funds of the County are grouped into the categories governmental, proprietary and fiduciary.

Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the 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. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is 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 have been satisfied.

Governmental funds are used to account for the County's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, licenses, and interest are considered to be susceptible to accrual.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grant, categorical block grant, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grant, and then by general revenues.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

An accrual for deferred revenue arises in the Governmental Funds Balance Sheet when potential revenue does not meet the earned and available criteria for recognition in the current period. Unavailable deferred revenue consists of uncollected property taxes not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Unearned revenues arise outside the scope of measurement focus and basis of accounting, such as when the County received resources before it has a legal claim to them. An example of this would be when grant monies are received prior to the incurrence of qualifying expenses.

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activities of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from non-exchange transaction or ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. It accounts for and reports the financial resources of the County that are not accounted for and reported 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. Primary expenditures are for general administration, public safety, community services and health services.

Public Works Fund – The fund accounts for and reports the general operations of the Road Department. Primary revenue resources include federal forest fees, motor vehicle fuel taxes and interest allocation. Expenditures are for the construction and maintenance of roads and bridges.

Coos Health and Wellness Fund – This fund accounts for and reports the County's mental health and wellness operations. Primary revenue sources include State mental health grants and contracts.

County Forest Fund – This fund accounts for and reports the management of the County's forest. Primary source of revenue is from the sale of forest products. Expenditures consist of forestry management and transfers to the General Fund.

The County reports the following major enterprise funds:

Waste Disposal Fund – This fund accounts for and reports the operations, maintenance, development, and closure/post closure care of various disposal sites. The fund's primary revenue source is waste disposal fees.

Gas Pipeline Fund – This fund accounts for and reports the construction and operations of a natural gas pipeline from Roseburg to the Coos Bay-North Bend Area. Initially funded by bonds, the fund's primary revenue source is from operational fees.

The County reports the following fiduciary fund types:

Agency Funds – These funds account for and report monies held by the County in a fiduciary capacity or as an agent for other governments and other funds.

C. Assets, Liability, and Equity

1. Cash and Cash Equivalents

The cash and cash equivalents reported on the balance sheets include cash on hand, demand deposits, cash with fiscal agents and amounts in investment pools that have the general characteristics of demand deposit accounts with highly liquid debt instruments purchased with a maturity of three months or less.

The State of Oregon authorizes municipalities to invest in general obligations of the United States and its agencies, certain debt of Oregon municipalities, savings accounts, certificates of deposit, bankers' acceptances, the Oregon State Treasurer's Local Government Investment Pool (LGIP) and certain highly rated commercial paper. Investments are recorded at fair value. Fair value of the LGIP is stated at amortized cost, which approximates fair value. Fair value of the LGIP is the same as the County's value in the pool shares.

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments (including restricted cash) with maturity of three months or less when purchased to be cash equivalents.

2. Receivables and Payables

All receivables are reported at their gross value. There is no provision for uncollectible amounts. The management of Coos County believes all receivables are collectible with no material uncollectible amounts.

Property taxes receivable for the governmental fund types which have been collected within 60 days subsequent to year end are considered measurable and available and are recognized as revenue. All other property taxes receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue on the budgetary basis. Property taxes are levied and attached as an enforceable lien on property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15. All property tax receivables are due from property owners within the County and are billed and collected by Coos County, Oregon and turned over to the taxing districts within the County.

Assessments receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue.

Receivables of the proprietary fund types are recorded as revenue earned, including services earned but not billed.

Receivables for federal and state grants, and state, county, and local shared revenue are recorded as revenue in all fund types as earned. The receivables for state, county, and local shared revenue are recorded in accounts receivable.

Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as interest income.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

3. *Inventories*

Materials and supplies inventories are used for road and equipment repairs and are carried in the Public Works Fund. Except for aggregate produced by the County, which is valued at a cost, that is different from the cost that would be derived using a method that is in accordance with generally accepted accounting principles, inventories are valued at actual cost and recorded with the Purchase Method. Inventories are shown on the balance sheet as an asset and a reservation of fund balance, which indicates that they do not constitute available expendable resources although they are a component of net current assets.

4. *Restricted Assets*

Certain resources are set aside and are classified as restricted assets on the Statement of Net Position because their use is limited by outside parties. Restricted amounts may include resources set aside for specific purposes including making principal and interest payments on bonds and post-closure costs.

5. *Capital Assets*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The County maintains a capitalization threshold of $5,000 and an initial estimated useful life extending beyond a single reporting period. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during construction is not capitalized.

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. For governmental activities these costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Capital assets are depreciated using straight-line method over the following estimated useful lives:

Asset Class	Years
Waste disposal plant	5-40
Buildings and improvements	20-60
Infrastructure	10-40
Machinery and equipment	5-15
Vehicles and other mobile equipment	2-20

6. *Compensated Absences*

The County's policy is for employees to accumulate up to twice their annual accrual rate of vacation leave. Sick leave may be accumulated without limit, but is payable upon termination at only 25 percent of the first 960 hours, up to a maximum of 240 hours paid. Compensatory time-off may be accrued in lieu of overtime pay, limited to 40 hours.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation, compensatory and sick leave balances. All unused vacation leave and twenty-five percent of unused sick leave vests with employees and is payable upon termination of employment.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of employee resignations and retirements. The governmental funds typically used in prior years to liquidate the liability for compensated absences are any of the funds with payroll, which include: General Fund, Special Revenue Funds and the Enterprise Funds.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one type of deferred outflows of resources, related to pension assets. This is reported only on the government-wide financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows, one of which arises only under the modified accrual basis of accounting. This item, unavailable revenue from future property taxes and notes receivable, is reported on the governmental funds balance sheet. The District has a second type of deferred inflows, related to pension obligations, that is reported only on the government-wide financial statements.

8. *Long-term Obligations*

In the government-wide financial statements and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts as well as issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs during the current period. Debt proceeds, premiums and discounts are reported as other financing sources/uses, while issuance costs are reported as debt service expenditures.

9. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. *Interfund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

11. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. *Fund Equity*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. As a result, in the fund financial statements, fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the local, state or federal laws, or externally imposed conditions by grantors or creditors or enabling legislation.

Committed—Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned — Amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. Intent must be expressed by the Board of Commissioners, the budget committee or the Board's authorized designee. The Board of Commissioners has authorized the County Treasurer to assign components of ending fund balance.

Unassigned—All amounts not included in other classifications.

The amounts in the various categories of fund balance are included in the governmental funds balance sheet. As discussed in Note 1 B, restricted funds are used first as appropriate. Decreases to the remaining fund balance categories first reduce committed fund balance, followed by assigned fund balance, then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

13. *Net Position*

Government-wide and proprietary fund net position is divided into three components:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position - consists of assets that are restricted by the county's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net position is reported in this category.

14. *Newly Implemented Accounting Standards*

GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* The statement establishes accounting and financial reporting requirements related to pensions provided by governments that are not within the scope of GASB Statement No. 68, extending that approach to all pensions. The statement is effective for the fiscal year ending June 30, 2017. Management has determined there was no significant financial impact on the County.

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* The statement establishes accounting and financial reporting requirements related to other postemployment benefits (OPEB), replacing GASB Statements No. 45 and No. 57. The statement is effective for fiscal years beginning after June 15, 2017, however the County has chosen to early-implement. The financial impact of this statement is shown in Note IV I.

GASB Statement No. 77, *"Tax Abatement Disclosures."* The statement establishes accounting and reporting guidance on tax abatement agreements for governments. The statement is effective for fiscal years beginning after December 15, 2015. Management has determined there was no significant financial impact on the County.

GASB Statement No. 82, *"Pension Issues: an amendment of GASB Statements No. 67, No. 68, and No. 73."* This statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was effective for the fiscal year ending June 30, 2017. Management has determined there was no significant financial impact of this statement on the County.

15. New Accounting Pronouncements Upcoming

The County's policy is to implement new GASB pronouncements in the fiscal year no later than the required effective date.

GASB Statement No. 87, *"Leases."* This statement establishes a single approach for reporting leases in which the Lessee records an asset representing the right to use an asset for a period of time as well as a liability for lease payments. The lease asset is amortized over the shorter of the lease term or the useful life of the asset. This statement is effective for reporting periods beginning after December 15, 2019 (FYE 6-30-21). Management has not determined the financial impact of this statement.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County is required by State law to budget all funds. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. The annual budget for proprietary funds is adopted on a basis not consistent with accounting principles generally accepted in the United States of America to comply with Oregon Local Budget Law. Proprietary Funds are budgeted on a working capital non-GAAP basis. The County defines working capital as current assets less current liabilities excluding current portions of noncurrent liabilities. All annual appropriations lapse at fiscal year-end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The Board of Commissioners, on or before June 30 of each year, authorizes appropriations for each fund, which sets the level by which expenditures cannot exceed appropriations. The level of control for the General Fund, Public Works, the Health and Wellness Special Revenue Fund and various non-major funds is by department, while the level of control in all other Special Revenue Funds, Debt Service and Proprietary Funds is by total personnel services, materials and services, capital outlay, debt service and support of schools. The budget document contains more specific, detailed information for the aforementioned expenditure categories.

Original appropriations may be increased through resolutions by transferring amounts between appropriations categories or between funds. A supplemental budget is needed to increase appropriations when appropriations transfers are unauthorized. Unexpected resources and certain other changes may be made through use of a supplemental budget.

The County had numerous appropriation transfers between levels of control during the year ended June 30, 2017 and the budgets are reported as originally adopted or as amended by the Board of Commissioners. Management may reassign resources within functions without seeking approval of the Board.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following amounts:

Fund	Amount
Pipeline Fund	
Materials and services	$ 49,734

C. Schedule of Accountability

The County is required by State law to disclose the financial transactions of elected officials. This includes a schedule of cash receipts and turnovers for all elected officials with cash transactions.

	Assessor	Clerk	Commis-sioners	District Attorney	Sheriff	Surveyor	Treasurer	Total
Cash on hand July 1, 2016	$ 50	$ 100	$ 125	$ -	$ 20,300	$ 50	$ 48,032,186	$ 48,052,811
Receipts	45,008	889,375	767,992	296,337	2,606,713	29,729	103,942,066	108,577,220
Turnovers and disbursements:								
To County Treasurer and to others	(45,008)	(889,375)	(767,992)	(296,337)	(2,606,713)	(29,729)	(106,424,844)	(111,059,998)
Cash on hand June 30, 2017	$ 50	$ 100	$ 125	$ -	$ 20,300	$ 50	$ 45,549,408	$ 45,570,033
Consists of:								
Change and revolving funds	$ 50	$ 100	$ 125	$ -	$ 20,300	$ 50	$ 3,186	$ 23,811
Deposits w/County Treasurer	-	-	-	-	-	-	45,546,222	45,546,222
Total	$ 50	$ 100	$ 125	$ -	$ 20,300	$ 50	$ 45,549,408	$ 45,570,033

D. Investment Limitations

With the consent of the governing body, local governments may place in the aggregate up to $47,390,998 of its funds in the State of Oregon Local Government Investment Pool (Pool). The limitation is adjusted annually by the Consumer Price Index for All Urban Consumers of the Portland, Oregon Standard Metropolitan Statistical Area. The County complied with the limitations as set out in Oregon Revised Statues 294.810 during fiscal year 2016-17.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The County maintains a cash management pool for its cash and cash equivalents in which each fund participates. Interest earnings are distributed quarterly based on average daily balances.

Deposits - The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the County at June 30, 2017. If bank deposits at year end are not entirely insured or collateralized with securities held by the County or by its agent in the County's name, the County must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits.

For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. The Public Funds Collateralization Pool is a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office.

For the fiscal year ended June 30, 2017, the carrying amounts of the County's deposits in various financial institutions were $4,166,507 and the bank balance was $4,701,218. All deposits are held in the name of the County. Of the bank balance, $691,125 was insured by the Federal Depository Insurance Corporation and $4,010,093 was covered under the Public Funds Collateralization Program.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The County's formal deposit policy for custodial credit risk is to deposit funds with qualified institutions. A qualified institution is defined by County policy as including approved security broker/dealers maintaining minimum net capital of $10,000,000 and having a history of at least 10 years of operation. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extend required by Oregon Revised Statutes (ORS) 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third party custodian bank securities having a value of 10 percent, 25 percent or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank. Deposits in the Public Funds Collateralization Pool are not 100% guaranteed.

Investments - The purpose of the County's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The County has delegated investment responsibilities to the County Treasurer, who is primarily responsible for implementing the investment policy.

At June 30, 2017, the County had invested $41,271,756 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report. The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP.

The State of Oregon Local Government Investment Pool (LGIP or Pool) is an unrated external investment pool and is not registered with the U.S. Securities and Exchange Commission as an investment company. Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. Withdrawals in excess of $15 million may require 48 hours' notice. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2017 was unqualified.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in the LGIP are level 2 inputs.

Credit Risk. Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company.

State statutes authorize the County to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's investment pool, among others. The County has no formal investment policy that further restricts its investment choices.

Interest Rate Risk. 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 Board manages this risk by limiting the maturity of the investments held by the fund. The County does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Concentration of Credit Risk. The County is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent five percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The County had no such investments during the year ended June 30, 2017.

A reconciliation of cash and investments as shown on the Statement of Net Position and Balance Sheet is as follows:

Deposits and Investments:	
Carrying amount of deposits	$ 4,166,507
Carrying amount of investments	41,240,888
Cash on hand	25,106
Deposits in transit	137,533
Total deposits and investments	$ 45,570,034
Governmental Activities:	
General Fund	$ 5,955,995
Public Works Fund	5,799,125
Coos Health and Wellness Fund	9,307,834
County Forest Fund	7,538,544
Governmental nonmajor funds in aggregate	8,972,311
	37,573,809
Business-Type Activities:	
Waste Disposal Fund	2,905,001
Gas Pipeline Fund	2,006,976
Business-type non-major funds in aggregate	262,987
	5,174,964
Agency Fund:	
Deposits and investments	2,821,261
Total cash and cash equivalents	$ 45,570,034

B. Property Taxes Receivable

Coos County makes all assessments of property value, and collects the taxes for all taxing districts within its boundaries. The certified tax roll for all taxing districts in Coos County totaled $65,204,996 for the fiscal year 2016-2017. For the 2016-2017 tax year, the County's permanent tax rate is $1.0799 per $1,000 of assessed value for all taxable property within the County's boundaries..

At June 30, 2017, property tax allocation for receivables between funds consisted of the following:

General Fund	$ 520,335
Bond Debt Fund	150,783
Library Service District	347,559
4-H & Extension Service District	42,339
Subtotal	1,061,016
Trust and Agency Fund	5,266,972
	$ 6,327,988

C. Deferred Outflows/Inflows of Resources

The Governmental Funds Balance Sheet report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At June 30, 2017, the General Fund, Bonded Debt Service Fund, and the non-major funds reported deferred inflows of resources for property taxes totaling $ $2,037,894, which are not yet available to liquidate liabilities. The Governmental Funds Balance Sheet also reports as deferred inflows of revenue, assessments receivable in the Public Works Fund of $154,345, and installment sale income in other governmental funds of $10,859, which are also not available to liquidate current liabilities.

In connection with the County's proportionate share of the Oregon PERS pension obligations, the Statement of Net Position reports deferred inflows of resources totaling $970,908 for differences between employer contributions and the District's proportionate share of liabilities related to pension obligations. The Statement of Net Position also reports a total of $16,198,071 in deferred outflows of resources for the net difference between projected and actual earnings on investments related to pension assets.

D. Fund Balance

The County has adopted GASB Statement No. 54 which redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

	General Fund	Public Works Fund	Coos Health & Wellness Fund	County Forest Fund	Nonmajor Funds	Total
Nonspendable:						
Inventory	$ -	$ 474,196	$ -	$ -	$ -	$ 474,196
Prepaid expenses	-	-	-	-	33,053	33,053
Restricted:						
Debt service	-	-	-	-	158,840	158,840
Public safety services	-	-	-	-	2,993,631	2,993,631
Health services	-	-	8,518,954	-	2,555,306	11,074,260
Economic dev.services	-	-	-	-	122,295	122,295
Roads, sidewalks, footpaths	-	5,940,548	-	-	438,377	6,378,925
Other	-	-	-	-	848,675	848,675
Committed:						
Public safety	-	-	-	-	201,392	201,392
Parks	-	-	-	-	840,542	840,542
Industrial development	-	-	-	-	69,231	69,231
Assigned:						
Forest management	-	-	-	7,519,353	-	7,519,353
Planning services	-	-	-	-	79,585	79,585
Unassigned:	4,920,042	-	-	-	-	4,920,042
Total fund balance	$ 4,920,042	$ 6,414,744	$ 8,518,954	$ 7,519,353	$ 8,340,927	$ 35,714,020

E. Interfund transfers and balances due to/from other funds:

During the year, transfers were made between funds as shown below:

Fund:	Transfer In	Transfer Out
Governmental Activities:		
General Fund	$ 4,256,861	$ 853,338
Coos Health and Wellness Fund	300,000	-
County Forest Fund	-	2,811,183
Non-major governmental funds	873,681	612,378
Total Governmental Activities Transfers	5,430,542	4,276,899
Business-type Activities:		
Waste Disposal Fund	-	200,000
Gas Pipeline Fund	-	953,643
Total Business-type Activities Transfers	-	1,153,643
Total before non-budgetary transfers	5,430,542	5,430,542
Non-budgetary transfers		
Gas Pipeline Fund	970,000	-
Non-major governmental funds	-	970,000
Total non-budgetary transfers	$ 970,000	$ 970,000

The transfers from the General Fund were routine transfers to support various activities of several non-major funds. The transfers into the General Fund consisted of routine transfers from several non-major funds as well as a large transfer from the County Forest Fund to offset a reduction in the Secure Rural Schools and Community Self-Determination Program Act funding.

The General Obligation Series 2003B debt is held in the Gas Pipeline Fund, a business-type activity. Debt is serviced through collection of property taxes in the Bonded Debt Fund, a non-major governmental-type activity. A non-budgetary adjustment to transfers has been made to reduce the principal outstanding in the Gas Pipeline Fund.

At year-end, certain balances were remaining payable to and from other funds. These interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

These balances were as follows:

Fund:	Due To Other Funds	Due From Other Funds
Governmental Activities:		
General Fund	$ 7,994	$ -
Public Works Fund	-	35,357
Coos Health and Wellness Fund	1,789	-
County Forest Fund	1,841	-
Nonmajor governmental funds	53,163	2,218
Total Governmental Activities	64,787	37,575
Business-type Activities:		
Waste Disposal Fund	1,797	-
Nonmajor funds	-	29,009
Total Business-type Activities	1,797	29,009
	$ 66,584	$ 66,584

G. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

Governmental Activities:	Balance 06/30/2016	Transfers & Additions	Transfers & Deletions	Balance 06/30/2017
Non-depreciable capital assets:				
Land	$ 5,557,992	$ 69,810	$ (20,247)	$ 5,607,555
Construction in progress	2,150,896	3,141,455	(1,950,382)	3,341,969
Total non-depreciable capital assets	7,708,888	3,211,265	(1,970,629)	8,949,524
Depreciable capital assets:				
Buildings	21,440,550	1,621,683	(2,500)	23,059,733
Improvements	3,010,212	366,331	-	3,376,543
Equipment & vehicles	18,217,398	1,032,919	-	19,250,317
Infrastructure	114,199,742	877,748	(263,119)	114,814,371
Total depreciable capital assets	156,867,902	3,898,681	(265,619)	160,500,964
Less accumulated depreciation for:				
Buildings	(9,558,359)	(399,338)	-	(9,957,697)
Improvements	(1,142,502)	(132,367)	2,500	(1,272,369)
Equipment & vehicles	(11,855,969)	(909,907)	235,764	(12,530,112)
Infrastructure	(55,063,613)	(2,843,318)	-	(57,906,931)
Total accumulated depreciation	(77,620,443)	(4,284,930)	238,264	(81,667,109)
Total depreciable capital assets (net)	79,247,459	(386,249)	(27,355)	78,833,855
Governmental Activities capital assets (net)	$ 86,956,347	$ 2,825,016	$ (1,997,984)	$ 87,783,379

Business-type activities:	Balance 6/30/2016	Additions & Transfers	Deletions & Transfers	Balance 6/30/2017
Non-depreciable capital assets:				
Land	$ 709,402	$ -	$ -	$ 709,402
Construction in progress	332,701	-	-	332,701
Total Non-depreciable capital assets	1,042,103	-	-	1,042,103
Depreciable capital assets:				
Improvements	2,509,017	6,920	(14,517)	2,501,420
Buildings	2,337,042	393,587	(205,132)	2,525,497
Infrastructure	52,255,070	337,584	(16,351)	52,576,303
Equipment & vehicles	1,350,984	212,844	(153,980)	1,409,848
Total depreciable capital assets	58,452,113	950,935	(389,980)	59,013,068
Less accumulated depreciation for:				
Improvements	(1,836,046)	(75,824)	12,469	(1,899,401)
Buildings	(1,277,780)	(48,171)	107,287	(1,218,664)
Infrastructure	(11,834,426)	(1,058,403)	6,218	(12,886,611)
Equipment & vehicles	(1,055,701)	(63,256)	140,446	(978,511)
Total accumulated depreciation	(16,003,953)	(1,245,654)	266,420	(16,983,187)
Total depreciable capital assets (net)	42,448,160	(294,719)	(123,560)	42,029,881
Business-Type activities capital assets (net)	$ 43,490,263	$ (294,719)	$ (123,560)	$ 43,071,984

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

Governmental activities:	
General government	$ 908,691
Public safety	69,341
Health & welfare	50,900
Public works	3,034,393
Culture and recreation	215,584
Total depreciation expense - governmental activities	$ 4,278,909
Business-type activities:	
Sanitation	$ 131,174
County fair	25,634
Gas pipeline	1,052,922
Transportation	35,924
Total depreciation expense - business-type activities	$ 1,245,654

H. Bonds Payable

The full faith and credit of the County is pledged for all outstanding general obligation bonds, and the majority of funds necessary for the retirement of these bonds are provided by property taxes.

On July 1, 2003 the County issued $17,760,000 of Series 2003B taxable general obligation bonds. The proceeds are being used to finance a portion of the costs of designing, acquiring, constructing and equipping a natural gas pipeline from Roseburg, Oregon to Coos Bay/North Bend, Oregon. The interest rate on the bonds is 4.33 percent through 2017, then increases to 4.88 percent until paid in full. The Bonds are not subject to optional redemption prior to their stated maturities; however, the 2017 Term Bond and the 2023 Term Bond are subject to mandatory redemption. The payments are paid from the Bonded Debt Fund, from taxes levied for debt service.

Future general obligation bonded debt requirements as of June 30, 2017 are as follows:

Year	Principal	Interest	Total
2017-2018	$ 1,015,000	$ 335,500	$ 1,350,500
2018-2019	1,065,000	285,968	1,350,968
2019-2020	1,115,000	233,996	1,348,996
2020-2021	1,170,000	179,584	1,349,584
2021-2022	1,225,000	122,488	1,347,488
2022-2023	1,285,000	62,708	1,347,708
Total	$ 6,875,000	$ 1,220,244	$ 8,095,244

Changes in long-term debt are as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts due Within one year
Business-Type Funds					
General obligation bonds	$ 7,845,000	$ -	$ 970,000	$ 6,875,000	$ 1,015,000

Changes in other long-term liabilities:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts due Within one year
Governmental Fund Types					
Compensated absences	$ 1,535,602	$ 1,772,469	$ 1,729,320	$ 1,578,751	$ 1,578,751
Other postemployment benefits	1,173,751	102,629	-	1,276,380	-
Total governmental fund types	$ 2,709,353	$ 1,875,098	$ 1,729,320	$ 2,855,131	$ 1,578,751
Business-Type Funds					
Compensated absences	$ 75,597	$ 60,436	$ 60,832	$ 75,201	$ 75,201
Closure/post closure costs	1,479,560	103,640	-	1,583,200	68,200
Other postemployment benefits	49,199	1,883	-	51,082	-
Total proprietary fund types	$ 1,604,356	$ 165,959	$ 60,832	$ 1,709,483	$ 143,401

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

Plan Description

The County contributes to the State of Oregon Public Employees Retirement System (PERS), which is governed by ORS Chapter 238. PERS is a single cost-sharing multiple-employer defined benefit pension plan that provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 and 238A assign the authority to establish and amend benefit provisions to the state legislature.

Plan Benefits.

Tier One/Tier Two Retirement Benefit (Chapter 238):

Pension Benefits - The PERS retirement allowance may be selected from 13 retirement benefit options. These options include annuities, survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest) and employer funds equal to the account balance, provided certain conditions are met.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Also, monthly benefits are adjusted annually through cost-of-living changes.

OPSRP Pension Program (ORS Chapter 238A):

Pension Benefits - The Pension Program provides benefits to members hired on or after August 29, 2003. OPSRP provides a life pension funded by employer contributions. Benefits are based upon the number of years of service and the final average salary.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Monthly benefits are adjusted annually through cost-of-living changes.

OPSRP Individual Account Program (OPSRP IAP):

Pension Benefits – An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death Benefits – Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump sum payment.

Recordkeeping – PERS contracts with VOYA Financial to maintain IAP participant records.

Pension Plan CAFR:

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The County paid 20.88 percent for Tier 1 and Tier II employees, 13.90 percent for OPSRP members and 18.01 percent for OPSRP Police and Fire for the fiscal year.

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation as subsequently modified by April 2015 legislated changes in benefit provisions. The State of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer cash payments for the year ended June 30, 2017 were $3,630,390. This consisted of $2,708,643 from the District and $921,747 paid by the County on behalf of employees. These payments added to the County's fiduciary net position.

Pension Assets, Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2017, the County reported a liability of $29,325,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016.

The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

At June 30, 2016, the County's proportion was 0.19534246 percent, which was a decrease of .01582248 from its proportion measured as of June 30, 2014. For the year ended June 30, 2017, the County's actuarially determined pension expense was $5,158,946.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 970,212	$ -
Changes in assumptions	6,254,410	-
Net difference between projected and actual earnings on investments	5,793,473	-
Changes in proportionate share	-	861,464
Differences between employer contributions and employer's proportionate share of system contributions	553,491	109,444
Contributions subsequent to the MD	2,626,485	-
Total	$ 16,198,071	$ 970,908

The $2,626,485 reported as deferred outflow of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2018	$ 2,247,051
2019	2,247,051
2020	4,374,334
2021	3,285,574
2022	446,676
Thereafter	-
Total	$12,600,686

Actuarial Assumptions

The employer contribution rates effective July 1, 2016, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement date	June 30, 2016
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25% / .15%) in accordance with Moro decision; blended based on service.
Mortality	***Healthy retirees and beneficiaries:*** RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. ***Active members:*** Mortality rates are a percentage of healthy retirees rates that vary by group, as described in the valuation. ***Disabled retirees:*** Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study, which reviewed experience for the four-year period ending on December 31, 2014.

To develop an analytical basis for the selection of the long-term table asset classes expected rate of return assumption, in July 2015, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Long-Term Expected Rate of Return:

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Foreign Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50%

Assumed Asset Allocation:

Asset Class/Strategy	Low Range		High Range		Target	
Cash	0.0	%	3.0	%	0.0	%
Debt Securities	15.0		25.0		20.0	
Public Equity	32.5		42.5		37.5	
Private Equity	16.0		24.0		20.0	
Real Estate	9.5		15.5		12.5	
Alternative Equity	0.0		10.0		10.0	
Opportunity Portfolio	0.0		3.0		0.0	
Total					100.0	%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL/(A)]		06/30/2016
Actuarial Valuation Date (liability rolled forward to MD)		12/31/2014
Discount rate		7.50%
Employer's proportionate share at prior MD		0.21116494%
Employer's proportionate share at MD		0.19534246%
Employer's proportionate share of system NPL/(A) at prior MD	$	12,123,953
Employer's proportionate share of system NPL/(A) at MD	$	29,325,428
Sensitivity: NPL/(A) using discount rate 1.00% lower	$	47,350,806
Sensitivity: NPL/(A) using discount rate 1.00% higher	$	14,259,386

Employer Pension Expense for Measurement Period

Employer's proportionate share of system Pension Expense/(Income)	$	5,254,742
Net amortization of deferred amounts from:		
Changes in proportionate share		(200,935)
Differences between employer contributions and employer's proportionate share of system contributions		105,139
Employer's Total Pension Expense/(Income)	$	5,158,946

Plan Changes Reflected

The Oregon Supreme Court decision in Moro v. State of Oregon (issued on April 30, 2015) occurred after the December 31, 2013, valuation date but affected the plan provisions reflected for financial reporting purposes. The Moro decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015, Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. To reflect the *Moro* decision, the actuary estimated the blended COLA based on creditable service before and after the effective dates of the legislation. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

Management is not aware of any changes subsequent to the June 30, 2016, Measurement Date that meet this requirement. The assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016.

B. Other Postemployment Benefits

The County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2017. This implementation allows the County to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected benefits for retired and active employees on the financial statements.

The OPEB for Coos County combines two separate early retirement programs. The County provides an implicit rate subsidy for retiree health insurance continuation premiums and an explicitly negotiated amount of medical premiums for one named retiree until Medicare eligibility.

<u>Negotiated Direct Health Insurance Payments</u>

Plan Description

This program is single employer, defined benefit plan standalone plan administered by Coos County. The County contributes a specific negotiated amount toward the monthly premium for the participant. The Coos County Board of Commissioners has the authority to determine the amount to be contributed by the County and by the employee. The County currently contributes 100%. Qualified spouses and domestic partners may qualify for coverage. No dependents are covered. Coverage includes medical, dental and vision premiums. Coverage continues until the earlier of the participant's death or age 65. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Funding Policy. This plan is funded on the pay-as-you-go basis. Benefits paid by the County during the year totaled $7,711, for the one remaining employee covered under the plan.

<u>Health Insurance Continuation</u>

Plan Description

The County has a health insurance continuation option available for eligible retirees and their spouses and dependents until Medicare eligibility. The County is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. Thus GASB 75 is applicable to the County due to the implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. The plan is a single-employer defined-benefit plan administered by the County.

Funding Policy. The County pays health, dental and vision insurance premiums for those retirees at the blended rate for each family classification. The required contributions to the plan consist of the amount paid by retirees.

For fiscal year 2016-2017, the County collected and contributed $36,630 consisting of retiree payments. The County has elected not to prefund the actuarially determined future cost amount of the preceding two plans of $1,327,456.

Applicable to Both Other Post Employment Benefit Programs

In the July 1, 2016 actuarial valuation, which is the most recent actuarial valuation, the Entry Age Normal, level percent of salary, actuarial cost method was used. Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the value of benefits expected to accrue in the current year.

Under Statement 75, the Total OPEB Liability is determined. This is equal to the present value of the portion of future expected benefit payments that is considered to have been already earned by participants. The difference between Total OPEB Liability and the actuarial value of plan assets is called the unfunded accrued actuarial liability.

Participant Statistics

Number of active participants	305
Number of inactive participants	3
Total number of participants	308

The County's Total OPEB Liability was $1,327,456 as of June 30, 2017. This amount was determined by an actuarial evaluation on July 1, 2016, using the following actuarial assumptions:

Valuation Date	July 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal, level percent of salary
Actuarial assumptions:	
Inflation rate	2.50 percent
Discount rate	3.00 percent
Projected salary increases	3.00 percent
Mortality	***Male:*** RP 2000 male table, combined active/healthy annuitant, blended 25% blue collar, 75% white collar, set back 12 months, and projected generatiionally with Scale BB ***Female:*** RP 2000 female table, combined active/healthy annuitant, blended 25% blue collar, 75% white collar, and projected generationally with Scale BB Mortality rates for active male and female participants are 75% and 60% of the above rates, respectively

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/16:	$ 1,222,950
Changes for the year:	
Service Cost	111,158
Interest	37,693
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(44,339)
Net changes	104,512
Balance at 6/30/17	$ 1,327,462
Covered payroll	$15,233,004
Total OPEB Liability as a percentage of covered payroll	8.71%

The following presents the Total OPEB Liability for the County, as well as what the County's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point higher or lower, as well as a medical trend rate that is 1 percentage point higher or lower:

	1% Decrease	**Current Discount Rate**	1% Increase
	2.00%	3.00%	4.00%
Total OPEB Liability	$ 1,438,213	$ 1,327,462	$ 1,224,586

	1% Decrease	**Current Medical Trend Rate**	1% Increase
	5.50% Graded Down to 4.00%	6.50% Graded Down to 5.00%	7.50% Graded Down to 6.00%
Total OPEB Liability	$ 1,172,865	$ 1,327,462	$ 1,509,418

For the year ending June 30, 2017, the County recognized OPEB expense (credit) of ($401,079).

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial method used is the Entry Age Normal, level percent of salary, method.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial assumptions included a 3.0 percent discount rate for unfunded liabilities, and annual cost increase rates for medical, prescription drugs, and vision premiums of: 6.5 percent in the fiscal year 2016-17, 6.4 percent in the second year, 6.3 percent in the third year, 6.2 percent in the fourth year, then grading down from 6.2 percent to 5.0 percent over the next 12 years. Health cost trends affect both the projected health care costs as well as the projected health care premiums.

The payroll growth assumption is 3.0 percent, compounded annually for purposes of amortizing the unfunded AAL, and a general inflation increase of 2.5 percent.

C. Landfill Closure and Post-Closure Care Costs

The County has adopted Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs.* This statement requires municipalities to record the estimated closure and post-closure care costs of landfills over the useful life of the landfill.

State and federal laws and regulations require the County to place a final cover on its landfill sites when the landfills stop accepting waste and to perform certain maintenance and monitoring functions at these sites for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfills stop accepting waste, the County is required to report these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

During the 2012, the Beaver Hill disposal site became inactive and an interim cover was put in place on the trench. The landfill was closed during fiscal year 2014-15. The site continues to function as a transfer station for solid waste. The Joe Ney disposal site became inactive in summer 2013, received the final cover in 2014, and required repairs in late June 2015. The Bandon Landfill is closed, and has a soil cover. In 2014, DEQ approved the County's application for termination of environmental monitoring of the Bandon site.

The following schedule shows details of landfill closure and post-closure liability:

	Landfill Closure and Post-Closure Care Liability	% of Capacity Used	Cost to be Recognized at 6/30/17	Estimated Remaining Life (Years)
Bandon disposal site	$ -	100%	$ -	-
Beaver Hill disposal site (municipal solid waste)	863,300	100%	863,300	-
Joe Ney disposal site (construction demolition)	719,900	100%	719,900	-
	$ 1,583,200		$ 1,583,200	

The above dollar amounts are based on the estimated cost to perform all closure and post-closure in 2016-2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. During 2016-2017, actual landfill closure and post-closure costs were $211,738. The liability for special projects, closure and post closure costs was adjusted from $1,479,560 to $1,583,200, as a result of the 2017 engineering cost estimate.

The County is required by state and federal laws and regulations to meet certain financial assurance requirements for closure and post-closure care. The County demonstrates that it has met these financial assurance requirements through submission of a Local Government Financial Test to the Oregon Department of Environmental Quality in accordance with Oregon Administrative Rule 304-094-0140.

The County has established a reserve fund to account for their annual contributions to finance closure and post-closure care. As of June 30, 2017, the cash and investment balance in the reserve fund is $716,728. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

D. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the County has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

E. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

F. Jointly Governed Organizations

The following organizations have County Commissioners on their respective boards: South Coast Business Employment Corporation, Coos County Urban Renewal Agency, Southwest Advisory Committee on Transportation, Council on Forest Trust Lands, Oregon and California Counties, Bay Area Enterprise Zone, CCD Business Development Corp., Western Oregon Advanced Health, South Slough Commission, Rural Development Initiatives, Energy Trust of Oregon, Small Business Development Center, Bay Area Chamber of Commerce, Coos Bay-North Bend Water Board, Oregon Land Conservation and Development Commission, United Way of Southwest Oregon, South Coast Development Corporation, Association of Oregon Counties, South Coast Community Foundation, Southern Oregon Workforce Investment Board, Waterfront Development Partnership, Coos Watershed Association, Travel Oregon South Coast, and the Ocean Policy Advisory Council. The organizations have various purposes, including local economic development and social services. The Commissioners do not have a voting majority on the organizations' boards, nor are the organizations fiscally dependent on the County.

In November 2013, the County became a member of Western Oregon Advanced Health, LLC (WOAH), a limited liability company which was formed to operate as a coordinated care organization in Oregon and whose members consist of various Oregon health care organizations. The County's investment in WOAH represents an approximate 10% ownership interest. WOAH's most recently available financial information, as of ending December 31, 2016, reported the County's interest at $639,622, an increase of $108,906 over the prior year. WOAH does not prepare publicly available financial statements.

One County Commissioner serves on the governing Board of WOAH. Under terms of a contract with WOAH, the County provides health care services to certain OHP patients, for whom WOAH has agreed with OHP to provide health care services.

G. Other

Funding decrease - In March 2015, Congress reauthorized the Secure Rural Schools and Community Self-Determination Program Act (SRS) for only two additional years. The two year reauthorization means that, in 2016 the County was back under the Oregon & California (O&C), Coos Bay Wagon Road (CBWR) and Federal Forest statutory payment regimes. This requires timber to be harvested in order for payments to be made to the county.

Timber dependent counties continue to work with the Oregon delegation in Congress to secure some type of funding to keep southern Oregon counties from becoming insolvent.

H. Construction in Progress

At June 30, 2017, the County was involved in various phases of improvement projects. The significant contracts and remaining amounts are shown below:

Fund	Description	Original Contract Amount	Outstanding Contract Amount	Percentage of Completion
Coos Health & Wellness Fund	Building	$ 3,282,517	$ 1,373,707	58%

I. Prior Period Adjustments

Coos County early-implemented GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* The statement establishes accounting and financial reporting requirements related to other postemployment benefits (OPEB), replacing GASB Statements No. 45 and No. 57. The statement was effective for fiscal years beginning after June 15, 2017, but early implementation was encouraged. The results of implementing this standard are shown below:

	Gov't Activities	Waste Disposal	Other Enterprise Funds
Net position, beginning of year	$ 111,569,332	$ 2,726,502	$ 1,126,855
Change in OPEB liability	541,277	6,562	2,091
Net position, beginning of year as restated	$ 112,110,609	$ 2,733,064	$ 1,128,946