

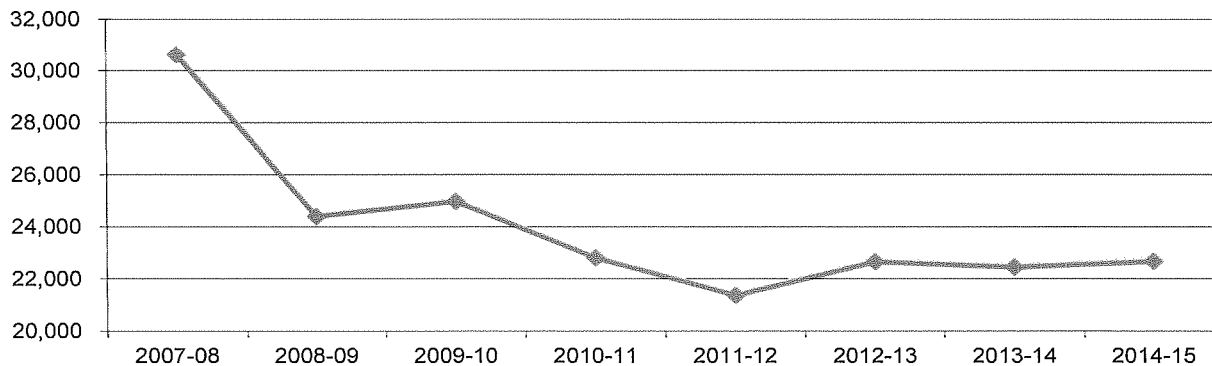
**COOS COUNTY, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2015

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, 2015. 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, 2015 by \$177,153 (*net position*) – an increase of \$14,150 or 8.68%. Of this amount, \$29,859 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's revenues increased by 12.6% in the Governmental activities, they increased by 9.7% in the Proprietary activities. Expenses for the Governmental activities decreased by \$4,123 or 9.2%, and Proprietary increased by \$1,322 or 30.1%. Overall net position had only modest changes; Proprietary funds increased by \$442 or 1.1% while Governmental funds saw an overall increase in net position of \$13,708 or 11.1%.
- The County's increase in the Propriety funds net position continues to be based on the inactivation of all waste disposal sites during FY 2012-13. The inactivation decreased the Closure/Post-Closure Cost liability by \$1,411 in FY 2014-15. Since inactivation in FY 2012-13 Closure/Post-Closure Cost liability has decreased by a total of \$2,844.

**General Fund Resources**  
(in thousands)



**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 other supplementary information in addition to the basic financial statements themselves.

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**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**

*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.

Governmental funds are 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*.

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The County maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Public Works fund, County Forest fund, the Mental Health fund, and the Bonded Debt fund, which are considered to be major funds. Data from the other 24 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 basic financial statements. 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, Law Library, County Parks, Community Corrections, Crime Victim Assistance, South Coast Interagency Narcotics Team (SCINT), Mental Health, Children and Families, Economic Development, 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, Public Land Corner Preservation, Environmental Service, Child Support Enforcement, and the New Construction Reserve Funds.

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

Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond and loan principal and interest. Funds included in this category are: Bonded Debt. The Bonded Debt Fund is for Coos County's outstanding bond issues.

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 \$17,760 (including issuance costs). The bonds were taxable and sold for an interest cost of 4.56%.

**Bonded Indebtedness**  
*in thousands*

<b>General Obligation Debt Capacity</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>
Taxable Real Market Value	\$ 5,918,460	\$ 6,026,086
General Obligation Bond Debt Limitation (2% of Real Market Value)	118,369	120,522
Less: Outstanding debt subject to limit	15,885	8,775
Less: Principal payments due within one year	(1,325)	(930)
	14,560	7,845
Remaining Legal General Obligation Debt Capacity	\$ 103,809	\$ 112,677
Percent of Capacity Issued	12.3%	6.5%

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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.

**Proprietary Funds**

Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The County maintains two different types of proprietary 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.

Component Unit-Enterprise Funds – The Coos County Area Transit Service District is reported as an enterprise fund of the County.

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

**Fiduciary Funds**

Trust and 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.

**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 statements 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 \$177,153 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 70.0% 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, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Coos County's Net Position**

*in thousands*

	Governmental		Business-type		Total		Comparison	
	Activities		Activities				Difference	
	2015	2014	2015	2014	2015	2014		
Current and other assets	\$ 40,440	\$ 38,810	\$ 6,404	\$ 13,522	\$ 46,844	\$ 52,332	\$ (5,488)	-10.49%
Net pension asset	20,988	-	316	-	21,304	-	n/a	n/a
Capital assets	89,400	92,222	44,673	45,858	134,073	138,080	(4,007)	-2.90%
<b>Total assets</b>	<b>150,828</b>	<b>131,032</b>	<b>51,393</b>	<b>59,380</b>	<b>202,221</b>	<b>190,412</b>	<b>11,809</b>	<b>6.20%</b>
Deferred outflow related to pensions	3,039	-	46	-	3,085	-	n/a	n/a
Long-term liabilities	1,633	1,527	9,685	17,624	11,318	19,151	(7,833)	-40.90%
Other liabilities	5,992	6,102	1,575	2,156	7,567	8,258	(691)	-8.37%
<b>Total liabilities</b>	<b>7,625</b>	<b>7,629</b>	<b>11,260</b>	<b>19,780</b>	<b>18,885</b>	<b>27,409</b>	<b>(8,524)</b>	<b>-31.10%</b>
Deferred inflow related to pensions	9,131	-	137	-	9,268	-	n/a	n/a
<b>Net position:</b>								
Invested in capital assets	89,400	92,222	35,898	29,973	125,298	122,195	3,103	2.54%
Restricted	21,229	17,310	767	8,646	21,996	25,956	(3,960)	-15.26%
Unrestricted	26,482	13,871	3,377	981	29,859	14,852	15,007	101.04%
<b>Total net position</b>	<b>\$ 137,111</b>	<b>\$ 123,403</b>	<b>\$ 40,042</b>	<b>\$ 39,600</b>	<b>\$ 177,153</b>	<b>\$ 163,003</b>	<b>\$ 14,150</b>	<b>8.68%</b>

**Changes in Net Position**

The County's *unrestricted net position* \$29,859 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 Waste Disposal Operating fund, a proprietary fund, reported a negative balance due to closure/post closure liabilities. The County reported positive balances in all other categories for the prior fiscal year.

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

*in thousands*

	Governmental		Business-Type		Total		Comparison	
	Activities		Activities				Difference	
	2015	2014	2015	2014	2015	2014		
<b>REVENUE:</b>								
Program revenues:								
Charges for services & contracts	\$ 9,343	\$ 7,611	\$ 3,911	\$ 3,751	\$ 13,254	\$ 11,362	\$ 1,892	16.65%
Operating grants & contributions	23,618	20,732	804	548	24,422	21,280	3,142	14.77%
Capital grants & contributions	164	504	-	-	164	504	(340)	-67.46%
General revenues:								
Property Taxes	10,854	10,578	-	-	10,854	10,578	276	2.61%
Grants & contributions not restricted								
to specific programs	3,018	2,792	-	-	3,018	2,792	226	8.09%
Interest on investments	186	189	-	-	186	189	(3)	-1.59%
Other revenue	916	319	-	-	916	319	597	187.15%
<b>Total revenue</b>	<b>48,099</b>	<b>42,725</b>	<b>4,715</b>	<b>4,299</b>	<b>52,814</b>	<b>47,024</b>	<b>5,790</b>	<b>12.31%</b>
<b>EXPENDITURES:</b>								
Current:								
General Government	6,535	7,453	-	-	6,535	7,453	(918)	-12.32%
Public Safety	9,436	12,116	-	-	9,436	12,116	(2,680)	-22.12%
Public Works	6,568	6,749	3,093	1,506	9,661	8,255	1,406	17.03%
Health & Welfare	11,523	11,802	-	-	11,523	11,802	(279)	-2.36%
Culture & Recreation	4,861	4,865	337	325	5,198	5,190	8	0.15%
Conservation	-	-	-	-	-	-	-	0.00%
Community Development	192	436	-	-	192	436	(244)	-55.96%
Intergovernmental	758	517	-	-	758	517	241	46.62%
Sanitation	-	-	1,544	1,826	1,544	1,826	(282)	-15.44%
Transportation	-	-	739	734	739	734	5	0.68%
Debt Service	794	852	-	-	794	852	(58)	-6.81%
<b>Total expenditures</b>	<b>40,667</b>	<b>44,790</b>	<b>5,713</b>	<b>4,391</b>	<b>46,380</b>	<b>49,181</b>	<b>(2,801)</b>	<b>-5.70%</b>
Change in net position before transfers	7,431	(2,065)	(998)	(92)	6,433	(2,157)	8,590	-398.24%
Transfers	(1,325)	(1,260)	1,325	1,260	-	-	-	0.00%
<b>Change in net position</b>	<b>6,106</b>	<b>(3,325)</b>	<b>327</b>	<b>1,168</b>	<b>6,433</b>	<b>(2,157)</b>	<b>8,590</b>	<b>-398.24%</b>
Net position beginning	123,403	113,894	39,600	38,103	163,003	151,997	11,006	
Prior period adjustment	7,602	12,834	115	329	7,717	13,163	(5,446)	
Net position beginning, restated	131,005	126,728	39,715	38,432	170,720	165,160	5,560	3.37%
<b>Net position ending</b>	<b>\$ 137,111</b>	<b>\$ 123,403</b>	<b>\$ 40,042</b>	<b>\$ 39,600</b>	<b>\$ 177,153</b>	<b>\$ 163,003</b>	<b>\$ 19,596</b>	<b>8.68%</b>

Overall, County wide expenses decreased by \$2,801 from the previous year. This decrease is misleading because of the implementation of a new government accounting standard (GASB 68) during the current fiscal year, which resulted in a reduction of pension expense of \$7,372. This reduced expense was allocated to each functional category by a percentage of pension contributions made for the year. With the implementation of the new standard in the current year, it makes comparisons from last year distorted, because there was not any pension reporting last year. If you remove the \$7,372 reduced pension expense for comparability to last year, there was an increase in expenses of \$4,571 or 9.29%

**COOS COUNTY, OREGON**  
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**Capital Assets and Debt Administration**

The County has no capital debt except for general obligation bonds.

*Bonded Debt.* At the end of the current fiscal year, Coos County had total bonded debt outstanding of \$8,775. 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, 2015 amounted to \$134,074 (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**

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Land	\$ 5,525,474	\$ 709,402	\$ 6,234,876
Construction in progress	7,709,460	358,342	8,067,802
Buildings and building improvements	21,106,277	2,308,416	23,414,693
Infrastructure	108,397,979	52,177,963	160,575,942
Machinery and equipment	17,413,598	1,475,163	18,888,761
Improvements other than buildings	2,978,126	2,509,017	5,487,143
	<b><u>\$ 163,130,914</u></b>	<b><u>\$ 59,538,303</u></b>	<b><u>\$ 222,669,217</u></b>

*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. The surplus pipe and valves will be disposed of for the best possible price through a broker that specializes in such sales.

Coos County authorized an early redemption of the outstanding General Obligation, Series 2005 bonds on June 1, 2015 in the amount of \$5,785,000. Calling these bonds saved approximately \$1.9 million in interest cost. After the 2005 series was called, the County only has the 2003B General Obligation bonds outstanding.

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.

A permanent transfer site for the solid waste stream disposal was established. The DEQ approved closure of the Joe Ney and Bandon sites, and the Beaver Hill ash trench, Household Hazardous Waste, and implementation of a countywide franchise fee are all items being implemented at this time.

Mental Health, Public Health, and the Commission on Children and Families were restructured into the Coos Health & Wellness. Coos County has purchased a ten (10) percent share in Western Oregon Advanced Health, a Coordinated Care Organization (CCO) that was created by Governor Kitzhaber's initiative to reform health care in Oregon and provide care to more people for less money. All Mental Health funding will now be flowing through the CCO, and the County feels that it is important to remain part of the decision making process.

**COOS COUNTY, OREGON**  
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## **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 \$5,124. The County placed \$2,042 in an operating contingency for 2015-2016.
- ◆ The General Fund's proposed expenditures total \$21,562, with resources other than taxes of \$16,909. The amount budgeted for current year taxes is \$4,653, based upon our full tax rate authority of \$1.0799 per thousand. The County provides property tax assessment/collection services for all taxing districts, such as schools, cities, ports, and other districts at a cost of \$1,801.
- ◆ 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 2015-2016 Forestry Department operating budget is \$761.

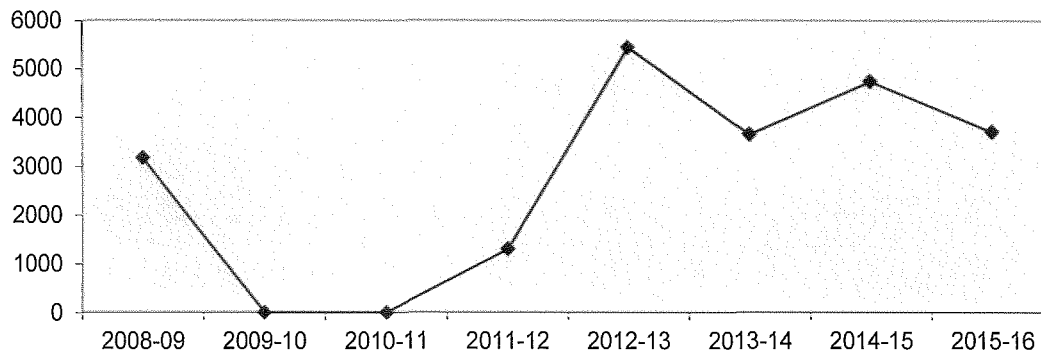
The Board of Commissioners chose not to offer a timber sale in calendar year 2009 due to a lack of market demand and poor stumpage prices. Timber sales were resumed in calendar year 2010. Two additional units were pulled forward and sold in 2011 to take advantage of improved market conditions.

In order to conserve reserves for future years, no transfers to the General Fund were made in FY 2009-2010 or FY 2010-2011. \$4,742 was transferred from the County Forest Fund to the General Fund in FY 2014-2015 and \$3,714 was budgeted to be transferred in FY 2015-2016. The County Forest Fund balance on June 30, 2015 was \$6,528.



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**County Forest Transfers to General Fund**  
(dollars in thousands)



Note: In fiscal years 2009-10 and 2010-11 no transfers were made to the General fund

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

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

In FY 2015-2016 the SRS net payment to the General Fund (Title I), for the O&C lands, will be \$1,915. The County Road Department FY 2015-2016 SRS Title I payment, for the CBWR lands and U.S. Forest Service, is budgeted to be \$420.

- ◆ 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 2015-2016 total \$3,509 with resources other than taxes of \$281.
- ◆ The 4-H Extension Service District's adopted expenditures for 2015-2016 total \$592, with resources other than taxes of \$199. The Library and 4-H Extension Service Districts both intend to certify their total permanent tax rates in 2015-2016. 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 2015-2016 fiscal year.

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**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 Treasurer's Office, 250 N Baxter, Coquille, Oregon 97423.