

CITY OF COOS BAY
COOS COUNTY, OREGON

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Pauly, Rogers, and Co., P.C.
12700 SW 72nd Ave
Tigard, OR 97223

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CITY OF COOS BAY
COOS COUNTY, OREGON

For the Year Ended June 30, 2006

ANNUAL FINANCIAL REPORT

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CITY OF COOS BAY
COOS COUNTY, OREGON

CITY COUNCIL

TERM EXPIRES

Joe Benetti, Mayor

November 2006

Jeff McKeown, President

November 2008

Jon Eck

November 2008

Roger Gould

November 2006

Cindi Miller

November 2006

Dr. John Muenchrath

November 2008

Kevin Stufflebean

November 2006

All council members receive mail at the address listed below.

ADMINISTRATION

City Hall
500 Central Avenue
Coos Bay, OR 97420

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**CITY OF COOS BAY
COOS COUNTY, OREGON
TABLE OF CONTENTS**

**PAGE
NUMBER**

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 2

FINANCIAL STATEMENTS AND SCHEDULES:

Basic Financial Statements:

Statement of Net Assets 9

Statement of Activities 10

Balance Sheet – Governmental Funds 11

Reconciliation of Balance Sheet of Governmental Funds to
Statement of Net Assets 12

Statement of Revenues, Expenditures and Changes in
Fund Balance – Governmental Funds 13

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balance – Governmental Funds – To Statement of Activities 14

Statement of Net Assets – Proprietary Funds 15

Statement of Revenues, Expenses and Changes in
Net Assets – Proprietary Funds 16

Statement of Cash Flows – Proprietary Funds 17

Notes to Basic Financial Statements 18

Required Supplementary Data:

General Fund:

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget - Budgetary Basis 35

Major Capital Reserve Fund:

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget - Budgetary Basis 36

Jurisdictional Exchange Reserve Fund:

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget - Budgetary Basis 37

Wastewater Fund:

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget - Budgetary Basis 38

Wastewater Equipment Reserve:

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget - Budgetary Basis 39

Supplementary Data:

Combining Balance Sheet – All Non-Major Governmental Funds 40

Combining Balance Sheet – Non-Major Special Revenue Funds 41

Combining Balance Sheet – Non-Major Debt Service Funds 42

Combining Balance Sheet – Non-Major Capital Projects Funds 43

**CITY OF COOS BAY
COOS COUNTY, OREGON
TABLE OF CONTENTS, (CONTINUED)**

	<u>PAGE NUMBER</u>
Combined Statement of Revenues, Expenditures and Changes in Fund Balances:	
All Non-Major Governmental Funds	44
Non-Major Special Revenue Funds	45
Non-Major Debt Service Funds	46
Non-Major Capital Projects Funds	47
 Schedules of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget – Budgetary Basis:	
Non-Major Governmental Funds:	
State Gas Tax Fund	48
Special Police Fund	49
Hotel/Motel Tax Fund	50
Library Fund	51
911 Tax Fund	52
General Obligation Redemption Fund	53
Revenue Bond Fund	54
Street Improvement Fund	55
Parks Improvement Fund	56
Bike/Pedestrian Path Construction Fund	57
Special Improvement Fund	58
Insurance Reserve Fund	59
Public Works Equipment Reserve	60
Minor Capital Reserve Fund	61
Technology Reserve Fund	62
 Combining Statement of Net Assets – Non-Major Proprietary Funds	 63
 Combining Statement of Revenues, Expenses and Changes in Net Assets – Non-Major Proprietary Funds	 64
 Schedules of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget – Budgetary Basis:	
Non-Major Proprietary Funds:	
Building Codes Fund	65
Building Codes Reserve Fund	66
 Other Financial Schedules:	
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	67
 AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	 68



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

February 2, 2007

To the Honorable Mayor and
Members of the City Council
City of Coos Bay, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and component unit of the City of Coos Bay, Oregon, as of and for the year ended June 30, 2006 as listed in the table of contents. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these Basic financial statements based on our audit. The financial statements of the City of Coos Bay as of June 30, 2005 were audited by other auditors whose report dated October 7, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Coos Bay, Oregon, at June 30, 2006, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with auditing standards generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coos Bay's basic financial statement. The Supplementary Information, including budgetary comparison schedules as listed in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management Discussion and Analysis and the required supplementary information, as listed on the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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City of Coos Bay

Finance Department

500 Central Avenue, Coos Bay, Oregon 97420 • Phone 541-269-8915

Fax 541-267-5912 • <http://www.coosbay.org>

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2006

This discussion and analysis presents the highlights of financial activities and financial position for the City of Coos Bay (City). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the City's financial statements (beginning on page 9).

FINANCIAL HIGHLIGHTS

The City's net assets increased from regular City activity by \$2.7 million (or 8%) due primarily due to increases in capital assets and the investment in the wastewater plan and systems; the largest of which was \$1.1 million on the overlay of Ocean Boulevard. An additional increase of \$1 million was recognized due to the gain in net assets of the City's Joint Venture, the Coos Bay/North Bend Water Board. This joint venture was recognized in the Statement of Net Assets and the Statement of Activities for the year ended June 30, 2006. This presentation resulted in a prior period adjustment of \$18.5 million in order to recognize the City's equity investment in the Water Board.

Governmental activities revenue increased by \$2.4 million (or 24%) primarily due to the \$1.0 million gain on the Joint Venture, \$596,000 from a timber sale, and \$338,000 on property sales, most of which was from the Empire Lakes Community Building.

Business-type activities revenue decreased by \$800,000 (or 20%) primarily due to the \$730,000 paid by other agencies in the prior year for the under-the-bay sewer line project. A 10% wastewater increase was implemented in June 2005 and an increase of 17% was implemented in June 2006.

City program costs increased by \$1.2 million (or 15%), due to increased capital expenditures. Significant capital expenditures for 2005-06 were \$1.1 million for the Ocean Boulevard overlay and \$280,000 for a new fire engine. Business Type wastewater expenditures decreased \$595,000 (or 20%), primarily due to the major system improvement of the under-the-bay sewer line in the prior year.

REPORT LAYOUT

The City's annual financial report consists of several sections. Taken together they provide a comprehensive look at the City. The components of the report include the following:

Management's Discussion and Analysis. This section of the report provides financial highlights, overview and economic factors affecting the City.

Basic Financial Statements. Includes Statement of Net Assets, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the City.

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns (excluding infrastructure), the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of the city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." Budgetary comparison statements are presented for the General Fund and the Jurisdictional Exchange Reserve Fund. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses, and changes in fund net assets, and cash flows. Budgetary comparisons are presented for the Wastewater Fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Other Supplementary Information. Readers desiring additional information on non-major funds can find it in the Combining Statements of Non-major Funds and/or the Supplementary Information-Budgetary Comparison sections of this report. Components within this section include:

- Combining Statements. Major funds are included within the Basic Financial Statements, whereas non-major funds are presented here. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
- Budgetary Comparisons. Budgetary information for all funds, except General, Jurisdictional Exchange Reserve, and Wastewater, which are presented in the Basic Financial Statements, are presented here.
- Capital Assets and Other Financial Schedules complete the Financial Section of the report.

Reports by independent certified public accountants. Supplemental communication on City compliance and internal controls as required by Oregon statutes.

CITY AS A WHOLE

Government-Wide Financial Statements

Table 1
Net Assets at Fiscal Year-End
(in millions)

	Governmental		Business-type		Total
	Activities		Activities		Government
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Cash and investments	\$10.6	\$10.1	\$1.4	\$2.1	\$12.0
Other assets	21.9	1.6	0.4	0.2	22.3
Capital assets	10.7	9.1	11.1	9.9	21.8
Long term receivables	6.3	6.5	0.0	0.0	6.3
Total assets	<u>49.5</u>	<u>27.3</u>	<u>12.9</u>	<u>12.2</u>	<u>62.4</u>
Other liabilities	1.4	0.9	0.2	0.3	1.5
Long term debt outstanding	8.1	7.9	0.0	0.0	8.1
Total liabilities	<u>9.5</u>	<u>8.8</u>	<u>0.2</u>	<u>0.3</u>	<u>9.7</u>
Net assets:					
Invested in capital assets, net of debt	9.1	7.6	11.1	9.9	20.2
Invested in Joint Venture	19.6	0.0	0.0	0.0	19.6
Restricted	2.0	6.0	0.0	0.4	2.0
Unrestricted	9.3	4.9	1.6	1.6	10.9
Total net assets	<u>\$40.0</u>	<u>\$18.5</u>	<u>\$12.7</u>	<u>\$11.9</u>	<u>\$52.7</u>

Statement of Net Assets at June 30, 2006:

During fiscal year 2005-06 several events changed the balance of net assets. An explanation of each follows.

Governmental Activities

The growth in net assets for governmental activities is primarily due to the inclusion of the City's equity in the Coos Bay/North Bend Water Board and increases in capital assets; the largest of which was \$1.1 million spent on the overlay of Ocean Boulevard.

Joint Venture

An investment in joint venture in the amount of \$19.5 million was booked this year for the 50% equity interest that the City of Coos Bay has in the Coos Bay/North Bend Water Board. Upon review of the City's agreement and participation with the Water Board, it was determined that this relationship should be reflected in the Statement of Net Assets and Statement of Activities as a joint venture.

Business-type Activities

The increase in net assets for the business-type activities is due to an increase in user charges in the wastewater fund, increased activity in the building codes fund and the investment in the wastewater plant and systems.

A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are bond proceeds and taxes limited to repayment of debt, and the corpus of the jurisdictional exchange proceeds that are restricted from expenditure by City charter. Within the business-type activities are monies restricted for capital projects.

Statement of Activities for the Year Ended June 30, 2006:

Table 2
Governmental and Proprietary Activities
For Fiscal Year Ending June 30, 2006
(in millions)

	Governmental		Business-type		Total
	Activities		Activities		Government
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
REVENUES					
Program revenues					
Charges for services	\$0.5	\$0.5	\$3.0	\$3.8	\$3.5
Grants and contributions	0.2	1.0	0.3	0.2	0.5
Capital contributions	0.0	0.0	0.0	0.0	0.0
General revenues					
Taxes	6.9	6.9	0.0	0.0	6.8
Interest	0.6	0.3	0.08	0.1	0.7
Other	4.3	1.3	(0.05)	0.0	4.2
Total revenues	<u>12.5</u>	<u>10.0</u>	<u>3.3</u>	<u>4.1</u>	<u>15.7</u>
EXPENSES					
Governmental activities	9.5	8.3	0.0	0.0	9.5
Business-type activities	0.0	0.0	2.4	3.0	2.4
Total expenses	<u>9.5</u>	<u>8.3</u>	<u>2.4</u>	<u>3.0</u>	<u>11.9</u>
Transfers	0.06	0.10	(0.06)	(0.1)	0.0
Increase in net assets	2.9	1.8	0.8	1.0	3.7
Prior Period Adjustmnet	18.6	0.0	0.0	0.0	18.6
Beginning net assets	<u>18.5</u>	<u>16.7</u>	<u>11.9</u>	<u>10.9</u>	<u>30.4</u>
Ending net assets	<u>\$40.0</u>	<u>\$18.5</u>	<u>\$12.7</u>	<u>\$11.9</u>	<u>\$52.7</u>

Governmental Activities

Governmental activities revenue increased by \$2.4 million (or 24%) primarily due to the \$1.0 million gain on the Joint Venture, \$596,000 from a timber sale, and \$338,000 on property sales, most of which was from the Empire Lakes Community Building. General taxes remained stable. However, General Fund property taxes increased \$150,000, excluding the year-end deferred revenue adjustment. Interest and miscellaneous revenues increased by a total of \$3.1 million. This was primarily due to the \$1.0 million gain on the Joint Venture, \$596,000 from a timber sale, and \$338,000 on property sales.

Governmental activity expenses increased by \$1.2 million (or 14%). The increase is due primarily to an increase in capital expenditures.

Business-type Activities

Business-type activities revenue decreased by \$800,000 (or 20%) primarily due to the \$730,000 paid by other agencies for the under-the-bay sewer line project in the prior year. A 10% wastewater increase was implemented in June 2005 and an increase of 17% was implemented in June 2006.

Business-type activity expenses decreased by \$600,000 (or 20%) primarily due to the under-the-bay sewer line capital project completed in the prior year.

BUDGETARY HIGHLIGHTS

The City's General Fund Appropriations increased slightly to \$6.7 million. Actual operating costs within the General Fund were 89% of the final budget. This was primarily due to actual expenditures being less

than anticipated for unemployment, lump sum vacation, property and liability insurance, and the 9-1-1 dispatchers division being charged to a separate fund. The overall increase to the fund balance was \$302,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006 the City had invested \$22.0 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$3.0 million.

Table 3
Capital Assets at Fiscal Year-End
(Net of Depreciation)
(in millions)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land & assets not depreciated	\$0.4	\$0.6	\$0.0	\$0.0	\$0.4	\$0.6
Land improvements	0.6	0.5	0.4	0.5	1.0	1.0
Buildings & improvements	4.7	4.6	0.0	0.0	4.7	4.6
Machinery & equipment	0.6	0.4	1.6	0.8	2.2	1.2
Vehicles	0.7	0.4	0.1	0.1	0.8	0.5
Infrastructure - streets	3.7	2.6	0.0	0.0	3.7	2.6
Plant and systems	0.0	0.0	9.0	8.4	9.0	8.4
Work in progress	0.0	0.0	0.0	0.1	0.0	0.1
Total	\$10.7	\$9.1	\$11.1	\$9.9	\$21.8	\$19.0

The following table reconciles the change in capital assets. Additions include assets acquired or under construction at year-end. Reductions are for disposition of assets and depreciation.

Table 4
Change in Capital Assets
(in millions)

	Governmental	Business-type	Total
	Activities	Activities	
Beginning balance	\$9.1	\$9.9	\$19.0
Additions	2.2	1.8	4.0
Retirement	(0.4)	(0.1)	(0.5)
Depreciation	(0.2)	(0.5)	(0.7)
Ending balance	\$10.7	\$11.1	\$21.8

Assets from governmental activities increased \$1.6 million (or 17%). Offsetting these additions were depreciation and retirement of assets.

Business-type activities assets increased \$1.2 million (or 12%). Offsetting any additions were depreciation and retirement of assets.

Debt Outstanding

As of year-end, the City had \$8.7 million in debt outstanding compared to \$8.5 million last year. \$850,000 of the debt outstanding at June 30, 2006 is due within one year.

Table 5
Outstanding Debt at Fiscal Year End
(in millions)

	Totals	
	2006	2005
Governmental:		
Compensated absences	\$0.5	\$0.5
General obligations	1.0	1.5
Revenue bonds	0.6	0.8
Loan Payable	0.8	0.0
Revenue secured loans	5.8	5.7
Sub-total	<u>8.7</u>	<u>8.5</u>
Business-type	<u>0.0</u>	<u>0.0</u>
Total	<u><u>\$8.7</u></u>	<u><u>\$8.5</u></u>

In April 2006, the City issued \$5,645,000 in Refunding Bonds, the proceeds of which were utilized to refund the 2000 water secured bonds. The City's water bonds are paid from water revenues passed through from the Coos Bay-North Bend Water Board, joint venture.

Moody's Investors Service, Inc has rated the City's Sewer bonds as Aaa. The outstanding sewer bonds have bond insurance provided by MBIA. Other debt of the City has not been rated. For more detailed information on the City's debt and amortization terms refer to pages 30-32 of the notes.

FUND-BASED FINANCIAL ANALYSIS

Governmental funds. The **General Fund** is the chief operating fund of the City. At June 30, 2006, the fund balance, which is all unreserved, was \$2.1 million. The fund balance represents 36% of revenues for 2005-06, which is adequate to cover expenditures prior to November when a significant portion of property tax revenues are received.

The **Jurisdictional Exchange Fund** was formed when the City took over 23 lane miles from the State of Oregon in exchange for \$4.8 million. The corpus of these monies is restricted from expenditure by City charter. Fund balance at June 30, 2006 was \$5.2 million. During 2005-06, this money earned \$220,000 in interest revenue. All amounts over the \$4.8 can be used to maintain and improve the 23 lane miles.

The **Major Capital Reserve Fund** was created to account for major capital purchases with a cost of \$5,000 or more. The primary source of revenue is from the sale of timber and transfers from other funds. Fund balance at June 30, 2006 was \$1.4 million.

Business-type funds. The **Wastewater Fund** is used to account for the operations of the wastewater treatment facilities, and sanitary sewer and storm water systems. The primary source of revenue is charges for service. The City implemented a 10% increase to user rates in June 2005 and a 17% increase in June 2006. Fund Balance at June 30, 2006 was \$1.1 million of which most is earmarked for capital projects including Oregon Dept. of Environmental Quality mandated upgrades to our wastewater treatment facilities.

The **Wastewater Equipment Reserve Fund** is used to accumulate resources of major wastewater equipment purchases. The primary sources of revenue are earnings on investments and operating transfers. Fund Balance as of June 30, 2006 was \$7,872. The Pump Station #3 project was completed in 2005-06 for a total cost of \$776,000.

ECONOMIC FACTORS

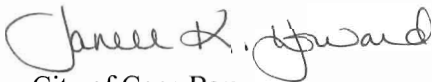
Like all cities in Oregon, the City is operating under Measure 50, the ad valorem tax limitation measure approved by voters on May 20, 1997. This measure rolled back assessed values to 1995-96 levels and effectively limited increased property tax revenues the City could anticipate in future years to a maximum of 3 percent, with permitted allowances for increasing valuations based on new construction. No substantive changes to the basic provisions of Measure 50 have been enacted during subsequent Oregon Legislative sessions.

Over the last five years, some City programs have been reduced, and a number of positions were eliminated in order for the City to downsize its budget to meet the limited revenues resulting from Measure 50 and the general downturn in economic conditions.

The City's business-type activities are funded via utility charges for the Wastewater Fund and license and permit fees for the Building Codes Fund. The City Council has not authorized a rate increase to the City's sewer rate charge since the increase implemented in June 2006.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 500 Central Avenue, Coos Bay, Oregon 97420.



City of Coos Bay
Finance Director

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**CITY OF COOS BAY
COOS COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

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CITY OF COOS BAY
COOS COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Coos Bay Urban Renewal Agency
ASSETS				
Cash and Investments	\$ 10,652,496	\$ 1,413,312	\$ 12,065,808	\$ 6,248,751
Receivables (net of allowance for uncollectibles)	1,894,038	235,776	2,129,814	77,372
Investment in Joint Venture	19,576,868	-	19,576,868	-
Prepays	14,058	131,148	145,206	-
Unamortized Debt Issuance Difference	319,542	-	319,542	-
Capital Assets:				
Capital Assets (net of accumulated depreciation)	10,729,752	11,144,551	21,874,303	1,897,982
Noncurrent Assets:				
Note receivable - due within one year	220,501	-	220,501	-
Note receivable - due in more than one year	6,104,992	-	6,104,992	-
Total Assets	\$ 49,512,247	\$ 12,924,787	\$ 62,437,034	\$ 8,224,105
LIABILITIES				
Accounts Payable	\$ 148,550	\$ 186,378	\$ 334,928	\$ 7,518
Payroll and Payroll Taxes Payable	78,826	-	78,826	-
Interest Payable	237,815	-	237,815	25,375
Deferred Revenue	306,103	6,143	312,246	-
Accrued Vacation	558,987	1,732	560,719	-
Bond Discount/Premium	71,730	-	71,730	-
Noncurrent Liabilities:				
Due Within One Year:				
Revenue Secured Loans Payable	2,692	-	2,692	-
Bonds Payable	722,809	-	722,809	460,732
Note Payable	88,302	-	88,302	-
Due in More Than One Year:				
Revenue Secured Loans Payable	5,761,587	-	5,761,587	-
Bonds Payable	868,521	-	868,521	-
Note Payable	668,384	-	668,384	6,326,587
Total Liabilities	9,514,306	194,253	9,708,559	6,820,212
NET ASSETS				
Invested in Capital Assets, net of related debt	9,138,422	11,144,551	20,282,973	-
Invested in Joint Venture	19,576,868	-	19,576,868	-
Restricted for:				
Capital Projects	1,407,757	7,872	1,415,629	-
Debt Service	579,266	-	579,266	-
Unrestricted	9,295,628	1,578,111	10,873,739	1,403,893
Total Net Assets	\$ 39,997,941	\$ 12,730,534	\$ 52,728,475	\$ 1,403,893

The accompanying notes are an integral part of this statement.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006**

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental Activities			
General Government	\$ 917,363	\$ 187,590	\$ 116,080
Public Safety	5,343,390	213,254	-
Public Works	1,687,948	-	39,370
Culture and Recreation	1,001,988	78,536	-
Interest on Long-term Debt	583,587	-	-
Total Governmental Activities	9,534,276	479,380	155,450
Business- Type Activities			
Wastewater	2,179,871	2,642,391	288,995
Building Codes	236,638	316,819	-
Total Business-Type Activities	2,416,509	2,959,210	288,995
Total Primary Government	\$ 11,950,785	\$ 3,438,590	\$ 444,445
Component Unit			
Coos Bay Urban Renewal Agency	\$ 675,584	-	-

General Revenues

Taxes:
Property
Transient Occupancy
Other - State
Intergovernmental
Franchise Fees
Gain (Loss) on Joint Venture
Rent Income
Investment Earnings
Gain (Loss) on Sale of Assets
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Assets

Prior Period Adjustment

Net Assets - beginning of year

Net Assets - end of year

Net Revenue (Expenses) and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Coos Bay Urban Renewal Agency
\$ (613,693)	\$ -	\$ (613,693)	\$ -
(5,130,136)	-	(5,130,136)	-
(1,648,578)	-	(1,648,578)	-
(923,452)	-	(923,452)	-
(583,587)	-	(583,587)	-
<u>(8,899,446)</u>	<u>-</u>	<u>(8,899,446)</u>	<u>-</u>
-	751,515	751,515	-
-	80,181	80,181	-
-	831,696	831,696	-
<u>(8,899,446)</u>	<u>831,696</u>	<u>(8,067,750)</u>	<u>-</u>
-	-	-	(675,584)
5,405,969	-	5,405,969	1,224,095
496,741	-	496,741	-
961,832	-	961,832	-
1,209,677	-	1,209,677	-
1,054,232	-	1,054,232	-
1,031,417	-	1,031,417	-
15,419	-	15,419	2,400
594,210	80,727	674,937	272,030
(85,143)	(72,078)	(157,221)	-
1,055,669	19,162	1,074,831	136,863
56,523	(56,523)	-	-
<u>11,796,546</u>	<u>(28,712)</u>	<u>11,767,834</u>	<u>1,635,388</u>
2,897,100	802,984	3,700,084	959,804
18,629,900	-	18,629,900	-
<u>18,470,941</u>	<u>11,927,550</u>	<u>30,398,491</u>	<u>444,089</u>
<u>\$ 39,997,941</u>	<u>\$ 12,730,534</u>	<u>\$ 52,728,475</u>	<u>\$ 1,403,893</u>

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

	GENERAL FUND	MAJOR CAPITAL RESERVE	JURISDICTIONAL EXCHANGE RESERVE	OTHER GOVERNMENTAL	TOTAL
ASSETS:					
Cash and Investments	\$ 2,344,431	\$ 911,062	\$ 5,225,373	\$ 2,171,630	\$ 10,652,496
Receivables, net					
Taxes	378,202	-	-	43,751	421,953
Accounts	232,110	534,791	23,119	351,241	1,141,261
Assessments	24,597	-	-	3,800	28,397
Loans	299,983	-	-	-	299,983
Notes	2,444	-	-	-	2,444
Prepaid Expenses	11,892	-	-	2,166	14,058
Total Assets	<u>\$ 3,293,659</u>	<u>\$ 1,445,853</u>	<u>\$ 5,248,492</u>	<u>\$ 2,572,588</u>	<u>\$ 12,560,592</u>
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Accounts Payable	\$ 42,310	\$ 38,096	\$ -	\$ 67,719	\$ 148,125
Unclaimed Property Payable	425	-	-	-	425
Payroll and payroll Taxes Payable	78,826	-	-	-	78,826
Compensated Absences	476,480	-	-	82,507	558,987
Deferred Revenues	580,446	-	-	36,234	616,680
Matured Interest Payable	-	-	-	213	213
Total Liabilities	<u>1,178,487</u>	<u>38,096</u>	<u>-</u>	<u>186,673</u>	<u>1,403,256</u>
Fund Equity:					
Fund Balances:					
Reserved for					
Debt Service	-	-	-	579,266	579,266
Capital Outlay	-	-	5,248,492	-	5,248,492
Unreserved, reported in					
General Fund	2,115,172	-	-	-	2,115,172
Special Revenue Funds	-	-	-	1,165,294	1,165,294
Capital Projects Funds	-	1,407,757	-	641,355	2,049,112
Total Fund Equity	<u>2,115,172</u>	<u>1,407,757</u>	<u>5,248,492</u>	<u>2,385,915</u>	<u>11,157,336</u>
Total Liabilities and Fund Equity	<u>\$ 3,293,659</u>	<u>\$ 1,445,853</u>	<u>\$ 5,248,492</u>	<u>\$ 2,572,588</u>	<u>\$ 12,560,592</u>

The accompanying notes are an integral part of this statement.

CITY OF COOS BAY
COOS COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
For the Year Ended June 30, 2006

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances \$ 11,157,336

The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.

Net Capital Assets 10,729,752

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

General Obligation Bonds	\$ (1,591,330)	
Revenue Bonds	(5,764,279)	
Bond Premium	(71,730)	
Notes and Contracts Payable	(756,686)	
Debt Issuance Difference	319,542	
Accrued Interest	<u>(237,602)</u>	
Net Adjustment		(8,102,085)

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Deferred Revenue 310,577

Joint Venture Note Receivable 6,325,493
Joint Venture Equity Investment 19,576,868

Total Net Assets \$ 39,997,941

The accompanying notes are an integral part of this statement.

CITY OF COOS BAY
COOS COUNTY, OREGON
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	GENERAL FUND	MAJOR CAPITAL RESERVE	JURISDICTIONAL EXCHANGE RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property Taxes	\$ 4,298,979	\$ -	\$ -	\$ 459,547	\$ 4,758,526
Other Taxes	197,859	-	-	1,284,291	1,482,150
Franchise Fees	1,054,232	-	-	-	1,054,232
Licenses and Permits	95,153	-	-	-	95,153
Intergovernmental	165,423	141,274	-	1,951,648	2,258,345
Charges for Services	210,851	-	-	85,566	296,417
Charges for use of money and property	173,653	37,588	219,771	96,987	527,999
Fines and Forfeitures	92,219	-	-	-	92,219
Miscellaneous	17,009	933,822	-	182,060	1,132,891
Total Revenues	<u>6,305,378</u>	<u>1,112,684</u>	<u>219,771</u>	<u>4,060,099</u>	<u>11,697,932</u>
EXPENDITURES					
Current:					
General Government	805,651	18,815	-	-	824,466
Public Safety	4,637,507	-	-	164,775	4,802,282
Public Works	410,007	-	1,550	1,105,456	1,517,013
Culture and Recreation	-	-	-	900,520	900,520
Capital Outlay	-	585,248	924,286	636,692	2,146,226
Debt Service:					
Principal Retirement	-	-	43,314	988,759	1,032,073
Interest and Fiscal Charges	-	-	15,733	399,917	415,650
Total Expenditures	<u>5,853,165</u>	<u>604,063</u>	<u>984,883</u>	<u>4,196,119</u>	<u>11,638,230</u>
Excess of Revenues Over (Under) Expenditures	<u>452,213</u>	<u>508,621</u>	<u>(765,112)</u>	<u>(136,020)</u>	<u>59,702</u>
Other Financing Sources, (Uses)					
Transfers In	-	140,000	-	334,157	474,157
Transfers Out	(150,000)	(50,000)	-	(217,634)	(417,634)
Bond/Loan Proceeds	-	-	800,000	5,794,329	6,594,329
Payment to Refunded Bond Escrow	-	-	-	(5,716,730)	(5,716,730)
Bond Issue Costs	-	-	-	(77,599)	(77,599)
Total Other Financing Sources, (Uses)	<u>(150,000)</u>	<u>90,000</u>	<u>800,000</u>	<u>116,523</u>	<u>856,523</u>
Net Change in Fund Balance	302,213	598,621	34,888	(19,497)	916,225
PRIOR PERIOD ADJUSTMENT	-	-	-	84,449	84,449
FUND BALANCE - BEGINNING OF YEAR	<u>1,812,959</u>	<u>809,136</u>	<u>5,213,604</u>	<u>2,320,963</u>	<u>10,156,662</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,115,172</u>	<u>\$ 1,407,757</u>	<u>\$ 5,248,492</u>	<u>\$ 2,385,915</u>	<u>\$ 11,157,336</u>

The accompanying notes are an integral part of this statement.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures \$ 916,225

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized Additions	\$	2,208,729	
Loss on Disposition of Assets		(85,143)	
Depreciation Expense		(481,093)	
Net Adjustment		1,642,493	1,642,493

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances.

Compensated Absences	\$	(487,819)	
Notes Payable		(800,000)	
GO Bonds, Notes and Contracts Payable		895,255	
Net Adjustment		(392,564)	(392,564)

Under the accrual basis of accounting, interest on long-term debt is accrued when payments are not due until after year end.

Accrued Interest			(31,119)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	\$	(140,107)	
Net Adjustment		(140,107)	(140,107)

The payments from joint ventures are recorded in the governmental funds as revenue because they provide current financial resources. In the Statement of Activities, the payments reduce the receivable from the joint venture.

Decrease in Joint Venture Receivable		(129,245)	
Gain (Loss) from Joint Venture		1,031,417	
Change in Net Assets		2,897,100	\$ 2,897,100

The accompanying notes are an integral part of this statement.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2006

	Business-type Activities			TOTAL PROPRIETARY FUNDS
	MAJOR WASTEWATER FUND	WASTEWATER EQUIPMENT RESERVE	NON-MAJOR ENTERPRISE FUNDS	
ASSETS				
Current Assets				
Cash and Investments	\$ 792,096	\$ 135,107	\$ 486,109	\$ 1,413,312
Prepaid Expenses	131,148	-	-	131,148
Receivables				
Accounts Receivable, net	233,215	-	-	233,215
Assessments	2,561	-	-	2,561
Capital Assets, net	11,144,551	-	-	11,144,551
Total Assets	<u>\$ 12,303,571</u>	<u>\$ 135,107</u>	<u>\$ 486,109</u>	<u>\$ 12,924,787</u>
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	\$ 58,742	\$ 127,235	\$ 401	\$ 186,378
Accrued Vacation	-	-	1,732	1,732
Deferred Revenue	2,561	-	3,582	6,143
Total Liabilities	<u>61,303</u>	<u>127,235</u>	<u>5,715</u>	<u>194,253</u>
Net Assets				
Invested in Capital Assets, net of related debt	11,144,551	-	-	11,144,551
Reserved for				
Capital Projects	-	7,872	-	7,872
Unreserved	1,097,717	-	480,394	1,578,111
Total Net Assets	<u>\$ 12,242,268</u>	<u>\$ 7,872</u>	<u>\$ 480,394</u>	<u>\$ 12,730,534</u>

The accompanying notes are an integral part of this statement.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006**

	Business-type Activities			TOTAL PROPRIETARY FUNDS
	MAJOR WASTEWATER FUND	WASTEWATER EQUIPMENT RESERVE	NONMAJOR ENTERPRISE FUNDS	
OPERATING REVENUES				
Licenses and Permits	\$ -	\$ -	\$ 316,819	\$ 316,819
Intergovernmental	288,995	-	-	288,995
Charge for Services	2,642,391	-	-	2,642,391
Total Operating Revenues	<u>2,931,386</u>	<u>-</u>	<u>316,819</u>	<u>3,248,205</u>
OPERATING EXPENSES				
Personal Services	247,567	-	190,484	438,051
Materials and Services	401,340	-	46,154	447,494
Capital Outlay	255,090	738,754	32,071	1,025,915
Depreciation Expense	505,049	-	-	505,049
Total Operating Expenses	<u>1,409,046</u>	<u>738,754</u>	<u>268,709</u>	<u>2,416,509</u>
Income, (Loss) From Operations	1,522,340	(738,754)	48,110	831,696
NON-OPERATING REVENUES (EXPENSES)				
Interest on Investments	55,501	7,809	17,417	80,727
Gain (Loss) on Disposal of Assets	(72,078)	-	-	(72,078)
Other Revenue (Expenses)	18,499	-	663	19,162
Total non-operating Revenues	<u>1,922</u>	<u>7,809</u>	<u>18,080</u>	<u>27,811</u>
Income, (Loss) Before Transfers	1,524,262	(730,945)	66,190	859,507
TRANSFERS				
Transfers In	-	350,000	10,000	360,000
Transfers Out	(406,523)	-	(10,000)	(416,523)
Total Operating Transfers	<u>(406,523)</u>	<u>350,000</u>	<u>-</u>	<u>(56,523)</u>
Change in Net Assets	1,117,739	(380,945)	66,190	802,984
Beginning Net Assets	<u>11,124,529</u>	<u>388,817</u>	<u>414,204</u>	<u>11,927,550</u>
Ending Net Assets	<u>\$ 12,242,268</u>	<u>\$ 7,872</u>	<u>\$ 480,394</u>	<u>\$ 12,730,534</u>

The accompanying notes are an integral part of this statement.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2006**

	Business-type Activities			TOTAL PROPRIETARY
	MAJOR WASTEWATER	WASTEWATER EQUIPMENT RESERVE	NONMAJOR ENTERPRISE	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 2,900,140	\$ -	\$ 313,020	\$ 3,213,160
Payments to Suppliers	(961,045)	(611,519)	(83,864)	(1,656,428)
Payments to Employees	(247,567)	-	(188,752)	(436,319)
Net Cash Provided by Operating Activities	<u>1,691,528</u>	<u>(611,519)</u>	<u>40,404</u>	<u>1,120,413</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(1,869,095)	-	-	(1,869,095)
(Gain) Loss on Disposition of Assets	18,499	-	-	18,499
Transfers from Other Funds	-	350,000	10,000	360,000
Transfers to Other Funds	(406,523)	-	(10,000)	(416,523)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,257,119)</u>	<u>350,000</u>	<u>-</u>	<u>(1,907,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	55,501	7,809	18,080	81,390
Net Increase, (Decrease) in Cash and Cash Equivalents	(510,090)	(253,710)	58,484	(705,316)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,302,186</u>	<u>388,817</u>	<u>427,625</u>	<u>2,118,628</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 792,096</u>	<u>\$ 135,107</u>	<u>\$ 486,109</u>	<u>\$ 1,413,312</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ 1,522,340	\$ (738,754)	\$ 48,110	\$ 831,696
Adjustments				
Depreciation/Amortization	505,049	-	-	505,049
(Increase), Decrease in Accounts Receivable	(30,927)	-	-	(30,927)
Increase (Decrease) in Deferred Revenue	(319)	-	(3,799)	(4,118)
Increase, (Decrease) in Accounts Payable/Accrued Liabilities	(173,467)	127,235	(5,639)	(51,871)
Increase, (Decrease) in Prepaid Expenses	(131,148)	-	-	(131,148)
Increase, (Decrease) in Payroll Liabilities	-	-	1,732	1,732
Net Cash From Operations	<u>\$ 1,691,528</u>	<u>\$ (611,519)</u>	<u>\$ 40,404</u>	<u>\$ 1,120,413</u>

The accompanying notes are an integral part of this statement.

CITY OF COOS BAY
COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Coos Bay, Oregon, have been prepared in conformity with accounting principles generally accepted in the United State 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. The more significant of the City's accounting policies are described below.

THE FINANCIAL REPORTING ENTITY

The City of Coos Bay is a municipal corporation, incorporated in 1874 under the name of Marshfield. In 1944 the residents voted to change the name to Coos Bay. The City presently operates under a charter, which was approved by the voters. The Charter provides for a Council-Manager form of government and provides such services as are authorized by the Charter. The City is governed by a mayor and an elected six member council. Appointed officers provided by the Charter are the City Manager, Finance Director/Recorder and City Attorney.

Accounting principles generally accepted in the United States of America require that these financial statements present the City (the primary government) and all component units, if any. Component units, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the City of Coos Bay's reporting entity because of the significance of their operational or financial relationships with the City.

Based on the above criteria, the following is a brief description of the component unit included in the City's reporting entity:

Urban Renewal Agency of the City of Coos Bay – was formed in December, 1966 to have urban renewal authority under Oregon law. Urban Renewal Agency of the City of Coos Bay has planning and economic development programs that focus on a downtown section of the City, and an Empire Section of the City. The primary purpose of the Coos Bay Urban Renewal Agency is to revitalize the commercial area of the City and to attract new businesses and jobs. Receipts are primarily from property taxes. Disbursements are made for planning, economic development, and capital projects.

Although it is legally separate from the City, because of the significance of its financial relationship with the City, Urban Renewal Agency of the City of Coos Bay is reported as if it were part of the reporting entity. Separate financial statements for Urban Renewal Agency of the City of Coos Bay may be obtained from the City administrative offices at Coos Bay City Hall. The City believes the financial data of the component unit included in the financial reporting entity meets the criteria for discrete presentation and is presented in the component unit columns in the financial statements.

The Coos Bay-North Bend Water Board (Note 9) was established by an intergovernmental agreement, authorized by State statutes, to operate a water board for the mutual advantage of the governments. The City has a 50% equity interest in the Water Board and appoints 2 of its council members. The Water Board is presented as a Joint Venture Investment in the Government Wide Financial Statements.

Entity excluded from the reporting entity:

The Coos Bay/North Bend Tourism and Promotions Committee is not a component unit of the City of Coos Bay because it is a separate legal entity and does not have a significant financial relationship with the City. Cash and investments are commingled with City accounts for bookkeeping purposes only.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support. Eliminations have been made to eliminate the double counting of internal activities. Direct expenses are not eliminated from the various functional categories.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., general government, public safety, streets, etc.) is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Each fund is considered to be a separate accounting entity. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Remaining governmental funds are aggregated and reported as non-major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, licenses and permits, state shared revenues and charges for administrative services from other funds. Primary expenditures are for general government, police and fire protection and culture and recreation.

Major Capital Reserve Fund – This fund recognizes the necessity to separately account for funds utilized for major capital purchases of a cost of \$5,000 or more.

Jurisdictional Exchange Reserve Fund – This fund is used to accumulate resources from an intergovernmental agreement, along with interest earned thereon, with the Oregon Department of Transportation for the City’s authority to regulate and maintain certain highways within its jurisdiction.

The City reports the following non-major governmental funds:

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Debt Service Funds – These funds account for principal and interest payments on general obligation bonds. The primary sources of revenue are property taxes and intergovernmental revenues.

The City reports the following major proprietary fund:

Wastewater Fund – This fund is used to account for the operations of the wastewater treatment facilities. The principle revenue is charges for services.

Wastewater Equipment Reserve Fund – This fund is used to accumulate resources of major wastewater equipment purchases. The primary sources of revenue are earnings on investments and operating transfers.

Additionally, the City reports the following non major proprietary funds:

Building Codes Fund – This fund is used to account for building and mechanical permits along with plan check fees.

Building Codes Reserve Fund – This fund is used to accumulate resources to purchase capital outlay for building codes department. The primary source of revenue is operating transfers.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government’s water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS

A budget is prepared for all funds, in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. For governmental fund types, the budgetary basis of accounting is the same as generally accepted accounting principles. The City Council begins its budget process early in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund other than the General Fund:

LEVEL OF CONTROL

Personal Services	Interfund Transactions
Materials and Services	Debt Service
Capital Outlay	Operating Contingency

The General Fund is appropriated at the department level along with transfers and contingencies. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the City Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amount and appropriation transfers and a supplemental budget. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2006.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments, are stated at fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year- end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

Receivables of the enterprise funds are recognized as revenue when earned, including services provided but not billed. Receivables in governmental and enterprise funds are stated net of an allowance for uncollectibles.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not required to be capitalized by the City until the fiscal year ending June 30, 2007, at which time they will retroactively report all such major general infrastructure assets.

Capital assets acquired/constructed by the Urban Renewal Agency of the City of Coos Bay (Agency), a component unit of the City, and expensed in the Agency's individual downtown and empire capital projects funds during the year June 30, 2006 were contributed/transferred to the City.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	50 years
Improvements other than buildings	10-50 years
Machinery and equipment	5-20 years
Vehicles	5-20 years
Utility systems	50
Infrastructure – streets	40

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

Supply Inventories

Inventories purchased are valued at cost (first-in, first-out method). The City has elected to record inventory expenditures as received rather than as consumed. Supply balances on hand at year end are not considered material.

CITY OF COOS BAY
COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated absences

Accumulated vested vacation, compensatory, and sick pay is accrued as it is earned in the governmental and business type funds, along with the government wide funds, both the current and long-term liabilities are recorded. Upon retirement from the City of Coos Bay an employee, with ten or more years of service in a specific department within the City, shall be paid a percentage of their unused sick leave into a deferred compensation plan. The percentage shall be equal to the completed years of service.

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick leave benefits. Vacation accrual is limited based on the nonrepresented employees' personnel directives and the various union contracts. Any vacation accrual balances in excess of these limits will be forfeited. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity/Net assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories.

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

The City's cash management policies are governed by state statutes. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments.

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 1,000
Demand Deposits	7,360,997
Investments	<u>4,703,811</u>
Total Cash and Investments	<u>\$ 12,065,808</u>
Reconciliation of Cash	
Governmental	\$ 10,652,496
Business Type	<u>1,413,312</u>
Total Cash and Investments	<u>\$ 12,065,808</u>

Deposits

State statutes require that the City obtain from its depositories, a certificate of participation for the full amount of the City's deposits. The depositories are required to pledge, with an independent pool manager, securities in the City's name equal to twenty-five percent of the face value of the certificate of participation issued to the City. The City's deposits at year-end were covered, as required by law, by federal depository insurance or by certificates of participation held by the pool manager.

Deposits consist of bank demand deposits. The carrying amount of deposits is \$7,360,997. The total bank balance per the bank statements for all pooled cash is \$14,378,255. This balance includes cash belonging to the Urban Renewal Agency and the Coos Bay/North Bend Tourism Promotions Committee that is all held in the City's name for collateral purposes. Of these deposits, \$100,000 was covered by Federal Depository Insurance. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. All bank balances in excess of federal depository insurance are collateralized by securities held by an entity other than the financial institution as an agent of the bank. This collateral is held by a separate custodian bank and controlled by a pool manager. Potential uninsured deposits secured by a single institution collateral pool are the equivalent of securities held in the name of the City. At June 30, 2006, the collateral was sufficient to meet the requirements of Oregon Law.

Investments

State statutes authorize the City 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.

Investments are valued at fair value as required by GASB 31. There is no material difference between fair value of the City's position in the State Treasurer's Local Governmental Investment Pool and the value of the pool shares at June 30, 2006

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2006, the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	4,703,811	4,703,811	-	-
Total	\$ 4,703,811	\$ 4,703,811	\$ -	\$ -

The State Treasurer's Local Government Investment Pool (LGIP), is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The 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 carrying value of this investment (cost) approximates the market value at June 30, 2006. In addition, the City utilizes the Coos County Treasury Pool under the warrant system as well as maintaining deposits from property tax collection proceeds and certain revenues distributed from the State of Oregon.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City does not have any investments that have a maturity date.

Credit Risk

The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it 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. 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, 2006 was unqualified.

Concentration of Credit Risk

To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the City's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2006 the City was in compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital asset activity for governmental activities of the primary government for the year ended June 30, 2006 was as follows:

Description	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS			
	June 30, 2005	Additions	Disposals	June 30, 2006
Capital assets not being depreciated				
Land	\$ 271,342	\$ -	\$ (82,600)	\$ 188,742
Museum art works collection	250,000	-	-	250,000
Total Capital Assets not being depreciated	<u>521,342</u>	<u>-</u>	<u>(82,600)</u>	<u>438,742</u>
Other Capital Assets				
Land and Improvements	1,845,250	-	-	1,845,250
Buildings and Improvements	6,379,810	382,578	(179,497)	6,582,891
Machinery and Equipment	1,059,670	258,858	(50,091)	1,268,437
Vehicles	2,419,506	432,408	(55,710)	2,796,204
Infrastructure - streets	2,692,114	1,134,885	-	3,826,999
Total other Capital Assets	14,396,350	2,208,729	(285,298)	16,319,781
Less Accumulated Depreciation				
Land Improvements	1,300,991	33,526	(64,015)	1,270,502
Buildings & Improvements	1,795,976	150,198	(125,709)	1,820,465
Machinery & Equipment	663,248	81,309	(37,291)	707,266
Vehicles	2,006,003	129,069	(55,740)	2,079,332
Infrastructure - streets	64,215	86,991	-	151,206
Total Accumulated Depreciation	<u>5,830,433</u>	<u>481,093</u>	<u>(282,755)</u>	<u>6,028,771</u>
Total Governmental Activities	<u>\$ 9,087,259</u>	<u>\$ 1,727,636</u>	<u>\$ (85,143)</u>	<u>\$ 10,729,752</u>

Depreciation expense for governmental activities is charged to functions as follows:

Function	Governmental Funds
General Government	\$ 51,975
Public Safety	285,429
Public Works	90,166
Culture and Recreation	53,523
Total	<u>\$ 481,093</u>

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Capital asset activity for business type activities for the year ended June 30, 2006 was as follows:

Description	BUSINESS TYPE ACTIVITIES			
	June 30, 2005	Additions	Disposals	June 30, 2006
Capital assets not being depreciated				
Construction in Progress	\$ 65,798	\$ 25,254	\$ (65,798)	\$ 25,254
Total Capital Assets not being depreciated	<u>65,798</u>	<u>25,254</u>	<u>(65,798)</u>	<u>25,254</u>
Other Capital Assets - Wastewater				
Land and Improvements	1,982,091	-	-	1,982,091
Machinery & Equipment	2,719,811	940,537	(27,990)	3,632,358
Vehicles	604,695	-	-	604,695
Plant and System	14,146,044	903,304	-	15,049,348
Total other Capital Assets	<u>19,452,641</u>	<u>1,843,841</u>	<u>(27,990)</u>	<u>21,268,492</u>
Less Accumulated Depreciation				
Land and Improvements	1,463,026	94,045	-	1,557,071
Machinery & Equipment	1,906,600	104,492	(21,710)	1,989,382
Vehicles	507,103	18,123	-	525,226
Plant and System	5,789,127	288,389	-	6,077,516
Total Accumulated Depreciation	<u>9,665,856</u>	<u>505,049</u>	<u>(21,710)</u>	<u>10,149,195</u>
Total Governmental Activities	<u>\$ 9,852,583</u>	<u>\$ 1,364,046</u>	<u>\$ (72,078)</u>	<u>\$ 11,144,551</u>

Depreciation expense for business type activities is charged to functions as follows:

Function	Business Type Funds
Wastewater	\$ 1,364,046
Total	<u>\$ 1,364,046</u>

4. EMPLOYEE RETIREMENT PLAN

Plan Description

The City participates in the State of Oregon Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system. The Public Employers Retirement System is a defined pension plan to which employee and employer contribute. Retirement is allowed at age 58 with full benefits, but retirement is generally available after age 55 with reduced benefits. Police and Fire Department employees may retire with full benefits at the age of 55 with 30 years of service. Compulsory retirement is age 70. Retirement benefits are payable in lump sum or monthly amounts using several payment options. PERS also provides death and disability benefits. Benefits are established by State statute.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. EMPLOYEE RETIREMENT PLAN (CONTINUED)

The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

Covered employees are required by State statute to contribute 6% of their salary to the plan, which the City has elected to pay for the employee. The City is required to contribute at actuarially determined rates, as adopted by the PERS Board. The current rate effective is 16.68% of covered payroll for Tier One/Two employees and 9.67% for general OPSRP employees and 13.28% for public safety. The City's contribution to the plan for the years ending June 30, 2006, and 2005 was \$907,699 and \$622,375 respectively, and was equal to the required contributions for the year.

Annual Pension Costs

For the year ended June 30, 2006, the City's annual pension cost (APC) for PERS was equal to the City's required and actual contributions (ARC). The required contribution was determined as part of December 31, 1999, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases was 4.25% per year, and (c) 2.00% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation is 3.50% per year. The actuarial value of PERS assets are valued on the Expected Value Method.

For the Year Ended June 30,	Three Year Trend Information		Net Pension Obligation
	Annual Pension Cost (APC) (ARC)	Percentage of APC Contributed	
2006	\$ 907,699	100%	\$ -
2005	\$ 622,375	100%	\$ -
2004	\$ 602,707	100%	\$ -

Schedule of Funding Progress

Dec. 31 Valuation Date	Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Percent	Covered Payroll	Excess as a Percent of Covered Payroll
2005	\$32,582,744	\$32,895,592	\$312,848	99%	\$4,097,249	8%
2003	26,751,801	29,996,797	3,244,996	89%	3,704,280	88%
2001	27,940,747	24,160,854	(3,779,893)	116%	4,259,683	89%

5. DEFERRED COMPENSATION

The City offers certain employees four deferred compensation trust plans created in accordance with Internal Revenue Code Section 457. The trust holds the assets for the exclusive benefits of plan participants and their beneficiaries.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT

Water Bonds (General Obligation). On January 24, 2003, the City issued \$1,160,000 General Obligation Refunding Bonds, the proceeds of which were utilized to refund 1992 Water General Obligation Bond debt. These water bonds, although general obligation bonds of the City, are a primary obligation of the Coos Bay-North Bend Water Board, and are being retired from revenues turned over by that agency.

The Water Board, by resolution, is pledged to establish, maintain and collect rates and charges for water service that will produce sufficient revenue, after deducting the expenses for operation and maintenance, to meet principal and interest payments when due. The future requirements for amortization of this January 2003 debt are as follows:

Fiscal Year	Issue of January 24, 2003		
	Principal	Interest	Total
2006-07	\$ 217,809	\$ 20,598	\$ 238,407
2007-08	226,706	11,701	238,407
2008-09	116,815	2,389	119,204
Total	\$ 561,330	\$ 34,688	\$ 596,018

Interest rate: 4% fixed annual rate.

Sewer Bonds (General Obligation). On July 31, 2000, the City issued \$3,190,000 General Obligation Refunding Bonds, the proceeds of which were utilized to refund Sewer General Obligation debt. Sewer bonds are a general obligation of the City to be retired by tax revenues. The future requirements for amortization of outstanding water bonds are as follows:

Fiscal Year	Issue of July 31, 2000		
	Principal	Interest	Total
2006-07	\$ 505,000	\$ 38,098	\$ 543,098
2007-08	525,000	12,863	537,863
Total	\$ 1,030,000	\$ 50,961	\$ 1,080,961

Interest rate: 4.90% fixed annual rate.

Revenue Secured Loan: In April 2006, the City issued \$5,645,000 in Refunding Bonds, the proceeds of which were utilized to refund the 2000 water secured bonds. These water bonds, although general obligation bonds of the City, are a primary obligation of the Coos Bay-North Bend Water Board, and are being retired from revenues turned over by that agency. The refunding reduced total debt payments by \$433,251. The original acquisition price exceeded the net carrying value of the old debt and is being presented as a loss on refunding in the Statement of Activities in the amount of \$319,542.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT (CONTINUED)

The Water Board, by resolution, is pledged to establish, maintain and collect rates and charges for water service that will produce sufficient revenue, after deducting the expenses for operation and maintenance, to meet principal and interest payments when due. The future requirements for amortization of this April 2006 debt are as follows:

Fiscal Year	Issue of April 2006		
	Principal	Interest	Total
2006-07	\$ -	\$ 274,119	\$ 274,119
2007-08	210,000	245,368	455,368
2008-09	215,000	236,336	451,336
2009-10	225,000	226,986	451,986
2010-11	235,000	217,211	452,211
2011-16	1,365,000	905,400	2,270,400
2016-2021	1,725,000	541,675	2,266,675
2021-2026	1,670,000	144,741	1,814,741
Total	\$ 5,645,000	\$ 2,791,836	\$ 8,436,836

Interest rate: 4.25%-5.0%

On June 14, 2005, the Water Board secured another revenue loan with O.E.C.D.D. in the amount of \$125,000 which is a primary obligation of the city, for its portion of the water line Bay Crossing Project construction to be paid over 25 years at 4.97% annual interest.

The Water Board, by resolution, is pledged to establish, maintain, and collect rates and charges for water service that will produce sufficient revenue to meet principal and interest payments when due. The future requirements for amortization of this revenue secured debt are as follows:

Fiscal Year	Issue of June 14, 2005		
	Principal	Interest	Total
2006-07	\$ 2,692	\$ 5,928	\$ 8,620
2007-08	2,826	5,794	8,620
2008-09	2,966	5,654	8,620
2009-10	3,113	5,507	8,620
2010-11	3,268	5,352	8,620
2011-16	18,945	24,155	43,100
2016-2021	24,145	18,955	43,100
2021-2026	30,771	12,329	43,100
2026-2028	30,553	3,886	34,439
Total	\$ 119,279	\$ 87,560	\$ 206,839

Interest rate: 4.97% fixed annual rate.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT (CONTINUED)

In August of 2005, the City executed a Business Loan Agreement with a local bank for an \$800,000 loan, to be paid over 8 years at 4% annual interest. This loan is for a major arterial (Ocean Blvd) overlay and construction of a street received from the State in the Jurisdictional Exchange program several years ago. The loan amortization is as follows:

Fiscal Year	Issue of August 17, 2005		
	Principal	Interest	Total
2006-07	\$ 88,302	\$ 29,792	\$ 118,094
2007-08	91,920	26,174	118,094
2008-09	95,620	22,474	118,094
2009-10	99,603	18,491	118,094
2010-11	103,683	14,411	118,094
2011-2013	277,558	17,077	294,635
Total	<u>\$ 756,686</u>	<u>\$ 128,419</u>	<u>\$ 885,105</u>

Changes in Long-Term Liabilities: During the year ended June 30, 2006, the following changes occurred in long-term liabilities:

	Balance 7/1/2005	Additions	Reductions	Balance 6/30/2006
General Obligation:				
Sewer Bonds				
July 31, 2000 (refunding)	\$ 1,505,000	\$ -	\$ (475,000)	\$ 1,030,000
Water Bonds				
January 24, 2003 (refunding)	770,567	-	(209,237)	561,330
Revenue Bonds:				
Water Bonds				
June 14, 2005 (refunding)	125,000	-	(5,721)	119,279
Revenue Secured Loan:				
April, 2006 (refunding)	5,559,171	5,645,000	(5,559,171)	5,645,000
Business Loan:				
August 17, 2005	-	800,000	(43,314)	756,686
Total	<u>\$ 7,959,738</u>	<u>\$ 6,445,000</u>	<u>\$ (6,292,443)</u>	<u>\$ 8,112,295</u>

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG TERM DEBT (CONTINUED)

Interest Coupon Transactions: The following is a summary of interest coupon transactions for the year ended June 30, 2006:

	Matured Outstanding 7/1/2005	Matured	Redeemed	Matured Outstanding 6/30/2006
General Obligation:				
Sewer Bonds				
July 11, 1974 (Eastside)	\$ 63	\$ -	\$ -	\$ 63
July 31, 2000 (refunding)	-	62,107	62,107	-
Water Bonds				
July 11, 1974 (Eastside)	150	-	-	150
January 24, 2003 (refunding)	-	29,170	29,170	-
Revenue Bonds:				
Water Bonds				
June 14, 2005 (refunding)	-	2,899	2,899	-
Revenue Secured Loan:				
April 12, 2000	-	305,740	305,740	-
Business Loan:				
August 17, 2005	-	15,734	15,734	-
 Total	 <u>\$ 213</u>	 <u>\$ 415,650</u>	 <u>\$ 415,650</u>	 <u>\$ 213</u>

7. PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduces the amount of operating property tax revenues available to the City. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**CITY OF COOS BAY
COOS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. INVESTMENT IN JOINT VENTURE

Pursuant to an intergovernmental agreement authorized by state statutes, the City joined the City of North Bend to establish and operate a water board for the mutual advantage of the governments. The City's share of assets, liabilities, and fund equity is 50 percent. Following is a summary of the most recent financial information as of, and for the year ended June 30, 2006:

Cash and investments	\$ 3,782,798
Other assets	<u>50,971,013</u>
Total assets	<u>\$ 54,753,811</u>
Total liabilities	\$ 15,600,074
Total equity	<u>39,153,737</u>
Total liabilities and equity	<u>\$ 54,753,811</u>

The Coos Bay/North Bend Water Board issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Coos Bay/North Bend Water Board, P.O. Box 539, Coos Bay, OR 97420 or by calling (541) 267-3128.

10. RELATED PARTY TRANSACTIONS

All sewer service charges are billed by the Water Board as an accommodation for the Cities of Coos Bay and North Bend, Oregon, and collections thereon are remitted to the cities, less a handling fee, for providing these services. During the year ended June 30, 2006, the Water Board remitted \$2,513,554 to the City of Coos Bay, Oregon, which included sewer user fee revenues, alum sludge disposal fees, and interest earnings, (net of the handling fee totaling \$47,031).

11. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the beginning fund balance of the City in the amount of \$84,449. This adjustment is to account for the addition of the 911 Tax Fund to the City's financials. This fund was a separate entity in the past and has been incorporated into the City as of June 30, 2006.

An additional prior period adjustment was made to the beginning net assets City in the amount of \$18,545,451 to account for the City's equity investment in the Coos Bay/North Bend Water Board.

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CITY OF COOS BAY
COOS COUNTY, OREGON

REQUIRED SUPPLEMENTARY DATA

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**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2006**

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET (NEGATIVE)</u>
REVENUES				
Property Taxes	\$ 4,148,323	\$ 4,148,323	\$ 4,298,979	\$ 150,656
Other Taxes	161,000	161,000	197,859	36,859
Franchise Fees	936,000	936,000	1,054,232	118,232
Licenses and Permits	86,500	86,500	95,153	8,653
Intergovernmental	247,936	257,916	165,423	(92,493)
Charges For Services	214,737	214,737	210,851	(3,886)
Charges for use of money and property	74,350	74,350	173,653	99,303
Fines and Forfeitures	84,500	84,500	92,219	7,719
Miscellaneous	14,200	14,841	17,009	2,168
Total Revenue	<u>5,967,546</u>	<u>5,978,167</u>	<u>6,305,378</u>	<u>327,211</u>
EXPENDITURES				
General Government	969,254	969,254 (1)	805,651	163,603
Public Safety	4,834,094	4,834,735 (1)	4,637,507	197,228
Public Works	456,846	466,826 (1)	410,007	56,819
Contingency	300,000	300,000 (1)	-	300,000
Total Expenditures	<u>6,560,194</u>	<u>6,570,815</u>	<u>5,853,165</u>	<u>717,650</u>
Excess of Revenues Over (Under) Expenditures	<u>(592,648)</u>	<u>(592,648)</u>	<u>452,213</u>	<u>1,044,861</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	52,000	52,000	-	52,000
Transfers Out	(150,000)	(150,000) (1)	(150,000)	-
Total Other Financing Sources (Uses)	<u>(98,000)</u>	<u>(98,000)</u>	<u>(150,000)</u>	<u>(52,000)</u>
Net Change in Fund Balance	(690,648)	(690,648)	302,213	992,861
FUND BALANCE - BEGINNING OF YEAR	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,812,959</u>	<u>(87,041)</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,209,352</u>	<u>\$ 1,209,352</u>	<u>\$ 2,115,172</u>	<u>\$ 905,820</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

MAJOR CAPITAL RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 12,000	\$ 12,000	\$ 37,588	\$ 25,588
Property Sales	-	-	338,011	338,011
Grants	-	141,274	141,274	-
Others - Timber Sales	280,000	280,000	595,811	315,811
	<u>292,000</u>	<u>292,000</u>	<u>1,112,684</u>	<u>820,684</u>
Total Revenues				
EXPENDITURES				
General Government				
Materials and Services	25,000	25,000 (1)	18,815	6,185
Capital Outlay	528,650	669,924 (1)	585,248	84,676
Others - Reserve for Future Expenditures	598,350	598,350	-	598,350
	<u>1,152,000</u>	<u>1,293,274</u>	<u>604,063</u>	<u>689,211</u>
Total Expenditures				
Excess of Revenues Over (Under)				
Expenditures	(860,000)	(1,001,274)	508,621	1,509,895
Other Financing Sources (Uses)				
Transfers In	140,000	140,000	140,000	-
Transfers Out	(50,000)	(50,000) (1)	(50,000)	-
	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(770,000)	(911,274)	598,621	1,509,895
FUND BALANCE - BEGINNING OF YEAR	<u>770,000</u>	<u>770,000</u>	<u>809,136</u>	<u>39,136</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,407,757</u>	<u>\$ 1,407,757</u>

(1) Appropriation Level

CITY OF COOS BAY
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006

<u>JURISDICTIONAL EXCHANGE RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 155,000	\$ 155,000	\$ 219,771	\$ 64,771
Total Revenues	<u>155,000</u>	<u>155,000</u>	<u>219,771</u>	<u>64,771</u>
EXPENDITURES				
Public Works				
Materials and Services	20,000	20,000 (1)	1,550	18,450
Capital Outlay	520,000	1,260,000 (1)	924,286	335,714
Debt Service	-	60,000 (1)	59,047	953
Total Expenditures	<u>540,000</u>	<u>1,340,000</u>	<u>984,883</u>	<u>355,117</u>
Other Financing Sources, (Uses)				
Loan Proceeds	-	800,000	800,000	-
Total Other Financing Sources, (Uses)	<u>-</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Net Change in Fund Balance	(385,000)	(385,000)	34,888	419,888
FUND BALANCE - BEGINNING OF YEAR	<u>5,185,000</u>	<u>5,185,000</u>	<u>5,213,604</u>	<u>28,604</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 4,800,000</u></u>	<u><u>\$ 4,800,000</u></u>	<u><u>\$ 5,248,492</u></u>	<u><u>\$ 448,492</u></u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

	<u>WASTEWATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Intergovernmental				
Charleston	\$ 263,434	\$ 263,434	\$ 180,000	\$ (83,434)
Bunker Hill	119,373	119,373	95,923	(23,450)
Grants	-	-	13,072	13,072
Total Intergovernmental	<u>382,807</u>	<u>382,807</u>	<u>288,995</u>	<u>(93,812)</u>
Charges for Services				
Sewer Permits	4,000	4,000	11,653	7,653
Sewer Use Fees	2,555,482	2,555,482	2,560,585	5,103
Sewer Connection Fees	1,000	1,000	318	(682)
Recreational Vehicle Dump Fees	1,500	1,500	2,485	985
Alum Sludge Disposal Fees	80,000	80,000	67,350	(12,650)
Total Charges for Services	<u>2,641,982</u>	<u>2,641,982</u>	<u>2,642,391</u>	<u>409</u>
Charges for use of money and property				
Interest on Investments	10,000	10,000	55,501	45,501
Miscellaneous	140,000	141,855	18,499	(123,356)
Total Revenues	<u>3,174,789</u>	<u>3,176,644</u>	<u>3,005,386</u>	<u>(171,258)</u>
EXPENDITURES				
Wastewater Collection and Treatment				
Personal Services	247,042	247,042	247,567	(525)
Materials and Services	2,269,801	2,271,656	2,270,435	1,221
Capital Outlay	1,281,090	1,281,090	255,090	1,026,000
Total Wastewater Collection and Treatment	3,797,933	3,799,788 (1)	2,773,092	1,026,696
Contingency	10,332	10,332 (1)	-	10,332
Total Expenditures	<u>3,808,265</u>	<u>3,810,120</u>	<u>2,773,092</u>	<u>1,037,028</u>
Excess of Revenues Over (Under) Expenditures	(633,476)	(633,476)	232,294	865,770
Other Financing Sources (Uses)				
Transfers Out	(406,524)	(406,524) (1)	(406,523)	1
Net Change in Fund Balance	(1,040,000)	(1,040,000)	(174,229)	865,771
FUND BALANCE - BEGINNING OF YEAR	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,271,946</u>	<u>21,946</u>
FUND BALANCE - END OF YEAR	<u>\$ 210,000</u>	<u>\$ 210,000</u>	<u>1,097,717</u>	<u>\$ 887,717</u>
Reconciliation to Net Assets:				
Capital Assets, Net			<u>11,144,551</u>	
Total Net Assets			<u>\$ 12,242,268</u>	

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>WASTEWATER EQUIPMENT RESERVE</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 5,000	\$ 5,000	\$ 7,809	\$ 2,809
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>7,809</u>	<u>2,809</u>
EXPENDITURES				
Public Works				
Materials and Services	10,000	- (1)	-	-
Capital Outlay	700,000	743,000 (1)	738,754	4,246
Total Expenditures	<u>710,000</u>	<u>743,000</u>	<u>738,754</u>	<u>4,246</u>
Excess of Revenues Over (Under) Expenditures	<u>(705,000)</u>	<u>(738,000)</u>	<u>(730,945)</u>	<u>7,055</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	350,000	350,000	350,000	-
Total Other Financing Sources (Uses)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Net Change in Fund Balance	(355,000)	(388,000)	(380,945)	7,055
FUND BALANCE - BEGINNING OF YEAR	<u>355,000</u>	<u>388,000</u>	<u>388,817</u>	<u>817</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,872</u>	<u>\$ 7,872</u>

(1) Appropriation Level

CITY OF COOS BAY
COOS COUNTY, OREGON

COMBINING BALANCE SHEET
ALL NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2006

	COMBINED NONMAJOR SPECIAL REVENUE FUNDS	COMBINED NONMAJOR DEBT SERVICE FUNDS	COMBINED NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 944,944	\$ 568,287	\$ 658,399	\$ 2,171,630
Receivables				
Taxes	-	43,751	-	43,751
Accounts	351,241	-	-	351,241
Assessments	-	-	3,800	3,800
Prepaid Expenses	2,166	-	-	2,166
Total Assets	<u>\$ 1,298,351</u>	<u>\$ 612,038</u>	<u>\$ 662,199</u>	<u>\$ 2,572,588</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES				
Accounts Payable	\$ 50,550	\$ -	\$ 17,169	\$ 67,719
Compensated Absences Payable	82,507	-	-	82,507
Deferred Revenue	-	32,559	3,675	36,234
Matured Interest Payable	-	213	-	213
Total Liabilities	<u>133,057</u>	<u>32,772</u>	<u>20,844</u>	<u>186,673</u>
FUND BALANCES				
Reserved for				
Debt Service	-	579,266	-	579,266
Unreserved, reported in				
Special Revenue Funds	1,165,294	-	-	1,165,294
Capital Projects Funds	-	-	641,355	641,355
Total Fund Balances	<u>1,165,294</u>	<u>579,266</u>	<u>641,355</u>	<u>2,385,915</u>
Total Liabilities and Fund Balances	<u>\$ 1,298,351</u>	<u>\$ 612,038</u>	<u>662,199</u>	<u>\$ 2,572,588</u>

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2006**

	STATE GAS TAX	SPECIAL POLICE	HOTEL/ MOTEL TAX	LIBRARY	911 Tax	TOTAL
ASSETS						
Cash and Investments	\$ 332,376	\$ 39,662	\$ 171,075	\$ 344,605	\$ 57,226	\$ 944,944
Receivables						
Accounts	94,491	-	123,902	81,814	51,034	351,241
Prepaid Expenses	-	-	-	2,166	-	2,166
Total Assets	<u>\$ 426,867</u>	<u>\$ 39,662</u>	<u>\$ 294,977</u>	<u>\$ 428,585</u>	<u>\$ 108,260</u>	<u>\$ 1,298,351</u>
LIABILITIES AND FUND BALANCES:						
LIABILITIES						
Accounts Payable	\$ 5,463	\$ -	\$ 38,607	\$ 6,478	\$ 2	\$ 50,550
Compensated Absences Payable	17,566	-	-	64,941	-	82,507
Total Liabilities	<u>23,029</u>	<u>-</u>	<u>38,607</u>	<u>71,419</u>	<u>2</u>	<u>133,057</u>
FUND BALANCES						
Unreserved, reported in Special Revenue Funds	403,838	39,662	256,370	357,166	108,258	1,165,294
Total Fund Balances	<u>403,838</u>	<u>39,662</u>	<u>256,370</u>	<u>357,166</u>	<u>108,258</u>	<u>1,165,294</u>
Total Liabilities and Fund Balances	<u>\$ 426,867</u>	<u>\$ 39,662</u>	<u>\$ 294,977</u>	<u>\$ 428,585</u>	<u>\$ 108,260</u>	<u>\$ 1,298,351</u>

CITY OF COOS BAY
COOS COUNTY, OREGON

COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
June 30, 2006

	<u>GO BOND REDEMPTION</u>	<u>REVENUE BOND</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 568,287	\$ -	\$ 568,287
Receivables			
Taxes	43,751	-	43,751
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 612,038	\$ -	\$ 612,038
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES:			
LIABILITIES			
Deferred Revenue	\$ 32,559	\$ -	\$ 32,559
Matured Interest Payable	213	-	213
	<hr/>	<hr/>	<hr/>
Total Liabilities	32,772	-	32,772
	<hr/>	<hr/>	<hr/>
FUND BALANCES			
Reserved for Debt Service	579,266	-	579,266
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 612,038	\$ -	\$ 612,038
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**CITY OF COOS BAY
COOS COUNTY, OREGON**

**COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2006**

	STREET IMPROVEMENT	PARKS IMPROVEMENT	BIKE/ PEDESTRIAN IMPROVEMENT	SPECIAL IMPROVEMENT
ASSETS				
Cash and Investments	\$ 201,434	\$ 3,820	\$ 62,555	\$ 152,346
Receivables				
Assessments	-	-	-	3,675
Total Assets	<u>\$ 201,434</u>	<u>\$ 3,820</u>	<u>\$ 62,555</u>	<u>\$ 156,021</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES				
Accounts Payable	\$ -	\$ 415	\$ 600	\$ -
Deferred Revenues	-	-	-	3,675
Total Liabilities	<u>-</u>	<u>415</u>	<u>600</u>	<u>3,675</u>
FUND BALANCES				
Unreserved, reported in:				
Capital Projects Funds	201,434	3,405	61,955	152,346
Total Fund Balances	<u>201,434</u>	<u>3,405</u>	<u>61,955</u>	<u>152,346</u>
Total Liabilities and Fund Balances	<u>\$ 201,434</u>	<u>\$ 3,820</u>	<u>\$ 62,555</u>	<u>\$ 156,021</u>

<u>INSURANCE RESERVE</u>	<u>PUBLIC WORKS EQUIPMENT RESERVE</u>	<u>MINOR CAPITAL IMPROVEMENT</u>	<u>TECHNOLOGY RESERVE</u>	<u>TOTAL</u>
\$ 152,427	\$ 32,074	\$ 75	\$ 53,668	\$ 658,399
-	-	125	-	3,800
<u>\$ 152,427</u>	<u>\$ 32,074</u>	<u>\$ 200</u>	<u>\$ 53,668</u>	<u>\$ 662,199</u>
\$ -	\$ -	\$ 200	\$ 15,954	\$ 17,169
-	-	-	-	3,675
-	-	200	15,954	20,844
152,427	32,074	-	37,714	641,355
152,427	32,074	-	37,714	641,355
<u>\$ 152,427</u>	<u>\$ 32,074</u>	<u>\$ 200</u>	<u>\$ 53,668</u>	<u>\$ 662,199</u>

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006**

	COMBINED NONMAJOR SPECIAL REVENUE FUNDS	COMBINED NONMAJOR DEBT SERVICE FUNDS	COMBINED NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ -	\$ 459,547	\$ -	\$ 459,547
Other Taxes	1,284,291	-	-	1,284,291
Intergovernmental Revenues	944,697	714,705	292,246	1,951,648
Charges for Services	84,886	-	-	84,886
Charge for use of money and property	51,977	17,551	111,710	181,238
Miscellaneous	78,764	-	19,725	98,489
Total Revenues	<u>2,444,615</u>	<u>1,191,803</u>	<u>423,681</u>	<u>4,060,099</u>
EXPENDITURES				
Current				
Public Safety	164,775	-	-	164,775
Public Works	1,105,456	-	-	1,105,456
Culture and Recreation	894,209	-	6,311	900,520
Capital Outlay	10,713	-	625,979	636,692
Debt Service:				
Principal Retirement	-	988,759	-	988,759
Interest and Fiscal Charges	-	399,917	-	399,917
Total Expenditures	<u>2,175,153</u>	<u>1,388,676</u>	<u>632,290</u>	<u>4,196,119</u>
Excess of Revenues Over (Under) Expenditures	269,462	(196,873)	(208,609)	(136,020)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	10,000	36,523	287,634	334,157
Operating Transfers Out	(217,634)	-	-	(217,634)
Bond Proceeds	-	5,794,329	-	5,794,329
Payment to Refunded Bond Escrow	-	(5,716,730)	-	(5,716,730)
Bond Issue Costs	-	(77,599)	-	(77,599)
Total Other Financing Sources, (Uses)	<u>(207,634)</u>	<u>36,523</u>	<u>287,634</u>	<u>116,523</u>
Net Change in Fund Balance	61,828	(160,350)	79,025	(19,497)
PRIOR PERIOD ADJUSTMENT	84,449	-	-	84,449
FUND BALANCES - BEGINNING OF YEAR	<u>1,019,017</u>	<u>739,616</u>	<u>562,330</u>	<u>2,320,963</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,165,294</u>	<u>\$ 579,266</u>	<u>\$ 641,355</u>	<u>\$ 2,385,915</u>

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006**

	STATE GAS TAX	SPECIAL POLICE	HOTEL/ MOTEL TAX	LIBRARY	911 Tax	TOTAL
REVENUES						
Other Taxes	\$ -	\$ -	\$ 496,741	\$ 787,550	\$ -	\$ 1,284,291
Charges for use of money and property	18,235	1,320	11,385	21,037	-	51,977
Intergovernmental Revenues	763,973	22,453	-	11,522	146,749	944,697
Charges for Services	-	7,210	-	78,356	-	85,566
Miscellaneous	35,760	15,336	-	24,586	2,402	78,084
Total Revenues	817,968	46,319	508,126	923,051	149,151	2,444,615
EXPENDITURES						
Current						
Public Safety	-	39,433	-	-	125,342	164,775
Public Works	609,544	-	495,912	-	-	1,105,456
Culture and Recreation	-	-	-	894,209	-	894,209
Capital Outlay	1,200	-	-	9,513	-	10,713
Total Expenditures	610,744	39,433	495,912	903,722	125,342	2,175,153
Excess of Revenues Over (Under) Expenditures	207,224	6,886	12,214	19,329	23,809	269,462
OTHER FINANCING SOURCES (USES)						
Transfer In	-	10,000	-	-	-	10,000
Transfer Out	(217,634)	-	-	-	-	(217,634)
Total Other Financing Sources (Uses)	(217,634)	10,000	-	-	-	(207,634)
Net Change in Fund Balance	(10,410)	16,886	12,214	19,329	23,809	61,828
PRIOR PERIOD ADJUSTMENT	-	-	-	-	84,449	84,449
FUND BALANCES - BEGINNING OF YEAR	414,248	22,776	244,156	337,837	-	1,019,017
FUND BALANCES - END OF YEAR	\$ 403,838	\$ 39,662	\$ 256,370	357,166	\$ 108,258	1,165,294

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
For the Year Ended June 30, 2006**

	GO BOND REDEMPTION	REVENUE BOND	TOTAL
REVENUES			
Property Taxes	\$ 459,547	\$ -	\$ 459,547
Intergovernmental	-	714,705	714,705
Charges for use of money and property	17,551	-	17,551
Total Revenues	<u>477,098</u>	<u>714,705</u>	<u>1,191,803</u>
EXPENDITURES			
Debt Services			
Principal Retirement	475,000	513,759	988,759
Interest and Fiscal Charges	62,108	337,809	399,917
Total Expenditures	<u>537,108</u>	<u>851,568</u>	<u>1,388,676</u>
Excess of Revenues Over (Under) Expenditures	<u>(60,010)</u>	<u>(136,863)</u>	<u>(196,873)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	36,523	-	36,523
Bond Proceeds	-	5,794,329	5,794,329
Payment to Refunded Bond Escrow	-	(5,716,730)	(5,716,730)
Bond Issue Costs	-	(77,599)	(77,599)
Total Other Financing Sources (Uses)	<u>36,523</u>	<u>-</u>	<u>36,523</u>
Net Change in Fund Balance	(23,487)	(136,863)	(160,350)
FUND BALANCES - BEGINNING OF YEAR	<u>602,753</u>	<u>136,863</u>	<u>739,616</u>
FUND BALANCES - END OF YEAR	<u>\$ 579,266</u>	<u>\$ -</u>	<u>\$ 579,266</u>

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**CITY OF COOS BAY
COOS COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2006**

	STREET IMPROVEMENT	PARKS IMPROVEMENT	BIKE/ PEDESTRIAN IMPROVEMENT	SPECIAL IMPROVEMENT
REVENUES				
Intergovernmental Revenues	\$ 267,246	\$ -	\$ 25,000	\$ -
Charges for use of money and property	10,069	975	1,900	6,109
Miscellaneous	-	100,367	2,095	1,514
Total Revenues	<u>277,315</u>	<u>101,342</u>	<u>28,995</u>	<u>7,623</u>
EXPENDITURES				
Current:				
Materials and Services	-	2,652	-	-
Capital Outlay	317,291	137,572	13,302	-
Total Expenditures	<u>317,291</u>	<u>140,224</u>	<u>13,302</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(39,976)</u>	<u>(38,882)</u>	<u>15,693</u>	<u>7,623</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	160,000	-	7,634	-
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>-</u>	<u>7,634</u>	<u>-</u>
Net Changes in Fund Balance	120,024	(38,882)	23,327	7,623
FUND BALANCES - BEGINNING OF YEAR	<u>81,410</u>	<u>42,287</u>	<u>38,628</u>	<u>144,723</u>
FUND BALANCES - END OF YEAR	<u>\$ 201,434</u>	<u>\$ 3,405</u>	<u>\$ 61,955</u>	<u>\$ 152,346</u>

INSURANCE RESERVE	PUBLIC WORKS EQUIPMENT RESERVE	MINOR CAPITAL IMPROVEMENT	TECHNOLOGY RESERVE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ 292,246
5,344	1,137	-	1,925	27,459
-	-	-	-	103,976
<u>5,344</u>	<u>1,137</u>	<u>-</u>	<u>1,925</u>	<u>423,681</u>
-	-	-	3,659	6,311
-	47,500	35,900	74,414	625,979
-	47,500	35,900	78,073	632,290
<u>5,344</u>	<u>(46,363)</u>	<u>(35,900)</u>	<u>(76,148)</u>	<u>(208,609)</u>
<u>20,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>287,634</u>
<u>20,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>287,634</u>
25,344	3,637	(35,900)	(26,148)	79,025
<u>127,083</u>	<u>28,437</u>	<u>35,900</u>	<u>63,862</u>	<u>562,330</u>
<u>\$ 152,427</u>	<u>\$ 32,074</u>	<u>\$ -</u>	<u>\$ 37,714</u>	<u>\$ 641,355</u>

CITY OF COOS BAY
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006

	<u>STATE GAS TAX FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Intergovernmental				
State Gas Tax	\$ 720,000	\$ 720,000	\$ 763,973	\$ 43,973
Charges for use of money and property				
Interest on Investments	3,000	3,000	18,235	15,235
Grant	-	-	11,614	11,614
Miscellaneous	300	300	24,146	23,846
	<u>723,300</u>	<u>723,300</u>	<u>817,968</u>	<u>94,668</u>
Total Revenues				
EXPENDITURES				
Public Works				
Personal Services	338,833	338,833	296,007	42,826
Materials and Services	407,550	407,550	313,537	94,013
Capital Outlay	1,200	1,200	1,200	-
Total Street Maintenance	747,583	747,583 (1)	610,744	136,839
	<u>17,717</u>	<u>17,717 (1)</u>	<u>-</u>	<u>17,717</u>
Contingency				
Total Expenditures	<u>765,300</u>	<u>765,300 (1)</u>	<u>610,744</u>	<u>154,556</u>
Excess of Revenues Over (Under) Expenditures	(42,000)	(42,000)	207,224	249,224
OTHER FINANCING SOURCES (USES)				
Transfers Out	(218,000)	(218,000) (1)	(217,634)	366
Net Change in Fund Balance	(260,000)	(260,000)	(10,410)	249,590
FUND BALANCE - BEGINNING OF YEAR	<u>320,000</u>	<u>320,000</u>	<u>414,248</u>	<u>94,248</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 403,838</u>	<u>\$ 343,838</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

	<u>SPECIAL POLICE FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Intergovernmental				
Federal Grants	\$ 11,500	\$ 11,500	\$ 2,559	\$ (8,941)
Other Grants	2,000	20,334	19,894	(440)
Total Intergovernmental	<u>13,500</u>	<u>31,834</u>	<u>22,453</u>	<u>(9,381)</u>
Charges for Services				
DUII Impact Panel Fees	7,000	7,000	6,530	(470)
DRE Reimbursement	500	500	-	500
Fire Education Fees	-	-	680	680
Total Charges for Services	<u>7,500</u>	<u>7,500</u>	<u>7,210</u>	<u>(290)</u>
Charges for use for money and property				
Interest on Investments	450	450	1,320	870
Miscellaneous	14,500	23,114	15,336	(7,778)
Total Revenues	<u>35,950</u>	<u>62,898</u>	<u>46,319</u>	<u>(16,579)</u>
EXPENDITURES				
Public Safety				
Personal Services	11,000	11,000	2,685	8,315
Materials and Services	49,550	76,498	36,748	39,750
Total Expenditures	<u>60,550</u>	<u>87,498 (1)</u>	<u>39,433</u>	<u>48,065</u>
Excess of Revenues Over (Under) Expenditures	(24,600)	(24,600)	6,886	31,486
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,000	10,000	-
Net Change in Fund Balance	(14,600)	(14,600)	16,886	31,486
FUND BALANCE - BEGINNING OF YEAR	<u>14,600</u>	<u>14,600</u>	<u>22,776</u>	<u>8,176</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,662</u>	<u>\$ 39,662</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>HOTEL/MOTEL TAX FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes				
Hotel/motel Tax	\$ 448,000	\$ 448,000	\$ 496,741	\$ 48,741
Charges for use of money and property				
Interest on Investments	3,000	3,000	10,665	7,665
Property Rentals	1,000	1,000	720	(280)
Total Charges for use of money and property	4,000	4,000	11,385	7,385
Total Revenues	452,000	452,000	508,126	56,126
EXPENDITURES				
Public Works				
Personal Services	177,429	177,429	166,018	11,411
Materials and Services	322,571	337,571	329,894	7,677
Total Expenditures	500,000	515,000 (1)	495,912	19,088
Excess of Revenues Over (Under) Expenditures	(48,000)	(63,000)	12,214	37,038
OTHER FINANCING SOURCES (USES)				
Transfer Out	(52,000)	(52,000) (1)	-	52,000
Total Other Financing Sources, (Uses)	(52,000)	(52,000)	-	52,000
Net Change in Fund Balance	(100,000)	(115,000)	12,214	127,214
FUND BALANCE - BEGINNING OF YEAR	130,000	145,000	244,156	99,156
FUND BALANCE - END OF YEAR	\$ 30,000	\$ 30,000	\$ 256,370	\$ 226,370

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

	<u>LIBRARY FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Taxes				
County Serial Levy	\$ 740,000	\$ 740,000	\$ 787,550	\$ 47,550
Intergovernmental				
State Library Grant	2,000	2,000	3,872	1,872
Memorial Grants	15,000	15,000	7,650	(7,350)
Total Intergovernmental	17,000	17,000	11,522	(5,478)
Charges for Services				
Copies	5,000	5,000	3,376	(1,624)
Database Specialist Fees	46,986	46,986	48,980	1,994
Library Fees	25,000	25,000	26,000	1,000
Total Charge for Services	76,986	76,986	78,356	1,370
Charges for use of money and property				
Interest on Investments	4,200	4,200	18,237	14,037
Property Rentals	2,600	2,600	2,800	200
Total Charges for use of money and property	6,800	6,800	21,037	14,237
Miscellaneous				
Donations	12,000	12,000	23,553	11,553
Other	1,900	1,900	1,033	(867)
Total Miscellaneous	13,900	13,900	24,586	10,686
Total Revenues	854,686	854,686	923,051	68,365
EXPENDITURES				
Cultural and Recreation				
Personal Services	682,075	682,075 (1)	667,923	14,152
Materials and Services	204,300	204,300 (1)	196,324	7,976
Capital Outlay	12,100	12,100 (1)	9,513	2,587
Contingency	236,211	236,211 (1)	-	236,211
Library Board Reserve	51,000	51,000 (1)	29,962	21,038
Total Expenditures	1,185,686	1,185,686	903,722	281,964
Net Change in Fund Balance	(331,000)	(331,000)	19,329	350,329
FUND BALANCE - BEGINNING OF YEAR	331,000	331,000	337,837	6,837
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357,166</u>	<u>\$ 357,166</u>

(1) Appropriation Level

CITY OF COOS BAY
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006

	<u>911 TAX FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
911 Revenue	\$ 136,000	\$ 136,000	\$ 146,749	\$ 10,749
Interest	1,000	1,000	2,402	1,402
Total Miscellaneous	<u>137,000</u>	<u>137,000</u>	<u>149,151</u>	<u>12,151</u>
Total Revenues	<u>137,000</u>	<u>137,000</u>	<u>149,151</u>	<u>12,151</u>
EXPENDITURES				
Public Safety				
Personal Services	130,000	130,000 (1)	111,471	18,529
Materials and Services	<u>25,000</u>	<u>25,000 (1)</u>	<u>13,871</u>	<u>11,129</u>
Total Expenditures	<u>155,000</u>	<u>155,000</u>	<u>125,342</u>	<u>29,658</u>
Net Change in Fund Balance	(18,000)	(18,000)	23,809	41,809
PRIOR PERIOD ADJUSTMENT	-	-	84,449	84,449
FUND BALANCE - BEGINNING OF YEAR	<u>68,000</u>	<u>68,000</u>	-	<u>(68,000)</u>
FUND BALANCE - END OF YEAR	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 108,258</u>	<u>\$ 58,258</u>

(1) Appropriation Level

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>GENERAL OBLIGATION BOND REDEMPTION FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Taxes	\$ 454,819	\$ 454,819	\$ 459,547	\$ 4,728
Charges for use of money and property				
Interest on Investments	<u>6,000</u>	<u>6,000</u>	<u>17,551</u>	<u>11,551</u>
Total Revenues	<u>460,819</u>	<u>460,819</u>	<u>477,098</u>	<u>16,279</u>
EXPENDITURES				
Debt Service				
Principal	475,000	475,000	475,000	-
Interest	<u>62,108</u>	<u>62,108</u>	<u>62,108</u>	<u>-</u>
Total Expenditures	<u>537,108</u>	<u>537,108 (1)</u>	<u>537,108</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(76,289)	(76,289)	(60,010)	16,279
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>36,524</u>	<u>36,524</u>	<u>36,523</u>	<u>(1)</u>
Net Change in Fund Balance	(39,765)	(39,765)	(23,487)	16,278
FUND BALANCE - BEGINNING OF YEAR	<u>570,000</u>	<u>570,000</u>	<u>602,753</u>	<u>32,753</u>
FUND BALANCE - END OF YEAR	<u>\$ 530,235</u>	<u>\$ 530,235</u>	<u>\$ 579,266</u>	<u>\$ 49,031</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

	<u>REVENUE BOND FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Intergovernmental				
CB-NB Water Board	\$ 737,385	\$ 737,385	\$ 714,705	\$ (22,680)
Total Revenues	<u>737,385</u>	<u>737,385</u>	<u>714,705</u>	<u>(22,680)</u>
EXPENDITURES				
Debt Service				
Principal	528,038	528,038	513,759	14,279
Interest	346,210	346,210	337,809	8,401
Total Expenditures	<u>874,248</u>	<u>874,248 (1)</u>	<u>851,568</u>	<u>22,680</u>
Excess of Revenues				
Over (Under) Expenditures	<u>(136,863)</u>	<u>(136,863)</u>	<u>(136,863)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	5,794,329	5,794,329
Payment to Refunded Bond Escrow	-	-	(5,716,730)	(5,716,730)
Bond Issue Costs	-	-	(77,599)	(77,599)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(136,863)</u>	<u>(136,863)</u>	<u>(136,863)</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>136,863</u>	<u>136,863</u>	<u>136,863</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>STREET IMPROVEMENT FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Intergovernmental				
State	\$ 268,314	\$ 268,314	\$ 267,246	\$ (1,068)
Charges for use of money and property				
Interest on Investments	-	-	10,069	10,069
Total Revenues	<u>268,314</u>	<u>268,314</u>	<u>277,315</u>	<u>9,001</u>
EXPENDITURES				
Public Works				
Capital Outlay	508,314	508,314 (1)	317,291	191,023
Total Expenditures	<u>508,314</u>	<u>508,314</u>	<u>317,291</u>	<u>191,023</u>
Excess of Revenues Over (Under) Expenditures	(240,000)	(240,000)	(39,976)	200,024
OTHER FINANCING SOURCES (USES)				
Transfers In	160,000	160,000	160,000	-
Net Change in Fund Balance	(80,000)	(80,000)	120,024	200,024
FUND BALANCE - BEGINNING OF YEAR	<u>80,000</u>	<u>80,000</u>	<u>81,410</u>	<u>1,410</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,434</u>	<u>\$ 201,434</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

PARKS IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 600	\$ 600	\$ 975	\$ 375
Grants	140,000	140,000	85,226	(54,774)
Donations	53,000	53,000	15,141	(37,859)
Total Revenues	<u>193,600</u>	<u>193,600</u>	<u>101,342</u>	<u>(92,258)</u>
EXPENDITURES				
Culture and Recreation				
Materials and Services	3,000	3,000 (1)	2,652	348
Capital Outlay	232,345	232,345 (1)	137,572	94,773
Total Expenditures	<u>235,345</u>	<u>235,345</u>	<u>140,224</u>	<u>95,121</u>
Excess of Revenues Over (Under)				
Expenditures	(41,745)	(41,745)	(38,882)	2,863
FUND BALANCE - BEGINNING OF YEAR	<u>43,745</u>	<u>43,745</u>	<u>42,287</u>	<u>(1,458)</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 3,405</u>	<u>\$ 1,405</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

BIKE/PEDESTRIAN PATH CONSTRUCTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Grants	\$ -	\$ 75,000	\$ 25,000	\$ (50,000)
Charges for use of money and property				
Interest on Investments	500	500	1,900	1,400
Miscellaneous				
Donations	18,500	18,500	2,095	(16,405)
Total Revenues	<u>19,000</u>	<u>94,000</u>	<u>28,995</u>	<u>(65,005)</u>
EXPENDITURES				
Culture and Recreation				
Capital Outlay	67,500	142,500 (1)	13,302	129,198
Total Expenditures	<u>67,500</u>	<u>142,500</u>	<u>13,302</u>	<u>129,198</u>
Excess of Revenues Over (Under)				
Expenditures	(48,500)	(48,500)	15,693	64,193
OTHER FINANCING SOURCES (USES)				
Transfers In	8,000	8,000	7,634	(366)
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>8,000</u>	<u>7,634</u>	<u>(366)</u>
Net Change in Fund Balance	(40,500)	(40,500)	23,327	63,827
FUND BALANCE - BEGINNING OF YEAR	<u>40,500</u>	<u>40,500</u>	<u>38,628</u>	<u>(1,872)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,955</u>	<u>\$ 61,955</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>SPECIAL IMPROVEMENT FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 2,500	\$ 2,500	\$ 6,109	\$ 3,609
Miscellaneous				
Principal	6,500	6,500	490	(6,010)
LID Deposit	-	-	1,000	1,000
Interest	1,000	1,000	24	(976)
Total Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>1,514</u>	<u>(5,986)</u>
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>7,623</u>	<u>(2,377)</u>
EXPENDITURES				
Culture and Recreation				
Materials and Services	20,000	20,000 (1)	-	20,000
Capital Outlay	126,000	126,000 (1)	-	126,000
Total Expenditures	<u>146,000</u>	<u>146,000</u>	<u>-</u>	<u>146,000</u>
Net Change in Fund Balance	(136,000)	(136,000)	7,623	143,623
FUND BALANCE - BEGINNING OF YEAR	<u>136,000</u>	<u>136,000</u>	<u>144,723</u>	<u>8,723</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,346</u>	<u>\$ 152,346</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2006**

	<u>INSURANCE RESERVE FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 2,000	\$ 2,000	\$ 5,344	\$ 3,344
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>5,344</u>	<u>3,344</u>
EXPENDITURES				
Culture and Recreation				
Reserve for Future Expenditures	148,000	148,000	-	148,000
Total Expenditures	<u>148,000</u>	<u>148,000</u>	<u>-</u>	<u>148,000</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(146,000)</u>	<u>(146,000)</u>	<u>5,344</u>	<u>151,344</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balance	(126,000)	(126,000)	25,344	151,344
FUND BALANCE - BEGINNING OF YEAR	<u>126,000</u>	<u>126,000</u>	<u>127,083</u>	<u>1,083</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,427</u>	<u>\$ 152,427</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>PUBLIC WORKS EQUIPMENT RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 100	\$ 100	\$ 1,137	\$ 1,037
Total Revenues	<u>100</u>	<u>100</u>	<u>1,137</u>	<u>1,037</u>
EXPENDITURES				
Public works				
Capital Outlay	50,000	50,000 (1)	47,500	2,500
Reserve for Future Expenditures	<u>28,500</u>	<u>28,500</u>	<u>-</u>	<u>28,500</u>
Total Expenditures	<u>78,500</u>	<u>78,500</u>	<u>47,500</u>	<u>31,000</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(78,400)</u>	<u>(78,400)</u>	<u>(46,363)</u>	<u>32,037</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	(28,400)	(28,400)	3,637	32,037
FUND BALANCE - BEGINNING OF YEAR	<u>28,400</u>	<u>28,400</u>	<u>28,437</u>	<u>37</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,074</u>	<u>\$ 32,074</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>MINOR CAPITAL RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 400	\$ 400	\$ -	\$ (400)
Total Revenues	400	400	-	(400)
EXPENDITURES				
General Government				
Capital Outlay	35,900	35,900 (1)	35,900	-
Total Expenditures	35,900	35,900	35,900	-
Net Change in Fund Balance	(35,500)	(35,500)	(35,900)	(400)
FUND BALANCE - BEGINNING OF YEAR	35,500	35,500	35,900	400
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>TECHNOLOGY RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 300	\$ 300	\$ 1,925	\$ 1,625
Total Revenues	<u>300</u>	<u>300</u>	<u>1,925</u>	<u>1,625</u>
EXPENDITURES				
General Government				
Materials and Services	5,000	5,000 (1)	3,659	1,341
Capital Outlay	76,400	86,400 (1)	74,414	11,986
Total Expenditures	<u>81,400</u>	<u>91,400</u>	<u>78,073</u>	<u>13,327</u>
Excess of Revenues Over (Under) Expenditures	<u>(81,100)</u>	<u>(91,100)</u>	<u>(76,148)</u>	<u>14,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	(31,100)	(41,100)	(26,148)	14,952
FUND BALANCE - BEGINNING OF YEAR	<u>31,100</u>	<u>41,100</u>	<u>63,862</u>	<u>22,762</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,714</u>	<u>\$ 37,714</u>

(1) Appropriation Level

CITY OF COOS BAY
COOS COUNTY, OREGON

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2006

	BUILDING CODES	BUILDING CODES RESERVE	TOTAL
ASSETS			
Current Assets			
Cash and Investments	\$ 478,535	\$ 7,574	\$ 486,109
Total Assets	\$ 478,535	\$ 7,574	\$ 486,109
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 401	\$ -	\$ 401
Deposits	3,582	-	3,582
Accrued Vacation	1,732	-	1,732
Deferred Revenues	-	-	-
Total Liabilities	5,715	-	5,715
NET ASSETS			
Restricted for			
Capital Projects	-	-	-
Unrestricted	472,820	7,574	480,394
Total Net Assets	\$ 472,820	\$ 7,574	\$ 480,394

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2006**

	BUILDING CODES	BUILDING CODES RESERVE	TOTAL
OPERATING REVENUES			
Licenses and Permits	\$ 316,819	\$ -	\$ 316,819
Total Operating Revenues	316,819	-	316,819
OPERATING EXPENSES			
Personal Services	190,484	-	190,484
Materials and Services	46,154	-	46,154
Capital Outlay	-	32,071	32,071
Total Operating Expenses	236,638	32,071	268,709
Operating Income (Loss)	80,181	(32,071)	48,110
NON-OPERATING REVENUES (EXPENSES)			
Interest on Investments	16,451	966	17,417
Other Revenue (Expenses)	663	-	663
Total Non-Operating Revenues (Expenses)	17,114	966	18,080
Net Income (Loss) before Operating Transfers	97,295	(31,105)	66,190
OPERATING TRANSFERS			
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
Net Transfers	(10,000)	10,000	-
Change in Net Assets	87,295	(21,105)	66,190
Total Net Assets - Beginning of Year	385,525	28,679	414,204
Total Net Assets - End of Year	\$ 472,820	\$ 7,574	\$ 480,394

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2006**

	<u>BUILDING CODES FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Licenses and Permits	\$ 220,750	\$ 220,750	\$ 316,819	\$ 96,069
Charges for use of money and property				
Interest on Investments	2,100	2,100	16,451	14,351
Miscellaneous	100	100	663	563
Total Revenues	<u>222,950</u>	<u>222,950</u>	<u>333,933</u>	<u>110,983</u>
EXPENDITURES				
Public Works				
Personal Services	227,112	227,112	190,484	36,628
Materials and Services	43,200	43,200	46,154	(2,954)
Contingency	11,638	11,638	-	11,638
Total Expenditures	<u>281,950</u>	<u>281,950 (1)</u>	<u>236,638</u>	<u>45,312</u>
Excess of Revenues Over (Under) Expenditures	(59,000)	(59,000)	97,295	156,295
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(10,000)</u>	<u>(10,000) (1)</u>	<u>(10,000)</u>	<u>-</u>
Net Change in Fund Balance	(69,000)	(69,000)	87,295	156,295
FUND BALANCE - BEGINNING OF YEAR	<u>134,000</u>	<u>134,000</u>	<u>385,525</u>	<u>251,525</u>
FUND BALANCE - END OF YEAR	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 472,820</u>	<u>\$ 407,820</u>

(1) Appropriation Level

**CITY OF COOS BAY
COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2006**

<u>BUILDING CODES RESERVE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Charges for use of money and property				
Interest on Investments	\$ 400	\$ 400	\$ 966	\$ 566
Total Revenues	<u>400</u>	<u>400</u>	<u>966</u>	<u>566</u>
EXPENDITURES				
Public Works				
Capital Outlay	<u>37,300</u>	<u>37,300 (1)</u>	<u>32,071</u>	<u>5,229</u>
Total Expenditures	<u>37,300</u>	<u>37,300</u>	<u>32,071</u>	<u>5,229</u>
Excess of Revenues Over Expenditures	<u>(36,900)</u>	<u>(36,900)</u>	<u>(31,105)</u>	<u>5,795</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	(26,900)	(26,900)	(21,105)	5,795
FUND BALANCE - BEGINNING OF YEAR	<u>26,900</u>	<u>26,900</u>	<u>28,679</u>	<u>1,779</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,574</u>	<u>\$ 7,574</u>

(1) Appropriation Level

CITY OF COOS BAY
COOS COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2006

General Fund:	IMPOSED LEVY OR OR BALANCE UNCOLLECTED AT 7/1/05	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/06
TAX YEAR					
Current:					
2005-06	\$ 4,343,600	\$ 108,858	\$ (11,113)	\$ 4,019,936	\$ 203,693
Prior Years:					
2004-05	206,309	(24)	(2,032)	111,127	93,174
2003-04	96,178	(9)	(1,004)	46,976	48,207
2002-03	59,613	(9)	(732)	38,303	20,587
2001-02	24,329	(8)	(707)	19,756	3,874
2000-2001 & Prior	12,848	(13)	(1,106)	3,086	8,669
Total Prior	<u>399,277</u>	<u>(63)</u>	<u>(5,581)</u>	<u>219,248</u>	<u>174,511</u>
Total All Funds	<u>\$ 4,742,875</u>	<u>\$ 108,795</u>	<u>\$ (16,694)</u>	<u>\$ 4,239,184</u>	<u>\$ 378,202</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 4,239,184
Accrual of Receivables:	
June 30, 2005	(135,892)
June 30, 2006	100,183
Taxes in Lieu of Property Taxes	<u>95,504</u>
Total Revenue	<u>\$ 4,298,979</u>

Debt Service Fund:

Current:					
2005-06	\$ 455,413	\$ 11,099	\$ (1,482)	\$ 421,160	\$ 21,672
Prior Years:					
2004-05	24,535	(3)	(242)	13,216	11,080
2003-04	12,037	(1)	(126)	5,879	6,033
2002-03	7,963	(1)	(98)	5,116	2,750
2001-02	4,508	(1)	(131)	3,660	718
2000-2001 & Prior	2,352	(3)	(230)	627	1,498
Total Prior	<u>51,395</u>	<u>(9)</u>	<u>(827)</u>	<u>28,498</u>	<u>22,079</u>
Total All Funds	<u>\$ 506,808</u>	<u>\$ 11,090</u>	<u>\$ (2,309)</u>	<u>\$ 449,658</u>	<u>\$ 43,751</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 449,658
Accrual of Receivables:	
June 30, 2005	(17,119)
June 30, 2006	11,192
Taxes in Lieu of Property Taxes	<u>15,816</u>
Total Revenue	<u>\$ 459,547</u>

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

February 2, 2007

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000, the Minimum Standards for Audits of Oregon Municipal Corporations, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of the City of Coos Bay, Oregon, as of and for the year ended June 30, 2006, and have issued our report thereon dated February 2, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of the City of Coos Bay is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of the City of Coos Bay for the year ended June 30, 2006, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

CITY OF COOS BAY
2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

INTERNAL CONTROL (CONTINUED)

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

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

ACCOUNTING RECORDS

The City's records and systems were adequate to meet audit requirements.

BUDGET TRANSACTIONS

Expenditures of the various funds appeared to be within authorized appropriations.

2005-2006 and 2006-2007 BUDGETS

The budgets adopted by the City for the current and ensuing fiscal year were examined during the audit. Based on our testing, it appeared that budget preparation and adoption procedures followed by the City were in compliance with the Oregon Local Budget Law.

COLLATERAL SECURING BANK DEPOSITS

Based on our testing, we are not aware of any failure to comply with legal requirements related to the amount and adequacy of collateral pledged by depositories to secure funds of the City.

STATUTORY BONDED DEBT LIMITATION

The City's bonded debt outstanding appeared to be within the limitation established by Oregon Law.

INSURANCE AND FIDELITY BONDS

We are not aware of any failure to comply with legal requirements relating to insurance and fidelity bonds, however, we are not competent by training and experience to comment on the adequacy of insurance coverage. We recommend the City consult with appropriate advisers related to these issues.

CITY OF COOS BAY
2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

OUTSTANDING WARRANTS

The City had no outstanding endorsed warrants at June 30, 2006.

PUBLIC CONTRACTS AND PURCHASING

The City's procedures for awarding public contracts were reviewed and, based on our testing, appeared to be in compliance with ORS Chapter 279 during 2005-2006.

INVESTMENTS

Based on our testing, we are not aware of any failure to comply with legal requirements relating to the investment of public funds.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Since the City did not expend over \$500,000 in federal financial assistance for the year ended June 30, 2006, it was not necessary to perform, nor did we perform, tests in accordance with the Federal Single Audit Act, as amended (U.S. Office of Management and Budget Circular A-133).

HIGHWAY FUNDS

Based on our testing, we are not aware of any failure to comply with programs funded from State Highway funds received during the year ended June 30, 2006.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

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