

**URBAN RENEWAL AGENCY  
OF THE CITY OF COOS BAY  
(A COMPONENT UNIT OF THE CITY OF COOS BAY)  
COOS BAY COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

(A Component Unit of the City of Coos Bay)

COOS COUNTY, OREGON

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ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

AGENCY BOARD MEMBERS AS OF JUNE 30, 2011

<u>NAME</u>	<u>TERM EXPIRES</u>
Gene Melton - Chair	November, 2012
Stephanie Kramer - Vice Chair	November, 2014
Crystal Shoji	November, 2012
Jennifer Groth - Secretary	November, 2014
Joanie Johnson	November, 2012
Mike Vaughan	November, 2012
Dr. John Muenchrath	November, 2014

Board Members receive mail at the address listed below.

ADMINISTRATION  
Rodger Cradock, City Manager

BOARD ADDRESS  
Urban Renewal Agency of the City of Coos Bay  
500 Central Avenue  
Coos Bay, OR 97420

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

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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

October 10, 2011

Agency Board  
Urban Renewal Agency of the City of Coos Bay  
Coos Bay, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the Urban Renewal Agency of the City of Coos Bay, as of and for the year ended June 30, 2011 which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Urban Renewal Agency of the City of Coos Bay, as of June 30, 2011, and the results of its operations for the year then ended.

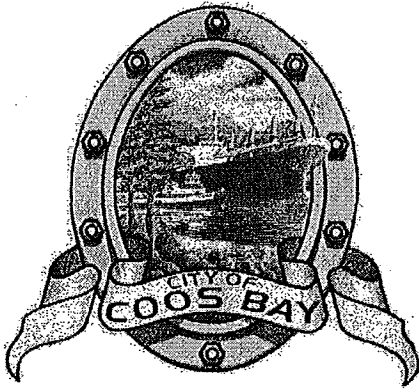
The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted primarily of inquires 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.

Our audit was conducted for the purpose of expressing opinions on the financial statements that collectively comprise the basic financial statements. The required supplementary and supplementary data, including combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules have 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.

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



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# City of Coos Bay

## *Finance Dept.*

500 Central Ave., Coos Bay, Oregon 97420 • Phone (541) 269-8915

Fax (541) 267-5912

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fiscal Year Ended June 30, 2011**

This discussion and analysis presents the highlights of financial activities and financial position for the Urban Renewal Agency of the Agency of Coos Bay (Agency). 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 Agency. The Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes and is to be read in conjunction with the Agency's financial statements.

#### **FINANCIAL HIGHLIGHTS**

The Agency's net assets increased by \$40,289 from \$4,729,470 in FYE10 to \$4,769,759 in FYE11 (or 14.81%) primarily due to an increase in capital assets and reduction of long term debt outstanding. Capital assets increased \$228,953 from \$4,364,171 in FYE10 to \$4,593,124 in FYE11 (or 5.25%) primarily due to the Visitors' Center Construction Project. Long-term debt decreased \$672,806 from \$6,107,691 in FYE10 to \$5,434,885 in FYE11 (or 11.0%).

Governmental activities revenue decreased \$391,047 from \$1,518,436 in FYE10 to \$1,127,389 in FYE11 (or 25.75%) primarily due to an increase in tax increment revenue from \$1,457,165 in FYE10 to \$1,552,844 in FYE11 offset by the loss on the disposal of an asset, the Central Dock property donated to the Coos Historical Maritime Museum for No. 1 for (\$496,651); a (\$18,677) (or 33.80%) decrease in investment earnings from \$55,271 in FYE10 to \$36,594 in FYE11. Expenditures for capital projects increased \$229,584 from \$592,267 in FYE10 to \$821,851 in FYE11 (or 38.76%) and interest on long-term debt decreased \$35,379 (or 11.77%) from \$300,628 in FYE10 to \$265,249 in FYE11 primarily due to the Visitors' Center Construction Project.

Overall, Agency expenditures for capital projects resulted in a net increase \$194,205 from \$892,895 in FYE10 to \$1,087,100 in FYE11 (or 21.75%) due to an increase in capital project expenditures and a decrease in long-term debt. Major expenditures for 2010-2011 included completion of the Visitors' Center Construction Project, Virtual Incubator and Façade Programs, Downtown and Empire Relamping, Library HVAC, Egyptian Theatre, Old Fire Station and Lockhart Building Demolition, Coos Art Museum Elevator, Economic Development including Boat Building Center, Traffic Circulation Study, Historical Landfill, Empire Sidewalks, Downtown and West Newmark Traffic Study.

The Agency's FYE 11 audit reflects the change in fund reporting for the Downtown Bond Reserve and Empire Capital Project funds from non-major to major. This change requires presenting a separate individual fund column for these funds in the governmental fund financial statements.

## **REPORT LAYOUT**

The Agency's annual financial report consists of several sections and considered together, they provide a comprehensive financial analysis of the Agency. 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 Agency.

**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 Agency.

- 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 Agency 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 Agency 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. Governmental fund statements follow the more traditional presentation of financial statements. The Agency'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 here for the seven major funds; the Downtown Special Revenue Fund, the Empire Special Revenue Fund, the Downtown Bond Fund, Empire Bond Fund, Downtown Bond Reserve Fund, the Downtown Capital Projects Fund, and the Empire Capital Projects Fund. The Agency had no proprietary funds or business-type activity.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency'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 for the two major funds, which are presented in the Required Supplemental Data, is presented here.
- Other Financial Schedules complete the Financial Section of the report.

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

**AGENCY AS A WHOLE**  
**Government-Wide Financial Statements**

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

	<b>Governmental Activities</b>	
	<u>2011</u>	<u>2010</u>
Cash and investments	\$5.70	\$6.50
Capital assets	4.59	4.37
Long term receivables	0.17	0.16
Total assets	<u>10.46</u>	<u>11.03</u>
Other liabilities	.96	0.87
Long term debt outstanding	<u>4.73</u>	<u>5.43</u>
Total liabilities	<u>5.69</u>	<u>6.30</u>
	<u>4.77</u>	<u>4.73</u>
Net assets:		
Total	<u>4.77</u>	<u>4.73</u>
Total net assets	<u>\$4.77</u>	<u>\$4.73</u>

**Statement of Net Assets at June 30, 2011:**

During Fiscal Year 2010-2011 several events changed the balance of net assets. An explanation of each follows. The Agency's net assets increased by \$40,289 from \$4,729,470 in FYE10 to \$4,769,759 in FYE11 (or 14.81%) primarily due to an increase in capital assets and reduction of long term debt outstanding.

Capital assets increased \$228,953 from \$4,364,171 in FYE10 to \$4,593,124 in FYE11 (or 5.25%) primarily due to the Visitors' Center Construction, Downtown and Empire Relamping, Library HVAC, Egyptian Theatre, Old Fire Station and Lockhart Building Demolition, Coos Art Museum Elevator, Economic Development including Boat Building Center, Traffic Circulation Study, Historical Landfill, Empire Sidewalks, and Downtown and West Newmark Traffic Study. Interest on long-term debt decreased \$35,379 (or 11.77%) from \$300,628 in FYE10 to \$265,249 in FYE11 due to debt service payments and no new financing obligations.

**Governmental Activities**

The Agency transfers most assets to the City of Coos Bay as a contribution, while the Agency retains the long-term debt not scheduled to be fully retired until fiscal year 2019.

**Business-type Activities**

There were no business-type activities during the year.

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 limited for capital projects and taxes limited to repayment of debt.

**Statement of Activities for the Year Ended June 30, 2011:**

**Table 2**  
**Governmental Activities**  
**For Fiscal Year Ending June 30, 2011**  
(in millions)

	<b>Governmental Activities</b>	
	2011	2010
<b>REVENUES</b>		
General revenues		
Taxes	\$1.55	\$1.46
Interest	0.04	0.06
Contributions/transfers	0.00	0.00
Other	(.45)	0.01
Total revenues	1.14	1.53
<b>EXPENSES</b>		
Governmental activities	1.10	0.90
Total expenses	1.10	0.90
Increase in net assets	0.04	0.63
Beginning net assets	4.73	4.10
Ending net assets	\$4.77	\$4.73

**Governmental Activities**

Governmental activities revenue decreased \$391,047 from \$1,518,436 in FYE10 to \$1,127,389 in FYE11 (or 25.75%) primarily due to an increase in tax increment revenue from \$1,457,165 in FYE10 to \$1,552,844 in FYE11 offset by the loss on the disposal of an asset, the Central Dock property donated to the Coos Historical Maritime Museum for No. 1 for (\$496,651); a (\$18,677) (or 33.80%) decrease in investment earnings from \$55,271 in FYE10 to \$36,594 in FYE11. Expenditures for capital projects increased \$229,584 from \$592,267 in FYE10 to \$821,851 in FYE11 (or 38.76%) and interest on long-term debt decreased \$35,379 (or 11.77%) from \$300,628 in FYE10 to \$265,249 in FYE11.

Overall, Agency expenditures for capital projects resulted in a net increase \$194,205 from \$892,895 in FYE10 to \$1,087,100 in FYE11 (or 21.75%) due to an increase in capital project expenditures and a decrease in long-term debt. Major expenditures for 2010-2011 included completion of the Visitors' Center Construction Project, Virtual Incubator and Façade Programs, Downtown and Empire Relamping, Library HVAC, Egyptian Theatre, Old Fire Station and Lockhart Building Demolition, Coos Art Museum Elevator, Economic Development including Boat Building Center, Traffic Circulation Study, Historical Landfill, Empire Sidewalks, Downtown and West Newmark Traffic Study.

**BUDGETARY HIGHLIGHTS**

The Agency's FYE 11 audit reflects the change in fund reporting for the Downtown Bond Reserve and Empire Capital Project funds from non-major to major. This change requires presenting a separate individual fund column for these funds in the governmental fund financial statements. The Downtown Bond Reserve Fund exceeded the 10% total governmental funds threshold with assets of \$665,720. The

Empire Capital Projects Fund exceeded the 10% total governmental funds threshold with assets of \$800,620, liabilities of \$64,929.

The Agency's total appropriations did not increase in Fiscal Year 2010 – 2011. Actual operating expenditures in all funds were \$2,481,999 (not including other financing and transfers).

### FUND-BASED FINANCIAL ANALYSIS

GASB 54 was implemented in FYE 11 which is intended to provide clear fund balance classifications to be applied consistently by governments. The Agency's fund balance has been classified as \$906,465 restricted and \$4,558,027 assigned. The Agency's overall fund balance decreased \$845,770 in Fiscal Year 2010-2011 primarily due to a decrease in cash and investments due to their expenditure on capital projects.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2011 the Agency had invested \$4,593,124 million in capital assets as reflected in the following table, which represents a net increase (additions, retirements, and depreciation) of \$.23 million.

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

	<b>Governmental</b>	
	<b>Activities</b>	
	2011	2010
Land & improvements	\$ 1.02	\$ 1.52
Buildings & improvements	3.03	1.04
Equipment	0.01	0.02
Construction in Progress	0.53	1.78
<b>Total</b>	<b>\$4.59</b>	<b>\$4.36</b>

The following table reconciles the change in capital assets. Additions include assets acquired during the fiscal year. Reductions are for depreciation and capitalized construction in progress.

**Table 4**  
**Change in Capital Assets**  
(in millions)

	<b>Governmental</b>
	<b>Activities</b>
Beginning balance	\$4,364,171
Additions	2,044,703
Construction in Progress	351,990
Capitalized CIP	(1,610,242)
Deletions	(496,651)
Depreciation	(60,847)
<b>Ending balance</b>	<b>\$4,593,124</b>

Assets from governmental activities increased a net of \$228,953. Offsetting decrease was capitalized construction in progress, loss on the disposal of an asset donated, and depreciation.

**Debt Outstanding**

As of year-end, the Agency had \$5.4 million in debt outstanding compared to \$6.1 million last year. \$703,722 of the debt outstanding at June 30, 2011 is due within one year. Debt of the Agency has not been rated. For more detailed information on the Agency’s debt and amortization terms refer to the Notes to Basic Financial Statements Note 5, Long-Term Debt.

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

	<b>Totals</b>	
	2011	2010
<b>Governmental:</b>		
Tax increment bonds payable	\$5.4	\$6.1
<b>Total</b>	\$5.4	\$6.1


**ECONOMIC FACTORS**

Like all municipalities in Oregon, the Agency is indirectly 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 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. However, as an urban renewal agency, the Agency receives tax increment revenues, calculated on the assessed value over the frozen base, which was set at the time the urban renewal districts were formed.

The economic conditions nationwide have little impact on the Agency’s primary source of revenue, property taxes, because of the above mentioned tax limitations. Tax increment revenues continue to increase over 3% per year.

**FINANCIAL CONTACT**

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

  
\_\_\_\_\_  
Susanne Baker  
City of Coos Bay  
Acting Finance Director

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

BASIC FINANCIAL STATEMENTS



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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

STATEMENT OF NET ASSETS

June 30, 2011

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ASSETS

Cash and Cash Equivalents	\$	5,702,253
Taxes Receivable		167,352
Capital Assets Not Being Depreciated		1,547,725
Capital Assets, Net of Accumulated Depreciation		<u>3,045,399</u>
Total Assets		<u>10,462,729</u>

LIABILITIES::

Accounts Payable		237,697
Interest Payable		20,388
Noncurrent Liabilities		
Due within one year		
Bonds Payable		703,722
Due in more than one year		
Bonds Payable		<u>4,731,163</u>
Total Liabilities		<u>5,692,970</u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt		(841,761)
Restricted		906,465
Unrestricted		<u>4,705,055</u>
Total Net Assets	\$	<u><u>4,769,759</u></u>

See accompanying notes to basic financial statements

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Public Works	\$ 821,851	\$ -	\$ -	\$ (821,851)
Interest on Long-term debt	265,249	-	-	(265,249)
Total Governmental Activities	<u>\$ 1,087,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,087,100)</u>
General Revenues:				
Property Taxes				1,552,844
Income Not Restricted to Specific Programs:				
Rent Income				2,000
Investment earnings				36,594
Loss on Disposal of Asset				(496,651)
Miscellaneous				<u>32,602</u>
Total General Revenues				<u>1,127,389</u>
Changes in Net Assets				40,289
Net Assets - Beginning				<u>4,729,470</u>
Net Assets - Ending				<u>\$ 4,769,759</u>

See accompanying notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	<u>DOWNTOWN SPECIAL REVENUE</u>	<u>EMPIRE SPECIAL REVENUE</u>	<u>DOWNTOWN BOND</u>	<u>DOWNTOWN CAPITAL PROJECTS</u>
<b>ASSETS:</b>				
Cash and Investments	\$ 884,078	\$ 430,312	\$ 1,034	\$ 2,228,164
Property Taxes Receivables	107,070	60,282	-	-
Total Assets	<u>\$ 991,148</u>	<u>\$ 490,594</u>	<u>\$ 1,034</u>	<u>\$ 2,228,164</u>
<b>LIABILITIES AND FUND EQUITY:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 172,768
Deferred Revenue	87,926	49,490	-	-
Total Liabilities	<u>87,926</u>	<u>49,490</u>	<u>-</u>	<u>172,768</u>
<b>Fund Balance:</b>				
Restricted	-	-	1,034	-
Assigned	903,222	441,104	-	2,055,396
Total Fund Balance	<u>903,222</u>	<u>441,104</u>	<u>1,034</u>	<u>2,055,396</u>
Total Liabilities and Fund Balance	<u>\$ 991,148</u>	<u>\$ 490,594</u>	<u>\$ 1,034</u>	<u>\$ 2,228,164</u>

See accompanying notes to basic financial statements

<u>EMPIRE BOND</u>	<u>DOWTOWN BOND RESERVE</u>	<u>EMPIRE CAPITAL PROJECT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
\$ -	\$ 665,720	\$ 800,620	\$ 692,325	\$ 5,702,253
-	-	-	-	167,352
<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 800,620</u>	<u>\$ 692,325</u>	<u>\$ 5,869,605</u>
\$ -	\$ -	\$ 64,929	\$ -	\$ 237,697
-	-	-	-	137,416
-	-	64,929	-	375,113
-	665,720	-	239,711	906,465
-	-	735,691	452,614	4,588,027
-	665,720	735,691	692,325	5,494,492
<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 800,620</u>	<u>\$ 692,325</u>	<u>\$ 5,869,605</u>

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS

June 30, 2011

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

Fund Balances	\$	5,494,492
The cost of governmental 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		4,593,124
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.		
Long-term debt		(5,434,885)
Interest Payable		(20,388)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred Property Taxes		<u>137,416</u>
Total Net Assets	\$	<u><u>4,769,759</u></u>

See accompanying notes to basic financial statements.



URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	DOWNTOWN SPECIAL REVENUE	EMPIRE SPECIAL REVENUE	DOWNTOWN BOND	DOWNTOWN CAPITAL PROJECTS
REVENUES:				
Taxes	\$ 990,294	\$ 575,313	\$ -	\$ -
Interest on Investments	9,382	3,939	-	15,385
Lease Revenue	-	-	-	-
Miscellaneous	-	-	-	31,756
Total Revenues	999,676	579,252	-	47,141
EXPENDITURES:				
Current:				
Material and Services	-	-	-	231,447
Capital Outlay	-	-	-	928,081
Debt Service	-	-	698,288	-
Total Expenditures	-	-	698,288	1,159,528
Excess of Revenues, Over (Under) Expenditures	999,676	579,252	(698,288)	(1,112,387)
OTHER FINANCING SOURCES (USES)				
Du Jour Financing	-	-	(1,500,000)	1,499,625
Transfers In	-	-	2,199,322	-
Transfers Out	(2,199,322)	(1,034,711)	-	-
Total Other Financing Sources (Uses)	(2,199,322)	(1,034,711)	699,322	1,499,625
Net Change in Fund Balance	(1,199,646)	(455,459)	1,034	387,238
Beginning Fund Balance	2,102,868	896,563	-	1,668,158
Ending Fund Balance	\$ 903,222	\$ 441,104	\$ 1,034	\$ 2,055,396

See accompanying notes to basic financial statements.

<u>EMPIRE BOND</u>	<u>DOWNTOWN BOND RESERVE</u>	<u>EMPIRE CAPITAL PROJECT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,565,607
-	-	4,910	2,978	36,594
-	-	-	2,000	2,000
-	-	846	-	32,602
-	-	5,756	4,978	1,636,803
-	-	52,642	-	284,089
-	-	331,830	-	1,259,911
239,711	-	-	-	937,999
239,711	-	384,472	-	2,481,999
(239,711)	-	(378,716)	4,978	(845,196)
(795,000)	-	794,801	-	(574)
1,034,711	-	-	-	3,234,033
-	-	-	-	(3,234,033)
239,711	-	794,801	-	(574)
-	-	416,085	4,978	(845,770)
-	665,720	319,606	687,347	6,340,262
<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 735,691</u>	<u>\$ 692,325</u>	<u>\$ 5,494,492</u>

URBAN RENEWAL AGENCY OF THE 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, 2011

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 \$ (845,770)

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.

Capital Asset Additions, Net	\$	786,451	
Depreciation Expense		(60,847)	
Loss on Disposal of Asset		(496,651)	
Net Adjustment		228,953	228,953

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 between years.

Long term debt principal payments		672,806	
Interest payable		(2,937)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment combines the net changes in deferred taxes between years.

Property Taxes		(12,763)	
Change in Net Assets		40,289	\$ 40,289

See accompanying notes to basic financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Urban Renewal Agency of Coos Bay, Oregon (Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). 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 accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The Urban Renewal Agency of the City of Coos Bay (Agency) was formed December 1966, under the provisions of the Oregon Revised Statutes (ORS) and operates under a Board-Manager form of government providing specific projects located in the Urban Renewal District.

The Agency is a municipal corporation governed by an appointed seven-member board. Generally accepted accounting principles in the United States of America require that these basic financial statements present the Agency and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the reporting entity because of the significance of their operational or financial relationships with the Agency. All significant activities and organizations with which the Agency exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units. The Agency is a component unit of the City of Coos Bay because the Coos Bay City Council exercises oversight authority over the Agency as demonstrated by the designation of the Agency's Board Members and economic dependency.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using the funds. The government-wide statements focus on sustainability as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. These statements were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues, expenses gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. General receipts are from property and related taxes, and interest. All disbursements are categorized either as program disbursements or interest on long-term debt.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. There is no program revenue. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

FUND FINANCIAL STATEMENTS

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

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, revenues are considered 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 claims and judgments are recorded only when payment is due. Property taxes and other revenue associated with the current fiscal period are all considered to be susceptible to accrual if collected within 60 days of fiscal year end.

Financial operations are accounted for in the following major governmental funds:

DOWNTOWN SPECIAL REVENUE

This fund is used to account for the Downtown Area of the urban renewal area. Property tax increment revenues and earnings on investments are the main sources of receipts, some of which is transferred to the Downtown Debt Service Fund for bonded debt retirement.

EMPIRE SPECIAL REVENUE

This fund is used to account for the Empire Area of the urban renewal area. Property tax increment revenues and earnings on investments are the main sources of receipts, some of which is transferred to the Empire Debt Service Fund for bonded debt retirement.

DOWNTOWN BOND

This fund is used to accumulate monies transferred in from the Downtown Special Revenue Fund to service the downtown area's urban renewal debt.

DOWNTOWN CAPITAL PROJECTS

This fund is used to account for capital projects within the Downtown Area and is the financed by proceeds from the issuance of the Downtown Urban Renewal Bonds.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

EMPIRE BOND

This fund is used to accumulate monies transferred in from the Empire Special Revenue Fund to service the urban renewal debt.

DOWNTOWN BOND RESERVE

This fund is used to account for designated funds earmarked from a portion of proceeds from the urban renewal bond issuance that are restricted to satisfy future urban renewal debt obligation requirements in accordance with bond covenants.

EMPIRE CAPITAL PROJECTS

This fund is used to account for capital projects within the Empire Area financed by proceeds from the issuance of the Empire Urban Renewal Bonds.

Additionally, there are the following non-major funds within the governmental fund type.

EMPIRE PROGRAM

This fund is used to account for lease revenue from real property owned in the empire district. These monies are to be utilized to benefit the Empire Renewal District.

DOWNTOWN PROGRAM

This fund is used to account for lease revenue from real property owned in the downtown district. These monies are to be utilized to benefit the Downtown Renewal District.

EMPIRE BOND RESERVE

This fund is used to account for designated funds earmarked from a portion of proceeds from the urban renewal bond issuance that are restricted to satisfy future urban renewal debt obligation requirements in accordance with bond covenants.

C. BUDGETS

A budget is prepared for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budget process begins 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 generally published in early spring with a public hearing being held approximately three weeks later. The budget may be amended 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 30.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETS (CONTINUED)

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

Materials and Services  
Capital Outlay  
Debt Service  
Operating Contingency  
Transfers

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 Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists that was not known at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original and final budget amounts. Expenditures in all funds were within authorized appropriations, except for the following: Empire Capital Projects Fund – Materials and Services in the amount of \$5,175.

D. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE

Property taxes receivable is recorded in the government-wide financial statements to indicate the amount of uncollected taxes that can be expected to be received in the future. Such taxes are offset by a liability to indicate that these amounts have been recorded as receipts. Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Taxes are billed and collected by Coos County and remittance is made at periodic intervals.

E. ESTIMATES

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

F. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to \ from other funds.” Receivables from federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. RECEIVABLES AND PAYABLES (CONTINUED)

and local shared revenue are recorded in accounts receivable. Uncollected property taxes are shown in the government-wide balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as earned on investments.

G. CAPITAL ASSETS

Capital assets are recorded at the original or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are charged to expenditures as purchased in the governmental funds, and capitalized and depreciated in the government-wide financial statements. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life equal to or greater than five years. Interest incurred during construction, and maintenance and repairs that do not add to the value of the asset or materially extend assets' lives, are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land Improvements	10 – 50 years
Buildings	25 – 50 years
Building Improvements	20 – 40 years
Equipment and machinery	5 – 15 years
Infrastructure	25 – 40 years

H. LONG-TERM OBLIGATIONS

Long-term obligations are reported in the government-wide financial statements as liabilities. The governmental individual fund financial statements do not report long-term obligations because they do not require the use of current financial resources.

I. DU JOUR FINANCING

The Agency has entered into intergovernmental agreements with the City of Coos Bay for the purposes of providing short term financing for certain capital projects. The loans are repaid with tax increment revenue.

J. NET ASSETS

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 any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.



URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. NET ASSETS (CONTINUED)

Restricted – consists of external constraints placed on 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 assets that are not included in the other categories previously mentioned.

K. FUND EQUITY

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The City Manager and the Finance Director were granted authority by the Board of Directors.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There are no nonspendable, committed and unassigned fund balances.

The following order of spending is used regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. SUPPLY INVENTORY

Purchased inventories are stated at cost (first-in, first-out method). On a generally accepted accounting principles (GAAP) basis, inventory items are charged to expenditures at the time of withdrawal from inventory (consumption method). On a budgetary basis, the cost of inventory items is recognized as an expenditure when purchased (purchase method). Management believes there were no material inventories on hand at June 30, 2011.

2. CASH AND INVESTMENTS

State statutes govern the cash management policies. Statutes authorizing investing in bankers 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.

DEPOSITS

The cash is pooled with the City of Coos Bay. Please refer to the City's basic financial statements, issued under separate cover, for additional information pertaining to the nature and collateralization of the City's cash and investments.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may now be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

Cash at June 30, 2011 consisted of:

Pooled Cash	\$	<u>5,702,253</u>
Total	\$	<u>5,702,253</u>

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of bank failure, the deposits may not be returned. There is no deposit policy for custodial risk. As of June 30, 2011, none of the bank balance was exposed to custodial credit risk because it was either insured or collateralized.

INVESTMENTS

The State Treasurer's Local Government Investment Pool 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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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2. CASH AND INVESTMENTS (CONTINUED)

the State's investment policies. The State Treasurer is the investment officer for the Oregon Investment Council and is responsible for all funds in the State Treasury. 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 Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. Investments are stated at fair value.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2011 the LGIP is stated at cost which approximates fair value.

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. There are no investments that have a maturity date beyond 18 months.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. At June 30, 2011, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. PROPERTY TAX LIMITATIONS

The State of Oregon imposes 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.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values 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 State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Description	7/1/2010 Beginning Balance	Increases	Decreases	6/30/2011 Ending Balance
<b>Governmental Activities</b>				
Capital assets not depreciated				
Land and improvements	\$ 1,518,194	\$ -	\$ (496,651)	\$ 1,021,543
Construction in Progress	<u>1,784,434</u>	<u>351,990</u>	<u>(1,610,242)</u>	<u>526,182</u>
Total Capital assets not depreciated	3,302,628	351,990	(2,106,893)	1,547,725
<b>Other capital assets at historical cost</b>				
Buildings and improvements	1,113,576	2,044,703	-	3,158,279
Equipment and machinery	<u>45,978</u>	<u>-</u>	<u>-</u>	<u>45,978</u>
Total other capital assets at historical cost	1,159,554	2,044,703	-	3,204,257
<b>Less Accumulated Depreciation</b>				
Buildings and improvements	(71,149)	(54,374)	-	(125,523)
Equipment and machinery	<u>(26,862)</u>	<u>(6,473)</u>	<u>-</u>	<u>(33,335)</u>
Total accumulated depreciation	(98,011)	(60,847)	-	(158,858)
Other capital assets, net	<u>1,061,543</u>	<u>1,983,856</u>	<u>-</u>	<u>3,045,399</u>
Governmental activities capital assets, net	<u>\$ 4,364,171</u>	<u>\$ 2,335,846</u>	<u>\$ (2,106,893)</u>	<u>\$ 4,593,124</u>

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

Public Works	<u>\$ 60,847</u>
Total depreciation for governmental activities	<u>\$ 60,847</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT

All of the long term debt is associated with governmental activities.

\$5,700,000 of urban renewal current refunding bonds were issued on January 24, 2003, which are payable from the tax increment revenues of the Downtown Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2011, are as follows:

<u>Fiscal Year</u>	<u>Issue of January 24, 2003 (Series 2003 A)</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011-12	\$ 525,520	\$ 396,097	\$ 129,423
2012-13	525,520	414,715	110,805
2013-14	525,520	433,853	91,667
2014-15	525,520	453,873	71,647
2015-16	525,520	474,694	50,826
2016-19	<u>788,280</u>	<u>753,605</u>	<u>34,675</u>
Total	<u>\$ 3,415,880</u>	<u>\$ 2,926,837</u>	<u>\$ 489,043</u>

Interest Rate: Fixed annual rate of 4.5%

\$2,600,000 of urban renewal current refunding bonds were issued on January 24, 2003, which are payable from the tax increment revenues of the Empire Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2011, are as follows:

<u>Fiscal Year</u>	<u>Issue of January 24, 2003 (Series 2003 A)</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011-12	\$ 239,711	\$ 180,675	\$ 59,036
2012-13	239,711	189,168	50,543
2013-14	239,702	197,888	41,814
2014-15	239,711	207,030	32,681
2015-16	239,711	216,527	23,184
2016-19	<u>357,576</u>	<u>343,760</u>	<u>13,816</u>
Total	<u>\$ 1,556,122</u>	<u>\$ 1,335,048</u>	<u>\$ 221,074</u>

Interest Rate: Fixed annual rate of 4.5%

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

\$1,402,000 of urban renewal debt service bonds were issued on August 28, 2009, which are payable from the tax increment revenues from the Downtown Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2011, are as follows:

<u>Fiscal Year</u>	<u>Issue of August, 28, 2009 (Series 2009)</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011-12	\$ 173,802	\$ 127,000	\$ 46,802
2012-13	173,554	132,000	41,554
2013-14	173,080	137,000	36,080
2014-15	173,402	143,000	30,402
2015-16	173,477	149,000	24,477
2016-19	<u>520,383</u>	<u>485,000</u>	<u>35,383</u>
Total	<u>\$ 1,387,698</u>	<u>\$ 1,173,000</u>	<u>\$ 214,698</u>

Interest Rate: Fixed annual rate of 4.1%

In prior years, the Downtown Bond and Empire Bond funds have been used to liquidate long-term liabilities.

Changes in Long-term liabilities during the year are as follows:

	Balance	Additions	Reductions	Balance	Due Within
	<u>7/1/2010</u>			<u>6/30/2011</u>	<u>One Year</u>
Urban Renewal Bonds					
Downtown (Series 1/23/03 A)	\$ 3,305,788	\$ -	\$ (378,951)	\$ 2,926,837	\$ 396,097
Empire (Series 1/24/03 A)	1,507,903	-	(172,855)	1,335,048	180,675
Downtown (Series 08/28/09)	<u>1,294,000</u>	<u>-</u>	<u>(121,000)</u>	<u>1,173,000</u>	<u>127,000</u>
Total	<u>\$ 6,107,691</u>	<u>\$ -</u>	<u>\$ (672,806)</u>	<u>\$ 5,434,885</u>	<u>\$ 703,772</u>

6. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. INTERNAL TRANSFERS

The composition of interfund transfers as of June 30, 2011, is as follows:

<u>Transfers Out:</u>	
Downtown Speical Revenue	\$ 2,199,322
Empire Special Revenue	1,034,711
Total	<u>\$ 3,234,033</u>

<u>Transfers In</u>	
Downtown Bond Fund	\$ 2,199,322
Empire Bond Fund	1,034,711
Total	<u>\$ 3,234,033</u>

The internal transfers are budgeted and recorded to show legal and operational commitments between funds. The Special Revenue Funds transfers to the Bond Funds are for debt service payments.

8. SUBSEQUENT EVENT

A \$600,000 intergovernmental loan was made July of 2011 to the City of Coos Bay. The loan is receivable over 10 years beginning in 2012 at an interest rate of 1%. The future requirements for amortization of the loan receivable are as follows:

Financing	\$ 600,000	1.00%	
Year FYE	Principal	Interest	Total
2012	\$ -	\$ -	\$ -
2013	60,000	6,000	66,000
2014	60,000	5,400	65,400
2015	60,000	4,800	64,800
2016	60,000	4,200	64,200
2017-21	300,000	12,000	312,000
2022	<u>60,000</u>	<u>600</u>	<u>60,600</u>
Total	<u>\$ 600,000</u>	<u>\$ 33,000</u>	<u>\$ 633,000</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

REQUIRED SUPPLEMENTARY DATA



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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

DOWNTOWN SPECIAL REVENUE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Property Taxes	\$ 900,312	\$ 900,312	\$ 990,294	\$ 89,982
Interest on Investments	7,000	7,000	9,382	2,382
Total Revenues	<u>907,312</u>	<u>907,312</u>	<u>999,676</u>	<u>92,364</u>
EXPENDITURES:				
Debt Service	<u>707,990</u>	<u>707,990</u> (1)	-	<u>707,990</u>
Total Expenditures	<u>707,990</u>	<u>707,990</u>	-	<u>707,990</u>
Excess of Revenues, Over (Under) Expenditures	199,322	199,322	999,676	800,354
Other Financing Sources, (Uses)				
Transfers Out	<u>(2,199,322)</u>	<u>(2,199,322)</u> (1)	<u>(2,199,322)</u>	-
Total Other Financing Sources, (Uses)	<u>(2,199,322)</u>	<u>(2,199,322)</u>	<u>(2,199,322)</u>	-
Net Change in Fund Balance	(2,000,000)	(2,000,000)	(1,199,646)	800,354
Beginning Fund Balance	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,102,868</u>	<u>102,868</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,222</u>	<u>\$ 903,222</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

EMPIRE SPECIAL REVENUE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Property Taxes	\$ 512,957	\$ 512,957	\$ 575,313	\$ 62,356
Interest on Investments	4,000	4,000	3,939	(61)
Total Revenues	<u>516,957</u>	<u>516,957</u>	<u>579,252</u>	<u>62,295</u>
EXPENDITURES:				
Debt Service	<u>322,246</u>	<u>322,246</u>	(1) -	<u>322,246</u>
Total Expenditures	<u>322,246</u>	<u>322,246</u>	<u>-</u>	<u>322,246</u>
Excess of Revenues Over, (Under) Expenditures	194,711	194,711	579,252	384,541
Other Financing Sources, (Uses)				
Transfers Out	<u>(1,034,711)</u>	<u>(1,034,711)</u>	(1) <u>(1,034,711)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>(1,034,711)</u>	<u>(1,034,711)</u>	<u>(1,034,711)</u>	<u>-</u>
Net Change in Fund Balance	(840,000)	(840,000)	(455,459)	384,541
Beginning Fund Balance	<u>840,000</u>	<u>840,000</u>	<u>896,563</u>	<u>56,563</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,104</u>	<u>\$ 441,104</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SUPPLEMENTARY DATA

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ACTUAL AND BUDGET

For the Year Ended June 30, 2011

DOWNTOWN BOND FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>EXPENDITURES:</b>				
Debt Service				
Principal	\$ 505,951	\$ 499,951	\$ 499,951	\$ -
Interest	193,371	199,371	198,337	1,034
Total Expenditures	<u>699,322</u>	<u>699,322 (1)</u>	<u>698,288</u>	<u>1,034</u>
Excess of Revenues Over, (Under) Expenditures	(699,322)	(699,322)	(698,288)	1,034
<b>Other Financing Sources, (Uses)</b>				
Du Jour Financing	(1,500,000)	(1,500,000) (1)	(1,500,000)	-
Transfers In	2,199,322	2,199,322	2,199,322	-
Total Other Financing Sources, (Uses)	<u>699,322</u>	<u>699,322</u>	<u>699,322</u>	<u>-</u>
Net Change in Fund Balance	-	-	1,034	1,034
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,034</u>	<u>\$ 1,034</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

DOWNTOWN CAPITAL PROJECTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Grants	\$ 1,583,000	\$ 1,583,000	\$ -	\$ (1,583,000)
Revenue from Other Agencies	-	-	30,721	30,721
Interest on Investments	12,000	12,000	15,385	3,385
Miscellaneous	-	-	1,035	1,035
Total Revenues	<u>1,595,000</u>	<u>1,595,000</u>	<u>47,141</u>	<u>(1,547,859)</u>
EXPENDITURES:				
Materials and Services	235,034	235,034 (1)	231,447	3,587
Capital Outlay	3,959,966	3,959,966 (1)	928,081	3,031,885
Total Expenditures	<u>4,195,000</u>	<u>4,195,000</u>	<u>1,159,528</u>	<u>3,035,472</u>
Excess of Revenues Over, -Under Expenditures	(2,600,000)	(2,600,000)	(1,112,387)	1,487,613
Other Financing Sources, (Uses)				
Du Jour Financing	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,499,625</u>	<u>(375)</u>
Total Other Financing Sources, (Uses)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,499,625</u>	<u>(375)</u>
Net Change in Fund Balance	(1,100,000)	(1,100,000)	387,238	1,487,238
Beginning Fund Balance	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,668,158</u>	<u>568,158</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,055,396</u>	<u>\$ 2,055,396</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ACTUAL AND BUDGET  
 For the Year Ended June 30, 2011

EMPIRE BOND FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
EXPENDITURES:				
Debt Service				
Principal	\$ 172,855	\$ 172,855	\$ 172,855	\$ -
Interest	66,856	66,856	66,856	-
Total Expenditures	239,711	239,711 (1)	239,711	-
Excess of Revenues Over, -Under Expenditures	(239,711)	(239,711)	(239,711)	-
Other Financing Sources, (Uses)				
Du Jour Financing	(795,000)	(795,000) (1)	(795,000)	-
Transfers In	1,034,711	1,034,711	1,034,711	-
Total Other Financing Sources, (Uses)	239,711	239,711	239,711	-
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level



URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

DOWNTOWN BOND RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
EXPENDITURES:				
Contingency	\$ 665,720	\$ 665,720	(1) \$ -	\$ 665,720
Total Expenditures	<u>665,720</u>	<u>665,720</u>	<u>-</u>	<u>665,720</u>
Beginning Fund Balance	<u>665,720</u>	<u>665,720</u>	<u>665,720</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 665,720</u>

(1) - Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

EMPIRE CAPITAL PROJECTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Interest on Investments	\$ 600	\$ 600	\$ 4,910	\$ 4,310
Miscellaneous Revenue	-	-	846	846
Total Revenues	<u>600</u>	<u>600</u>	<u>5,756</u>	<u>5,156</u>
EXPENDITURES:				
Materials and Services	47,467	47,467 (1)	52,642	(5,175)
Capital Outlay	<u>848,133</u>	<u>848,133 (1)</u>	<u>331,830</u>	<u>516,303</u>
Total Expenditures	<u>895,600</u>	<u>895,600</u>	<u>384,472</u>	<u>511,128</u>
Excess of Revenues Over, (Under) Expenditures	(895,000)	(895,000)	(378,716)	516,284
Other Financing Sources, (Uses)				
Du Jour Financing	<u>795,000</u>	<u>795,000</u>	<u>794,801</u>	<u>(199)</u>
Total Other Financing Sources, (Uses)	<u>795,000</u>	<u>795,000</u>	<u>794,801</u>	<u>(199)</u>
Net Change in Fund Balance	(100,000)	(100,000)	416,085	516,085
Beginning Fund Balance	<u>100,000</u>	<u>100,000</u>	<u>319,606</u>	<u>219,606</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 735,691</u>	<u>\$ 735,691</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS

June 30, 2011

	SPECIAL REVENUE		DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL
	EMPIRE PROGRAM	DOWNTOWN PROGRAM	EMPIRE BOND RESERVE	
<b>ASSETS:</b>				
Cash and Investments	\$ 429,550	\$ 23,064	\$ 239,711	\$ 692,325
Total Assets	<u>\$ 429,550</u>	<u>\$ 23,064</u>	<u>\$ 239,711</u>	<u>\$ 692,325</u>
<b>LIABILITIES:</b>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<b>FUND EQUITY:</b>				
Fund Equity:				
Restricted	-	-	239,711	239,711
Assigned	429,550	23,064	-	452,614
Total Fund Equity	<u>429,550</u>	<u>23,064</u>	<u>239,711</u>	<u>692,325</u>
Total Liabilities and Fund Equity	<u>\$ 429,550</u>	<u>\$ 23,064</u>	<u>\$ 239,711</u>	<u>\$ 692,325</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
	<u>EMPIRE PROGRAM</u>	<u>DOWNTOWN PROGRAM</u>	<u>EMPIRE BOND RESERVE</u>	
REVENUES:				
Lease Revenue	\$ -	\$ 2,000	\$ -	\$ 2,000
Interest on Investments	2,830	148	-	2,978
Miscellaneous Revenue	-	-	-	-
Total Revenues	<u>2,830</u>	<u>2,148</u>	<u>-</u>	<u>4,978</u>
EXPENDITURES:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,830	2,148	-	4,978
Beginning Fund Balance	<u>426,720</u>	<u>20,916</u>	<u>239,711</u>	<u>687,347</u>
Ending Fund Balance	<u>\$ 429,550</u>	<u>\$ 23,064</u>	<u>\$ 239,711</u>	<u>\$ 692,325</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

EMPIRE PROGRAM FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Interest on Investments	<u>\$ 1,400</u>	<u>\$ 1,400</u>	<u>\$ 2,830</u>	<u>\$ 1,430</u>
Total Revenues	<u>1,400</u>	<u>1,400</u>	<u>2,830</u>	<u>1,430</u>
EXPENDITURES:				
Capital Outlay	<u>426,400</u>	<u>426,400 (1)</u>	<u>-</u>	<u>426,400</u>
Total Expenditures	<u>426,400</u>	<u>426,400</u>	<u>-</u>	<u>426,400</u>
Net Change in Fund Balance	(425,000)	(425,000)	2,830	427,830
Beginning Fund Balance	<u>425,000</u>	<u>425,000</u>	<u>426,720</u>	<u>1,720</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,550</u>	<u>\$ 429,550</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

DOWNTOWN PROGRAM FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Lease Revenue	\$ 6,000	\$ 6,000	\$ 2,000	\$ (4,000)
Interest on Investments	75	75	148	73
Total Revenues	<u>6,075</u>	<u>6,075</u>	<u>2,148</u>	<u>(3,927)</u>
EXPENDITURES:				
Capital Outlay	<u>25,075</u>	<u>25,075</u> (1)	<u>-</u>	<u>25,075</u>
Total Expenditures	<u>25,075</u>	<u>25,075</u>	<u>-</u>	<u>25,075</u>
Net Change in Fund Balance	(19,000)	(19,000)	2,148	21,148
Beginning Fund Balance	<u>19,000</u>	<u>19,000</u>	<u>20,916</u>	<u>1,916</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,064</u>	<u>\$ 23,064</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

For the Year Ended June 30, 2011

EMPIRE BOND RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
EXPENDITURES:				
Contingency	\$ 239,711	\$ 239,711	(1) \$ -	\$ 239,711
Total Expenditures	<u>239,711</u>	<u>239,711</u>	<u>-</u>	<u>239,711</u>
Beginning Fund Balance	<u>239,711</u>	<u>239,711</u>	<u>239,711</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 239,711</u></u>	<u><u>\$ 239,711</u></u>

(1) - Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED

For the Year Ended June 30, 2011

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/10	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/11
Current:						
2010-11	\$ 1,587,961	\$ 38,033	\$ (2,151)	\$ 1,257	\$ 1,457,464	\$ 90,313
Prior Years:						
2009-10	93,742	(26)	(2,156)	3,649	48,949	42,663
2008-09	42,189	(6)	(275)	3,426	19,267	22,653
2007-08	16,629	(2)	(165)	2,904	9,640	6,826
2006-07	6,434	(2)	(147)	1,659	4,697	1,592
2005-06 & Prior	3,531	-	221	483	447	3,305
Total Prior	162,525	(36)	(2,522)	12,121	83,000	77,039
Total	\$ 1,750,486	\$ 37,997	\$ (4,673)	\$ 13,378	\$ 1,540,464	\$ 167,352

BALANCE UNCOLLECTED OR UNSEGREGATED

Downtown Special Revenue Fund	\$ 107,070
Empire Special Revenue Fund	60,282
Total Balance Uncollected or Unsegregated - All Funds	\$ 167,352

RECONCILIATION TO REVENUE:

	DOWNTOWN SPECIAL REVENUE	EMPIRE SPECIAL REVENUE
Cash Collections by County Treasurer Above	\$ 972,153	\$ 568,311
Add Additional Tax Payments by County		
Accrual of Receivables:		
June 30, 2010	(8,272)	(4,074)
June 30, 2011	19,144	10,792
Taxes, (Adjustments) in Lieu	7,269	284
Total Revenue	\$ 990,294	\$ 575,313



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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED  
BY OREGON STATE REGULATIONS

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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

October 10, 2011

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Urban Renewal Agency of the City of Coos Bay as of and for the year ended June 30, 2011, and have issued our report thereon dated October 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the Urban Renewal Agency of the City of Coos Bay's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Urban Renewal Agency of the City of Coos Bay was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

1. Expenditures of the various funds were within authorized appropriations except as noted on page 17.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the Board and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

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