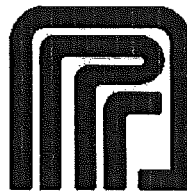


**URBAN RENEWAL AGENCY OF
THE CITY OF COOS BAY
(A COMPONENT UNIT OF THE CITY OF COOS BAY)
COOS COUNTY, OREGON**

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008**



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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

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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

AGENCY BOARD MEMBERS AS OF JUNE 30, 2008

<u>NAME</u>	<u>TERM EXPIRES</u>
Jon Eck - Chair	November, 2008
John Muenchrath-Vice-Chair	November, 2008
Mark Daily - Secretary	November, 2010
Michele Burnette	November, 2008
Stephanie Kramer	November, 2010
Gene Melton	November, 2008
Jeff McKeown, Mayor	November, 2008

Board Members receive mail at the address listed below.

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
(A Component Unit 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

February 4, 2009

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

INDEPENDENT AUDITORS' REPORT

We have audited the component unit basic financial statements of the Urban Renewal Agency of the City of Coos Bay, as of and for the year ended June 30, 2008. These component unit basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these component unit 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 Agency's 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 opinion.

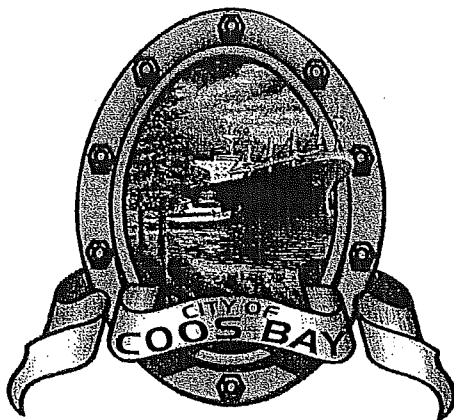
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Urban Renewal Agency of the City of Coos Bay, as of June 30, 2008, and the results of its operations for the year then ended.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data of individual fund statements and other financial schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, as listed on the table of contents, is 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 inquiries 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.

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

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City of Coos Bay

Office of the City Manager

500 Central Avenue, Coos Bay, Oregon 97420 • Phone 541-269-8912

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

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2008

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.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the Agency's financial statements (beginning on page 8).

FINANCIAL HIGHLIGHTS

The Agency's net assets increased by \$1,191,288 from \$2,172,394 to \$3,363,682 (or 35.4%) primarily due to current tax revenues exceeding current year expenditures on capital projects and an increase \$450,753 (or 23%) in invested assets, which combined offset a decrease in current tax revenues of \$50,340 (or 3.8%) and a decrease in interest income of \$26,779 (or 7.7%).

Governmental activities revenue increased by \$22,312 from \$1,618,329 to \$1,640,641 (or 1.4%) primarily due a \$100,000 donation for the Mabel Hansen Gallery Project and a previous \$360,000 loss contribution and \$569 reimbursement forgone.

Overall Agency expenditures increased \$70,250 from \$1,341,077 to \$1,411,327 (or 5.24%) due to an increase in capital project expenditures. Major expenditures for 2007-08 included the Facade Program, the Library Remodel, the Central Dock, Hollering Point, Visitor Center and debt service.

REPORT LAYOUT

The Agency's annual financial report consists of several sections. Taken together they provide a comprehensive look at 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 and proprietary 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 five major funds; the Downtown Special Revenue Fund, the Empire Special Revenue Fund, the Downtown Bond 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 five major funds, which are presented in the Basic Financial Statements, 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)

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Cash and investments	\$6.82	\$6.54
Capital assets	2.33	1.88
Long term receivables	0.13	0.11
Total assets	<u>9.28</u>	<u>8.53</u>
Other liabilities	0.58	0.52
Long term debt outstanding	5.34	5.84
Total liabilities	<u>5.92</u>	<u>6.36</u>
Net assets:		
Unrestricted	<u>3.36</u>	<u>2.17</u>
Total net assets	<u><u>\$3.36</u></u>	<u><u>\$2.17</u></u>

Statement of Net Assets at June 30, 2008:

During fiscal year 2007-08 several events changed the balance of net assets. An explanation of each follows.

Governmental Activities

The Agency's net assets increased by \$1,191,288 from \$2,172,394 to \$3,363,682 (or 35.4%) primarily due to increased tax increment revenues and less spent in the current year on capital projects than current year general revenues. 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 December 2017.

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, 2008:

Table 2
Governmental Activities
For Fiscal Year Ending June 30, 2008
(In millions)

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
REVENUES		
General revenues		
Taxes	1.25	1.31
Interest	.32	0.35
Contributions/transfers	0.00	(0.36)
Other	.10	0.00
Total revenues	<u>1.67</u>	<u>1.30</u>
EXPENSES		
Governmental activities	<u>.48</u>	<u>0.53</u>
Total expenses	<u>.48</u>	<u>0.53</u>
Increase in net assets	1.19	0.77
Beginning net assets	<u>2.17</u>	<u>1.40</u>
Ending net assets	<u><u>\$3.36</u></u>	<u><u>\$2.17</u></u>

Governmental Activities

Governmental activities revenue increased \$22,312 to 1.6 million (or 1.4%), primarily due to the contribution of assets to the City. The Agency also received a donation for the Mabel Hansen Gallery for \$100,000 which offset the decrease in tax revenues of \$50,340 (or 3.8%), the decrease in interest of \$26,779 (or 7.7%) and the decrease in \$569 (or 100%) of reimbursements.

Overall Agency expenditures increased \$70,250 (or 5.24%) due to an increase capital projects. Major expenditures for 2007-08 included the Façade Program, the Library Remodel, Central Dock, the Visitors Center and Hollering Point.

BUDGETARY HIGHLIGHTS

The Agency's total appropriations increased by approximately \$300,000 from \$8.45 million to \$8.75 million. This was due primarily to increased tax increment revenues and interest revenues. Actual operating costs in all funds were 25% of the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008 the Agency had invested \$2.3 million in capital assets as reflected in the following table, which represents a net increase (additions, retirements, and depreciation) of \$450,753.

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

(in millions)

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Land & improvements	\$1.31	\$1.31
Buildings & improvements	.92	0.56
Equipment	.01	0.01
Construction in Progress	.09	0.00
Total	<u>\$2.33</u>	<u>\$1.88</u>

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

Table 4
Change in Capital Assets

(in millions)

	Governmental Activities
Beginning balance	\$1,883,807
Additions	371,310
Construction in Progress	93,638
Retirement	0
Depreciation	<u>(14,195)</u>
Ending balance	<u>2,334,560</u>

Assets from governmental activities increased a net of \$450,753. Offsetting decrease was depreciation.

Debt Outstanding

As of year-end, the Agency had \$5.8 million in debt outstanding compared to \$6.3 million last year. \$504,199 of the debt outstanding at June 30, 2008 is due within one year.

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

	Totals	
	2008	2007
Governmental:		
Tax increment bonds payable	\$5.8	\$6.3
Total	\$5.8	\$6.3

Debt of the Agency has not been rated.

For more detailed information on the Agency's debt and amortization terms refer to pages 22 and 23 of the notes.

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 district was 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.



Rae Lea Cousins
City of Coos Bay
Finance Director

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

Cash and cash equivalents	\$ 6,820,778
Taxes Receivable	127,952
Accounts Receivable	200
Capital Assets, net of accumulated depreciation	<u>2,334,560</u>
Total Assets	<u>9,283,490</u>

LIABILITIES::

Accounts Payable	53,263
Interest Payable	21,189
Noncurrent Liabilities	
Due within one year	
Bonds payable	504,199
Due in more than one year	
Bonds payable	<u>5,341,157</u>
Total Liabilities	<u>5,919,808</u>

NET ASSETS:

Invested in Capital Assets	2,334,560
Restricted for Capital Projects	3,066,821
Restricted for Debt Service	765,231
Unrestricted	<u>(2,802,930)</u>
Total Net Assets	<u>\$ 3,363,682</u>

Total Cash Collected - All Funds

See accompanying notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Public Works	\$ 193,598	\$ -	\$ -	\$ (193,598)
Interest on Long-term debt	284,000	-	-	(284,000)
Total Governmental Activities	<u>\$ 477,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(477,598)</u>
General Revenues:				
Property Taxes				1,246,561
Income Not Restricted to Specific Programs:				
Rent Income				2,400
Investment earnings				319,925
Donations				<u>100,000</u>
Total General Revenues				<u>1,668,886</u>
Changes in Net Assets				1,191,288
Net Assets - Beginning				<u>2,172,394</u>
Net Assets - Ending				<u>\$ 3,363,682</u>

See accompanying notes to basic financial statements

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	GOVERNMENTAL FUND TYPES		
	DOWNTOWN SPECIAL REVENUE	EMPIRE SPECIAL REVENUE	DOWNTOWN BOND
ASSETS:			
Cash and Investments	\$ 1,605,710	\$ 890,450	\$ -
Receivables, net			
Accounts	-	-	-
Taxes	85,682	42,270	-
Total Assets	<u>\$ 1,691,392</u>	<u>\$ 932,720</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Unearned Revenue	78,935	38,912	-
Total Liabilities	<u>78,935</u>	<u>38,912</u>	<u>-</u>
Fund Equity:			
Reserved for Capital Projects	-	-	-
Reserved for Debt Service	-	-	-
Unreserved	1,612,457	893,808	-
Total Cash Collected - All Funds	<u>1,612,457</u>	<u>893,808</u>	<u>-</u>
Total Fund Equity	<u>1,612,457</u>	<u>893,808</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 1,691,392</u>	<u>\$ 932,720</u>	<u>\$ -</u>

See accompanying notes to basic financial statements

<u>DOWNTOWN CAPITAL PROJECT</u>	<u>EMPIRE BOND</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
\$ 2,931,916	\$ -	\$ 1,392,702	\$ 6,820,778
-	-	200	200
-	-	-	127,952
<u>\$ 2,931,916</u>	<u>\$ -</u>	<u>\$ 1,392,902</u>	<u>\$ 6,948,930</u>

\$ 53,213	\$ -	\$ 50	\$ 53,263
-	-	-	117,847
<u>53,213</u>	<u>-</u>	<u>50</u>	<u>171,110</u>
2,878,703	-	188,118	3,066,821
-	-	765,231	765,231
-	-	439,503	2,945,768
<u>2,878,703</u>	<u>-</u>	<u>1,392,852</u>	<u>6,777,820</u>
<u>\$ 2,931,916</u>	<u>\$ -</u>	<u>\$ 1,392,902</u>	<u>\$ 6,948,930</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
JUNE 30, 2008

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

Fund Balances	\$ 6,777,820
---------------	--------------

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	2,334,560
--------------------	-----------

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	(5,845,356)
Interest Payable	(21,189)

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds but recorded as revenue in the Government-wide statements.

Unearned Revenue	<u>117,847</u>
------------------	----------------

Total Cash C Total Net Assets	<u><u>\$ 3,363,682</u></u>
-------------------------------	----------------------------

See accompanying notes to basic financial statements.

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	DOWNTOWN SPECIAL REVENUE	EMPIRE SPECIAL REVENUE	DOWNTOWN BOND
REVENUES:			
Taxes	\$ 810,416	\$ 407,900	\$ -
Donations	-	-	-
Interest on Investments	69,609	37,972	-
Lease Revenue	-	-	-
	<u>880,025</u>	<u>445,872</u>	<u>-</u>
Total Revenues			
EXPENDITURES:			
Current:			
Material and Services	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	525,520
	<u>-</u>	<u>-</u>	<u>525,520</u>
Total Expenditures			
	<u>-</u>	<u>-</u>	<u>525,520</u>
Excess of Revenues, Over (Under) Expenditures	880,025	445,872	(525,520)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	525,520
Transfers Out	(525,520)	(239,711)	-
	<u>(525,520)</u>	<u>(239,711)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(525,520)</u>	<u>(239,711)</u>	<u>525,520</u>
Net Change in Fund Balance	354,505	206,161	-
Beginning Fund Balance	1,257,952	687,647	-
Ending Fund Balance	<u>\$ 1,612,457</u>	<u>\$ 893,808</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

DOWNTOWN CAPITAL PROJECT	EMPIRE BOND	OTHER GOVERNMENTAL	TOTAL GOVERNMENTAL
\$ -	\$ -	\$ -	\$ 1,218,316
100,000	-	-	100,000
169,160	-	43,184	319,925
-	-	2,400	2,400
269,160	-	45,584	1,640,641
101,000	-	44,237	145,237
427,572	-	73,287	500,859
-	239,711	-	765,231
528,572	239,711	117,524	1,411,327
(259,412)	(239,711)	(71,940)	229,314
-	239,711	-	765,231
-	-	-	(765,231)
-	239,711	-	-
(259,412)	-	(71,940)	229,314
3,138,115	-	1,464,792	6,548,506
\$ 2,878,703	\$ -	\$ 1,392,852	\$ 6,777,820

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
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, 2008

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	\$ 229,314
--------------------------------------	------------

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	\$ 464,948	
Depreciation Expense	<u>(14,195)</u>	
Net Adjustment		450,753

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	481,231
Interest payable	1,745

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	<u>28,245</u>
----------------	---------------

Change in Net Assets	<u><u>\$ 1,191,288</u></u>
----------------------	----------------------------

The accompanying notes are an integral part of the basic financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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 component unit of the City of Coos Bay, 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 Agency's 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 the sustainability of the Agency 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 the sale of bonds, property and related taxes, and interest. All disbursements are categorized as program disbursements and interest on long-term debt.

FUND FINANCIAL STATEMENTS

The accounts of 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.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

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.

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 Agency's urban renewal property tax increment revenues, and earnings on investments, some of which is to be transferred to the Agency's Downtown Debt Service Fund for bonded debt retirement.

EMPIRE SPECIAL REVENUE

This fund is used to account for the Empire Area of the Agency of the City of Coos Bay's urban renewal property tax increment revenues, and earnings on investments, some of which is to be transferred to the Agency's 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 Agency's downtown area's urban renewal debt.

DOWNTOWN CAPITAL PROJECTS

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

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

EMPIRE BOND

This fund is used to accumulate monies transferred in from the Empire Special Revenue Fund to service the Urban Renewal Agency of the City of Coos Bay Empire Area's urban renewal debt.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

DOWNTOWN PROGRAM

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

DOWNTOWN BOND RESERVE

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

EMPIRE BOND RESERVE

This fund is used to account for designated funds earmarked from a portion of proceeds from the City of Coos Bay Empire Area's 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 of the Agency financed by proceeds from the issuance of the Agency's Empire Urban Renewal Bonds.

C. BUDGETS

A budget is prepared for each governmental fund type in accordance with the 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 Agency 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 30.

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

Materials and Services
Capital Outlay
Debt Service
Operating Contingency

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETS (CONTINUED)

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 which was not determined 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.

D. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE

Property taxes receivable is recorded to indicate the amount of uncollected taxes that the Agency can expect to receive in the future. Such taxes are offset by a liability to indicate that these amounts have to 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 to the Agency 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 effect 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 for 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 and local shared revenue are recorded in accounts receivable. 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.

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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-statements. The Agency defines capital assets 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, 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. 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.

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.

J. FUND EQUITY

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.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. SUPPLY INVENTORY

Purchased inventories are stated at cost (first-in, first-out method). Any donated inventories are stated at their estimated fair market value. 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). There are no material inventories on hand at June 30, 2008.

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

State statutes require that the Agency obtain from its depositories, a certificate of participation for the full amount of the Agency's deposits. The depositories are required to pledge, with an independent pool manager, securities in the Agency's name equal to twenty-five percent of the face value of the certificate of participation issued to the Agency. The Agency'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.

The Agency's 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.

Cash at June 30, 2008 consisted of:

Pooled Cash	<u>\$ 6,820,778</u>
Total	<u>\$ 6,820,778</u>

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 the State's investment policies. The State Treasurer is the investment officer for the 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. The fund was in compliance with all portfolio guidelines at June 30, 2008.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the Agency's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2008. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

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 of Credit Risk

At June 30, 2008, 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
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2008 were as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not depreciated				
Land and improvements	\$ 1,315,976	\$ -	\$ -	\$ 1,315,976
Total Capital assets not depreciated	1,315,976	-	-	1,315,976
Other capital assets at historical cost				
Buildings and improvements	570,831	371,310	-	942,141
Equipment and machinery	27,222	-	-	27,222
Construction in Progress	-	93,638	-	93,638
Total other capital assets at historical cost	598,053	464,948	-	1,063,001
Less Accumulated Depreciation				
Buildings and improvements	(15,251)	(11,473)	-	(26,724)
Equipment and machinery	(14,971)	(2,722)	-	(17,693)
Total accumulated depreciation	(30,222)	(14,195)	-	(44,417)
Other capital assets, net	567,831	450,753	-	1,018,584
Governmental activities capital assets, net	<u>\$ 1,883,807</u>	<u>\$ 450,753</u>	<u>\$ -</u>	<u>\$ 2,334,560</u>

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

Public Works	<u>\$ 14,195</u>
Total depreciation for governmental activities	<u>\$ 14,195</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT

\$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, 2008, 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>
2008-09	525,520	346,257	179,263
2009-10	525,520	362,235	163,285
2010-11	525,520	378,951	146,569
2011-12	525,520	396,097	129,423
2012-13	525,520	414,715	110,805
2013 and thereafter	<u>2,364,840</u>	<u>2,116,026</u>	<u>248,814</u>
Total	<u>\$ 4,992,440</u>	<u>\$ 4,014,281</u>	<u>\$ 978,159</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, 2008, 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>
2008-09	239,711	157,942	81,769
2009-10	239,711	165,230	74,481
2010-11	239,711	170,855	68,856
2011-12	239,711	180,675	59,036
2012-13	239,711	189,168	50,543
2013 and thereafter	<u>1,078,700</u>	<u>967,205</u>	<u>111,495</u>
Total	<u>\$ 2,277,255</u>	<u>\$ 1,831,075</u>	<u>\$ 446,180</u>

Interest Rate: Fixed annual rate of 4.5%

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of The City of Coos Bay)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

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

	<u>Balance 7/1/2007</u>	<u>Additions (Reductions)</u>	<u>Balance 6/30/2008</u>
Urban Renewal Bonds			
Downtown (Series 1/23/03 A)	\$ 4,344,765	\$ (330,484)	\$ 4,014,281
Empire (Series 1/24/03 A)	<u>1,981,822</u>	<u>(150,747)</u>	<u>1,831,075</u>
Total	<u>\$ 6,326,587</u>	<u>\$ (481,231)</u>	<u>\$ 5,845,356</u>

The following is a summary of interest coupon transactions for the year ended June 30, 2008.

	<u>Matured Outstanding 7/1/2007</u>	<u>Matured</u>	<u>Redeemed</u>	<u>Matured Outstanding 6/30/2008</u>
Urban Renewal Bonds				
Downtown (Series 1/23/03 A)		\$ 195,036	\$ 195,036	\$ -
Empire (Series 1/24/03 A)		<u>88,964</u>	<u>88,964</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 284,000</u>	<u>\$ 284,000</u>	<u>\$ -</u>

6. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; errors and omissions; and natural disasters. The Agency is covered by The City of Coos Bay's commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

7. INTERNAL TRANSFERS

The composition of interfund transfers as of June 30, 2008, is as follows:

Transfer Out from:	<u>Downtown Bond</u>	<u>Empire Bond</u>	<u>Total</u>
Downtown Special Revenue	\$ 525,520	\$ -	\$ 525,520
Empire Special Revenue	-	239,711	239,711
Total Transfers	<u>\$ 525,520</u>	<u>\$ 239,711</u>	<u>\$ 765,231</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.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit 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
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

DOWNTOWN SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property Taxes	\$ 869,000	\$ 869,000	\$ 810,416	\$ (58,584)
Interest on Investments	60,000	60,000	69,609	9,609
Total Revenues	929,000	929,000	880,025	(48,975)
EXPENDITURES:				
Debt Service	1,633,480	1,633,480 (1)	-	1,633,480
Total Expenditures	1,633,480	1,633,480	-	1,633,480
Excess of Revenues, Over (Under) Expenditures	(704,480)	(704,480)	880,025	1,584,505
Other Financing Sources, (Uses)				
Transfers Out	(525,520)	(525,520) (1)	(525,520)	-
Net Change in Fund Balance	(1,230,000)	(1,230,000)	354,505	1,584,505
Beginning Fund Balance	1,230,000	1,230,000	1,257,952	27,952
Ending Fund Balance	\$ -	\$ -	\$ 1,612,457	\$ 1,612,457

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

EMPIRE SPECIAL REVENUE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property Taxes	\$ 429,000	\$ 429,000	\$ 407,900	\$ (21,100)
Interest on Investments	33,000	33,000	37,972	4,972
Total Revenues	462,000	462,000	445,872	(16,128)
EXPENDITURES:				
Debt Service	897,289	897,289 (1)	-	897,289
Total Expenditures	897,289	897,289	-	897,289
Excess of Revenues Over, (Under) Expenditures	(435,289)	(435,289)	445,872	881,161
Other Financing Sources, (Uses)				
Transfers Out	(239,711)	(239,711) (1)	(239,711)	-
Total Other Financing Sources, (Uses)	(239,711)	(239,711)	(239,711)	-
Net Change in Fund Balance	(675,000)	(675,000)	206,161	881,161
Beginning Fund Balance	675,000	675,000	687,647	12,647
Ending Fund Balance	\$ -	\$ -	\$ 893,808	\$ 893,808

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

<u>DOWNTOWN BOND FUND</u>				VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
Debt Service				
Principal	\$ 330,484	\$ 330,484	\$ 330,484	\$ -
Interest	195,036	195,036	195,036	-
Total Expenditures	<u>525,520</u>	<u>525,520</u>	<u>525,520 (1)</u>	<u>-</u>
Other Financing Sources, (Uses)				
Transfers In	<u>525,520</u>	<u>525,520</u>	<u>525,520</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

DOWNTOWN CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Donations	-	-	100,000	100,000
Interest on Investments	150,000	150,000	169,160	19,160
Total Revenues	150,000	150,000	269,160	119,160
EXPENDITURES:				
Materials and Services	74,000	101,000 (1)	101,000	-
Capital Outlay	3,176,000	3,149,000 (1)	427,572	2,721,428
Total Expenditures	3,250,000	3,250,000	528,572	2,721,428
Net Change in Fund Balance	(3,100,000)	(3,100,000)	(259,412)	2,840,588
Beginning Fund Balance	3,100,000	3,100,000	3,138,115	38,115
Ending Fund Balance	\$ -	\$ -	\$ 2,878,703	\$ 2,878,703

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

	<u>EMPIRE BOND FUND</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
Debt Service				
Principal	\$ 150,747	\$ 150,747	\$ 150,747	\$ -
Interest	88,964	88,964	88,964	-
Total Expenditures	<u>239,711</u>	<u>239,711 (1)</u>	<u>239,711</u>	<u>-</u>
Other Financing Sources, (Uses)				
Transfers In	<u>239,711</u>	<u>239,711</u>	<u>239,711</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

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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

SUPPLEMENTARY DATA

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	<u>SPECIAL REVENUE</u>	
	<u>EMPIRE PROGRAM</u>	<u>DOWNTOWN PROGRAM</u>
ASSETS:		
Cash and Investments	\$ 427,837	\$ 11,466
Accounts Receivable	-	200
Total Assets	<u>\$ 427,837</u>	<u>\$ 11,666</u>
LIABILITIES:		
Accounts Payable	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
FUND EQUITY:		
Fund Equity:		
Reserve for Debt Service	-	-
Reserve for Capital Projects	-	-
Unreserved, reported in special revenue funds	<u>427,837</u>	<u>11,666</u>
Total Fund Equity	<u>427,837</u>	<u>11,666</u>
Total Liabilities and Fund Equity	<u>\$ 427,837</u>	<u>\$ 11,666</u>

DEBT SERVICE		CAPITAL PROJECT	
DOWNTOWN BOND RESERVE	EMPIRE BOND RESERVE	EMPIRE CAPITAL PROJECT	TOTAL NONMAJOR GOVERNMENTAL
\$ 525,520	\$ 239,711	\$ 188,168	\$ 1,392,702
-	-	-	200
<u>\$ 525,520</u>	<u>\$ 239,711</u>	<u>\$ 188,168</u>	<u>\$ 1,392,902</u>
\$ -	\$ -	\$ 50	\$ 50
-	-	50	50
525,520	239,711	-	765,231
-	-	188,118	188,118
-	-	-	439,503
<u>525,520</u>	<u>239,711</u>	<u>188,118</u>	<u>1,392,852</u>
<u>\$ 525,520</u>	<u>\$ 239,711</u>	<u>\$ 188,168</u>	<u>\$ 1,392,902</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

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

For the Year Ended June 30, 2008

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>
	<u>EMPIRE PROGRAM</u>	<u>DOWNTOWN PROGRAM</u>	<u>DOWNTOWN BOND RESERVE</u>
REVENUES:			
Lease Revenue	\$ -	\$ 2,400	\$ -
Interest on Investments	19,237	455	-
Total Revenues	19,237	2,855	-
EXPENDITURES:			
Materials and Services	100	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
Total Expenditures	100	-	-
Excess of Revenues Over, (Under) Expenditures	19,137	2,855	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balance	19,137	2,855	-
Beginning Fund Balance	408,700	8,811	525,520
Ending Fund Balance	<u>\$ 427,837</u>	<u>\$ 11,666</u>	<u>\$ 525,520</u>

CAPITAL PROJECT

<u>EMPIRE BOND RESERVE</u>	<u>EMPIRE CAPITAL PROJECT</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
\$ -	\$ -	\$ 2,400
-	23,492	43,184
-	23,492	45,584
-	44,137	44,237
-	73,287	73,287
-	-	-
-	117,424	117,524
-	(93,932)	(71,940)
-	-	-
-	-	-
-	-	-
-	(93,932)	(71,940)
239,711	282,050	1,464,792
<u>\$ 239,711</u>	<u>\$ 188,118</u>	<u>\$ 1,392,852</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

	<u>EMPIRE PROGRAM FUND</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Interest on Investments	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 19,237</u>	<u>\$ (763)</u>
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>19,237</u>	<u>(763)</u>
EXPENDITURES:				
Materials and Services	20,000	20,000 (1)	100	19,900
Capital Outlay	<u>403,000</u>	<u>403,000 (1)</u>	<u>-</u>	<u>403,000</u>
Total Expenditures	<u>423,000</u>	<u>423,000</u>	<u>100</u>	<u>422,900</u>
Excess of Revenues Over, (Under) Expenditures	(403,000)	(403,000)	19,137	422,137
Other Financing Sources, (Uses)				
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(403,000)	(403,000)	19,137	422,137
Beginning Fund Balance	<u>403,000</u>	<u>403,000</u>	<u>408,700</u>	<u>5,700</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,837</u>	<u>\$ 427,837</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

DOWNTOWN PROGRAM FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Lease Revenue	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Interest on Investments	400	400	455	55
Total Revenues	2,800	2,800	2,855	55
EXPENDITURES:				
Materials and Services	2,000	2,000 (1)	-	2,000
Capital Outlay	9,500	9,500 (1)	-	9,500
Total Expenditures	11,500	11,500	-	11,500
Net Change in Fund Balance	(8,700)	(8,700)	2,855	11,555
Beginning Fund Balance	8,700	8,700	8,811	111
Ending Fund Balance	\$ -	\$ -	\$ 11,666	\$ 11,666

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

DOWNTOWN BOND RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
Contingency	<u>\$ 525,520</u>	<u>\$ 525,520</u>	(1) <u>\$ -</u>	<u>\$ 525,520</u>
Total Expenditures	<u>525,520</u>	<u>525,520</u>	<u>-</u>	<u>525,520</u>
Beginning Fund Balance	<u>525,520</u>	<u>525,520</u>	<u>525,520</u>	<u>-</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 525,520</u></u>	<u><u>\$ 525,520</u></u>

(1) - Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

EMPIRE BOND RESERVE FUND

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

(1) - Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008

EMPIRE CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Interest on Investments	\$ 11,000	\$ 11,000	\$ 23,492	\$ 12,492
Total Revenues	11,000	11,000	23,492	12,492
EXPENDITURES:				
Materials and Services	32,000	45,000 (1)	44,137	863
Capital Outlay	204,000	191,000 (1)	73,287	117,713
Total Expenditures	236,000	236,000	117,424	118,576
Net Change in Fund Balance	(225,000)	(225,000)	(93,932)	131,068
Beginning Fund Balance	225,000	225,000	282,050	57,050
Ending Fund Balance	\$ -	\$ -	\$ 188,118	\$ 188,118

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
(A Component Unit of the City of Coos Bay, Oregon)
COOS COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2008

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/07	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/08
Current:						
2007-08	\$ 1,273,724	\$ 30,607	\$ (6,263)	\$ (1,712)	\$ 1,162,673	\$ 72,469
Prior Years:						
2006-07	62,328	(10)	(505)	1,946	32,567	31,212
2005-06	26,664	(6)	(379)	1,752	12,517	15,526
2004-05	14,083	(4)	(235)	2,149	10,683	5,318
2003-04	5,413	(2)	(572)	1,321	5,396	768
2002-03 & Prior	3,068	(13)	(2,179)	152	(1,606)	2,660
Total Prior	111,556	(35)	(3,870)	7,320	59,557	55,484
Total	\$ 1,385,280	\$ 30,572	\$ (10,133)	\$ 5,608	\$ 1,222,230	\$ 127,953

CASH COLLECTIONS BY COUNTY TREASURER

Downtown Special Revenue Fund	\$ 813,263
Empire Special Revenue Fund	408,967
Total Cash Collected - All Funds	<u>\$ 1,222,230</u>

BALANCE UNCOLLECTED OR UNSEGREGATED

Downtown Special Revenue Fund	\$ 85,682
Empire Special Revenue Fund	42,270
Total Balance Uncollected or Unsegregated - All Funds	<u>\$ 127,952</u>

RECONCILIATION TO REVENUE:

	DOWNTOWN SPECIAL REVENUE	EMPIRE SPECIAL REVENUE
Cash Collections by County Treasurer Above	\$ 813,263	\$ 408,967
Add Additional Tax Payments by County		
Accrual of Receivables:		
June 30, 2007	(14,711)	(7,244)
June 30, 2008	6,747	3,358
Taxes in Lieu	5,117	2,819
Total Revenue	<u>\$ 810,416</u>	<u>\$ 407,900</u>

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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

2007-08 AUDITORS' COMMENTS AND DISCLOSURES

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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 4, 2009

2007-2008 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, enumerate the basic financial statements, schedules, comments and disclosures required in audit reports. Certain required disclosures, statements and schedules are set forth in preceding pages of this report. Additional 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 Urban Renewal Agency of the City of Coos Bay, for the year ended June 30, 2008, and have issued our report thereon dated February 4, 2009.

We conducted our audit in accordance with generally accepted auditing standards 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 misstatements.

In planning and performing our audit of the basic financial statements of the Urban Renewal Agency of the City of Coos Bay, for the year ended June 30, 2008, 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.

The management of the Urban Renewal Agency of the City of Coos Bay, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system 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 the basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain duties so that no one individual 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.

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

We noted matters involving the internal control structure and its operation that we consider to be significant deficiency under standards established by the American Institute of Certified Public Accountants. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal controls.

The significant deficiencies noted are contained in our management letter dated February 4, 2009.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal controls. We did not consider any of the significant deficiencies noted to be material weaknesses.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of management and the State of Oregon, Secretary of State, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

ACCOUNTING RECORDS

The accounting records are adequate for audit.

BUDGET TRANSACTIONS

There were no expenditures which exceeded authorized appropriation levels.

2007-2008 and 2008-2009 BUDGETS

The budgets adopted for the current and ensuing fiscal year were examined during the audit. Based on our testing we are not aware of any budget preparation and adoption procedures followed that were not 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. The deposits are maintained at the City of Coos Bay. See their report issued under separate cover, for collateral comments.

PUBLIC CONTRACTS AND PURCHASING

The procedures for awarding public contracts were reviewed and based on our testing appeared to be in compliance with ORS Chapter 279.

INSURANCE AND FIDELITY BONDS

The insurance coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

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

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 there were no expenditures of federal financial awards for the year ended June 30, 2008, 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).

STATE HIGHWAY FUNDS

There were no programs funded by State Highway Funds for the year ended June 30, 2008.

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

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