

CITY OF COOS BAY, OREGON

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

CITY OF COOS BAY, OREGON
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2005

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CITY OF COOS BAY, OREGON

CITY OFFICIALS

June 30, 2005

Mayor and City Council:

Joe Benetti, Mayor
260 South Broadway
Coos Bay, OR 97420

Jeff McKeown, Council President
890 Telegraph Drive
Coos Bay, OR 97420

Jon Eck
1476 Juniper Street
Coos Bay, OR 97420

Roger Gould
2675 N. 16th Court
Coos Bay, OR 97420

John Muenchrath
2500 Koosbay Blvd
Coos Bay, OR 97420

Cindi Miller
1076 South 4th Street
Coos Bay, OR 97420

Kevin Stufflebean
250 Johnson, Space #40
Coos Bay, OR 97420

Scott McClure, City Manager
500 Central Avenue
Coos Bay, OR 97420

Janell Howard, Finance Director/City Recorder
500 Central Avenue
Coos Bay, OR 97420

Nathan McClintock, City Attorney
500 Central Avenue
Coos Bay, OR 97420

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Governing Body of the City of Coos Bay, Oregon:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coos Bay, Oregon, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coos Bay, Oregon's 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 and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coos Bay, Oregon, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in NOTE 1, the City reports a component unit for the fiscal year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005, on our consideration of the City of Coos Bay, Oregon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coos Bay, Oregon's basic financial statements. The combining and individual nonmajor fund financial statements, and accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

J. Robert Wall, CPA

J. Robert Wall, C.P.A.
Wall & Wall P.C., Certified Public Accountants

Coos Bay, Oregon
October 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Coos Bay

500 Central Avenue, Coos Bay, Oregon 97420 • Phone 541-269-8915
Fax 541-267-5912 • <http://www.coosbay.org>

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2005

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

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the City's financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

The City's net assets increased by \$2.0 million (or 7%) due primarily to the reduction of debt in the amount of \$700,000 and the investment in the wastewater plant and systems; the largest of which was \$730,000 spent on the under-the-bay sewer line.

Governmental activities revenue decreased by \$1.6 million (or 16%) primarily due to the prior year revenues including the capital contribution of Newmark Avenue from the Urban Renewal Agency of the City of Coos Bay.

Business-type activities revenue increased by \$1.1 million (or 37%) due to an increase in user charges in the wastewater fund and increased activity in the building codes fund. The fiscal year 2003-04 wastewater increase of 12% was implemented in July 2003 and the most next increase of 10% was implemented in June 2005.

Overall City program costs increased by \$900,000 (or 9%), due to increased capital expenditures. An additional \$200,000 was spent from the Major Capital Reserve Fund; \$165,000 on fire safety equipment which was 90% grant funded. Wastewater expenditures increased \$400,000 primarily due to the major system improvement of the under-the-bay sewer line.

REPORT LAYOUT

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

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

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

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

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

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

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

CITY AS A WHOLE

Government-Wide Financial Statements

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

	Governmental Activities		Business-type Activities		Total Government
	2005	2004	2005	2004	2005
Cash and investments	\$10.1	\$9.5	\$2.1	\$1.6	\$12.2
Other assets	1.6	1.4	0.2	0.2	1.8
Capital assets	9.1	9.4	9.9	9.2	19.0
Long term receivables	6.5	6.6	0.0	0.0	6.5
Total assets	27.3	26.9	12.2	11.0	39.5
Other liabilities	0.9	0.8	0.3	0.1	1.2
Long term debt outstanding	7.9	8.6	0.0	0.0	7.9
Total liabilities	8.8	9.4	0.3	0.1	9.1
Net assets:					
Invested in capital assets, net of debt	7.6	7.5	9.9	9.2	17.5
Restricted	6.0	5.7	0.4	0.3	6.4
Unrestricted	4.9	4.3	1.6	1.4	6.5
Total net assets	\$18.5	\$17.5	\$11.9	\$10.9	\$30.4

Statement of Net Assets at June 30, 2005:

During fiscal year 2004-05 several events changed the balance of net assets. An explanation of each follows.

Governmental Activities

The growth in net assets for governmental activities is primarily due to the reduction of debt in the amount of \$700,000.

Business-type Activities

The increase in net assets for the business-type activities is due to an increase in user charges in the wastewater fund, increased activity in the building codes fund and the investment in the wastewater plant and systems; the largest of which was \$730,000 spent on the under-the-bay sewer line.

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

Statement of Activities for the Year Ended June 30, 2005:

**Table 2
Governmental and Proprietary Activities
For Fiscal Year Ending June 30, 2005
(in millions)**

	Governmental Activities		Business-type Activities		Total Government
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
REVENUES					
Program revenues					
Charges for services	\$0.5	\$0.6	\$3.8	\$3.0	\$4.3
Grants and contributions	1.0	0.8	0.2	0.0	1.2
Capital contributions	0.0	2.3	0.0	0.0	0.0
General revenues					
Taxes	7.7	7.4	0.0	0.0	7.7
Interest	0.3	0.2	0.1	0.0	0.4
Other	0.5	0.3	0.0	0.0	0.5
Total revenues	<u>10.0</u>	<u>11.6</u>	<u>4.1</u>	<u>3.0</u>	<u>14.1</u>
EXPENSES					
Governmental activities	8.3	7.8	0.0	0.0	8.3
Business-type activities	0.0	0.0	3.0	2.6	3.0
Total expenses	<u>8.3</u>	<u>7.8</u>	<u>3.0</u>	<u>2.6</u>	<u>11.3</u>
Transfers	0.1	0.1	(0.1)	(0.1)	0.0
Increase in net assets	1.8	3.9	1.0	0.3	2.8
Beginning net assets	<u>16.7</u>	<u>13.6</u>	<u>10.9</u>	<u>10.6</u>	<u>27.6</u>
Ending net assets	<u>\$18.5</u>	<u>\$17.5</u>	<u>\$11.9</u>	<u>\$10.9</u>	<u>\$30.4</u>

Governmental Activities

Governmental activities revenue decreased by \$1.6 million (or 16%) primarily due to the prior year revenues including the capital contribution of Newmark Avenue from the Urban Renewal Agency of the City of Coos Bay. General taxes increased by \$300,000. Interest and miscellaneous revenues increased by a total of \$300,000.

Governmental activity expenses increased by \$600,000 (or 8%). The increase is due primarily to an increase in capital expenditures.

Business-type Activities

Business-type activities revenue increased by \$1.1 million (or 37%) due to an increase in user charges in the wastewater fund and increased activity in the building codes fund. The fiscal year 2003-04 wastewater increase of 12% was implemented in July 2003 and the next increase of 10% was implemented in June 2005.

Business-type activity expenses increased by \$400,000 (or 15%) primarily due to the investment in the wastewater plants and systems; the most significant of which was the under-the-bay sewer line.

BUDGETARY HIGHLIGHTS

The City's General Fund Appropriations remained constant at \$6.6 million. Actual operating costs within the General Fund were 88% of the final budget. This was primarily due to unfilled positions in public safety and community services. The overall increase to the fund balance was \$100,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005 the City had invested \$19.0 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$400,000.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land & assets not depreciated	\$0.6	\$0.5	\$0.0	\$0.0	\$0.6	\$0.5
Land improvements	0.5	0.6	0.5	0.6	1.0	1.2
Buildings & improvements	4.6	4.6	0.0	0.0	4.6	4.6
Machinery & equipment	0.4	0.5	0.8	0.9	1.2	1.4
Vehicles	0.4	0.6	0.1	0.1	0.5	0.7
Infrastructure - streets	2.6	2.6	0.0	0.0	2.6	2.6
Plant and systems	0.0	0.0	8.4	7.6	8.4	7.6
Work in progress	0.0	0.0	0.1	0.0	0.1	0.0
Total	<u><u>\$9.1</u></u>	<u><u>\$9.4</u></u>	<u><u>\$9.9</u></u>	<u><u>\$9.2</u></u>	<u><u>\$19.0</u></u>	<u><u>\$18.6</u></u>

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

Table 4
Change in Capital Assets
(in millions)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning balance	\$9.4	\$9.2	\$18.6
Additions	0.4	1.2	1.6
Retirement	(0.2)	0.0	(0.2)
Depreciation	<u>(0.5)</u>	<u>(0.5)</u>	<u>(1.0)</u>
Ending balance	<u><u>\$9.1</u></u>	<u><u>\$9.9</u></u>	<u><u>\$19.0</u></u>

Assets from governmental activities decreased \$300,000 (or 3%). Offsetting these additions were depreciation and retirement of assets.

Business-type activities assets increased \$700,000 (or 8%). Offsetting any additions were depreciation and retirement of assets.

Debt Outstanding

As of year-end, the City had \$8.5 million in debt outstanding compared to \$9.1 million last year. \$850,000 of the debt outstanding at June 30, 2005 is due within one year.

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

	Totals	
	2005	2004
Governmental:		
Compensated absences	\$0.5	\$0.4
General obligations	1.5	2.0
Revenue bonds	0.8	1.0
Revenue secured loans	5.7	5.7
Sub-total	8.5	9.1
Business-type	0.0	0.0
Total	<u>\$8.5</u>	<u>\$9.1</u>

There was no debt refinancing during the year. The City's water bonds are paid from water revenues passed through from the Coos Bay-North Bend Water Board, joint venture.

Moody's Investors Service, Inc has rated the City's Sewer bonds as Aaa. The outstanding sewer bonds have bond insurance provided by MBIA. Other debt of the City has not been rated.

For more detailed information on the City's debt and amortization terms refer to pages 29-31 of the notes.

FUND-BASED FINANCIAL ANALYSIS

Governmental funds. The **General Fund** is the chief operating fund of the City. At June 30, 2005, the fund balance, which is all unreserved, was \$1.8 million. The fund balance represents 30% of revenues for 2004-05, which is adequate to cover expenditures prior to November when a significant portion of property tax revenues are received.

The **Jurisdictional Exchange Fund** was formed when the City took over 23 lane miles from the State of Oregon in exchange for \$4.8 million. The corpus of these monies is restricted from expenditure by City charter. Fund balance at June 30, 2005 was \$5.2 million. During 2004-05, this money earned \$160,000 in interest revenue. All amounts over the \$4.8 can be used to maintain and improve the 23 lane miles.

Business-type funds. The **Wastewater Fund** is the only major business-type fund. This fund is used to account for the operations of the wastewater treatment facilities, and sanitary sewer and storm water systems. The primary source of revenue is charges for service. The City implemented a 10% increase to user rates in June 2005. Fund Balance at June 30, 2005 was \$1.3 of which most is earmarked for capital projects including Oregon Dept. of Environmental Quality mandated upgrades to our wastewater treatment facilities.

The **Major Capital Reserve Fund** was created to account for major capital purchases with a cost of 5,000 or more. The primary source of revenue is from the sale of timber and transfers from other funds. Fund balance at June 30, 2005 was \$800,000.

ECONOMIC FACTORS

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

The downturn in economic conditions nationwide has hit our community as well. Some City programs have been reduced, and a number of positions were eliminated in prior years in order for the City to downsize its budget to meet the limited revenues resulting from Measure 50 and the general downturn in economic conditions.

The City's business-type activities are funded via utility charges for the Wastewater Fund and license and permit fees for the Building Codes Fund. The City Council has not authorized a rate increase to the City's sewer rate charge since the increase implemented in June 2005.

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

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CITY OF COOS BAY, OREGON
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 10,135,984	\$ 2,118,628	\$ 12,254,612
Receivables (net of allowance for uncollectibles)	1,606,119	204,849	1,810,968
Prepays	7,178	-	7,178
Capital assets (see notes)			
Land, art collections, and construction in progress	521,342	-	521,342
Other capital assets (net of accumulated depreciation)	8,565,917	9,852,583	18,418,500
Noncurrent asset (see notes)			
Due within one year			
Note receivable - joint venture	376,903	-	376,903
Due in more than one year			
Note receivable - joint venture	6,077,835	-	6,077,835
Total assets	<u>27,291,278</u>	<u>12,176,060</u>	<u>39,467,338</u>
LIABILITIES			
Accounts payable	\$ 308,537	\$ 238,249	\$ 546,786
Payroll and payroll taxes payable	1,601	-	1,601
Interest payable	206,483	-	206,483
Deferred revenue	343,978	10,261	354,239
Noncurrent liabilities			
Due within one year			
Revenue secured loans payable	167,666	-	167,666
Bonds payable	684,237	-	684,237
Due in more than one year			
Revenue secured loans payable	5,516,505	-	5,516,505
Bonds payable	1,591,330	-	1,591,330
Total liabilities	<u>8,820,337</u>	<u>248,510</u>	<u>9,068,847</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,582,259	9,852,583	17,434,842
Restricted for:			
Capital projects	5,213,604	388,817	5,602,421
Debt service	739,616	-	739,616
Unrestricted	4,935,462	1,686,150	6,621,612
Total net assets	<u>\$ 18,470,941</u>	<u>\$ 11,927,550</u>	<u>\$ 30,398,491</u>

The notes to the basic financial statements are an integral part of this statement.

Component Unit	
Coos Bay Urban Renewal Agency	
\$	6,261,243
	118,415
	-
	-
	1,333,671
	-
	-
	<u>7,713,329</u>
\$	15,312
	-
	26,200
	-
	-
	440,409
	-
	<u>6,787,319</u>
	<u>7,269,240</u>
	-
	-
	-
	<u>444,089</u>
\$	<u><u>444,089</u></u>

CITY OF COOS BAY, OREGON
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2005

Functions/programs	Program Revenues		
Primary government	Expenses	Charges for Services	Operating Grants/Contributions
Governmental activities			
General government	\$ 1,040,999	\$ 265,116	\$ 180,572
Public safety	4,685,752	134,376	12,619
Public works	1,219,823	-	83,126
Culture and recreation	903,922	71,723	7,925
Interest on long-term debt	435,944	-	702,648
Total government activities	8,286,440	471,215	986,890
Business - type activities			
Wastewater	2,825,777	3,339,583	190,000
Building codes	185,852	445,973	-
Total business - type activities	3,011,629	3,785,556	190,000
Total primary government	\$ 11,298,069	\$ 4,256,771	\$ 1,176,890
Component Unit			
Coos Bay Urban Renewal Agency	\$ 380,125	\$ -	\$ -

General revenues

- Taxes
 - Property
 - Transient occupancy
 - Other - state
- Franchise fees
- Rent income
- Investment earnings
- Gain (loss) on sale of assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business - Type Activities	Total	Coos Bay Urban Renewal Agency
\$ (595,311)	\$ -	\$ (595,311)	\$ -
(4,538,757)	-	(4,538,757)	-
(1,136,697)	-	(1,136,697)	-
(824,274)	-	(824,274)	-
266,704	-	266,704	-
<u>(6,828,335)</u>	<u>-</u>	<u>(6,828,335)</u>	<u>-</u>
-	703,806	703,806	-
<u>-</u>	<u>260,121</u>	<u>260,121</u>	<u>-</u>
-	963,927	963,927	-
<u>(6,828,335)</u>	<u>963,927</u>	<u>(5,864,408)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (380,125)</u>
5,441,804	-	5,441,804	1,173,875
469,076	-	469,076	-
968,617	-	968,617	-
894,739	-	894,739	-
64,923	-	64,923	15,611
278,557	46,479	325,036	-
-	-	-	154,375
353,427	32,966	386,393	64,542
56,713	(56,713)	-	(502,891)
<u>8,527,856</u>	<u>22,732</u>	<u>8,550,588</u>	<u>905,512</u>
1,699,521	986,659	2,686,180	525,387
<u>16,771,420</u>	<u>10,940,891</u>	<u>27,712,311</u>	<u>(81,298)</u>
<u>\$ 18,470,941</u>	<u>\$ 11,927,550</u>	<u>\$ 30,398,491</u>	<u>\$ 444,089</u>

CITY OF COOS BAY, OREGON
Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2005

	General	Major Capital Improvement	Jurisdictional Exchange Reserve	Other Governmental	Total Governmental
ASSETS					
Cash and investments	\$ 1,900,195	\$ 828,956	\$ 5,215,358	\$ 2,191,475	\$ 10,135,984
Receivables, net					
Taxes	399,278	-	-	51,406	450,684
Accounts	351,842	-	-	277,133	628,975
Assessments	29,522	-	-	4,165	33,687
Loans	335,955	-	-	-	335,955
Intergovernmental	-	153,172	-	-	153,172
Notes	3,858	-	-	-	3,858
Prepaid expenses	1,590	-	-	5,588	7,178
Capital assets	-	-	-	-	-
Total assets	\$ 3,022,240	\$ 982,128	\$ 5,215,358	\$ 2,529,767	\$ 11,749,493
LIABILITIES					
Accounts payable	\$ 53,877	\$ 172,992	\$ 1,754	\$ 79,761	\$ 308,384
Unclaimed property payable	152	-	-	-	152
Payroll and payroll taxes payable	1,601	-	-	-	1,601
Compensated absences	414,560	-	-	73,259	487,819
Deferred revenues	739,091	-	-	55,571	794,662
Matured interest payable	-	-	-	213	213
Total liabilities	1,209,281	172,992	1,754	208,804	1,592,831
FUND BALANCES					
Invested in fixed assets	-	-	-	-	-
Reserved for					
Debt service	-	-	-	739,616	739,616
Capital outlay	-	-	5,213,604	-	5,213,604
Unreserved, reported in					
General fund	1,812,959	-	-	-	1,812,959
Special revenue funds	-	-	-	1,019,017	1,019,017
Capital projects funds	-	809,136	-	562,330	1,371,466
Total fund balances	1,812,959	809,136	5,213,604	2,320,963	10,156,662
Total liabilities and fund balances	\$ 3,022,240	\$ 982,128	\$ 5,215,358	\$ 2,529,767	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds (net of accumulated depreciation).	9,087,259
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Property taxes earned but unavailable, net	450,684
Joint venture long-term receivable	6,454,738
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	487,819
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, they are not reported in the funds (includes accrued interest of \$221,069).	(8,166,221)
Net assets of governmental activities	\$ 18,470,941

The notes to the basic financial statements are an integral part of this statement.

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CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	<u>General Fund</u>	<u>Major Capital Improvement</u>	<u>Jurisdictional Exchange Reserve</u>
REVENUES			
Property taxes	\$ 4,183,325	\$ -	\$ -
Franchise taxes	894,739	-	-
Other taxes	-	-	-
Assessments	1,438	-	-
Licenses and permits	94,811	-	-
Intergovernmental	412,679	153,172	-
Charges for services	206,308	-	-
Charges for use of money and property	115,006	17,335	160,669
Fines and forfeits	91,243	-	-
Miscellaneous	28,661	27,675	-
Total revenues	<u>6,028,210</u>	<u>198,182</u>	<u>160,669</u>
EXPENDITURES			
Current			
General government	764,507	9,450	-
Public safety	4,470,809	-	-
Public works	386,217	-	1,722
Culture and recreation	-	-	-
Capital outlay	2,332	346,183	100,192
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>5,623,865</u>	<u>355,633</u>	<u>101,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>404,345</u>	<u>(157,451)</u>	<u>58,755</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	290,000	-
Transfers out	<u>(300,000)</u>	<u>(69,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>221,000</u>	<u>-</u>
Net change in fund balances	104,345	63,549	58,755
FUND BALANCES - BEGINNING OF YEAR	<u>1,708,614</u>	<u>745,587</u>	<u>5,154,849</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,812,959</u>	<u>\$ 809,136</u>	<u>\$ 5,213,604</u>

The notes to the basic financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,258,479	\$ 5,441,804
-	894,739
1,229,893	1,229,893
-	1,438
-	94,811
806,318	1,372,169
78,853	285,161
49,032	342,042
-	91,243
119,612	175,948
<u>3,542,187</u>	<u>9,929,248</u>
-	773,957
50,680	4,521,489
943,801	1,331,740
858,317	858,317
171,644	620,351
806,597	806,597
435,944	435,944
<u>3,266,983</u>	<u>9,348,395</u>
<u>275,204</u>	<u>580,853</u>
253,322	543,322
<u>(117,609)</u>	<u>(486,609)</u>
<u>135,713</u>	<u>56,713</u>
410,917	637,566
<u>1,910,046</u>	<u>9,519,096</u>
<u>\$ 2,320,963</u>	<u>\$ 10,156,662</u>

CITY OF COOS BAY, OREGON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances-total governmental funds \$ 637,566

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets are different because:

Governmental funds report capital outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlay exceeded depreciation in the current period.

Expenditures and adjustments for capital assets	\$ 961,854	
Less current year depreciation	<u>(476,911)</u>	484,943

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Assets disposed of		(204,094)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Principal payments		806,597
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(40,077)	
Accrued interest on general obligation bonds	<u>14,586</u>	<u>(25,491)</u>

Change in Net Assets of Governmental Activities		\$ <u>1,699,521</u>
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The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS
Proprietary Funds

The City of Coos Bay, Oregon utilizes two Proprietary Funds made up of four Enterprise Funds. These funds are used to account for acquisition, operation, and maintenance of wastewater, water, and building codes activities. These funds are entirely or predominantly self-supported through user charges to the customer. Funds included are:

- Wastewater
- Building Codes

For budgetary purposes (see budget schedules in the Required Supplemental Information section), the Wastewater and Building Codes Funds are accounted for in the following separate funds:

- **Wastewater**
 - Wastewater Operation - Major
 - Wastewater Equipment Reserve - Capital Projects
- **Building Codes**
 - Building Codes Operating
 - Building Codes Reserve - Capital Projects

For generally accepted accounting principles purposes, these aforementioned funds, along with the Street Lighting Fund which had no financial activity other than budgetary, are consolidated, by major and three non-major funds, and included as two separate Enterprise Funds.

CITY OF COOS BAY, OREGON
Statement of Net Assets
PROPRIETARY FUNDS
June 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Wastewater</u>	<u>Enterprise Funds</u>	<u>Proprietary Funds</u>
ASSETS			
Current assets			
Cash and investments	\$ 1,302,186	\$ 816,442	\$ 2,118,628
Receivables			
Accounts receivable, net	201,969	-	201,969
Assessments	2,880	-	2,880
Capital assets, net	<u>9,852,583</u>	<u>-</u>	<u>9,852,583</u>
Total assets	<u>11,359,618</u>	<u>816,442</u>	<u>12,176,060</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	232,209	6,040	238,249
Deferred revenues	<u>2,880</u>	<u>7,381</u>	<u>10,261</u>
Total liabilities	<u>235,089</u>	<u>13,421</u>	<u>248,510</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,852,583	-	9,852,583
Reserved for			
Capital projects	-	388,817	388,817
Unreserved	<u>1,271,946</u>	<u>414,204</u>	<u>1,686,150</u>
Total net assets	<u>\$ 11,124,529</u>	<u>803,021</u>	<u>\$ 11,927,550</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenses, and Changes in Fund Net Assets
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Wastewater</u>	<u>Enterprise Funds</u>	<u>Proprietary Funds</u>
OPERATING REVENUES			
Licenses and permits	\$ -	\$ 445,973	\$ 445,973
Intergovernmental	1,042,247	-	1,042,247
Charges for services	<u>2,487,336</u>	<u>-</u>	<u>2,487,336</u>
Total operating revenues	<u>3,529,583</u>	<u>445,973</u>	<u>3,975,556</u>
OPERATING EXPENSES			
Personal services	151,129	156,642	307,771
Materials and services	1,826,491	17,705	1,844,196
Capital outlay	347,152	11,505	358,657
Depreciation expense	<u>501,005</u>	<u>-</u>	<u>501,005</u>
Total operating expenses	<u>2,825,777</u>	<u>185,852</u>	<u>3,011,629</u>
Operating income (loss)	<u>703,806</u>	<u>260,121</u>	<u>963,927</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest on investments	32,961	13,518	46,479
Other revenue (expenses)	<u>28,678</u>	<u>4,288</u>	<u>32,966</u>
Total non-operating revenues	<u>61,639</u>	<u>17,806</u>	<u>79,445</u>
Net income (loss) before operating transfers	<u>765,445</u>	<u>277,927</u>	<u>1,043,372</u>
TRANSFERS			
Transfers in	-	56,000	56,000
Transfers out	<u>(106,713)</u>	<u>(6,000)</u>	<u>(112,713)</u>
Net transfers	<u>(106,713)</u>	<u>50,000</u>	<u>(56,713)</u>
Change in net assets	658,732	327,927	986,659
Total net assets - beginning of year	<u>10,465,797</u>	<u>475,094</u>	<u>10,940,891</u>
Total net assets - end of year	<u>\$ 11,124,529</u>	<u>\$ 803,021</u>	<u>\$ 11,927,550</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF COOS BAY, OREGON
Statement of Cash Flows
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Wastewater</u>	<u>Enterprise Funds</u>	<u>Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,526,266	\$ 449,279	\$ 3,975,545
Payments to suppliers	(1,993,450)	(38,376)	(2,031,826)
Payments to employees	(151,129)	(160,011)	(311,140)
Other receipts	28,678	4,288	32,966
Net cash provided by operating activities	<u>1,410,365</u>	<u>255,180</u>	<u>1,665,545</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	56,000	56,000
Transfers to other funds	(106,713)	(6,000)	(112,713)
Net cash provided (used) by noncapital related financing activities	<u>(106,713)</u>	<u>50,000</u>	<u>(56,713)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,109,346)	-	(1,109,346)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	32,961	13,518	46,479
Net increase in cash and cash equivalents	227,267	318,698	545,965
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,074,919</u>	<u>497,744</u>	<u>1,572,663</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,302,186</u>	<u>\$ 816,442</u>	<u>\$ 2,118,628</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income	\$ 732,484	\$ 264,409	\$ 996,893
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	501,005	-	501,005
Changes in assets and liabilities:			
Accounts receivable	(1,549)	-	(1,549)
Accounts payable and accrued liabilities	180,193	(9,166)	171,027
Accrued expenses	-	(3,369)	(3,369)
Deferred revenue	(1,768)	3,306	1,538
Net cash provided by operating activities	<u>\$ 1,410,365</u>	<u>\$ 255,180</u>	<u>\$ 1,665,545</u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the basic financial statements consist of a summary of significant accounting policies and all additional information necessary for a fair presentation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America.

CITY OF COOS BAY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the City of Coos Bay (City), Coos County, Oregon, the primary government, have been prepared in conformity with generally accepted accounting policies (GAAP) as applied to governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant of the City's accounting policies are described below.

In June 1999, the GASB approved Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement provides for significant changes in financial reporting and is scheduled for phased implementation based on the size of the government, starting with fiscal years ending 2002.

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

The basic financial statements include all financial activities, organizations, and functions for which the City Council has financial accountability as defined by GASB Statements No. 14 and No. 39.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria as established by GASB. The accompanying financial statements present the government and its component unit entity for which the government is considered to be financially accountable. This discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component unit

The Coos Bay Urban Renewal Agency (Agency) was included as a component unit of the City initially for the year ended June 30, 2005. The Agency is presented as a governmental fund type. The primary purpose of the Coos Bay Urban Renewal Agency is to revitalize the commercial area of the City and to attract new businesses and jobs to the commercially zoned properties of Coos Bay's Downtown and Empire areas. The Coos Bay Urban Renewal Agency is governed by a seven member Board made up of the City of Coos Bay Mayor and Council members. The Coos Bay Urban Renewal Agency Budget Committee consists of the same members as the City of Coos Bay Budget Committee.

The fiscal year 2004-2005 budget includes revenues from property taxes, grants, donations and loan proceeds. Expenditures include construction and improvements for downtown improvement projects but are dependent on the receipt of grants, donations and loan proceeds. Complete financial statements for the individual component unit may be obtained at the City's administrative offices.

Excluded from the reporting entity:

The Coos Bay/North Bend Tourism and Promotions Committee is a separate entity and a separate audit is performed. Cash and investments are commingled with City accounts for bookkeeping purposes only.

The Coos Bay-North Bend Water Board (Note 5) was established by an intergovernmental agreement, authorized by State statutes, to operate a water board for the mutual advantage of the governments. The City does not have any responsibility or control over the Coos Bay-North Bend Water Board.

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City 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.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's special revenue funds and the General Fund.

C. Basis Of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

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

- *Major Capital Improvement Fund* - This fund recognizes the necessity to separately account for fund utilized for major capital purchases of a cost of \$5,000 or more.
- *Jurisdictional Exchange Fund* - This fund is used to accumulate resources from an intergovernmental agreement, along with interest earned thereon, with the Oregon Department of Transportation for the City's authority to regulate and maintain certain highways within its jurisdiction.

Additionally, the City reports non-major funds within the governmental fund type.

- *Special Revenue Funds* - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- *Capital Projects Funds* - Account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Business-type or Proprietary Funds).
- *Debt Service Funds* - Account for principal and interest payments on general obligation bonds. The primary sources of revenue are property taxes and intergovernmental.

The City has one major proprietary fund and three non-major funds. These funds are used to account for the acquisition, operation, and maintenance of wastewater and building codes activities. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following proprietary funds:

Major

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

Non-Major

- *Wastewater Equipment Reserve Fund* - This fund is used to accumulate resources of major wastewater equipment purchases. The primary sources of revenue are earnings on investments and operating transfers.
- *Building Codes Fund* - This fund is used to account for building and mechanical permits along with plan check fees.
- *Building Codes Reserve Fund* - This fund is used to accumulate resources to purchase capital outlay for the building codes department. The primary source of revenue is operating transfers.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The Government-wide Financial Statements and the Proprietary Funds Financial Statements are presented on a *full accrual* basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental Funds Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual 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 City 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.

Property taxes, franchise taxes, special assessments, licenses, interest and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's Wastewater Funds are charges to customers for sales and services. The Wastewater Funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, short-term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments, are stated at fair value.

Receivables and Payables

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

Assessment liens receivable in the Debt Service Fund are recognized at the time property owners are assessed for property improvement. Assessment liens receivable are offset by deferred revenue and, accordingly, have not been recognized as revenue.

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

Inventories

Inventories of materials and supplies in the enterprise funds are stated at cost on a first-in, first-out basis and charged to expenses as used.

Capital Assets

Capital assets, which include property, plant, equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of five years or more. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

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

Capital assets acquired/constructed by the Urban Renewal Agency of the City of Coos Bay (Agency), a component unit of the City (NOTE 1 A), and expensed in the Agency's individual Downtown and Empire Capital Projects Funds during the year ended June 30, 2005, were contributed/transferred to the City. A large portion of these contributed assets were comprised of the Newmark Avenue Widening Project.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	50
Improvements other than buildings	10-50
Machinery and equipment	5-20
Vehicles	5-20
Utility systems	50
Infrastructure - streets	40

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

Accrued Compensated Absences and Sick Pay

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, the noncurrent portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds, and is calculated based on historical trends. In business-type/enterprise funds, both the current and long-term liabilities are recorded.

Upon retirement from the City of Coos Bay an employee, with ten or more years of service in a specific department within the City, shall be paid a percentage of their unused sick leave into a deferred compensation plan. The percentage shall be equal to the completed years of service.

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

Long-term portions of unpaid vacation and compensatory leave are not recorded as liabilities in the government-wide financial statements but accumulate in the following governmental funds as of June 30, 2005:

	<u>Vacation</u>	<u>Compensatory</u>	<u>Sick</u>	<u>Total</u>
General	\$ 273,670	52,376	\$ 88,514	\$ 414,560
Special Revenue:				
State Gas Tax	11,382	1,551	-	12,933
Library	40,456	494	19,377	60,327
Total special revenue	<u>51,838</u>	<u>2,045</u>	<u>19,377</u>	<u>73,260</u>
Total - primary government	<u>\$ 325,508</u>	<u>54,421</u>	<u>\$ 107,891</u>	<u>\$ 487,820</u>

There is no accrued vacation pay reported in the Business Codes Fund (a proprietary fund type) at June 30, 2005.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

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

Fund Equity

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund-level financial statements. Planned expenditures include future capital projects, debt service, equipment reserves and other commitments for which fund balances have not been appropriated or specifically segregated.

Other

1. Concentrations of Credit Risk

Financial instruments that potentially subject the City of Coos Bay, Oregon to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The City places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution while maintaining additional collateral with \$19.0 million (increased to \$20.0 million on January 25, 2005) certificates of participation. Concentrations of credit with respect to trade receivables are limited due to the large number of customers comprising the City's customer base and their dispersion across different industries and geographic locations.

2. Management's Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure or contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

Each spring, the City Manager submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City). The City is required to budget all funds. The City's budget is prepared for each fund on the modified accrual basis of accounting with Proprietary Fund types adjusted for year-end accrued compensated absences. For all fund types, inter-fund loans are budgeted as sources and uses in accordance with State budget laws. Estimated receipts and expenditures are budgeted for by fund and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). Appropriations lapse as of the year-end.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control. During the fiscal year ended June 30, 2005, City Council approved supplemental budget resolutions, recognizing additional resources and appropriating additional, unanticipated expenditures after the budget was adopted.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Pooled Deposits and Investments

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

Petty cash	\$	970
Deposits with financial institutions		9,386,673
Investments		<u>2,866,969</u>
Total - primary government	\$	<u>12,249,602</u>

Cash and investments are reflected in the government-wide Statement of Net Assets as follows:

Cash and investments	\$	12,249,602
Restricted assets - cash in money market (firefighters fund)		<u>5,010</u>
Total - primary government	\$	<u>12,254,612</u>

B. Deposits

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. As of year ended June 30, 2005, the carrying amount of the City's deposits in financial institutions was \$9,386,673 and the bank balances were \$11,429,990. All deposits are held in the name of the City. Of these deposits, \$200,000 was covered by federal depository insurance. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. All bank balances in excess of federal depository insurance, if any, are collateralized by securities held by an entity other than the financial institution as an agent of the bank. This collateral is held by a separate custodian bank and controlled by a pool manager. The securities may be sold by the state treasurer on behalf of the City in the event of default. Potential uninsured deposits secured by a single institution collateral pool are the equivalent of securities held in the name of the City.

C. Investments

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's Investment Pool, among others.

At June 30, 2005, the City had invested \$2,866,969 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report. The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2005. In addition, the City utilizes the Coos County Treasury Pool under the warrant system as well as maintaining deposits from property tax collection proceeds and certain revenues distributed from the State of Oregon.

Credit Risk

The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits of the Pool annually. The Divisions, report on the Pool as of and for the year ended June 30, 2005 was unqualified. The City's funds on deposit in trust with the Coos County Treasurer are insured by the County Treasurer, who has responsibility for maintaining collateral on those deposits. In addition, the County Treasurer, who is responsible for the regulatory oversight of the pool distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income.

Concentration Risk

The City had concentrations in the following investments at June 30, 2005: LGIP 100%, Coos County Treasury Pool 0%.

Interest Rate Risk

The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

D. Receivables

Receivables as of year-end for the City's individual, major, and non-major governmental and business-type funds in the aggregate, net of applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Receivables:					
Taxes	\$ 399,278	\$ -	\$ 51,396	\$ 10	\$ 450,684
Accounts	351,630	260,014	17,119	-	628,763
Assessments	29,522	-	-	4,165	33,687
Intergovernmental	-	-	-	153,172	153,172
Notes - other	3,858	-	-	-	3,858
	<u>784,288</u>	<u>260,014</u>	<u>68,515</u>	<u>157,347</u>	<u>1,270,164</u>
Loans	335,955	-	-	-	335,955
Note - joint venture	-	6,454,738	-	-	6,454,738
Total	<u>\$ 1,120,243</u>	<u>\$ 6,714,752</u>	<u>\$ 68,515</u>	<u>\$ 157,347</u>	<u>\$ 8,060,857</u>

The government-wide financial statements include a \$6,454,738 receivable in the governmental funds from the Coos Bay-North Bend Water Board joint venture (NOTE 1) for the outstanding balances of water revenue bond and loan at June 30, 2005, to be repaid by Water user fees to be collected prospectively by the Water Board. Of this outstanding balance \$376,903 is due within twelve months, and is classified as short-term, with the remaining \$6,077,835 presented as a long-term receivable.

Loans receivable of \$335,955 are loans made under prior federal grants to qualified residents for residential improvements. These loans bear interest from zero to three percent and are recoverable through liens on the residences.

Receivables of the City's governmental and business-type activities are reported net of uncollectible amounts.

The Water Board remits 100% of sewer fees collected, net of a collection charge, to the City on a monthly basis so no uncollectible allowance is deemed necessary. All other receivables are considered to be fully collectible.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the individual governmental funds were as follows:

Property taxes receivable:		
General Fund	\$	399,278
Debt Service Fund		51,396
Receivables to be collected in future years		4,165
Loans		335,955
Other notes		<u>3,858</u>
 Total - primary government	\$	<u><u>794,652</u></u>

For the government-wide Statement of Net Assets all of the above receivables are deferred except for property taxes (for a total deferred revenues of \$343,978) due to their nature. Additionally, \$10,261 of business-type receivables are considered deferred revenues for this GASB Statement No. 34 presentation.

Property taxes are assessed as of January 1 and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Coos and remittance to the City is made at periodic intervals. For the fiscal year 2004-2005, the City levied net property taxes in the amount of \$4,668,684. The tax rate for the fiscal year 2004-2005 was \$7.1209 per \$1,000 of assessed value comprised of the permanent rate of \$6.3643 per \$1,000 of assessed value and a general obligation bond levy amount of \$496,209. The assessed valuation for the City as of January 1, 2005 was \$723,125,553 less urban renewal excess value of \$67,348,904 or \$655,776,649 for tax rate calculations.

Following is a summary of property tax transactions of the primary government for the year ended June 30, 2005:

	Receivable 7/1/04	2003-2004 Net Levy	Collections and Adjustments	Receivable 6/30/05
2004-05	\$ -	\$ 4,668,684	\$ (4,437,840)	\$ 230,844
2003-04	238,504	-	(130,289)	108,215
2002-03	129,234	-	(61,658)	67,576
2001-02	80,807	-	(51,970)	28,837
2000-01	29,981	-	(24,433)	5,548
1999-00	4,910	-	(2,429)	2,481
1998-99	1,633	-	(1,128)	505
Prior years	8,792	-	(2,115)	6,677
Total	\$ <u>493,861</u>	\$ <u>4,668,684</u>	\$ <u>(4,711,862)</u>	\$ <u>450,683</u>

E. Capital Assets

Capital asset activity for governmental activities of the primary government for the year ended June 30, 2005 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 271,342	\$ -	\$ -	\$ 271,342
Museum art works collection	250,000	-	-	250,000
Construction in progress	13,808	-	(13,808)	-
Total capital assets not being depreciated	535,150	-	(13,808)	521,342
Other capital assets				
Land and improvements	\$ 1,845,250	\$ -	\$ -	\$ 1,845,250
Buildings and improvements	6,300,717	79,093	-	6,379,810
Machinery and equipment	1,064,793	5,170	(10,293)	1,059,670
Vehicles	2,400,249	199,250	(179,993)	2,419,506
Infrastructure - streets	2,557,537	134,577	-	2,692,114
Total other capital assets at historical cost	14,168,546	418,090	(190,286)	14,396,350
Less accumulated depreciation				
Land and improvements	\$ 1,262,328	\$ 38,663	\$ -	\$ 1,300,991
Buildings and improvements	1,656,658	139,318	-	1,795,976
Machinery and equipment	582,800	80,448	-	663,248
Vehicles	1,851,561	154,442	-	2,006,003
Infrastructure - streets	175	64,040	-	64,215
Total accumulated depreciation	5,353,522	476,911	-	5,830,433
Other capital assets, net	8,815,024	(58,821)	(190,286)	8,565,917
Governmental activities capital assets, net	\$ 9,350,174	\$ (58,821)	\$ (204,094)	\$ 9,087,259

Changes in capital assets per the above table are net of transfers between functional programs. Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 267,043
Public safety	164,263
Culture and recreation	45,605
Total depreciation for governmental activities	\$ 476,911

Capital asset activity for business-type activities of the primary government for the year ended June 30, 2005 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 65,798	\$ -	\$ 65,798
Other capital assets				
Wastewater (WW)				
Land & improvements	1,982,091	-	-	1,982,091
Machinery & equipment	2,672,423	47,388	-	2,719,811
Vehicles	599,695	5,000	-	604,695
Plant & system	13,149,884	996,160	-	14,146,044
Total other capital assets	18,404,093	1,048,548	-	19,452,641
Accumulated depreciation				
Wastewater (WW)				
Land & improvements	1,368,981	94,045	-	1,463,026
Machinery & equipment	1,801,432	105,168	-	1,906,600
Vehicles	474,233	32,870	-	507,103
Plant & system	5,520,205	268,922	-	5,789,127
Total accumulated depreciation	9,164,851	501,005	-	9,665,856
Business-type activities depreciable capital assets, net	9,239,242	547,543	-	9,786,785
Total capital assets, net	\$ 9,239,242	\$ 613,341	\$ -	\$ 9,852,583

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

Wastewater	\$ <u>501,005</u>
Total depreciation for business-type activities	\$ <u><u>501,005</u></u>

F. Long-Term Debt - primary government

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

The future requirements for amortization of outstanding water bonds are as follows:

Fiscal Year	Issue of July 1, 1993 (refunding)		
	Total	Principal	Interest
2005-06	\$ 238,407	\$ 209,237	\$ 29,170
2006-07	238,407	217,809	20,598
2007-08	238,407	226,706	11,701
2008-09	<u>119,204</u>	<u>116,815</u>	<u>2,389</u>
Total	\$ <u><u>834,425</u></u>	\$ <u><u>770,567</u></u>	\$ <u><u>63,858</u></u>

Interest rate: 4% fixed annual rate.

Sewer Bonds (General obligation). Sewer bonds are a general obligation of the City to be retired by tax revenues. The future requirements for amortization of outstanding sewer bonds are as follows:

Fiscal Year	Issue of July 31, 2000 (refunding)		
	Total	Principal	Interest
2005-06	\$ 537,107	\$ 475,000	\$ 62,107
2006-07	543,098	505,000	38,098
2007-08	<u>537,863</u>	<u>525,000</u>	<u>12,863</u>
Total	\$ <u><u>1,618,068</u></u>	\$ <u><u>1,505,000</u></u>	\$ <u><u>113,068</u></u>

Interest rate: Fixed 4.90%

Revenue Secured Loan. This \$6,250,000 water revenue secured loan is a primary obligation of the Coos Bay-North Bend Water Board, Note I (A), and is being retired by revenues turned over to the City by that Agency. The loan obligated the City for \$6,250,000 of 25 year loans from the proceeds of Oregon Economic and Community Development Department's (O.E.C.D.D.) sale of revenue bonds to aid in funding of the Water Board's Dam Construction Project. O.E.C.D.D. also paid for any revenue bond issuance costs.

The Water Board, by resolution, is pledged to establish, maintain, and collect rates and charges for water service that will produce sufficient revenue, after deducting the expenses for operation and maintenance, to meet principal and interest payments when due. The future requirements for amortization of this April 12, 2000 debt are as follows:

Fiscal Year	Issue of April 12, 2000		
	Total	Principal	Interest
2005-06	\$ 467,678	\$ 161,938	\$ 305,740
2006-07	465,590	168,352	297,238
2007-08	468,239	179,840	288,399
2008-09	465,363	186,406	278,957
2009-10	467,226	198,055	269,171
2010-2015	2,337,498	1,163,983	1,173,515
2015-2020	2,330,995	1,513,478	817,517
2020-2025	<u>2,335,17</u>	<u>1,987,119</u>	<u>348,056</u>
Total	\$ <u><u>9,337,764</u></u>	\$ <u><u>5,559,171</u></u>	\$ <u><u>3,778,593</u></u>

Interest rate: Varies between 5.250 and 5.625%, however, fixed annual rates.

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

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

Fiscal Year	Issue of June 14, 2005		
	Total	Principal	Interest
2005-06	\$ 8,620	\$ 5,721	\$ 2,899
2006-07	8,620	2,692	5,928
2007-08	8,620	2,826	5,794
2008-09	8,620	2,966	5,654
2009-10	8,620	3,113	5,507
2010-2015	43,100	18,048	25,052
2015-2020	43,100	23,002	20,098
2020-2025	43,100	29,314	13,786
2025-2030	43,058	37,318	5,740
Total	\$ 215,458	\$ 125,000	\$ 90,458

Changes in long-term liabilities. During the year ended June 30, 2005, the following changes occurred in long-term liabilities:

	Balance 7/1/04	Additions	Reductions	Balance 6/30/05
General obligation:				
Sewer bonds:				
July 31, 2000 (refunding)	\$ 1,960,000	\$ -	\$ (455,000)	\$ 1,505,000
Revenue bonds:				
Water bonds:				
January 24, 2003 (refunding)	971,569	-	(201,002)	770,567
June 14, 2005	-	125,000	-	125,000
Revenue secured loan:				
April 12, 2000	5,709,766	-	(150,595)	5,559,171
Total	\$ 8,641,335	\$ 125,000	\$ (806,597)	\$ 7,959,738

Interest coupon transactions. The following is a summary of interest coupon transactions for the year ended June 30, 2005:

	Matured Outstanding 7/1/04	Matured	Redeemed	Matured Outstanding 6/30/05
General obligation:				
Sewer bonds:				
July 11, 1974 (Eastside)	\$ 63	\$ -	\$ -	\$ 63
July 31, 2000 (refunding)	-	84,892	84,892	-
Revenue bonds:				
Water bonds:				
July 11, 1972 (Eastside)	150	-	-	150
July 1, 1993 (refunding)	-	37,405	37,405	-
Revenue secured loan (water):				
April 12, 2000	-	313,646	313,646	-
Total	\$ 213	\$ 435,943	\$ 435,943	\$ 213

NOTE 4 - SUBSEQUENT EVENT (Debt Authorized but Unissued)

Subsequent to the current fiscal year end, on August 17, 2005, the City executed a Business Loan Agreement with a local bank for a \$800,000 loan, to be paid over 8 years at 4% annual interest, for the purpose of major arterial (Ocean Blvd) overlay and construction of a street received from the State in the Jurisdictional Exchange program several years ago. The anticipated loan amortization schedule is as follows:

Fiscal Year	Issue of August 17, 2005		
	Total	Principal	Interest
2005-06	\$ 59,047	\$ 42,869	\$ 16,178
2006-07	118,094	88,284	29,810
2007-08	118,094	91,901	26,193
2008-09	118,094	95,601	22,493
2009-10	118,094	99,582	18,512
2010-2013	413,330	381,763	31,567
Total	\$ 944,753	\$ 800,000	\$ 144,753

NOTE 5 - OTHER INFORMATION - primary government

A. Contingent Liabilities

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

B. Contingency

During prior fiscal years, the City of Coos Bay, Oregon obtained a \$600,000 Community Development Block Grant on behalf of the local Southwestern Oregon Youth Activity (SWOYA) Boys and Girls Club to aid that Organization in completing construction of its new facility. In conjunction with that endeavor, the City was granted a \$600,000 Trust Deed from SWOYA wherein the Organization must fulfill its primary purpose of existence, primarily to the low and moderate income community, until November 1, 2004, or risk having to repay the City the amount of the federal award.

C. Joint Venture

Pursuant to an interlocal agreement authorized by state statutes, the City joined the City of North Bend to establish and operate a water board for the mutual advantage of the governments. The City's share of assets, liabilities, and fund equity is 50 percent. Following is a summary of the most recent financial information as of, and for the year ended June 30, 2004:

Cash and investments	\$ 1,577,838
Other assets	24,340,796
Total assets	\$ 25,918,634
Total liabilities	\$ 8,096,999
Total equity	17,821,635
Total liabilities and equity	\$ 25,918,634
Total revenues	\$ 2,467,051
Total expenses	(2,225,450)
Capital contributions	203,400
Net increase in equity	\$ 445,001

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

D. Related Party Transactions

All sewer service charges are billed by the Water Board (Part C, above) as an accommodation for the Cities of Coos Bay and North Bend, Oregon, and collections thereon are remitted to the cities, less a handling fee, for providing these services. During the year ended June 30, 2005, the Water Board remitted \$2,426,785 to the City of Coos Bay, Oregon, which included sewer user fee revenues, alum sludge disposal fees, and interest earnings (net of the handling fee totaling \$47,031).

Accounts receivable at the year ended June 30, 2005 include \$201,966 from the Water Board, which represents one net monthly payment.

E. Employee Retirement System

1. Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes (ORS) 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the Pension Program) and a defined contribution portion (the Individual Account Program "IAP"). The Pension Program portion of OPSRP provides a life pension funded by formula takes into account final average salary and years of service.

Beginning in January 1, 2004, all PERS member contributions go in to the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700; by calling (503) 598-7377; or by accessing the PERS website at www.pers.state.or.us.

2. Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6.00% "pick-up" or \$228,003 for the year ended June 30, 2005.

In addition to the 6.0% "pick-up", the City contributed 10.36% of covered payroll (or \$393,796) to PERS for the fiscal year ended June 30, 2005. This contribution rate was determined as part of the December 31, 2003 actuarial evaluation and was recalculated to reflect the impact of recently passed legislation (House Bills 2001, 2003 and 2004). This valuation was used to establish rates as of July 1, 2005, totaling 21.10%.

The City's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfounded actuarial liability (UAL) created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, and 2007) and ending on December 31, 2027 using closed amortization. Beginning in 2007, each valuations UAL will be amortized over 20 years, again using closed amortization. The actuarial assumptions include an investment return of 8.0% per year, projected salary increase of 4.25%, health cost inflation graded from 8.5% in 2004 to 5% in 2011, and a consumer price inflation component of 3.25%.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 (Tier Two members). Future interest credits are assumed at 8.5% for Tier One and there is no guaranty of future interest credits for Tier Two members.

Due to concerns about the rapidly increasing UAL for the state-wide pension system, the Oregon Legislative Assembly approved significant modifications to the state pension system during their 2003 session. House Bill 2001 addresses crediting the earnings to the Tier One regular accounts. House Bill 2003 addresses the assumed earnings rate, employee contributions, and payment of future cost of living adjustments as a means of addressing PERS deficits. House Bill 2004 modifies the actuarial equivalency factor tables. House Bill 2005 makes changes to the PERS board. House Bill 2020 establishes a successor retirement plan called OPSRP. There were also several other bills enacted affecting PERS that do not have a direct impact on the College District or a majority of its employees. A summary of the bills affecting PERS can be found on the PERS web page at http://www.pers.state.or.us/Legislation/2003_Legislation/oregon_legislative_summary.htm.

The ultimate resolution of the legislative changes is currently being challenged in court. Several municipality employers are being sued in Evans et al vs. City of Grants Pass et al.

3. Annual Pension Costs

For the fiscal year ended June 30, 2005, the City's annual pension cost (APC) for PERS was equal to the City's required and actual contributions (ARC). The required contribution was determined as part of December 31, 1999, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases was 4.25% per year, and (c) 2.00% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation is 3.50% per year. The actuarial value of PERS assets are valued on the Expected Value Method. The City's unfunded actuarial liability is being amortized as a level percentage of payroll over 28 years on an open basis.

<u>Three Year Trend Information</u>			
<u>For the Year Ended June 30,</u>	<u>Annual Pension Cost (APC) (ARC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 571,866	100%	\$ -
2004	\$ 602,707	100%	\$ -
2005	\$ 622,375	100%	\$ -

Schedule of Funding Progress for the City of Coos Bay, Oregon

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Actuarial Liability</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
12/31/95	\$11,292,528	\$10,498,216	\$ (794,312)	108%	\$ 4,192,838	19%
12/31/97	15,977,768	13,536,001	(2,441,767)	118%	3,779,915	65%
12/31/99	27,556,123	24,758,717	(2,797,407)	111%	4,064,724	69%
12/31/01	27,940,747	24,160,854	(3,779,893)	116%	4,259,683	89%
12/31/03	26,751,801	29,996,797	3,244,996	89%	3,704,280	88%

Covered payroll for the current year ended June 30, 2005 was \$3,803,673. The City contributed the percentage of pay as recommended by the State of Oregon PERS to fully fund the plan.

The above pension liability (asset) net obligation was determined in accordance with *Government Accounting Standards Board (GASB) Statement No. 27*. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero. GASB Statement No. 25 was followed in presenting the above funded status of the City's Retirement Income Plan and in utilizing the Entry Age Normal Actuarial Cost Method to determine the Annual Required Contribution (ARC).

PERS generally conducts actuarial valuations on a biennial basis. The most recent actuarial was prepared as of December 31, 2003.

F. Negative Fund Balances

Individual fund negative fund balances as of June 30, 2005, (GAAP Basis), were comprised of the following, primarily due to long-term debt payable and related accrued interest payable:

Governmental - Debt Service Funds:		
GO Bond Redemption	\$	(875,638)
Revenue Bond		(44,833)

G. Risk Management

The City is exposed 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. The City is joined together with other cities and counties in the state, which are members of the City/County Insurance Services Trust (CIS), a public entity risk pool currently operating as a common risk management and insurance program for member cities and counties. The City has an annually renewable contract to pay CIS an annual premium for its general property and automobile liability insurance coverage.

The City purchased annuities to cover cost of living increases for two retired employees, plus complete annuities for two other retired employees. The annuities are 20 year period certain and life, and are stated at unamortized cost. (Original purchase costs are being amortized over 20 years based upon stated premiums and calculated effective interest rates.) The City is the beneficiary of the policies.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

H. Deferred Compensation Plans

The City has four deferred compensation trust plans created in accordance with Internal Revenue Code Section 457. The trusts hold the assets for the exclusive benefit of plan participants and their beneficiaries.

I. Property Tax Limitation

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limitation, tax revenue is separated into those for public schools and those for local governments other than public schools. The limitation specifies a maximum rate for all local government operations of \$10.00 per \$1,000 of real market value, while schools are similarly limited to a \$5.00 maximum rate. Local government taxes in the City currently do not exceed the \$10.00 rate limit; however, this limitation may affect the availability of future tax revenues for the City. In May 1997, voters approved Measure 50 which rolled back assessed values to 90% of 1995-96 and limits future increases of taxable assessed values to 3% per year, except for major improvements. Tax rates are now fixed and not subject to change. Voters may approve local initiatives above the fixed rate provided a majority approves at either (i) a general election in an even numbered year, or (ii) at any other election in which at least 50% of registered voters cast a ballot.

J. New Accounting Pronouncements

In November 2003, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 42, *Impairment of Capital Assets*, effective for periods beginning after December 15, 2004. This Statement establishes accounting and financial reporting standards for impairment of capital assets and to clarify accounting guidance for insurance recoveries for all funds and activities, including governmental, not previously included.

In July 2004, the GASB issued Statements No. 43 and 45, addressing Other Postemployment Benefits (OPEB) - *Financial Reporting for Postemployment Benefit Plans Other Than Pensions and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, respectively. The effective date, phasing in much as GASB Statement 34 did, is for the fiscal year ending June 30, 2009 for the City.

In December 2004, the GASB issued Statement No 46, *Net Assets Restricted by Enabling Legislation* to enhance the usefulness and comparability of net asset information reported by state and local governments by clarifying the meaning of the phrase “legally enforceable” as it applies to restrictions imposed on net asset use by enabling legislation and by specifying the accounting and financial reporting requirements for those restricted net assets. The amount of the primary government’s net assets at the end of the reporting period that are restricted by enabling legislation should be disclosed in the notes to the financial statements. The effective date of this pronouncement is for the fiscal year ending June 30, 2006. The City is analyzing these emerging issues to determine their applicability and to institute compliance where necessary.

REQUIRED SUPPLEMENTARY INFORMATION

FUND FINANCIAL STATEMENTS
Major Governmental Funds

GENERAL FUND - This fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, state and county shared revenue, and charges for administrative services from other funds. Primary expenditures are for culture and recreation, general government, and police/fire protection.

JURISDICTIONAL EXCHANGE RESERVE FUND - This fund is used to accumulate resources from an intergovernmental agreement, along with interest earned thereon, with the Oregon Department of Transportation for the City's authority to regulate and maintain certain highways within its jurisdiction.

MAJOR CAPITAL IMPROVEMENT FUND - This fund recognizes the necessity to separately account for funds utilized for major capital purchases of a cost of \$5,000, or more.

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,866,097	\$ 4,866,097	\$ 5,078,064	\$ 211,967
Assessments	1,600	1,600	1,438	(162)
Licenses and permits	72,800	72,800	94,811	22,011
Intergovernmental	399,999	399,999	412,679	12,680
Charges for services	214,221	214,221	206,308	(7,913)
Charges for use of money and property	43,300	43,300	115,006	71,706
Fines and forfeits	80,000	80,000	91,243	11,243
Miscellaneous	304,200	326,934	28,661	(298,273)
Total revenues	<u>5,982,217</u>	<u>6,004,951</u>	<u>6,028,210</u>	<u>23,259</u>
EXPENDITURES				
Personal services				
General government	556,560	544,060	424,774	119,286
Public safety	4,300,294	4,300,294	4,090,582	209,712
Community services	270,029	270,029	223,107	46,922
Total personal services	<u>5,126,883</u>	<u>5,114,383</u>	<u>4,738,463</u>	<u>375,920</u>
Materials and services				
General government	420,875	433,375	339,733	93,642
Public safety	310,050	332,784	380,227	(47,443)
Community services	195,360	195,360	163,110	32,250
Total materials and services	<u>926,285</u>	<u>961,519</u>	<u>883,070</u>	<u>78,449</u>
Capital outlay				
Public safety	-	-	2,332	(2,332)
Contingency	300,000	300,000	-	300,000
Total expenditures	<u>6,353,168</u>	<u>6,375,902</u>	<u>5,623,865</u>	<u>752,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(370,951)</u>	<u>(370,951)</u>	<u>404,345</u>	<u>775,296</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	52,000	52,000	-	(52,000)
Operating transfers out	(300,000)	(300,000)	(300,000)	-
Total other financing sources (uses)	<u>(248,000)</u>	<u>(248,000)</u>	<u>(300,000)</u>	<u>(52,000)</u>
Net change in fund balance	(618,951)	(618,951)	104,345	723,296
FUND BALANCE - BEGINNING OF YEAR	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,708,614</u>	<u>108,614</u>
FUND BALANCE - END OF YEAR	<u>\$ 981,049</u>	<u>\$ 981,049</u>	<u>1,812,959</u>	<u>\$ 831,910</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Capital assets, net			9,087,259	
Depreciation expense			(372,485)	
Deferred revenue - property taxes			399,278	
Compensated absences			326,046	
Fund balance - generally accepted accounting principles basis			<u>\$ 11,253,057</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MAJOR CAPITAL IMPROVEMENT FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 10,000	\$ 10,000	\$ 17,335	\$ 7,335
Intergovernmental				
Grants	-	-	153,172	153,172
Miscellaneous	-	22,875	27,675	4,800
Total revenues	<u>10,000</u>	<u>32,875</u>	<u>198,182</u>	<u>165,307</u>
EXPENDITURES				
General government				
Materials and services	25,000	25,000	9,450	15,550
Capital outlay	425,981	448,856	346,183	102,673
Total expenditures	<u>450,981</u>	<u>473,856</u>	<u>355,633</u>	<u>118,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(440,981)</u>	<u>(440,981)</u>	<u>(157,451)</u>	<u>283,530</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	300,000	290,000	290,000	-
Operating transfers out	(69,000)	(69,000)	(69,000)	-
Total other financing sources (uses)	<u>231,000</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Net change in fund balance	(209,981)	(219,981)	63,549	283,530
FUND BALANCE - BEGINNING OF YEAR	<u>800,000</u>	<u>800,000</u>	<u>745,587</u>	<u>(54,413)</u>
FUND BALANCE - END OF YEAR	<u>\$ 590,019</u>	<u>\$ 580,019</u>	<u>\$ 809,136</u>	<u>\$ 229,117</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
JURISDICTIONAL EXCHANGE RESEVE FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 150,000	\$ 150,000	\$ 160,669	\$ 10,669
EXPENDITURES				
Public works				
Materials and services	20,000	20,000	1,722	18,278
Capital outlay	430,000	430,000	100,192	329,808
Total expenditures	450,000	450,000	101,914	348,086
Net change in fund balance	(300,000)	(300,000)	58,755	358,755
FUND BALANCE - BEGINNING OF YEAR	<u>5,100,000</u>	<u>5,100,000</u>	<u>5,154,849</u>	<u>54,849</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>	<u>\$ 5,213,604</u>	<u>\$ 413,604</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
WASTEWATER FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Charleston	\$ 210,062	\$ 210,062	\$ 240,000	\$ 29,938
Bunker Hill	91,522	91,522	112,247	20,725
Grants	-	-	190,000	190,000
Other agencies	-	700,000	500,000	(200,000)
Total intergovernmental	<u>301,584</u>	<u>1,001,584</u>	<u>1,042,247</u>	<u>40,663</u>
Charges for services				
Sewer permits	4,000	4,000	12,867	8,867
Sewer use fees	2,323,165	2,323,165	2,388,099	64,934
Sewer connection fees	10,000	10,000	1,780	(8,220)
Recreational vehicle dump fees	1,500	1,500	2,653	1,153
Alum sludge disposal fees	48,000	48,000	81,937	33,937
Total charges for services	<u>2,386,665</u>	<u>2,386,665</u>	<u>2,487,336</u>	<u>100,671</u>
Charges for use of money and property				
Interest on investments	2,000	2,000	32,961	30,961
Miscellaneous	140,000	140,000	28,678	(111,322)
Total revenues	<u>2,830,249</u>	<u>3,530,249</u>	<u>3,591,222</u>	<u>60,973</u>
EXPENDITURES				
Health and sanitation				
Personal services	193,758	187,053	151,129	35,924
Materials and services	1,912,996	1,919,701	1,826,491	93,210
Capital outlay	910,842	2,173,842	1,456,498	717,344
Contingency	5,940	5,940	-	5,940
Total expenditures	<u>3,023,536</u>	<u>4,286,536</u>	<u>3,434,118</u>	<u>852,418</u>
Excess (deficiency) of revenues over (under) expenditures	(193,287)	(756,287)	157,104	913,391
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(106,713)	(106,713)	(106,713)	-
Net change in fund balance	(300,000)	(863,000)	50,391	913,391
FUND BALANCE - BEGINNING OF YEAR	<u>510,000</u>	<u>1,073,000</u>	<u>1,221,555</u>	<u>148,555</u>
FUND BALANCE - END OF YEAR	<u>\$ 210,000</u>	<u>\$ 210,000</u>	1,271,946	<u>\$ 1,061,946</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Capital assets, net			9,852,583	
Capital outlay capitalized			1,109,346	
Donated capital asset from governmental activities			5,000	
Depreciation expense			(501,005)	
Fund balances - generally accepted accounting principles basis			<u>\$ 11,737,870</u>	

The notes to the basic financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

**COMBINING, INDIVIDUAL FUNDS, AND
OTHER FINANCIAL SCHEDULES**

Nonmajor Governmental Funds

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	<u>Combined Nonmajor Special Revenue Funds</u>	<u>Combined Nonmajor Debt Service Funds</u>	<u>Combined Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$ 874,691	\$ 722,710	\$ 594,074	\$ 2,191,475
Receivables				
Taxes	-	51,396	10	51,406
Accounts	260,014	17,119	-	277,133
Assessments	-	-	4,165	4,165
Prepaid expenses	5,588	-	-	5,588
Equipment	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,140,293</u>	<u>\$ 791,225</u>	<u>\$ 598,249</u>	<u>\$ 2,529,767</u>
LIABILITIES				
Accounts payable	\$ 48,017	\$ -	\$ 31,744	\$ 79,761
Compensated absences payable	73,259	-	-	73,259
Deferred revenues	-	51,396	4,175	55,571
Matured interest payable	-	213	-	213
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>121,276</u>	<u>51,609</u>	<u>35,919</u>	<u>208,804</u>
FUND BALANCES				
Reserved for				
Debt service	-	739,616	-	739,616
Unreserved, reported in				
Special revenue funds	1,019,017	-	-	1,019,017
Capital projects funds	-	-	562,330	562,330
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,019,017</u>	<u>739,616</u>	<u>562,330</u>	<u>2,320,963</u>
Total liabilities and fund balances	<u>\$ 1,140,293</u>	<u>\$ 791,225</u>	<u>\$ 598,249</u>	<u>\$ 2,529,767</u>

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CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2005

	<u>State Gas Tax</u>	<u>Special Police</u>	<u>Hotel/ Motel Tax</u>
ASSETS			
Cash and investments	\$ 350,071	\$ 23,026	\$ 156,869
Receivables			
Accounts	83,182	840	123,674
Prepaid expenses	-	-	-
Equipment	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 433,253</u>	<u>\$ 23,866</u>	<u>\$ 280,543</u>
LIABILITIES			
Accounts payable	\$ 6,072	\$ 1,090	\$ 36,387
Compensated absences payable	<u>12,933</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,005</u>	<u>1,090</u>	<u>36,387</u>
FUND BALANCES			
Invested in fixed assets	-	-	-
Unreserved, reported in Special revenue funds	<u>414,248</u>	<u>22,776</u>	<u>244,156</u>
Total fund balances	<u>414,248</u>	<u>22,776</u>	<u>244,156</u>
Total liabilities and fund balances	<u>\$ 433,253</u>	<u>\$ 23,866</u>	<u>\$ 280,543</u>

<u>Library</u>	<u>Total</u>
\$ 344,725	\$ 874,691
52,318	260,014
5,588	5,588
<u>-</u>	<u>-</u>
<u>\$ 402,631</u>	<u>\$ 1,140,293</u>
\$ 4,468	\$ 48,017
<u>60,326</u>	<u>73,259</u>
<u>64,794</u>	<u>121,276</u>
-	-
<u>337,837</u>	<u>1,019,017</u>
<u>337,837</u>	<u>1,019,017</u>
<u>\$ 402,631</u>	<u>\$ 1,140,293</u>

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR DEBT SERVICE FUNDS
June 30, 2005

	GO Bond Redemption	Revenue Bond	Total
ASSETS			
Cash and investments	\$ 585,847	\$ 136,863	\$ 722,710
Receivables			
Taxes	51,396	-	51,396
Accounts	17,119	-	17,119
Total assets	\$ 654,362	\$ 136,863	\$ 791,225
LIABILITIES			
Deferred revenues	\$ 51,396	\$ -	\$ 51,396
Matured interest payable	213	-	213
Total liabilities	51,609	-	51,609
FUND BALANCES			
Reserved for			
Debt service	602,753	136,863	739,616
Total liabilities and fund balances	\$ 654,362	\$ 136,863	\$ 791,225

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CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2005

	<u>Street Improvement</u>	<u>Parks Improvement</u>	<u>Bike/ Pedestrian Improvement</u>	<u>Special Improvement</u>
ASSETS				
Cash and investments	\$ 81,410	\$ 42,287	\$ 38,789	\$ 144,723
Receivables			-	
Taxes	10	-	-	-
Assessments	-	-	-	4,165
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 81,420</u>	<u>\$ 42,287</u>	<u>\$ 38,789</u>	<u>\$ 148,888</u>
			-	
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 161	\$ -
Deferred revenues	10	-	-	4,165
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	10	-	161	4,165
			-	
FUND BALANCES				
Unreserved, reported in Capital projects funds	<u>81,410</u>	<u>42,287</u>	<u>38,628</u>	<u>144,723</u>
Total liabilities and fund balances	<u>\$ 81,420</u>	<u>\$ 42,287</u>	<u>\$ 38,789</u>	<u>\$ 148,888</u>

<u>Insurance Reserve</u>	<u>Public Works Equipment Reserve</u>	<u>Minor Capital Improvement</u>	<u>Technology Reserve</u>	<u>Total</u>
\$ 127,083	\$ 28,437	\$ 35,900	\$ 95,445	\$ 594,074
-	-	-	-	10
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,165</u>
<u>\$ 127,083</u>	<u>\$ 28,437</u>	<u>\$ 35,900</u>	<u>\$ 95,445</u>	<u>\$ 598,249</u>
\$ -	\$ -	\$ -	\$ 31,583	\$ 31,744
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,175</u>
-	-	-	31,583	35,919
<u>127,083</u>	<u>28,437</u>	<u>35,900</u>	<u>63,862</u>	<u>562,330</u>
<u>\$ 127,083</u>	<u>\$ 28,437</u>	<u>\$ 35,900</u>	<u>\$ 95,445</u>	<u>\$ 598,249</u>

CITY OF COOS BAY, OREGON
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Combined Nonmajor Special Revenue Funds	Combined Nonmajor Debt Service Funds	Combined Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 747,043	\$ 511,436	\$ -	\$ 1,258,479
Other taxes	1,229,893	-	-	1,229,893
Intergovernmental revenues	20,544	702,648	83,126	806,318
Charges for services	78,853	-	-	78,853
Charges for use of money and property	28,672	11,059	9,301	49,032
Miscellaneous	68,081	-	51,531	119,612
Total revenues	<u>2,173,086</u>	<u>1,225,143</u>	<u>143,958</u>	<u>3,542,187</u>
EXPENDITURES				
Current				
Public safety	50,680	-	-	50,680
Public works	943,801	-	-	943,801
Culture and recreation	851,501	-	6,816	858,317
Capital outlay	1,735	-	169,909	171,644
Debt service				
Principal retirement	-	806,597	-	806,597
Interest and fiscal charges	-	435,944	-	435,944
Total expenditures	<u>1,847,717</u>	<u>1,242,541</u>	<u>176,725</u>	<u>3,266,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>325,369</u>	<u>(17,398)</u>	<u>(32,767)</u>	<u>275,204</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	10,000	36,713	206,609	253,322
Operating transfers out	<u>(117,609)</u>	<u>-</u>	<u>-</u>	<u>(117,609)</u>
Total other financing sources (uses)	<u>(107,609)</u>	<u>36,713</u>	<u>206,609</u>	<u>135,713</u>
Net change in fund balance	217,760	19,315	173,842	410,917
FUND BALANCES - BEGINNING OF YEAR	<u>801,257</u>	<u>720,301</u>	<u>388,488</u>	<u>1,910,046</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,019,017</u>	<u>\$ 739,616</u>	<u>\$ 562,330</u>	<u>\$ 2,320,963</u>

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CITY OF COOS BAY, OREGON
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

	<u>State Gas Tax</u>	<u>Special Police</u>	<u>Hotel/ Motel Tax</u>
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Other taxes	760,817	-	469,076
Charges for use of money and property	8,711	568	6,639
Intergovernmental revenues	-	12,619	-
Charges for services	-	7,130	-
Miscellaneous	<u>39,294</u>	<u>7,398</u>	<u>-</u>
Total revenues	<u>808,822</u>	<u>27,715</u>	<u>475,715</u>
EXPENDITURES			
Current			
Public safety	-	50,680	-
Public works	562,213	-	381,588
Culture and recreation	-	-	-
Capital outlay	<u>600</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>562,813</u>	<u>50,680</u>	<u>381,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>246,009</u>	<u>(22,965)</u>	<u>94,127</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	10,000	-
Transfers out	<u>(117,609)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(117,609)</u>	<u>10,000</u>	<u>-</u>
Net change in fund balance	128,400	(12,965)	94,127
FUND BALANCES - BEGINNING OF YEAR	<u>285,848</u>	<u>35,741</u>	<u>150,029</u>
FUND BALANCES - END OF YEAR	<u>\$ 414,248</u>	<u>\$ 22,776</u>	<u>\$ 244,156</u>

<u>Library</u>	<u>Total</u>
\$ 747,043	\$ 747,043
-	1,229,893
12,754	28,672
7,925	20,544
71,723	78,853
<u>21,389</u>	<u>68,081</u>
<u>860,834</u>	<u>2,173,086</u>
-	50,680
-	943,801
851,501	851,501
<u>1,135</u>	<u>1,735</u>
<u>852,636</u>	<u>1,847,717</u>
<u>8,198</u>	<u>325,369</u>
-	10,000
<u>-</u>	<u>(117,609)</u>
<u>-</u>	<u>(107,609)</u>
8,198	217,760
<u>329,639</u>	<u>801,257</u>
<u>\$ 337,837</u>	<u>\$ 1,019,017</u>

CITY OF COOS BAY, OREGON
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended June 30, 2005

	GO Bond Redemption	Revenue Bond	Total
REVENUES			
Property taxes	\$ 511,436	\$ -	\$ 511,436
Intergovernmental	-	702,648	702,648
Charges for use of money and property	10,843	216	11,059
Total revenues	522,279	702,864	1,225,143
EXPENDITURES			
Debt service			
Principal retirement	455,000	351,597	806,597
Interest and fiscal charges	84,893	351,051	435,944
Total expenditures	539,893	702,648	1,242,541
Excess (deficiency) of revenues over (under) expenditures	(17,614)	216	(17,398)
OTHER FINANCING SOURCES (USES)			
Transfers in	36,713	-	36,713
Net change in fund balance	19,099	216	19,315
FUND BALANCES - BEGINNING OF YEAR	583,654	136,647	720,301
FUND BALANCES - END OF YEAR	\$ 602,753	\$ 136,863	\$ 739,616

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CITY OF COOS BAY, OREGON
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NONMAJOR CAPITAL PROJECTS FUNDS
For the year ended June 30, 2005

	<u>Street Improvement</u>	<u>Parks Improvement</u>	<u>Bike/ Pedestrian Improvement</u>	<u>Special Improvement</u>
REVENUES				
Intergovernmental revenues	\$ 83,126	\$ -	\$ -	\$ -
Charges for use of money and property	342	691	765	3,176
Miscellaneous	-	30,516	3,425	17,590
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>83,468</u>	<u>31,207</u>	<u>4,190</u>	<u>20,766</u>
EXPENDITURES				
Current				
Culture and recreation	-	2,580	-	352
Capital outlay	82,058	1,564	6,565	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>82,058</u>	<u>4,144</u>	<u>6,565</u>	<u>352</u>
Excess (deficiency) of revenues over (under) expenditures	1,410	27,063	(2,375)	20,414
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	-	7,609	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	81,410	27,063	5,234	20,414
FUND BALANCES - BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>
	-	15,224	33,394	124,309
FUND BALANCES - END OF YEAR	<u>\$ 81,410</u>	<u>\$ 42,287</u>	<u>\$ 38,628</u>	<u>\$ 144,723</u>

<u>Insurance Reserve</u>	<u>Public Works Equipment Reserve</u>	<u>Minor Capital Improvement</u>	<u>Technology Reserve</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 83,126
2,420	4	1,248	655	9,301
-	-	-	-	51,531
<u>2,420</u>	<u>4</u>	<u>1,248</u>	<u>655</u>	<u>143,958</u>
-	-	-	3,884	6,816
-	<u>5,170</u>	<u>39,215</u>	<u>35,337</u>	<u>169,909</u>
-	<u>5,170</u>	<u>39,215</u>	<u>39,221</u>	<u>176,725</u>
2,420	(5,166)	(37,967)	(38,566)	(32,767)
<u>20,000</u>	<u>30,000</u>	<u>-</u>	<u>69,000</u>	<u>206,609</u>
22,420	24,834	(37,967)	30,434	173,842
<u>104,663</u>	<u>3,603</u>	<u>73,867</u>	<u>33,428</u>	<u>388,488</u>
<u>\$ 127,083</u>	<u>\$ 28,437</u>	<u>\$ 35,900</u>	<u>\$ 63,862</u>	<u>\$ 562,330</u>

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement No. 34, the City's General Fund and any major special revenue funds (currently, only the Major Capital Improvement Reserve Fund and the Jurisdictional Exchange Reserve Fund) are presented in the Required Supplementary Information (RSI) section. All other fund budgetary comparisons are displayed in the following pages as Other Supplementary Information.

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

Governmental Funds

SPECIAL REVENUE FUNDS

State Gas Tax

Special Police

Hotel/Motel Tax

Library

DEBT SERVICE FUNDS

General Obligation Bond Redemption

Revenue Bond

CAPITAL PROJECTS FUNDS

Street Improvement

Parks Improvement

Bike/Pedestrian Path Construction

Special Improvement

Insurance Reserve

Public Works Equipment Reserve

Repair and Replacement Reserve

Minor Capital Improvement

Technology Reserve

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
STATE GAS TAX FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental				
State gas tax	\$ 700,000	\$ 700,000	\$ 760,817	\$ 60,817
Charges for use of money and property				
Interest on investments	1,000	1,000	8,711	7,711
Miscellaneous	<u>300</u>	<u>10,818</u>	<u>39,294</u>	<u>28,476</u>
Total revenues	<u>701,300</u>	<u>711,818</u>	<u>808,822</u>	<u>97,004</u>
EXPENDITURES				
Public works				
Personal services	310,237	310,237	280,973	29,264
Materials and services	289,943	299,461	281,240	18,221
Capital outlay	1,200	1,200	600	600
Contingency	<u>11,920</u>	<u>11,920</u>	<u>-</u>	<u>11,920</u>
Total expenditures	<u>613,300</u>	<u>622,818</u>	<u>562,813</u>	<u>60,005</u>
Excess (deficiency) of revenues over (under) expenditures	88,000	89,000	246,009	157,009
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(117,000)</u>	<u>(118,000)</u>	<u>(117,609)</u>	<u>391</u>
Net change in fund balance	(29,000)	(29,000)	128,400	157,400
FUND BALANCE - BEGINNING OF YEAR	<u>79,000</u>	<u>79,000</u>	<u>285,848</u>	<u>206,848</u>
FUND BALANCE - END OF YEAR	<u>\$ 50,000</u>	<u>\$ 50,000</u>	414,248	<u>\$ 364,248</u>
Adjustment from budgetary basis to generally accepted accounting principles basis:				
Compensated absences			<u>12,933</u>	
Fund balance - generally accepted accounting principles basis			<u>\$ 427,181</u>	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
SPECIAL POLICE FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Federal	\$ 13,500	\$ 19,339	\$ 7,351	\$ (11,988)
Other	-	-	5,268	5,268
Total intergovernmental	<u>13,500</u>	<u>19,339</u>	<u>12,619</u>	<u>(6,720)</u>
Charges for services				
DUII impact panel fees	7,000	7,000	7,110	110
DRE reimbursement	500	500	20	(480)
Total charges for services	<u>7,500</u>	<u>7,500</u>	<u>7,130</u>	<u>(370)</u>
Charges for use of money and property				
Interest on investments	550	550	568	18
Miscellaneous	7,300	14,540	7,398	(7,142)
Total revenues	<u>28,850</u>	<u>41,929</u>	<u>27,715</u>	<u>(14,214)</u>
EXPENDITURES				
Public safety				
Personal services	11,000	11,000	4,384	6,616
Materials and services	54,250	67,329	46,296	21,033
Total expenditures	<u>65,250</u>	<u>78,329</u>	<u>50,680</u>	<u>27,649</u>
Excess (deficiency) of revenues over (under) expenditures	(36,400)	(36,400)	(22,965)	13,435
OTHER FINANCING SOURCES (USES)				
Operating transfers in	10,000	10,000	10,000	-
Net change in fund balance	(26,400)	(26,400)	(12,965)	13,435
FUND BALANCE - BEGINNING OF YEAR	<u>26,400</u>	<u>26,400</u>	<u>35,741</u>	<u>9,341</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,776</u>	<u>\$ 22,776</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
HOTEL/MOTEL TAX FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Hotel/motel tax	\$ 413,000	\$ 413,000	\$ 469,076	\$ 56,076
Charges for use of money and property				
Interest on investments	1,200	1,200	5,919	4,719
Property rentals	1,000	1,000	720	(280)
Total charges for use of money and property	2,200	2,200	6,639	4,439
Total revenues	415,200	415,200	475,715	60,515
EXPENDITURES				
Public works				
Personal services	148,200	148,200	124,762	23,438
Materials and services	265,000	265,000	256,826	8,174
Total expenditures	413,200	413,200	381,588	31,612
Excess (deficiency) of revenues over (under) expenditures	2,000	2,000	94,127	92,127
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(52,000)	(52,000)	-	52,000
Net change in fund balance	(50,000)	(50,000)	94,127	144,127
FUND BALANCE - BEGINNING OF YEAR	50,000	50,000	150,029	100,029
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 244,156	\$ 244,156

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
LIBRARY FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
County serial levy	\$ 700,000	\$ 700,000	\$ 747,043	\$ 47,043
Intergovernmental				
Grants	10,000	10,000	4,000	(6,000)
State grant	2,000	2,000	3,925	1,925
Total intergovernmental	12,000	12,000	7,925	(4,075)
Charges for services				
Copies	4,900	4,900	4,973	73
Database specialist fees	42,969	42,969	42,509	(460)
Library fees	24,000	24,000	24,241	241
Total charges for services	71,869	71,869	71,723	(146)
Charges for use of money and property				
Interest on investments	4,550	4,550	10,029	5,479
Property rentals	2,000	2,000	2,725	725
Total charges for use of money and property	6,550	6,550	12,754	6,204
Miscellaneous				
Donations	15,000	15,000	18,931	3,931
Other	-	-	2,458	2,458
Total miscellaneous	15,000	15,000	21,389	6,389
Total revenues	805,419	805,419	860,834	55,415
EXPENDITURES				
Cultural and recreation				
Personal services	631,369	631,369	643,309	(11,940)
Materials and services	199,050	199,050	191,759	7,291
Capital outlay	2,500	2,500	1,135	1,365
Contingency	119,450	119,450	-	119,450
Library board reserve	50,000	50,000	16,433	33,567
Total expenditures	1,002,369	1,002,369	852,636	149,733
Net change in fund balance	(196,950)	(196,950)	8,198	205,148
FUND BALANCE - BEGINNING OF YEAR	196,950	196,950	329,639	132,689
FUND BALANCE - END OF YEAR	\$ -	\$ -	337,837	\$ 337,837
Adjustment from budgetary basis to generally accepted accounting basis:				
Compensated absences			40,950	
Depreciation expense			(45,605)	
Fund balances - generally accepted accounting principles basis			\$ 333,182	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
GENERAL OBLIGATION BOND REDEMPTION FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
Taxes	\$ 486,553	\$ 486,553	\$ 511,436	\$ 24,883
Charges for use of money and property				
Interest on investments	<u>3,500</u>	<u>3,500</u>	<u>10,843</u>	<u>7,343</u>
Total revenues	<u>490,053</u>	<u>490,053</u>	<u>522,279</u>	<u>32,226</u>
EXPENDITURES				
Debt service				
Principal	455,000	455,000	455,000	-
Interest	<u>84,893</u>	<u>84,893</u>	<u>84,893</u>	<u>-</u>
Total expenditures	<u>539,893</u>	<u>539,893</u>	<u>539,893</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(49,840)	(49,840)	(17,614)	32,226
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>36,713</u>	<u>36,713</u>	<u>36,713</u>	<u>-</u>
Net change in fund balance	(13,127)	(13,127)	19,099	32,226
FUND BALANCE - BEGINNING OF YEAR	<u>525,000</u>	<u>525,000</u>	<u>583,654</u>	<u>58,654</u>
FUND BALANCE - END OF YEAR	<u>\$ 511,873</u>	<u>\$ 511,873</u>	602,753	<u>\$ 90,880</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Deferred revenue - property taxes			51,396	
Bonds payable			(1,505,000)	
Accrued interest payable			<u>(24,787)</u>	
Fund balances - generally accepted accounting principles basis			<u>\$ (875,638)</u>	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
REVENUE BOND FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
CB-NB Water Board	\$ 702,648	\$ 702,648	\$ 702,648	\$ -
Charges for use of money and property				
Interest on investments	-	-	216	216
Total revenues	<u>702,648</u>	<u>702,648</u>	<u>702,864</u>	<u>216</u>
EXPENDITURES				
Debt service				
Principal	351,597	351,597	351,597	-
Interest	<u>351,051</u>	<u>351,051</u>	<u>351,051</u>	<u>-</u>
Total expenditures	<u>702,648</u>	<u>702,648</u>	<u>702,648</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>216</u>	<u>216</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>136,647</u>	<u>136,647</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	136,863	<u>\$ 136,863</u>
Adjustment from budgetary basis to generally accepted accounting basis:				
Note receivable			6,454,738	
Debt payable			(6,454,738)	
Accrued interest payable			<u>(181,696)</u>	
Fund balances - generally accepted accounting principles basis			<u>\$ (44,833)</u>	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
STREET IMPROVEMENT FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental State	\$ 211,593	\$ 211,593	\$ 83,126	\$ (128,467)
Charges for use of money and property Interest on investments	<u>-</u>	<u>-</u>	<u>342</u>	<u>342</u>
Total revenues	211,593	211,593	83,468	(128,125)
EXPENDITURES				
Public works Capital outlay	<u>291,593</u>	<u>291,593</u>	<u>82,058</u>	<u>209,535</u>
Excess (deficiency) of revenues over (under) expenditures	(80,000)	(80,000)	1,410	81,410
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	-	-	81,410	81,410
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 81,410</u></u>	<u><u>\$ 81,410</u></u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
PARKS IMPROVEMENT FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ -	\$ -	\$ 691	\$ 691
Miscellaneous	<u>4,000</u>	<u>31,270</u>	<u>30,516</u>	<u>(754)</u>
Total revenues	<u>4,000</u>	<u>31,270</u>	<u>31,207</u>	<u>(63)</u>
EXPENDITURES				
Culture and recreation				
Materials and services	3,000	3,000	2,580	420
Capital outlay	<u>3,245</u>	<u>30,515</u>	<u>1,564</u>	<u>28,951</u>
Total expenditures	<u>6,245</u>	<u>33,515</u>	<u>4,144</u>	<u>29,371</u>
Excess (deficiency) of revenues over (under) expenditures	(2,245)	(2,245)	27,063	29,308
FUND BALANCE - BEGINNING OF YEAR	<u>4,245</u>	<u>4,245</u>	<u>15,224</u>	<u>10,979</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 42,287</u>	<u>\$ 40,287</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
BIKE/PEDESTRIAN PATH CONSTRUCTION FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 300	\$ 300	\$ 765	\$ 465
Miscellaneous				
Donations	<u>19,500</u>	<u>19,500</u>	<u>3,425</u>	<u>(16,075)</u>
Total revenues	19,800	19,800	4,190	(15,610)
EXPENDITURES				
Culture and recreation				
Capital outlay	<u>58,500</u>	<u>58,500</u>	<u>6,565</u>	<u>51,935</u>
Excess (deficiency) of revenues over (under) expenditures	(38,700)	(38,700)	(2,375)	36,325
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>7,000</u>	<u>8,000</u>	<u>7,609</u>	<u>(391)</u>
Net change in fund balance	(31,700)	(30,700)	5,234	35,934
FUND BALANCE - BEGINNING OF YEAR	<u>31,700</u>	<u>31,700</u>	<u>33,394</u>	<u>1,694</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 38,628</u>	<u>\$ 37,628</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
SPECIAL IMPROVEMENT FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 1,000	\$ 1,000	\$ 3,176	\$ 2,176
Miscellaneous				
Principal repayment	6,000	6,000	16,392	10,392
Interest repayment	1,500	1,500	1,198	(302)
Total miscellaneous	7,500	7,500	17,590	10,090
Total revenues	8,500	8,500	20,766	12,266
EXPENDITURES				
Culture and recreation				
Materials and services	20,000	20,000	352	19,648
Capital outlay	111,500	111,500	-	111,500
Total expenditures	131,500	131,500	352	131,148
Excess (deficiency) of revenues over (under) expenditures	(123,000)	(123,000)	20,414	143,414
FUND BALANCE - BEGINNING OF YEAR	<u>123,000</u>	<u>123,000</u>	<u>124,309</u>	<u>1,309</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,723</u>	<u>\$ 144,723</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
INSURANCE RESERVE FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 1,000	\$ 1,000	\$ 2,420	\$ 1,420
EXPENDITURES				
Culture and recreation				
Contingency	<u>125,700</u>	<u>125,700</u>	<u>-</u>	<u>125,700</u>
Excess (deficiency) of revenues over (under) expenditures	(124,700)	(124,700)	2,420	127,120
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	(104,700)	(104,700)	22,420	127,120
FUND BALANCE - BEGINNING OF YEAR	<u>104,700</u>	<u>104,700</u>	<u>104,663</u>	<u>(37)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,083</u>	<u>\$ 127,083</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
PUBLIC WORKS EQUIPMENT RESERVE FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 40	\$ 40	\$ 4	\$ (36)
EXPENDITURES				
Public works				
Capital outlay	<u>15,200</u>	<u>15,200</u>	<u>5,170</u>	<u>10,030</u>
Excess (deficiency) of revenues over (under) expenditures	(15,160)	(15,160)	(5,166)	9,994
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balance	14,840	14,840	24,834	9,994
FUND BALANCE - BEGINNING OF YEAR	<u>3,590</u>	<u>3,590</u>	<u>3,603</u>	<u>13</u>
FUND BALANCE - END OF YEAR	<u>\$ 18,430</u>	<u>\$ 18,430</u>	<u>\$ 28,437</u>	<u>\$ 10,007</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MINOR CAPITAL IMPROVEMENT FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ -	\$ -	\$ 1,248	\$ 1,248
EXPENDITURES				
General government				
Capital outlay	<u>56,900</u>	<u>56,900</u>	<u>39,215</u>	<u>17,685</u>
Net change in fund balance	(56,900)	(56,900)	(37,967)	18,933
FUND BALANCE - BEGINNING OF YEAR	<u>56,900</u>	<u>56,900</u>	<u>73,867</u>	<u>16,967</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,900</u>	<u>\$ 35,900</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
TECHNOLOGY RESERVE FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 150	\$ 150	\$ 655	\$ 505
EXPENDITURES				
General government				
Materials and services	5,000	5,000	3,884	1,116
Capital outlay	77,150	77,150	35,337	41,813
Total expenditures	82,150	82,150	39,221	42,929
Excess (deficiency) of revenues over (under) expenditures	(82,000)	(82,000)	(38,566)	43,434
OTHER FINANCING SOURCES (USES)				
Operating transfers in	69,000	69,000	69,000	-
Net change in fund balance	(13,000)	(13,000)	30,434	43,434
FUND BALANCE - BEGINNING OF YEAR	13,000	13,000	33,428	20,428
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 63,862	\$ 63,862

**COMBINING, INDIVIDUAL FUNDS, AND
OTHER FINANCIAL SCHEDULES**

Nonmajor Proprietary Funds

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR PROPRIETARY FUNDS
June 30, 2005

	Wastewater Equipment Reserve	Building Codes	Building Codes Reserve	Total
ASSETS				
Current assets				
Cash and investments	\$ <u>388,817</u>	\$ <u>398,946</u>	\$ <u>28,679</u>	\$ <u>816,442</u>
Total assets	<u>388,817</u>	<u>398,946</u>	<u>28,679</u>	<u>816,442</u>
LIABILITIES				
Current liabilities				
Accounts payable	-	6,040	-	6,040
Deferred revenues	<u>-</u>	<u>7,381</u>	<u>-</u>	<u>7,381</u>
Total liabilities	<u>-</u>	<u>13,421</u>	<u>-</u>	<u>13,421</u>
FUND BALANCES				
Restricted for				
Capital projects	388,817	-	-	388,817
Unrestricted	<u>-</u>	<u>385,525</u>	<u>28,679</u>	<u>414,204</u>
Total net assets	<u>\$ <u>388,817</u></u>	<u>\$ <u>385,525</u></u>	<u>\$ <u>28,679</u></u>	<u>\$ <u>803,021</u></u>

CITY OF COOS BAY, OREGON
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Wastewater Equipment Reserve	Building Codes	Building Codes Reserve	Total
OPERATING REVENUES				
Licenses and permits	\$ -	\$ 445,973	\$ -	\$ 445,973
OPERATING EXPENSES				
Personal services	-	156,642	-	156,642
Materials and services	-	17,705	-	17,705
Capital outlay	10,005	-	1,500	11,505
Total operating expenses	10,005	174,347	1,500	185,852
Operating income (loss)	(10,005)	271,626	(1,500)	260,121
NON-OPERATING REVENUES (EXPENSES)				
Interest on investments	7,058	5,924	536	13,518
Other revenue (expenses)	-	4,288	-	4,288
Total non-operating revenues (expenses)	7,058	10,212	536	17,806
Net income (loss) before operating transfers	(2,947)	281,838	(964)	277,927
OPERATING TRANSFERS				
Transfers in	50,000	-	6,000	56,000
Transfers out	-	(6,000)	-	(6,000)
Net operating transfers	50,000	(6,000)	6,000	50,000
Change in net assets	47,053	275,838	5,036	327,927
Total net assets - beginning of year	341,764	109,687	23,643	475,094
Total net assets - end of year	<u>\$ 388,817</u>	<u>\$ 385,525</u>	<u>\$ 28,679</u>	<u>\$ 803,021</u>

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement No. 34, the City's Wastewater Fund budgetary financial statement is presented in the Required Supplementary Information (RSI) section. All other fund budgetary comparisons are displayed in the following pages as Other Supplementary Information.

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

Enterprise Funds

ENTERPRISE FUNDS

Wastewater (RSI)

OTHER SUPPLEMENTARY INFORMATION

Wastewater Equipment Reserve

Building Codes

Building Codes Reserve

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
WASTEWATER EQUIPMENT RESERVE
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 3,000	\$ 3,000	\$ 7,058	\$ 4,058
EXPENDITURES				
Public works				
Materials and services	10,000	10,000	-	10,000
Capital outlay	373,000	373,000	10,005	362,995
Total expenditures	383,000	383,000	10,005	372,995
Excess (deficiency) of revenues over (under) expenditures	(380,000)	(380,000)	(2,947)	377,053
OTHER FINANCING SOURCES (USES)				
Operating transfers in	50,000	50,000	50,000	-
Net change in fund balance	(330,000)	(330,000)	47,053	377,053
FUND BALANCE - BEGINNING OF YEAR	330,000	330,000	341,764	11,764
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 388,817	\$ 388,817

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
BUILDING CODES FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 190,870	\$ 190,870	\$ 445,973	\$ 255,103
Charges for use of money and property				
Interest on investments	1,000	1,000	5,924	4,924
Miscellaneous	<u>50</u>	<u>50</u>	<u>4,288</u>	<u>4,238</u>
Total revenues	<u>191,920</u>	<u>191,920</u>	<u>456,185</u>	<u>264,265</u>
EXPENDITURES				
Public works				
Personal services	178,301	178,301	156,642	21,659
Materials and services	25,600	25,600	17,705	7,895
Contingency	<u>6,519</u>	<u>6,519</u>	<u>-</u>	<u>6,519</u>
Total expenditures	<u>210,420</u>	<u>210,420</u>	<u>174,347</u>	<u>36,073</u>
Excess (deficiency) of revenues over (under) expenditures	(18,500)	(18,500)	281,838	300,338
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balance	(24,500)	(24,500)	275,838	300,338
FUND BALANCE - BEGINNING OF YEAR	<u>44,500</u>	<u>44,500</u>	<u>109,687</u>	<u>65,187</u>
FUND BALANCE - END OF YEAR	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 385,525</u>	<u>\$ 365,525</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
BUILDING CODES RESERVE FUND
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 300	\$ 300	\$ 536	\$ 236
EXPENDITURES				
Public works				
Capital outlay	3,000	3,000	1,500	1,500
Contingency	<u>26,500</u>	<u>26,500</u>	<u>-</u>	<u>26,500</u>
Total expenditures	<u>29,500</u>	<u>29,500</u>	<u>1,500</u>	<u>28,000</u>
Excess (deficiency) of revenues over (under) expenditures	(29,200)	(29,200)	(964)	28,236
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Net change in fund balance	(23,200)	(23,200)	5,036	28,236
FUND BALANCE - BEGINNING OF YEAR	<u>23,200</u>	<u>23,200</u>	<u>23,643</u>	<u>443</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,679</u>	<u>\$ 28,679</u>

ACCOMPANYING INFORMATION

AUDITOR'S REPORT AND COMMENTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Governing Body of the City of Coos Bay, Oregon:

We have audited the accompanying basic financial statements of the City of Coos Bay, Oregon as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Coos Bay, Oregon's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Coos Bay, Oregon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management; the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

J. Robert Wall, CPA

J. Robert Wall, C.P.A.
Wall & Wall P.C., Certified Public Accountants

Coos Bay, Oregon
October 7, 2005

**Other Supplementary Financial Information and Comments
and Disclosures Required by State Regulations**

To the Governing Body of the City of Coos Bay
Coos County, Oregon

Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon municipal corporations. That other financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements, notes to the financial statements, and supplementary information, as listed in the table of contents, provide that information.

Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the City's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which may have included samples of transactions, to obtain sufficient audit evidence to support the comments that follow:

- As part of our audit of the basic financial statements, we reviewed and tested the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The accounting records were properly maintained and the accounting and internal control structure was adequate. We did convey recommendations for strengthening and improving the City of Coos Bay internal controls in a separate letter to management dated November 18, 2005.
- Other Audit Comments:
 - Collateral - Balances on deposit with financial institutions were secured during the year ended June 30, 2005, in accordance with requirements of ORS 295.015.
 - Indebtedness - The City has complied with applicable debt requirements during the year ended June 30, 2005, including limitations on debt incurred and outstanding, prescribed time periods of debt liquidation, and adherence to provisions of bond indentures and related City ordinances. The City of Coos Bay complied with legal restrictions pertaining to the use of monies available in the Debt Service Funds to retire indebtedness during the year ended June 30, 2005.
 - Insurance and Fidelity Bonds - We have examined the City's insurance and fidelity bond coverages at June 30, 2005 and ascertained that such policies appeared to be in force as of that date and appeared to comply with the legal requirements. We do not express an opinion as to the adequacy of the insurance policies since we are not trained to do so.
 - The City has complied with the provisions of ORS 221.903 regarding the bonding of City personnel.
 - Investments - The City is in compliance with legal requirements pertaining to investment of public funds.
 - Budget - Statutory provisions were complied with in the preparation and adoption of the annual budget and related tax levy for the ensuing 2005-2006 fiscal year. These provisions were also generally complied with in the preparation, adoption and execution of the annual budget and related tax levy for the year ended June 30, 2005.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Levels of control are by program and object i.e., general government, community promotion and support, public safety, public works, culture and recreation, debt service, interfund transfers, and contingency.

- No elected officials of the City were entrusted with City funds during the year ended June 30, 2005.
- Public Contracts and Disclosures - The City was in compliance with legal requirements pertaining to the awarding of public contracts and construction of public improvements.
- Highway Funds - The City of Coos Bay complied with applicable legal requirements pertaining to the use of revenue from taxes on motor vehicle fuel and with statutory requirements pertaining to the use of road funds during the year ended June 30, 2005.
- Programs Funded From Outside Sources - We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies. The results of our tests indicate for the items tested, the City complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and for the items test, financial reports and related data were in agreement with and supported by the accounting records.

This report is intended solely for the information of the State of Oregon, Secretary of State, Division of Audits and other state agencies and is not intended and should not be used by anyone other than these specified parties.

J. Robert Wall, CPA

J. Robert Wall, CPA
Wall & Wall P.C., Certified Public Accountants

Coos Bay, Oregon
October 7, 2005