

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

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

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

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2005**

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

ANNUAL FINANCIAL REPORT
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**URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon**

AGENCY OFFICIALS

As of June 30, 2005

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

Cindi Miller, Vice Chair
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Coos Bay, OR 97420

John Muenchrath, Secretary
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Coos Bay, OR 97420

Joe Benetti
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Coos Bay, OR 97420

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Coos Bay, OR 97420

Jeff McKeown
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Coos Bay, OR 97420

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Governing Body of the Urban Renewal Agency of the City of Coos Bay
A Component Unit of the City of Coos Bay, Oregon:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Urban Renewal Agency of the City of Coos Bay, Oregon (Agency) component unit of the City of Coos Bay, Oregon, as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Urban Renewal Agency of the City of Coos Bay, Oregon's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

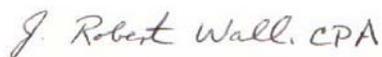
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan 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, each major fund, and the aggregate remaining fund information of the Urban Renewal Agency of the City of Coos Bay, Oregon, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005, on our consideration of the Urban Renewal Agency 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 information on pages 3 through 8, is not a required part of the basic financial statements but is 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 Urban Renewal Agency of 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



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 Urban Renewal Agency of the Agency of Coos Bay (Agency). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Agency.

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

FINANCIAL HIGHLIGHTS

The Agency's net assets increased by \$520,000 from a negative \$80,000 to a positive \$440,000, primarily due to increased tax increment revenues and decreased capital projects of which the assets were transferred to the City of Coos Bay.

Governmental activities revenue increased by \$100,000 (8%) to \$1.4 million, primarily due to increased tax increment revenue and interest revenue.

Overall Agency expenditures decreased \$2.4 million, primarily due to the Newmark Avenue Widening Project being completed in the prior year. Major expenditures for 2004-05 included \$100,000 for the Bay Crossing Sewer Line, \$317,000 for other wastewater projects, \$65,000 for improvements to the Sun Building, and \$765,000 for debt service.

REPORT LAYOUT

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

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

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

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the 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 Agency programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Agency's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds". Budgetary comparison statements are presented here for the six major funds; the Downtown Special Revenue Fund, the Empire Special Revenue Fund, the Downtown Bond Fund, the Empire Bond Fund, the Downtown Capital Projects Fund, and the Empire Capital Projects Fund. The Agency had no proprietary funds or business-type activity.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

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

- Combining Statements. Major funds are included within the Basic Financial Statements, whereas non-major funds are presented here. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
- Budgetary Comparisons. Budgetary information for all funds, except for the six major funds, 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 Agency compliance and internal controls as required by Oregon statutes.

AGENCY AS A WHOLE

Government-Wide Financial Statements

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

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Cash and investments	\$6.26	\$5.97
Other assets	0.04	0.03
Capital assets	1.33	1.53
Long term receivables	0.08	0.09
Total assets	<u>7.71</u>	<u>7.62</u>
Other liabilities	0.48	0.47
Long term debt outstanding	6.79	7.23
Total liabilities	<u>7.27</u>	<u>7.70</u>
Net assets:		
Unrestricted	<u>0.44</u>	<u>(0.08)</u>
Total net assets	<u>\$0.44</u>	<u>(\$0.08)</u>

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 Agency's net assets increased by \$520,000 from a negative \$80,000 to a positive \$440,000, primarily due to increased tax increment revenues and decreased capital projects of which the assets were transferred to the City of Coos Bay. The Agency transfers most assets to the City of Coos Bay as a contribution, while the Agency retains the long-term debt not scheduled to be fully retired until December 2017.

Business-type Activities

There were no business-type activities during the year.

A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are bond proceeds limited for capital projects and taxes limited to repayment of debt.

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

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

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
REVENUES		
Program revenues		
Grants and contributions	\$0.05	\$0.00
General revenues		
Taxes	1.17	1.10
Interest	0.15	0.10
Property sales/disposals	0.06	(0.66)
Contributions/transfers	(0.50)	(1.82)
Other	<u>0.02</u>	<u>0.02</u>
Total revenues	<u>0.95</u>	<u>(1.26)</u>
EXPENSES		
Governmental activities	<u>0.43</u>	<u>0.46</u>
Total expenses	<u>0.43</u>	<u>0.46</u>
Increase in net assets	0.52	(1.72)
Beginning net assets	<u>(0.08)</u>	<u>1.64</u>
Ending net assets	<u>\$0.44</u>	<u>(\$0.08)</u>

Governmental Activities

Governmental activities revenue increased by \$100,000 (8%) to \$1.4 million, primarily due to increased tax increment revenue and interest revenue.

Overall Agency expenditures decreased \$2.4 million, primarily due to the Newmark Avenue Widening Project being completed in the prior year. Major expenditures for 2004-05 included \$100,000 for the Bay Crossing Sewer Line, \$317,000 for other wastewater projects, \$65,000 for improvements to the Sun Building, and \$765,000 for debt service.

BUDGETARY HIGHLIGHTS

The Agency's total appropriations decreased by approximately \$2.3 million from \$10.8 million to \$8.5 million. This was due primarily to decreased capital projects expenditures since the Newmark Avenue Widening Project was completed during the prior year. Actual operating costs in all funds were 26% of the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005 the Agency had invested \$1.33 million in capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$200,000.

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

(in millions)

	Governmental Activities	
	2005	2004
Land & improvements	\$1.31	\$1.36
Buildings & improvements	0.00	0.15
Equipment	0.02	0.02
Total	<u>\$1.33</u>	<u>\$1.53</u>

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

Table 4
Change in Capital Assets

(in millions)

	Governmental Activities
Beginning balance	\$1.530
Additions	0.000
Retirement	(0.194)
Depreciation	(0.003)
Ending balance	<u>\$1.333</u>

Assets from governmental activities decreased \$200,000. Offsetting additions were depreciation and retirement of assets.

Debt Outstanding

As of year-end, the Agency had \$7.2 million in debt outstanding compared to \$7.6 million last year. \$440,000 of the debt outstanding at June 30, 2005 is due within one year.

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

	Totals	
	<u>2005</u>	<u>2004</u>
Governmental:		
Tax increment bonds payable	<u>\$7.2</u>	<u>\$7.6</u>
Total	<u><u>\$7.2</u></u>	<u><u>\$7.6</u></u>

Debt of the Agency has not been rated.

For more detailed information on the Agency’s debt and amortization terms refer to pages 29-30 of the notes.

ECONOMIC FACTORS

Like all municipalities in Oregon, the Agency is indirectly operating under Measure 50, the ad valorem tax limitation measure approved by voters on May 20, 1997. This measure rolled back assessed values to 1995-96 levels and effectively limited increased property tax revenues in future years to a maximum of 3 percent, with permitted allowances for increasing valuations based on new construction. No substantive changes to the basic provisions of Measure 50 have been enacted during subsequent Oregon Legislative sessions. However, as an urban renewal agency, the Agency receives tax increment revenues; calculated on the assessed value over the frozen base, which was set at the time the urban renewal district was formed.

The downturn in economic conditions nationwide has hit our community as well. However tax increment revenues continue to increase over 3% per year.

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Net Assets
GOVERNMENTAL FUNDS
June 30, 2005

ASSETS

Cash and investments	\$ 6,261,243
Receivables	
Taxes	79,426
Accounts	38,989
Capital assets (net of accumulated depreciation)	<u>1,333,671</u>
 Total assets	 <u>7,713,329</u>

LIABILITIES

Accounts payable	15,312
Interest payable	26,200
Noncurrent liabilities	
Due within one year	
Bonds payable	440,409
Due in more than one year	
Bonds payable	<u>6,787,319</u>
 Total liabilities	 <u>7,269,240</u>

NET ASSETS

Unrestricted	<u>444,089</u>
 Total net assets	 \$ <u><u>444,089</u></u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2005

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants/ Contributions	Governmental Activities	Total
Primary government					
Governmental activities					
Public works	\$ (87,403)	\$ -	\$ 50,000	\$ (37,403)	\$ (37,403)
Interest on long-term debt	<u>(342,722)</u>	<u>-</u>	<u>-</u>	<u>(342,722)</u>	<u>(342,722)</u>
Total primary government	<u><u>\$ (430,125)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,000</u></u>	<u><u>(380,125)</u></u>	<u><u>(380,125)</u></u>
General revenues					
Taxes					
Property				1,173,875	1,173,875
Rent income				15,611	15,611
Investment earnings				154,375	154,375
Property sales/disposals, net				64,542	64,542
Contributed/transferred				<u>(502,891)</u>	<u>(502,891)</u>
Total general revenues and transfers, net				<u>905,512</u>	<u>905,512</u>
Change in net assets				525,387	525,387
Net assets - beginning of year				<u>(81,298)</u>	<u>(81,298)</u>
Net assets - end of year				<u><u>\$ 444,089</u></u>	<u><u>\$ 444,089</u></u>

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

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2005

	<u>Downtown Special Revenue</u>	<u>Empire Special Revenue</u>	<u>Empire Program</u>
ASSETS AND OTHER DEBITS			
Cash and investments	\$ 493,145	\$ 269,142	\$ 372,039
Receivables, net			
Taxes	53,684	25,742	-
Accounts	<u>25,415</u>	<u>12,373</u>	<u>1,201</u>
Total assets and other debits	<u>\$ 572,244</u>	<u>\$ 307,257</u>	<u>\$ 373,240</u>
LIABILITIES			
Accounts payable	-	-	-
Deferred revenue	<u>53,684</u>	<u>25,742</u>	<u>-</u>
Total liabilities	<u>53,684</u>	<u>25,742</u>	<u>-</u>
FUND BALANCES			
Unreserved	518,560	281,515	373,240
Reserve for capital projects	-	-	-
Reserved for debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>518,560</u>	<u>281,515</u>	<u>373,240</u>
Total liabilities and fund balances	<u>\$ 572,244</u>	<u>\$ 307,257</u>	<u>\$ 373,240</u>

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

<u>Downtown Bond</u>	<u>Downtown Capital Projects</u>	<u>Empire Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ 4,011,667	\$ 346,372	\$ 768,878	\$ 6,261,243
-	-	-	-	79,426
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,989</u>
\$ <u>-</u>	\$ <u>4,011,667</u>	\$ <u>346,372</u>	\$ <u>768,878</u>	6,379,658
-	11,319	3,992	-	15,311
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,426</u>
<u>-</u>	<u>11,319</u>	<u>3,992</u>	<u>-</u>	<u>94,737</u>
-	-	-	3,455	1,176,770
-	4,000,348	342,380	192	4,342,920
<u>-</u>	<u>-</u>	<u>-</u>	<u>765,231</u>	<u>765,231</u>
<u>-</u>	<u>4,000,348</u>	<u>342,380</u>	<u>768,878</u>	6,284,921
\$ <u>-</u>	\$ <u>4,011,667</u>	\$ <u>346,372</u>	\$ <u>768,878</u>	

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).

1,333,670

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

79,426

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 \$26,200).

(7,253,928)

Net assets of governmental activities

\$ 444,089

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balances
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Downtown Special Revenue	Empire Special Revenue	Empire Program
REVENUES			
Taxes	\$ 786,449	\$ 385,771	\$ -
Grants	-	-	-
Charges for use of money and property	13,487	6,954	3,029
Property sales	-	-	265,988
Lease revenue	-	-	13,211
	<u>799,936</u>	<u>392,725</u>	<u>282,228</u>
EXPENDITURES			
Materials and services	-	-	2,325
Capital outlay	-	-	-
Debt service	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>2,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>799,936</u>	<u>392,725</u>	<u>279,903</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	37,500
Transfers out	<u>(525,520)</u>	<u>(239,711)</u>	<u>-</u>
Total other financing sources (uses)	<u>(525,520)</u>	<u>(239,711)</u>	<u>37,500</u>
Net change in fund balance	274,416	153,014	317,403
FUND BALANCE - BEGINNING OF YEAR	<u>244,144</u>	<u>128,501</u>	<u>55,837</u>
FUND BALANCE - END OF YEAR	<u>\$ 518,560</u>	<u>\$ 281,515</u>	<u>\$ 373,240</u>

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

<u>Downtown Bond</u>	<u>Downtown Capital Projects</u>	<u>Empire Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,172,220
-	50,000	-	-	50,000
-	112,917	17,935	53	154,375
-	-	-	-	265,988
-	-	-	2,400	15,611
<u>-</u>	<u>162,917</u>	<u>17,935</u>	<u>2,453</u>	<u>1,658,194</u>
-	54,041	28,315	-	84,681
-	306,901	195,990	-	502,891
<u>525,520</u>	<u>-</u>	<u>-</u>	<u>239,711</u>	<u>765,231</u>
<u>525,520</u>	<u>360,942</u>	<u>224,305</u>	<u>239,711</u>	<u>1,352,803</u>
<u>(525,520)</u>	<u>(198,025)</u>	<u>(206,370)</u>	<u>(237,258)</u>	<u>305,391</u>
525,520	-	-	239,711	802,731
<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,500)</u>	<u>(802,731)</u>
<u>525,520</u>	<u>-</u>	<u>-</u>	<u>202,211</u>	<u>-</u>
-	(198,025)	(206,370)	(35,047)	305,391
<u>-</u>	<u>4,198,373</u>	<u>548,750</u>	<u>803,925</u>	<u>5,979,530</u>
<u>\$ -</u>	<u>\$ 4,000,348</u>	<u>\$ 342,380</u>	<u>\$ 768,878</u>	<u>\$ 6,284,921</u>

URBAN RENEWAL AGENCY CITY OF THE CITY OF COOS BAY
A Component Unit of the 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 \$ 305,391

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.

Less current year depreciation	(2,722)
Capital assets disposed of	(201,446)

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

Property taxes	1,656
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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	420,982
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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.

Accrued interest on general obligation bonds	<u>1,526</u>
----------------------------------------------	--------------

Change in Net Assets of Governmental Activities	\$ <u><u>525,387</u></u>
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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.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Urban Renewal Agency of the City of Coos Bay, Oregon (Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Agency are discussed below.

In June 1999, the GASB approved Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Certain significant areas in the Statement include the following:

- The financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Agency's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Agency's activities, including infrastructure (roads, streets, sidewalks, curbs, gutters, etc.)
- The fund financial statements focus on the major funds.

These and other requirements are reflected in the accompanying financial statements (including notes to the basic financial statements). The Agency implemented the general provisions of GASB Statement No. 34 in the previous year.

A. Reporting Entity

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

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by GASB, there are no potential component units that are required to be included in the reporting entity; however, the Agency is considered a component unit of the City of Coos Bay, Oregon.

B. Basis Financial Statements

Financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as governmental. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately.

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 Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

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. Major individual governmental 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.

C. Basis of Presentation

The financial transactions of the Agency 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 each fund 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 Agency reports the following **major** governmental funds:

Downtown Special Revenue - This fund is used to account for the Downtown Area of the Urban Renewal Agency of the City of Coos Bay's urban renewal property tax increment revenues, and earnings on investments, some of which is to be transferred to the Agency's Downtown Debt Service Fund for bonded debt retirement.

Empire Special Revenue - This fund is used to account for the Empire Area of the Urban Renewal Agency of the City of Coos Bay's urban renewal property tax increment revenues, and earnings on investments, some of which is to be transferred to the Agency's Empire Debt Service Fund for bonded debt retirement.

Empire Program - This fund is used to account for lease revenue from real property owned by the Urban Renewal Agency of the City of Coos Bay in the downtown district. These monies are to be utilized to benefit the Downtown Renewal District.

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

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

Empire Capital Projects - This fund is used to account for capital projects within the Empire Area of the Urban Renewal Agency of the City of Coos Bay financed by proceeds from the issuance of the Agency's Empire Urban Renewal Bonds.

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

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

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

Empire Property Improvements - This fund accounts for Urban Renewal Agency of the City of Coos Bay rent revenues from two commercial real properties leased to a non-profit corporation. The monies are to be utilized for improvements to public property in the Empire Urban Renewal district.

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

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

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 basic 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.

Property taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the Agency 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 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 Agency receives resources before it has a legal claim to them. For instance, when grant monies being received prior to the incurrence of qualifying expenditures, when applicable.

Similar to the way its revenues are recorded, governmental individual funds only record those expenditures that affect current financial resources. Principal and interest on 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. 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 must be included.

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

Governmental Individual 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.

Revenues that are potentially measurable and available at year-end under the modified accrual basis are as follows:

- Property taxes collected by year-end;
- Interest earned on savings and certificates of deposit;
- Federal and State grants, if any, (to the extent that revenues are recorded as eligible expenditures are incurred); and
- State shared revenues, if any, in transit to the Agency at year-end.
- Expenditures are recorded when the related fund liability is incurred, except for principal, interest, and loan servicing fees on general long-term debt which are recorded when due.

The accounting and financial reporting treatment applied to an individual fund is determined by its measurement focus. All governmental individual funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

E. Assets, Liabilities, And Equity

1. Cash

Deposits. The Agency maintains merged bank accounts and investments for its fund in a central pool of cash with the City of Coos Bay. This pool includes amounts in demand deposits (money market accounts) for the Agency. The investment policy of the City is to invest in LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to each fund based on monthly cash balances.

The City, on behalf of the Agency, maintains a cash account for each individual fund.

- Concentrations of Credit Risk - Financial instruments that potentially subject the City and Agency to concentrations of credit risk consist principally of temporary cash investments and accounts receivables. The City places its temporary cash investments with financial institutions and the State of Oregon's Local Government Investment Pool and limits the amount of credit exposure to any one financial institution (NOTE 3A). Concentrations of credit with respect to receivables are limited due to the large number of customers comprising the City's user base. As of June 30, 2005, the City or Agency had no significant concentrations of credit risk.
- Interest Earnings - Cash on hand in excess of current requirements is maintained in interest bearing money market accounts, or invested in the Local Government Investment Pool. The City's interest earnings are allocated to the various funds in direct proportion to the ratio of each fund's capital invested.

2. 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 31 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 16 are considered delinquent.

- Property Taxes - Tax increment revenues are received by the Agency in accordance with the provisions of ORS 457.440 which states that the portion of the taxes representing the levy over the frozen value, if any, in the assessed cash value of property located in the urban renewal area shall, after collection by the tax collector, be paid into a special fund of the Agency and shall be used to pay the principal and interest on indebtedness incurred by the Agency to finance or refinance the implementation of the urban renewal plan.

Property tax revenue is recognized on the modified accrual basis in the governmental individual funds, that is when, it becomes both measurable and available to finance expenditures of the current period, with “available” meaning due and receivable in the current period and collected in the current period, or expected to be collected by the close of the current period. Property taxes not received by then are considered susceptible to accrual on the modified accrual basis, are shown in the balance sheets of the Individual Funds as assets, are offset by deferred revenues and, accordingly, have not been recorded as current revenue. Property tax revenues are recognized on the full accrual basis in the government-wide basic financial statements.

3. *Capital Assets*

Capital assets, which include property and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental individual fund statements, and capitalized and depreciated in the government-wide 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 Agency as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than five years. 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 storm drain systems are capitalized by the Agency in the fiscal year ended June 30, 2005 (NOTE 3C).

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>
Land improvements	10-50
Buildings	25-50
Building improvements	20-40
Equipment and machinery	5-15
Infrastructure	
Roads	40
Sidewalks	25-40

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.

- Leases - Leases which meet certain criteria established by the Financial Accounting Standards Board (FASB) are classified as capital leases and the assets and related liabilities are recorded at amounts equal to the lessor of the value of minimum lease payments or the fair value of the lease property at the beginning of the respective lease term. Leases, which do not meet the criteria of a capital lease, would be classified as operating leases.

4. *Long-Term Obligations, Bond Discounts, Premiums, and Issuance Costs*

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

Bond premiums, discounts, and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method in the government-wide financial statements, but are recognized during the current period in the governmental individual fund financial statements.

5. *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

6. *Fund Equity*

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

7. *Other*

- 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.
- Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts from June 30, 2003 were adjusted to facilitate this analysis. Comparative data have not been presented in all statements because their inclusion would make certain statement unduly complex and difficult to understand.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law established standard procedures relating to the preparation, adoption, and execution of the annual budget. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total materials and services, capital outlay, transfers, and debt service are the levels of controls.

B. Compliance

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 complied with in the preparation, adoption and execution of the annual budget and related tax levy for the year ended June 30, 2006.

NOTE 3. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

Deposits with financial institutions are comprised of bank demand deposits and at fiscal year end, the carrying amount of deposits with the City of Coos Bay was \$6,261,243, of which \$6,261,243 was with money market accounts. All deposits are held in the name of the City of Coos Bay. Of these deposits, all were subject to coverage 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 in the name of the bank(s).

Investments

At June 30, 2005, the Agency had no monies 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.

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.

Concentration Risk

As described in Note 1C, the Agency maintains bank accounts and investments for its fund in a central pool of cash and investments with the City of Coos Bay. Financial instruments that potentially subject the City and the Agency to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The City and the Agency place their temporary cash investments with financial institutions and limit the amount of credit exposure to any one financial institution while maintaining additional collateral with \$19.0 million certificate of participation. Concentrations of credit with respect to trade receivables are limited due to the large number of customers comprising the City and Agency's customer base and their dispersion across different industries and geographic locations. During the year ended June 30, 2005, the City and the Agency fully collateralized their deposits with adequate certificates and FDIC coverages.

Investments in the LGIP are made under the provisions of ORS 294.810. These funds are held in the City of Coos Bay's name and are not subject to the collateralization requirements of ORS 295.015.

In addition, the LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjustments for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the Agency's cash position.

Interest Rate Risk

The College District 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.

B. Receivables

Receivables as of year ended June 30, 2005 are as follows:

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Receivables:				
Taxes	\$ 79,426	\$ -	\$ -	\$ 79,426
Accounts	<u>37,788</u>	<u>-</u>	<u>1,201</u>	<u>38,989</u>
Total	<u>\$ 117,214</u>	<u>\$ -</u>	<u>\$ 1,201</u>	<u>\$ 118,415</u>

All non-current property taxes receivable are treated as deferred revenue. Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectibles has been established.

Property taxes are assessed on 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 Agency is made at periodic intervals. For fiscal year 2004-2005, the Agency collected \$1,172,220 in tax increment revenues. The balance at June 30, 2005, in deferred incremental taxes receivable was \$79,426.

C. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not depreciated				
Land and improvements	\$ 1,362,476	\$ -	\$ (46,500)	\$ 1,315,976
Total capital assets not depreciated	<u>1,362,476</u>	<u>-</u>	<u>(46,500)</u>	<u>1,315,976</u>
Other capital assets at historical cost				
Buildings and improvements	154,946	-	(154,946)	-
Equipment and machinery	<u>27,222</u>	<u>-</u>	<u>-</u>	<u>27,222</u>
Total other capital assets at historical cost	<u>182,168</u>	<u>-</u>	<u>(154,946)</u>	<u>27,222</u>
Less accumulated depreciation				
Buildings and improvements	(7,748)	-	7,748	-
Equipment and machinery	<u>(6,805)</u>	<u>(2,722)</u>	<u>-</u>	<u>(9,527)</u>
Total accumulated depreciation	<u>(14,553)</u>	<u>(2,722)</u>	<u>7,748</u>	<u>(9,527)</u>
Other capital assets, net	<u>167,615</u>	<u>(2,722)</u>	<u>(147,198)</u>	<u>17,695</u>
Governmental activities capital assets, net	<u>\$ 1,530,091</u>	<u>\$ (2,722)</u>	<u>\$ (193,698)</u>	<u>\$ 1,333,671</u>

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:

Public works	\$ <u>2,722</u>
Total depreciation for governmental activities	\$ <u>2,722</u>

D. Long-term Debt

The Urban Renewal Agency of the City of Coos Bay issued \$5,700,000 urban renewal current refunding bonds on January 24, 2003, which are payable from the tax increment revenues of the Downtown Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2005, are as follows:

Fiscal Year	Issue of January 24, 2003 (Series 2003 A)		
	Total	Principal	Interest
2005-06	\$ 525,520	\$ 302,450	\$ 223,070
2006-07	525,520	316,406	209,114
2007-08	525,520	330,484	195,036
2008-09	525,520	346,257	179,263
2009-10	525,520	362,235	163,285
2010-2015	2,627,600	2,077,489	550,111
2015-2018	<u>1,313,800</u>	<u>1,228,299</u>	<u>85,501</u>
Total	<u>\$ 6,569,000</u>	<u>\$ 4,963,620</u>	<u>\$ 1,605,380</u>

Interest rate: Fixed annual rate of 4.5%.

The Urban Renewal Agency of the City of Coos Bay issued \$2,600,000 urban renewal current refunding bonds on January 24, 2003, which are payable from the tax increment revenues of the Empire Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2005, are as follows:

Fiscal Year	Issue of January 24, 2003 (Series 2003 A)		
	Total	Principal	Interest
2005-06	\$ 239,711	\$ 137,959	\$ 101,752
2006-07	239,711	144,326	95,385
2007-08	239,711	150,747	88,964
2008-09	239,711	157,942	81,769
2009-10	239,711	165,230	74,481
2010-2015	1,198,555	947,627	250,928
2015-2018	<u>599,276</u>	<u>560,276</u>	<u>39,000</u>
Total	<u>\$ 2,996,386</u>	<u>\$ 2,264,107</u>	<u>\$ 732,279</u>

Interest rate: Fixed annual rate of 4.5%.

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
Urban Renewal Bonds:			
<u>Downtown (Series 1/24/03 A):</u>			
Payment: June 2, 2004	\$ 5,252,728	\$ (289,108)	\$ 4,963,620
<u>Empire (Series 1/24/03 A):</u>			
Payment: June 2, 2004	<u>2,395,982</u>	<u>(131,875)</u>	<u>2,264,107</u>
Total	<u>\$ 7,648,710</u>	<u>\$ (420,983)</u>	<u>\$ 7,227,727</u>

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
Urban Renewal Bonds:				
<u>Downtown (Series 2003 A):</u>				
January 24, 2003	\$ -	\$ 236,412	\$ 236,412	\$ -
<u>Empire (series 2003 A):</u>				
January 24, 2003	-	107,837	107,837	-
Total	\$ -	\$ 344,249	\$ 344,249	\$ -

NOTE 5. OTHER INFORMATION

A. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency is covered by its commercial carrier.

During the current year, there were no significant reductions in insurance coverage from the prior year in any major category of coverage. In addition, insurance settlements have not exceeded insurance coverages during any of the past three fiscal years.

B. 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 and Agency currently do not exceed the \$10.00 rate limit; however, this limitation may affect the availability of future tax revenues for the City and Agency. 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 or primary election in an even numbered year, or (ii) at any other election in which at least 50% of registered voters cast a ballot.

C. 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, 2010 for the Agency.

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 Agency is analyzing these emerging issues to determine their applicability and to institute compliance where necessary.

REQUIRED SUPPLEMENTARY INFORMATION

FUND FINANCIAL STATEMENTS
Major Governmental Funds

DOWNTOWN SPECIAL REVENUE - This fund is used to account for the Downtown Area of the Urban Renewal Agency of the City of Coos Bay's urban renewal property tax increment revenues, and earnings on investments, some of which is to be transferred to the Agency's Downtown Debt Service Fund for bonded debt retirement.

EMPIRE SPECIAL REVENUE - This fund is used to account for the Empire Area of the Urban Renewal Agency of the City of Coos Bay's urban renewal property tax increment revenues, and earnings on investments, some of which is to be transferred to the Agency's Empire Debt Service Fund for bonded debt retirement.

EMPIRE PROGRAM - This fund is used to account for lease revenue from real property owned by the Urban Renewal Agency of the City of Coos Bay in the downtown district. These monies are to be utilized to benefit the Downtown Renewal District.

DOWNTOWN BOND - This fund is used to accumulate monies transferred in from the Downtown Special Revenue Fund to service the City of Coos Bay Downtown Area's urban renewal debt.

DOWNTOWN CAPITAL PROJECTS - This fund is used to account for capital projects within the Downtown Area of the Urban Renewal Agency of the City of Coos Bay financed by proceeds from the issuance of the Agency's Downtown Urban Renewal Bonds.

EMPIRE CAPITAL PROJECTS - This fund is used to account for capital projects within the Empire Area of the Urban Renewal Agency of the City of Coos Bay financed by proceeds from the issuance of the Agency's Empire Urban Renewal Bonds.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN SPECIAL REVENUE 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				
Property taxes	\$ 699,000	\$ 699,000	\$ 786,449	\$ 87,449
Charges for use of money and property				
Interest on investments	<u>2,000</u>	<u>2,000</u>	<u>13,487</u>	<u>11,487</u>
Total revenues	701,000	701,000	799,936	98,936
EXPENDITURES				
Debt service	<u>340,480</u>	<u>340,480</u>	<u>-</u>	<u>340,480</u>
Excess (deficiency) of revenues over (under) expenditures	360,520	360,520	799,936	439,416
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(525,520)</u>	<u>(525,520)</u>	<u>(525,520)</u>	<u>-</u>
Net change in fund balance	(165,000)	(165,000)	274,416	439,416
FUND BALANCE - BEGINNING OF YEAR	<u>165,000</u>	<u>165,000</u>	<u>244,144</u>	<u>79,144</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,560</u>	<u>\$ 518,560</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE SPECIAL REVENUE 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				
Property taxes	\$ 334,000	\$ 334,000	\$ 385,771	\$ 51,771
Charges for use of money and property				
Interest on investments	<u>1,200</u>	<u>1,200</u>	<u>6,954</u>	<u>5,754</u>
Total revenues	335,200	335,200	392,725	57,525
EXPENDITURES				
Debt service	<u>185,489</u>	<u>185,489</u>	<u>-</u>	<u>185,489</u>
Excess (deficiency) of revenues over (under) expenditures	149,711	149,711	392,725	243,014
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(239,711)</u>	<u>(239,711)</u>	<u>(239,711)</u>	<u>-</u>
Net change in fund balance	(90,000)	(90,000)	153,014	243,014
FUND BALANCE - BEGINNING OF YEAR	<u>90,000</u>	<u>90,000</u>	<u>128,501</u>	<u>38,501</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,515</u>	<u>\$ 281,515</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE PROGRAM 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	\$ 600	\$ 600	\$ 3,029	\$ 2,429
Lease revenue	6,005	6,005	13,211	7,206
Property sales	-	-	265,988	265,988
	<u>6,605</u>	<u>6,605</u>	<u>282,228</u>	<u>275,623</u>
Total revenues				
EXPENDITURES				
Materials and services	5,000	5,000	2,325	(2,675)
Capital outlay	94,705	94,705	-	(94,705)
	<u>99,705</u>	<u>99,705</u>	<u>2,325</u>	<u>(97,380)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(93,100)	(93,100)	279,903	373,003
OTHER FINANCING SOURCES (USES)				
Operating transfers in	37,500	37,500	37,500	-
	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>	<u>-</u>
Net change in fund balance	(55,600)	(55,600)	317,403	373,003
FUND BALANCE - BEGINNING OF YEAR	<u>55,600</u>	<u>55,600</u>	<u>55,837</u>	<u>237</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373,240</u>	<u>\$ 373,240</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN 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>		
EXPENDITURES				
Debt service				
Principal	\$ 289,108	\$ 289,108	\$ 289,108	\$ -
Interest	<u>236,412</u>	<u>236,412</u>	<u>236,412</u>	<u>-</u>
Total expenditures	525,520	525,520	525,520	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>525,520</u>	<u>525,520</u>	<u>525,520</u>	<u>-</u>
Net change in fund balance	-	-	-	-
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>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN CAPITAL PROJECTS 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 Grants	\$ 550,000	\$ 550,000	\$ 50,000	\$ (500,000)
Charges for use of money and property				
Interest on investments	<u>40,000</u>	<u>40,000</u>	<u>112,917</u>	<u>72,917</u>
Total revenues	<u>590,000</u>	<u>590,000</u>	<u>162,917</u>	<u>(427,083)</u>
EXPENDITURES				
Materials and services	560,000	560,000	54,041	505,959
Capital outlay	<u>4,680,000</u>	<u>4,680,000</u>	<u>306,901</u>	<u>4,373,099</u>
Total expenditures	<u>5,240,000</u>	<u>5,240,000</u>	<u>360,942</u>	<u>4,879,058</u>
Net change in fund balance	(4,650,000)	(4,650,000)	(198,025)	4,451,975
FUND BALANCE - BEGINNING OF YEAR	<u>4,650,000</u>	<u>4,650,000</u>	<u>4,198,373</u>	<u>(451,627)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000,348</u>	<u>\$ 4,000,348</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE CAPITAL PROJECTS 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	\$ 2,500	\$ 2,500	\$ 17,935	\$ 15,435
EXPENDITURES				
Materials and services	31,000	31,000	28,315	2,685
Capital outlay	231,500	231,500	195,990	35,510
Total expenditures	262,500	262,500	224,305	38,195
Net change in fund balance	(260,000)	(260,000)	(206,370)	53,630
FUND BALANCE - BEGINNING OF YEAR	260,000	260,000	548,750	288,750
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 342,380	\$ 342,380

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

OTHER SUPPLEMENTARY INFORMATION

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the 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	\$ <u>3,455</u>	\$ <u>765,231</u>	\$ <u>192</u>	\$ <u>768,878</u>
Total assets	\$ <u><u>3,455</u></u>	\$ <u><u>765,231</u></u>	\$ <u><u>192</u></u>	\$ <u><u>768,878</u></u>
FUND BALANCES				
Reserved for debt service	\$ -	\$ 765,231	\$ -	\$ 765,231
Reserved for capital projects	-	-	192	192
Unreserved, reported in special revenue funds	<u>3,455</u>	<u>-</u>	<u>-</u>	<u>3,455</u>
Total liabilities and fund balances	\$ <u><u>3,455</u></u>	\$ <u><u>765,231</u></u>	\$ <u><u>192</u></u>	\$ <u><u>768,878</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Combining Balance Sheet
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2005

	Downtown Program	Total
ASSETS		
Cash and investments	\$ <u>3,455</u>	\$ <u>3,455</u>
Total assets	\$ <u><u>3,455</u></u>	\$ <u><u>3,455</u></u>
FUND BALANCES		
Unreserved	\$ <u>3,455</u>	\$ <u>3,455</u>
Total fund balances	\$ <u><u>3,455</u></u>	\$ <u><u>3,455</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Combining Balance Sheet
NONMAJOR DEBT SERVICE FUNDS
June 30, 2005

	Empire Bond	Downtown Bond Reserve	Empire Bond Reserve	Total
ASSETS				
Cash and investments	\$ -	\$ 525,520	\$ 239,711	\$ 765,231
Total assets	\$ -	\$ 525,520	\$ 239,711	\$ 765,231
FUND BALANCES				
Reserved for debt service	\$ -	\$ 525,520	\$ 239,711	\$ 765,231
Total fund balances	\$ -	\$ 525,520	\$ 239,711	\$ 765,231

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Combining Balance Sheet
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2005

	<u>Empire Property Improvement</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ <u>192</u>	\$ <u>192</u>
Total assets	\$ <u><u>192</u></u>	\$ <u><u>192</u></u>
FUND BALANCES		
Reserved for capital projects	\$ <u>192</u>	\$ <u>192</u>
Total fund balances	\$ <u><u>192</u></u>	\$ <u><u>192</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Combining Schedule 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Charges for use of money and property	\$ 53	\$ -	\$ -	\$ 53
Lease revenue	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>2,400</u>
Total revenues	2,453	-	-	2,453
EXPENDITURES				
Debt service	<u>-</u>	<u>239,711</u>	<u>-</u>	<u>239,711</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,453</u>	<u>(239,711)</u>	<u>-</u>	<u>(237,258)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	239,711	-	239,711
Operating transfers out	<u>-</u>	<u>-</u>	<u>(37,500)</u>	<u>(37,500)</u>
Total other financing sources (uses)	<u>-</u>	<u>239,711</u>	<u>(37,500)</u>	<u>202,211</u>
Net change in fund balances	2,453	-	(37,500)	(35,047)
FUND BALANCE - BEGINNING OF YEAR	<u>1,002</u>	<u>765,231</u>	<u>37,692</u>	<u>803,925</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,455</u>	<u>\$ 765,231</u>	<u>\$ 192</u>	<u>\$ 768,878</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

	Downtown Program	Total
REVENUES		
Interest on investments	\$ 53	\$ 53
Lease revenue	2,400	2,400
Net change in fund balances	2,453	2,453
FUND BALANCE - BEGINNING OF YEAR	1,002	1,002
FUND BALANCE - END OF YEAR	\$ 3,455	\$ 3,455

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended June 30, 2005

	<u>Empire Bond</u>	<u>Downtown Bond Reserve</u>	<u>Empire Bond Reserve</u>	<u>Totals</u>
EXPENDITURES				
Debt service	\$ 239,711	\$ -	\$ -	\$ 239,711
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>239,711</u>	<u>-</u>	<u>-</u>	<u>239,711</u>
Net change in fund balances	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>525,520</u>	<u>239,711</u>	<u>765,231</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 525,520</u></u>	<u><u>\$ 239,711</u></u>	<u><u>\$ 765,231</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2005

	<u>Empire Property Improvements</u>	<u>Total</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers out	\$ (37,500)	\$ (37,500)
FUND BALANCE - BEGINNING OF YEAR	<u>37,692</u>	<u>37,692</u>
FUND BALANCE - END OF YEAR	<u>\$ 192</u>	<u>\$ 192</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 Agency's major governmental funds are presented in the basic financial statements. All other budgetary comparisons are displayed in the following pages as supplementary information.

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

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Downtown Program Fund

DEBT SERVICE FUNDS

Empire Bond Fund

Downtown Bond Reserve Fund

Empire Bond Reserve Fund

CAPITAL PROJECTS FUNDS

Empire Property Improvement Fund

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN PROGRAM 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	\$ 20	\$ 20	\$ 53	\$ 33
Lease revenue	2,400	2,400	2,400	-
Total revenues	<u>2,420</u>	<u>2,420</u>	<u>2,453</u>	<u>33</u>
EXPENDITURES				
Materials and services	1,000	1,000	-	(1,000)
Capital outlay	2,420	2,420	-	(2,420)
Total expenditures	<u>3,420</u>	<u>3,420</u>	<u>-</u>	<u>(3,420)</u>
Net change in fund balance	(1,000)	(1,000)	2,453	3,453
FUND BALANCE - BEGINNING OF YEAR	<u>1,000</u>	<u>1,000</u>	<u>1,002</u>	<u>2</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,455</u>	<u>\$ 3,455</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE 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>		
EXPENDITURES				
Debt service				
Principal	\$ 131,874	\$ 131,874	\$ 131,874	\$ -
Interest	<u>107,837</u>	<u>107,837</u>	<u>107,837</u>	<u>-</u>
Total expenditures	239,711	239,711	239,711	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>239,711</u>	<u>239,711</u>	<u>239,711</u>	<u>-</u>
Net change in fund balance	-	-	-	-
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>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN BOND 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>		
FUND BALANCE - BEGINNING OF YEAR	\$ <u>525,520</u>	\$ <u>525,520</u>	\$ <u>525,520</u>	\$ <u>-</u>
FUND BALANCE - END OF YEAR	\$ <u><u>525,520</u></u>	\$ <u><u>525,520</u></u>	\$ <u><u>525,520</u></u>	\$ <u><u>-</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE BOND 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>		
FUND BALANCE - BEGINNING OF YEAR	\$ <u>239,711</u>	\$ <u>239,711</u>	\$ <u>239,711</u>	\$ <u>-</u>
FUND BALANCE - END OF YEAR	\$ <u><u>239,711</u></u>	\$ <u><u>239,711</u></u>	\$ <u><u>239,711</u></u>	\$ <u><u>-</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
A Component Unit of the City of Coos Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE PROPERTY 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>		
OTHER FINANCING SOURCES (USES)				
Operating transfers out	\$ (37,500)	\$ (37,500)	\$ (37,500)	\$ -
FUND BALANCE - BEGINNING OF YEAR	<u>37,500</u>	<u>37,500</u>	<u>37,692</u>	<u>192</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192</u>	<u>\$ 192</u>

ACCOMPANYING INFORMATION

AUDITOR'S REPORTS 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 Urban Renewal Agency of the City of Coos Bay:

We have audited the accompanying basic financial statements of the Urban Renewal Agency of the City of Coos Bay, Oregon (Agency) 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency'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.

Compliance

As part of obtaining reasonable assurance about whether the Urban Renewal Agency of 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 been 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*.

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 Urban Renewal Agency of the City of Coos Bay (Agency)
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 Agency'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 Agency'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.
- Other Audit Comments:
 - Collateral - Agency funds are commingled with the City of Coos Bay's Oregon State Treasury Local Government Investment Pool and money market accounts. Investments in the Oregon State Treasury Local Government Investment Pool and money market accounts are made under the provisions of ORS 294.810. Funds held in the Oregon State Treasury Local Government Investment Pool are in the City of Coos Bay's name and are not subject to the collateralization requirements of ORS 295.015. Balances on deposit with financial institutions were fully secured and collateralized during the year ended June 30, 2005, in accordance with requirements of ORS 295.015.
 - Indebtedness - The Agency has not exceeded its legal debt limitations as provided by ORS 457.420.
 - Insurance and Fidelity Bonds - We have examined the Agency'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 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 agency has complied with the provisions of ORS 221.903 regarding the bonding of Agency personnel.
 - Investments - Agency funds are commingled with the City of Coos Bay's cash and investment accounts. The Agency was in compliance with legal requirements pertaining to investment of public funds, as of, and during the fiscal year ended June 30, 2005.
 - Budget - We reviewed the preparation, adoption, and execution of the budget for the current year and the preparation and adoption of the budget for the ensuing year. The Agency has complied with statutory requirements for the current 2004-2005 and ensuing 2005-2006 fiscal years' budgets. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The levels of control are materials and services, capital outlay, transfers, and debt service.

- No elected officials of the Agency were entrusted with Agency funds during the year ended June 30, 2005.
- Public Contracts and Disclosures - The Agency was in compliance with legal requirements pertaining to the awarding of public contracts and construction of public improvements.
- Highway Funds - The Urban Renewal Agency of 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 Agency 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.

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Coos Bay, Oregon
October 7, 2005