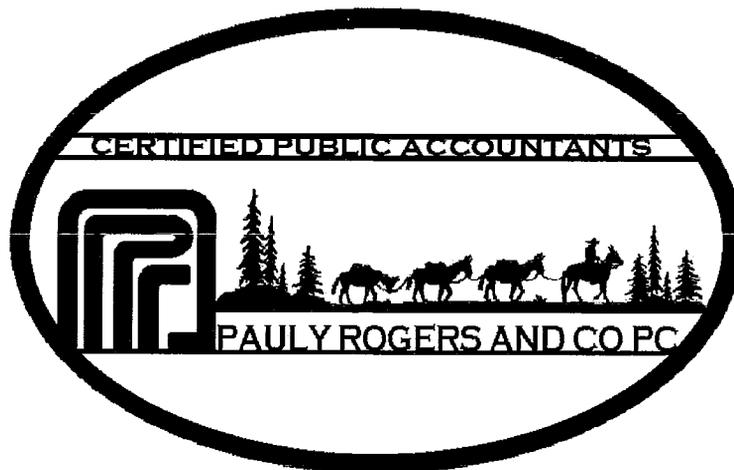


**COOS BAY URBAN RENEWAL AGENCY**  
(A COMPONENT UNIT OF THE CITY OF COOS BAY)  
**COOS COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**



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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

(A Component Unit of the City of Coos Bay)

COOS COUNTY, OREGON

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ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

AGENCY BOARD MEMBERS AS OF JUNE 30, 2012

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

Board Members receive mail at the address listed below.

ADMINISTRATION  
Rodger Cradock, City Manager

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

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

September 21, 2012

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Urban Renewal Agency of the City of Coos Bay as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Urban Renewal Agency of the City of Coos Bay, as of June 30, 2012, 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.

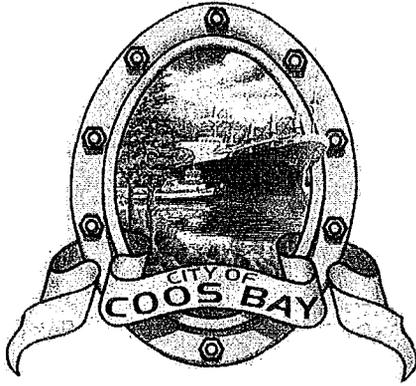
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on Management's Discussion, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as required supplementary information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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's financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information for all appropriated funds and supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.

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's financial statements. The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Pauly, Rogers, and Co., P.C.*

PAULY, ROGERS AND CO., P.C.



# City of Coos Bay

## *Finance Dept.*

500 Central Ave., Coos Bay, Oregon 97420 • Phone (541) 269-8915  
Fax (541) 267-5912

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2012**

As management of the Coos Bay Urban Renewal Agency (the Agency), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ending June 30, 2012. The information presented here is to be read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The Agency's assets totaled \$12,775,900 at June 30, 2012, consisting of \$5,405,525 in unrestricted cash and cash equivalents, \$787,414 in receivables, and \$6,582,961 in capital assets. Total assets increased \$2,313,171 from the previous fiscal year.
- The Agency's liabilities totaled \$5,752,123 at June 30, 2012, consisting of \$735,883 in noncurrent liabilities due within one year, \$999,737 in accounts payable, \$15,606 in accrued interest, \$5,667 in unearned revenue, and \$3,995,230 in noncurrent liabilities due in more than one year. Total liabilities increased \$59,153 from the previous fiscal year.
- The assets of the Agency exceeded its liabilities at June 30, 2012 by \$7,023,777 (net assets), consisting of \$1,851,848 invested in capital assets, net of related debt, \$906,465 in restricted net assets, and the remainder of \$4,265,464 in unrestricted net assets. Unrestricted net assets represents the amount that may be used to meet the Agency's ongoing obligations to citizens and creditors.
- The Agency's total net assets increased \$2,254,018 from the previous fiscal year. This represents an increase of \$2,693,609 in net assets invested in capital assets net of related debt and a decrease of \$439,591 in unrestricted net assets. The primary source of this increase in net assets was tax revenue.
- The Agency's ten governmental funds had an assigned fund balance at June 30, 2012 of \$3,525,501, down by \$1,062,526 from the June 30, 2011 and a restricted fund balance of \$906,465.
- The Agency's total debt decreased by \$703,772 during the year resulting in a June 30, 2012 balance of \$4,731,113.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are written for the purpose of introducing the Agency's basic financial statements. The basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements present information about the Agency using the method of accounting similar to that used by private-sector companies, referred to as the full-accrual basis of accounting. This basis of accounting reveals all assets and liabilities as well as revenue and expenses regardless of when cash is received or paid. This provides a broad view of the financial picture of the Agency. The full-accrual basis differs from the modified-accrual basis of accounting used by the fund financial statements of the Agency, which focus on the use of spendable resources and the balance of such resources in the short-term period of one fiscal year.

The Statement of Net Assets reveals the total assets and liabilities of the Agency, with the difference between the two disclosed as *net assets*. Net assets may serve as one of the key performance measurements over time to gauge whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities reveals the detail of the change in the Agency's net assets as of the end of the fiscal year. All activities affecting net assets are included, regardless of the timing of cash flow, which may be in future fiscal periods.

Both of the government-wide financial statements are designed to present information by function of the government. *Governmental activities* are primarily supported by tax revenue and intergovernmental revenue for the purpose of identification, planning, and execution of urban renewal strategies to improve the livability of the City of Coos Bay. These activities are separated from *business-type activities*, which are supported primarily from user fees and charges directly linked to the services provided. The Agency's government-wide financial statements only reveal governmental activities.

The Agency is considered a component unit of the City of Coos Bay and maintains a separate legal status from the City. Financial statements of the City of Coos Bay can be obtained from the Finance Department at City of Coos Bay's Finance Director at 500 Central Avenue, Coos Bay, Oregon 97420, (541) 269-8915, or via the web at [www.coosbay.org](http://www.coosbay.org).

## FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts used for the purpose of maintaining control over resources segregated for specific activities or objectives. The Agency uses fund accounting to ensure compliance with legal requirements for financial activities. As mentioned above, the Agency uses only one fund, which is categorized as a governmental fund. A *governmental fund* accounts for generally the same types of activities as *governmental activities*, with the primary difference being the measurement focus. Governmental funds focus on *current financial resources*, which include the measurement of inflows and outflows of spendable resources within a fiscal year as well as the balances of resources at the end of the fiscal year. In contrast, governmental activities in the government-wide financial statements focus on *total economic resources* during the fiscal year, encompassing a longer-term view.

Fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. The reader will notice an important component of these statements. The difference in the measurement focus of the governmental-fund financial statements and the government-wide financial statements calls for reconciliations between the two types of statements in order to fully explain the specific differences. These reconciliations between governmental funds to governmental activities illuminate the long-term impact of the Agency's short-term financial decisions.

## NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements are an essential part of a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located before the Required Supplementary Information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve as one of the key performance measurements over time to gauge whether the financial position of the Agency is improving or deteriorating. In the case of the Agency, assets exceeded liabilities by \$7,023,777 at the close of the fiscal year.

Net assets for the Agency are divided into three categories. The first category is *net assets invested in capital, net of related outstanding debt* used to acquire these assets, which accounted for 26% of total net assets. This represents investment in land, infrastructure, and construction in progress, less accumulated depreciation and debt used to purchase these capital assets. The Agency uses these assets to provide services to citizens; thus, capital assets are not available for future spending. It should also be noted that these assets do not generate revenue to service the associated debt. Resources to pay the debt must come from other sources, specifically *unrestricted* net assets, which is the second category. Unrestricted net assets accounted for 61% of the total net assets for the year ended June 30, 2012. The third category, *restricted* net assets, represents 13% of the year-end net assets 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 for repayment of debt. The Agency was able to maintain positive balances in all categories of net assets in the current fiscal year, which was an improvement of the invested in capital assets, net of related debt from the prior fiscal year.

**Coos Bay Urban Renewal Agency’s Net Assets**

Table 1  
For Fiscal Year Ending June 30, 2011 and 2012

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Current assets	\$ 6,192,939	\$ 5,869,605
Capital assets, net of depreciation	6,582,961	4,593,124
<b>Total Assets</b>	<b>12,775,900</b>	<b>10,462,729</b>
Other liabilities	1,021,010	258,085
Long term debt	4,731,113	5,434,885
<b>Total Liabilities</b>	<b>5,752,123</b>	<b>5,692,970</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,851,848	(841,761)
Restricted	906,465	906,465
Unrestricted	4,265,464	4,705,055
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,023,777</b>	<b>\$ 4,769,759</b>

The Agency’s net assets increased \$2,254,018 during the fiscal year ending June 30, 2012. The primary factor for this increase is the degree to which revenues exceeded ongoing expenses; du jour financing to convert tax increment revenue into debt and provide resources for capital projects; and projects still in the design or construction phase.

## Coos Bay Urban Renewal Agency's Changes in Net Assets

Table 2  
For Fiscal Year Ending June 30, 2011 and 2012

Revenues	Governmental Activities	
	2012	2011
Taxes	\$ 1,559,956	\$ 1,552,844
Investment Earnings	30,963	36,594
Capital Grants and Contributions	1,486,415	-
Intergovernmental	625,219	-
Miscellaneous	13,331	(462,049)
Total Revenues	3,715,884	1,127,389
<b>Expenses</b>		
Public Works	1,226,605	821,851
Interest on Long Term Debt	235,261	265,249
Total Expenses	1,461,866	1,087,100
Changes in Net Assets	2,254,018	40,289
Beginning Net Assets	4,769,759	4,729,470
Ending Net Assets	\$ 7,023,777	\$ 4,769,759

In Figure 1 the Statement of Activities highlights the current fiscal year ended June 30, 2012 Program Expenses for Governmental Activities with the \$1,226,605 Public Works expense for general Agency projects. Most significant is the Agency's capital contribution for the City Hall Seismic Retrofit capital project.

**Program Expenses for Governmental Activities**

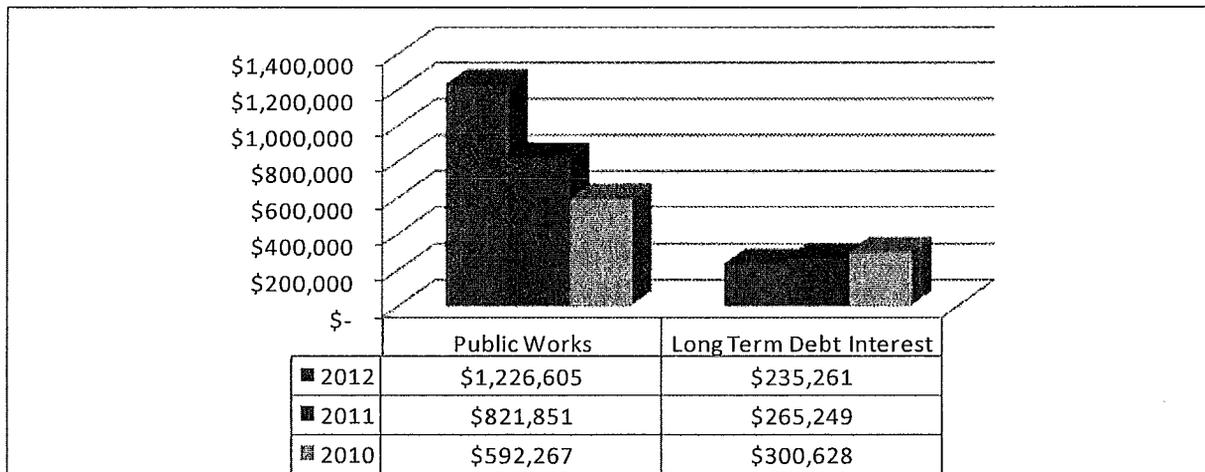
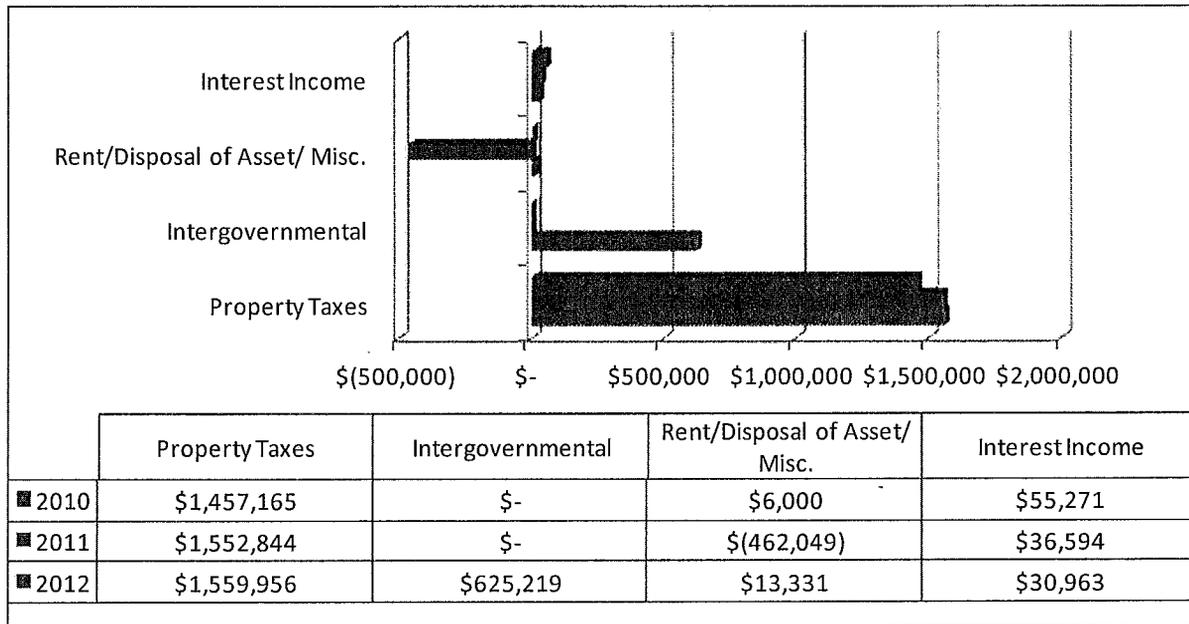


Figure 1

In the Revenue by Source for Governmental Activities Figure 2, the majority of the Intergovernmental Revenue of \$625,219 is the long term receivable from the City of Coos Bay for a loan for the City Hall Seismic Retrofit capital project. The past fiscal year ended June 30, 2011, revenue was negative due to the disposal of an Agency asset, the donation of the Central Dock property to the Coos Historical Maritime Museum.

**Revenues by Source for Governmental Activities**



**Figure 2**

**URBAN RENEWAL AGENCY BUDGETARY HIGHLIGHTS**

The Downtown Capital Projects and Empire Capital Projects funds both appropriated additional resources for grants. The significant variations between the final budget and actual amounts occurred in the state and federal grants revenue line and the capital outlay expenditure line. Though the grant funding was appropriated, it was not necessarily expended in all respects due to construction not being completed before June 30<sup>th</sup>. The significant project in the Downtown District was a loan to the City, \$600,000, and the Agency’s capital contribution, \$400,000, for the City Hall Seismic retrofit capital project. The Empire District’s major capital project, infrastructure upgrades to South Empire Blvd from Newmark to the southern city limits at Wisconsin Street, remained in the preliminary design phase as of June 30<sup>th</sup>.

The Downtown District tax revenues for the year were budgeted at \$953,342, with actual receipts totaling \$957,547 (100.4% of budget). The Empire District tax revenues for the year were budgeted at \$554,481, with actual receipts totaling \$584,256 (105% of budget).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - The Agency’s investment in capital assets for its governmental-type activities as of June 30, 2012 amounted to \$6,582,961 (net of accumulated depreciation). This investment in capital assets includes land and improvements, building and improvements, equipment and machinery, and construction in progress. The Agency’s total investment in capital assets increased 30%, primarily due to the capital contribution by the Agency for the City Hall Seismic project.

## Coos Bay Urban Renewal Agency's Capital Assets

Table 3  
For Fiscal Year Ending June 30, 2011 and 2012

---

	Governmental Activities	
	2012	2011
Land and Improvements	\$ 1,157,325	\$ 1,021,543
Construction in Progress	2,458,312	526,182
Building and Improvements	2,959,693	3,032,756
Equipment and Machinery	7,631	12,643
	<u>\$ 6,582,961</u>	<u>\$ 4,593,124</u>

**Debt Administration** - The Agency's long-term debt as of June 30, 2012 was \$4,731,113. The debt was comprised three loans of which two are obligations of the Downtown District: a 2003 financing for Downtown District projects and the other for the construction of the Visitor Information Center; and the 2003 financing for Empire District projects. The Agency's total long-term debt decreased by \$703,772 or 15%, due to the annual principal payments.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2012-2013 fiscal year budget continues in a similar direction as the 2011-2012 fiscal year. The Agency Downtown Capital Projects budget includes improvements for the Eastside Boat Ramp to expand the available parking lots, improvements for 2<sup>nd</sup> Court, and appropriation of expenditure authority if grant funds are received for a bus transit station. The Agency Empire Capital Projects budget includes funds for a West Newmark traffic study and grant appropriation authority for two ODOT Tiger grants for Empire Blvd of which one has been awarded. Both districts have appropriated funds for du jour financing in anticipation of available tax revenue.

### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate its accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Agency's Finance Department at 500 Central Avenue, Coos Bay, Oregon 97420, (541) 269-8915, or via the web at [www.coosbay.org](http://www.coosbay.org).

  
Susanne Baker  
City of Coos Bay  
Finance Director

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

**BASIC FINANCIAL STATEMENTS**

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS:

Cash and Cash Equivalents	\$	5,405,525
Taxes Receivable		181,747
Other Receivables		605,667
Capital Assets Not Being Depreciated		3,615,637
Capital Assets, Net of Accumulated Depreciation		<u>2,967,324</u>

Total Assets		<u>12,775,900</u>
--------------	--	-------------------

LIABILITIES:

Accounts Payable		999,737
Interest Payable		15,606
Unearned Revenue		5,667
Noncurrent Liabilities		
Due within one year		
Bonds Payable		735,883
Due in more than one year		
Bonds Payable		<u>3,995,230</u>

Total Liabilities		<u>5,752,123</u>
-------------------	--	------------------

NET ASSETS:

Invested in Capital Assets, Net of Related Debt		1,851,848
Restricted		906,465
Unrestricted		<u>4,265,464</u>

Total Net Assets	\$	<u><u>7,023,777</u></u>
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See accompanying notes to basic financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

FUNCTIONS	FUNCTION REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	
Public Works	\$ 1,226,605	\$ -	\$ 1,486,415	\$ 259,810
Interest on Long-Term Debt	<u>235,261</u>	<u>-</u>	<u>-</u>	<u>(235,261)</u>
Total Governmental Activities	<u>\$ 1,461,866</u>	<u>\$ -</u>	<u>\$ 1,486,415</u>	<u>24,549</u>
General Revenues:				
Property Taxes				1,559,956
Income Not Restricted to Specific Programs:				
Investment Earnings				30,963
Intergovernmental				625,219
Miscellaneous				<u>13,331</u>
Total General Revenues				<u>2,229,469</u>
Changes in Net Assets				2,254,018
Net Assets - Beginning				<u>4,769,759</u>
Net Assets - Ending				<u>\$ 7,023,777</u>

See accompanying notes to basic financial statements.

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	<u>DOWNTOWN SPECIAL REVENUE</u>	<u>EMPIRE SPECIAL REVENUE</u>	<u>DOWNTOWN BOND</u>	<u>DOWNTOWN CAPITAL PROJECTS</u>
<b>ASSETS:</b>				
Cash and Investments	\$ 321,480	\$ 50,443	\$ 1,034	\$ 2,554,413
Accounts Receivable	-	-	-	605,667
Propety Taxes Receivables	114,129	67,618	-	-
<b>Total Assets</b>	<u>\$ 435,609</u>	<u>\$ 118,061</u>	<u>\$ 1,034</u>	<u>\$ 3,160,080</u>
<b>LIABILITIES AND FUND EQUITY:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 994,101
Deferred Revenue	97,759	57,810	-	605,667
<b>Total Liabilities</b>	<u>97,759</u>	<u>57,810</u>	<u>-</u>	<u>1,599,768</u>
<b>Fund Balance:</b>				
Restricted	-	-	1,034	-
Assigned	337,850	60,251	-	1,560,312
<b>Total Fund Balance</b>	<u>337,850</u>	<u>60,251</u>	<u>1,034</u>	<u>1,560,312</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 435,609</u>	<u>\$ 118,061</u>	<u>\$ 1,034</u>	<u>\$ 3,160,080</u>

See accompanying notes to basic financial statements.

<u>EMPIRE BOND</u>	<u>DOWTOWN BOND RESERVE</u>	<u>EMPIRE CAPITAL PROJECT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
\$ -	\$ 665,720	\$ 1,117,157	\$ 695,278	\$ 5,405,525
-	-	-	-	605,667
-	-	-	-	181,747
<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 1,117,157</u>	<u>\$ 695,278</u>	<u>\$ 6,192,939</u>
\$ -	\$ -	\$ 5,636	\$ -	\$ 999,737
-	-	-	-	761,236
-	-	5,636	-	1,760,973
-	665,720	-	239,711	906,465
-	-	1,111,521	455,567	3,525,501
-	665,720	1,111,521	695,278	4,431,966
<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 1,117,157</u>	<u>\$ 695,278</u>	<u>\$ 6,192,939</u>

See accompanying notes to basic financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

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

June 30, 2012

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

Fund Balances	\$ 4,431,966
<p>The cost of governmental capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	6,582,961
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>	
Long-term debt	(4,731,113)
Interest Payable	(15,606)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Deferred Intergovernmental Note Receivable	600,000
Deferred Property Taxes	<u>155,569</u>
Total Net Assets	<u>\$ 7,023,777</u>

See accompanying notes to basic financial statements.

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2012

	<u>DOWNTOWN SPECIAL REVENUE</u>	<u>EMPIRE SPECIAL REVENUE</u>	<u>DOWNTOWN BOND</u>	<u>DOWNTOWN CAPITAL PROJECTS</u>
REVENUES:				
Taxes	\$ 957,547	\$ 584,256	\$ -	\$ -
Interest on Investments	5,811	2,746	-	14,146
Grants	-	-	-	25,219
Miscellaneous	-	-	-	10,904
Total Revenues	<u>963,358</u>	<u>587,002</u>	<u>-</u>	<u>50,269</u>
EXPENDITURES:				
Current:				
Material and Services	-	-	-	178,706
Capital Outlay	-	-	-	596,228
Debt Service	-	-	699,080	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>699,080</u>	<u>774,934</u>
Excess of Revenues, Over (Under) Expenditures	963,358	587,002	(699,080)	(724,665)
OTHER FINANCING SOURCES (USES)				
Seismic Project Loan - City of Coos Bay	-	-	-	(600,000)
Du Jour Financing	-	-	(829,650)	829,581
Transfers In	-	-	1,528,730	-
Transfers Out	<u>(1,528,730)</u>	<u>(967,855)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,528,730)</u>	<u>(967,855)</u>	<u>699,080</u>	<u>229,581</u>
Net Change in Fund Balance	(565,372)	(380,853)	-	(495,084)
Beginning Fund Balance	<u>903,222</u>	<u>441,104</u>	<u>1,034</u>	<u>2,055,396</u>
Ending Fund Balance	<u>\$ 337,850</u>	<u>\$ 60,251</u>	<u>\$ 1,034</u>	<u>\$ 1,560,312</u>

See accompanying notes to basic financial statements.

<u>EMPIRE BOND</u>	<u>DOWNTOWN BOND RESERVE</u>	<u>EMPIRE CAPITAL PROJECT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,541,803
-	-	5,307	2,953	30,963
-	-	-	-	25,219
-	-	2,427	-	13,331
-	-	7,734	2,953	1,611,316
-	-	95,701	-	274,407
-	-	264,286	-	860,514
239,711	-	-	-	938,791
239,711	-	359,987	-	2,073,712
(239,711)	-	(352,253)	2,953	(462,396)
-	-	-	-	(600,000)
(728,144)	-	728,083	-	(130)
967,855	-	-	-	2,496,585
-	-	-	-	(2,496,585)
239,711	-	728,083	-	(600,130)
-	-	375,830	2,953	(1,062,526)
-	665,720	735,691	692,325	5,494,492
<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 1,111,521</u>	<u>\$ 695,278</u>	<u>\$ 4,431,966</u>

See accompanying notes to basic financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2012

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

Excess of Revenues over Expenditures \$ (1,062,526)

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

Capital Asset Additions, Net	\$	2,074,485	
Depreciation Expense		(84,648)	
Net Adjustment		1,989,837	1,989,837

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

Long term debt principal payments			703,772
Interest payable			\$4,782

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

Deferred Intergovernmental Note Receivable			600,000
Property Taxes			18,153
Change in Net Assets			\$ 2,254,018

See accompanying notes to basic financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Urban Renewal Agency of Coos Bay, Oregon (Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

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

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

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

FUND FINANCIAL STATEMENTS

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

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

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

DOWNTOWN SPECIAL REVENUE

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

EMPIRE SPECIAL REVENUE

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

DOWNTOWN BOND

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

DOWNTOWN CAPITAL PROJECTS

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

EMPIRE BOND

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

DOWNTOWN BOND RESERVE

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

EMPIRE CAPITAL PROJECTS

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

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

C. BUDGETS

A budget is prepared for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The budget may be amended prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30.

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

Materials and Services  
Capital Outlay  
Debt Service  
Operating Contingency  
Transfers

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETS (CONTINUED)

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists that was not known at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original and final budget amounts. Expenditures in all funds were within authorized appropriations.

D. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE

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

E. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These can include the amounts of assets, liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expense/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

F. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to \ from other funds." Receivables from federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county and local shared revenue are recorded in accounts receivable. Uncollected property taxes are shown in the government-wide balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as earned on investments.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CAPITAL ASSETS

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

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

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

H. LONG-TERM OBLIGATIONS

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

I. DU JOUR FINANCING

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

J. NET ASSETS

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

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

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

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. FUND EQUITY

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

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

There are no nonspendable, committed and unassigned fund balances.

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. SUPPLY INVENTORY

Purchased inventories are stated at cost (first-in, first-out method). On a generally accepted accounting principles (GAAP) basis, inventory items are charged to expenditures at the time of withdrawal from inventory (consumption method). On a budgetary basis, the cost of inventory items is recognized as an expenditure when purchased (purchase method). Management believes there were no material inventories on hand at June 30, 2012.

2. CASH AND INVESTMENTS

State statutes govern the cash management policies. Statutes authorizing investing in bankers acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

DEPOSITS

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

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

Cash at June 30, 2012 consisted of:

Pooled Cash	\$	<u>5,405,525</u>
Total	\$	<u><u>5,405,525</u></u>

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of bank failure, the deposits may not be returned. There is no deposit policy for custodial risk. As of June 30, 2012, none of the bank balance was exposed to custodial credit risk because it was either insured or collateralized.

INVESTMENTS

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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2. CASH AND INVESTMENTS (CONTINUED)

the State's investment policies. The State Treasurer is the investment officer for the Oregon Investment Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. Investments are stated at fair value.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2012 the LGIP is stated at cost which approximates fair value.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond 18 months.

Credit Risk

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

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. At June 30, 2012, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. PROPERTY TAX LIMITATIONS

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

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

Description	7/1/2011 Beginning Balance	Increases	Decreases	6/30/2012 Ending Balance
<b>Governmental Activities</b>				
Capital assets not depreciated				
Land and improvements	\$ 1,021,543	\$ 135,782	\$ -	\$ 1,157,325
Construction in Progress	526,182	2,022,209	(90,079)	2,458,312
Total Capital assets not depreciated	1,547,725	2,157,991	(90,079)	3,615,637
Other capital assets at historical cost				
Buildings and improvements	3,158,279	6,573	-	3,164,852
Equipment and machinery	45,978	-	-	45,978
Total other capital assets at historical cost	3,204,257	6,573	-	3,210,830
Less Accumulated Depreciation				
Buildings and improvements	(125,523)	(79,636)	-	(205,159)
Equipment and machinery	(33,335)	(5,012)	-	(38,347)
Total accumulated depreciation	(158,858)	(84,648)	-	(243,506)
Other capital assets, net	3,045,399	(78,075)	-	2,967,324
Governmental activities capital assets, net	\$ 4,593,124	\$ 2,079,916	\$ (90,079)	\$ 6,582,961

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

Public Works	\$ 84,648
Total depreciation for governmental activities	\$ 84,648

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT

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

\$5,700,000 of urban renewal current refunding bonds were issued on January 24, 2003, which are payable from the tax increment revenues of the Downtown Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2012, are as follows:

Fiscal Year	Issue of January 24, 2003 (Series 2003 A)		
	Total	Principal	Interest
2012-13	\$ 525,520	\$ 414,715	\$ 110,805
2013-14	525,520	433,853	91,667
2014-15	525,520	453,873	71,647
2015-16	525,520	474,694	50,826
2016-17	525,520	496,723	28,797
2017-19	262,760	256,882	5,878
Total	<u>\$ 2,890,360</u>	<u>\$ 2,530,740</u>	<u>\$ 359,620</u>

Interest Rate: Fixed annual rate of 4.5%

\$2,600,000 of urban renewal current refunding bonds were issued on January 24, 2003, which are payable from the tax increment revenues of the Empire Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2012, are as follows:

Fiscal Year	Issue of January 24, 2003 (Series 2003 A)		
	Total	Principal	Interest
2012-13	\$ 239,711	\$ 189,168	\$ 50,543
2013-14	239,711	197,897	41,814
2014-15	239,711	207,030	32,681
2015-16	239,711	216,527	23,184
2016-17	239,711	226,575	13,136
2017-19	117,856	117,176	680
Total	<u>\$ 1,316,411</u>	<u>\$ 1,154,373</u>	<u>\$ 162,038</u>

Interest Rate: Fixed annual rate of 4.5%

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM DEBT (CONTINUED)

\$1,402,000 of urban renewal debt service bonds were issued on August 28, 2009, which are payable from the tax increment revenues from the Downtown Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2012, are as follows:

Fiscal Year	Issue of August, 28, 2009 (Series 2009)		
	Total	Principal	Interest
2012-13	\$ 173,554	\$ 132,000	\$ 41,554
2013-14	173,080	137,000	36,080
2014-15	173,402	143,000	30,402
2015-16	173,477	149,000	24,477
2016-17	173,307	155,000	18,307
2017-19	347,077	330,000	17,077
Total	<u>\$ 1,213,897</u>	<u>\$ 1,046,000</u>	<u>\$ 167,897</u>

Interest Rate: Fixed annual rate of 4.1%

The Downtown Bond and Empire Bond funds have been used to liquidate long-term liabilities.

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

	Balance	Additions	Reductions	Balance	Due Within
	7/1/2011			6/30/2012	One Year
Urban Renewal Bonds					
Downtown (Series 1/23/03 A)	\$ 2,926,837	\$ -	\$ (396,097)	\$ 2,530,740	\$ 414,715
Empire (Series 1/24/03 A)	1,335,048	-	(180,675)	1,154,373	189,168
Downtown (Series 08/28/09)	1,173,000	-	(127,000)	1,046,000	132,000
Total	<u>\$ 5,434,885</u>	<u>\$ -</u>	<u>\$ (703,772)</u>	<u>\$ 4,731,113</u>	<u>\$ 735,883</u>

6. RISK MANAGEMENT

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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7. INTERNAL TRANSFERS

The composition of interfund transfers as of June 30, 2012, is as follows:

<u>Transfers Out:</u>	
Downtown Speical Revenue	\$ 1,528,730
Empire Special Revenue	967,855
Total	<u>\$ 2,496,585</u>
<u>Transfers In</u>	
Downtown Bond Fund	\$ 1,528,730
Empire Bond Fund	967,855
Total	<u>\$ 2,496,585</u>

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

8. INTERGOVERNMENTAL LOAN RECEIVABLE

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

Financing	\$	600,000		1.00%
Year FYE		Principal	Interest	Total
2013	\$	60,000	\$ 6,000	\$ 66,000
2014		60,000	5,400	65,400
2015		60,000	4,800	64,800
2016		60,000	4,200	64,200
2017		60,000	3,600	63,600
2018-22		<u>300,000</u>	<u>9,000</u>	<u>309,000</u>
Total	\$	<u>600,000</u>	<u>\$ 33,000</u>	<u>\$ 633,000</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012

DOWNTOWN SPECIAL REVENUE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES:</b>				
Property Taxes	\$ 953,342	\$ 953,342	\$ 957,547	\$ 4,205
Interest on Investments	10,000	10,000	5,811	(4,189)
Total Revenues	<u>963,342</u>	<u>963,342</u>	<u>963,358</u>	<u>16</u>
<b>EXPENDITURES:</b>				
Debt Service	<u>304,368</u>	<u>304,368</u> (1)	<u>-</u>	<u>304,368</u>
Total Expenditures	<u>304,368</u>	<u>304,368</u>	<u>-</u>	<u>304,368</u>
Excess of Revenues, Over (Under) Expenditures	658,974	658,974	963,358	304,384
<b>Other Financing Sources, (Uses)</b>				
Transfers Out	<u>(1,528,974)</u>	<u>(1,528,974)</u> (1)	<u>(1,528,730)</u>	<u>244</u>
Total Other Financing Sources, (Uses)	<u>(1,528,974)</u>	<u>(1,528,974)</u>	<u>(1,528,730)</u>	<u>244</u>
Net Change in Fund Balance	(870,000)	(870,000)	(565,372)	304,628
Beginning Fund Balance	<u>870,000</u>	<u>870,000</u>	<u>903,222</u>	<u>33,222</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,850</u>	<u>\$ 337,850</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012

EMPIRE SPECIAL REVENUE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Property Taxes	\$ 554,481	\$ 554,481	\$ 584,256	\$ 29,775
Interest on Investments	-	-	2,746	2,746
Total Revenues	<u>554,481</u>	<u>554,481</u>	<u>587,002</u>	<u>32,521</u>
EXPENDITURES:				
Debt Service	<u>16,623</u>	<u>16,623</u> (1)	<u>-</u>	<u>16,623</u>
Total Expenditures	<u>16,623</u>	<u>16,623</u>	<u>-</u>	<u>16,623</u>
Excess of Revenues Over, (Under) Expenditures	537,858	537,858	587,002	49,144
Other Financing Sources, (Uses)				
Transfers Out	<u>(967,858)</u>	<u>(967,858)</u> (1)	<u>(967,855)</u>	<u>3</u>
Total Other Financing Sources, (Uses)	<u>(967,858)</u>	<u>(967,858)</u>	<u>(967,855)</u>	<u>3</u>
Net Change in Fund Balance	(430,000)	(430,000)	(380,853)	49,147
Beginning Fund Balance	<u>430,000</u>	<u>430,000</u>	<u>441,104</u>	<u>11,104</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,251</u>	<u>\$ 60,251</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012

DOWNTOWN BOND FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
EXPENDITURES:				
Debt Service				
Principal	\$ 523,097	\$ 523,097	\$ 523,096	\$ 1
Interest	176,227	176,227	175,984	243
Total Expenditures	<u>699,324</u>	<u>699,324</u> (1)	<u>699,080</u>	<u>244</u>
Excess of Revenues Over, (Under) Expenditures	(699,324)	(699,324)	(699,080)	244
Other Financing Sources, (Uses)				
Du Jour Financing	(829,650)	(829,650)	(829,650)	-
Transfers In	1,528,974	1,528,974 (1)	1,528,730	(244)
Total Other Financing Sources, (Uses)	<u>699,324</u>	<u>699,324</u>	<u>699,080</u>	<u>(244)</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	1,034	1,034
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,034</u>	<u>\$ 1,034</u>

(1) The sum totals the appropriation level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012

DOWNTOWN CAPITAL PROJECTS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Grants	\$ 18,000	\$ 243,000	\$ 25,219	\$ (217,781)
Revenue from Other Agencies	-	-	-	-
Interest on Investments	-	-	14,146	14,146
Miscellaneous	-	-	10,904	10,904
Total Revenues	<u>18,000</u>	<u>243,000</u>	<u>50,269</u>	<u>(192,731)</u>
EXPENDITURES:				
Materials and Services	203,469	203,469 (1)	178,706	24,763
Capital Outlay	<u>1,924,112</u>	<u>1,549,112 (1)</u>	<u>596,228</u>	<u>952,884</u>
Total Expenditures	<u>2,127,581</u>	<u>1,752,581</u>	<u>774,934</u>	<u>977,647</u>
Excess of Revenues Over, -Under Expenditures	(2,109,581)	(1,509,581)	(724,665)	784,916
Other Financing Sources, (Uses)				
Seismic Project Loan - City of Coos Bay	-	(600,000)	(600,000)	-
Du Jour Financing	<u>829,581</u>	<u>829,581</u>	<u>829,581</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>829,581</u>	<u>229,581</u>	<u>229,581</u>	<u>-</u>
Net Change in Fund Balance	(1,280,000)	(1,280,000)	(495,084)	784,916
Beginning Fund Balance	<u>1,280,000</u>	<u>1,280,000</u>	<u>2,055,396</u>	<u>775,396</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,560,312</u>	<u>\$ 1,560,312</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012

EMPIRE BOND FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
EXPENDITURES:				
Debt Service				
Principal	\$ 180,677	\$ 180,677	\$ 180,676	\$ 1
Interest	59,037	59,037	59,035	2
Total Expenditures	<u>239,714</u>	<u>239,714</u> (1)	<u>239,711</u>	<u>3</u>
Excess of Revenues Over, -Under Expenditures	(239,714)	(239,714)	(239,711)	3
Other Financing Sources, (Uses)				
Du Jour Financing	(728,144)	(728,144) (1)	(728,144)	-
Transfers In	967,858	967,858	967,855	(3)
Total Other Financing Sources, (Uses)	<u>239,714</u>	<u>239,714</u>	<u>239,711</u>	<u>(3)</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ACTUAL AND BUDGET  
 For the Year Ended June 30, 2012

DOWNTOWN BOND RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Interest on Investments	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (2)</u>
Total Revenues	<u>2</u>	<u>2</u>	<u>-</u>	<u>(2)</u>
EXPENDITURES:				
Contingency	<u>\$ 665,722</u>	<u>\$ 665,722 (1)</u>	<u>\$ -</u>	<u>\$ 665,722</u>
Total Expenditures	<u>665,722</u>	<u>665,722</u>	<u>-</u>	<u>665,722</u>
Net Change in Fund Balance	(665,720)	(665,720)	-	(665,724)
Beginning Fund Balance	<u>665,720</u>	<u>665,720</u>	<u>665,720</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 665,720</u>	<u>\$ 665,720</u>

(1) - Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012

EMPIRE CAPITAL PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
OTC Flex Funds	\$ -	\$ 2,100,000	\$ -	\$ (2,100,000)
Interest on Investments	3,000	3,000	5,307	2,307
Miscellaneous Revenue	-	2,000	2,427	427
Total Revenues	3,000	2,105,000	7,734	(2,097,266)
<b>EXPENDITURES:</b>				
Materials and Services	108,191	108,191 (1)	95,701	12,490
Capital Outlay	1,222,892	3,324,892 (1)	264,286	3,060,606
Total Expenditures	1,331,083	3,433,083	359,987	3,073,096
Excess of Revenues Over, (Under) Expenditures	(1,328,083)	(1,328,083)	(352,253)	975,830
<b>Other Financing Sources, (Uses)</b>				
Du Jour Financing	728,083	728,083	728,083	-
Total Other Financing Sources, (Uses)	728,083	728,083	728,083	-
Net Change in Fund Balance	(600,000)	(600,000)	375,830	975,830
Beginning Fund Balance	600,000	600,000	735,691	135,691
Ending Fund Balance	\$ -	\$ -	\$ 1,111,521	\$ 1,111,521

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

COMBINING BALANCE SHEET  
NON MAJOR GOVERNMENTAL FUNDS

June 30, 2012

	SPECIAL REVENUE		DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL
	EMPIRE PROGRAM	DOWNTOWN PROGRAM	EMPIRE BOND RESERVE	
<b>ASSETS:</b>				
Cash and Investments	\$ 432,352	\$ 23,215	\$ 239,711	\$ 695,278
Total Assets	<u>\$ 432,352</u>	<u>\$ 23,215</u>	<u>\$ 239,711</u>	<u>\$ 695,278</u>
<b>LIABILITIES:</b>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
<b>FUND EQUITY:</b>				
Fund Equity:				
Restricted	-	-	239,711	239,711
Assigned	432,352	23,215	-	455,567
Total Fund Equity	<u>432,352</u>	<u>23,215</u>	<u>239,711</u>	<u>695,278</u>
Total Liabilities and Fund Equity	<u>\$ 432,352</u>	<u>\$ 23,215</u>	<u>\$ 239,711</u>	<u>\$ 695,278</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

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

For the Year Ended June 30, 2012

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL</u>
	<u>EMPIRE PROGRAM</u>	<u>DOWNTOWN PROGRAM</u>	<u>EMPIRE BOND RESERVE</u>	
REVENUES:				
Interest on Investments	\$ 2,802	\$ 151	\$ -	\$ 2,953
Total Revenues	<u>2,802</u>	<u>151</u>	<u>-</u>	<u>2,953</u>
EXPENDITURES:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,802	151	-	2,953
Beginning Fund Balance	<u>429,550</u>	<u>23,064</u>	<u>239,711</u>	<u>692,325</u>
Ending Fund Balance	<u>\$ 432,352</u>	<u>\$ 23,215</u>	<u>\$ 239,711</u>	<u>\$ 695,278</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ACTUAL AND BUDGET  
 For the Year Ended June 30, 2012

EMPIRE PROGRAM FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Interest on Investments	\$ -	\$ -	\$ 2,802	\$ 2,802
Total Revenues	-	-	2,802	2,802
EXPENDITURES:				
Materials and Services	430,000	430,000 (1)	-	430,000
Total Expenditures	430,000	430,000	-	430,000
Net Change in Fund Balance	(430,000)	(430,000)	2,802	432,802
Beginning Fund Balance	430,000	430,000	429,550	(450)
Ending Fund Balance	\$ -	\$ -	\$ 432,352	\$ 432,352

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ACTUAL AND BUDGET  
 For the Year Ended June 30, 2012

DOWNTOWN PROGRAM FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES:</b>				
Lease Revenue	\$ -	\$ -	\$ -	\$ -
Interest on Investments	-	-	151	151
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>151</b>	<b>151</b>
<b>EXPENDITURES:</b>				
Materials and Services	23,000	23,000 (1)	-	23,000
<b>Total Expenditures</b>	<b>23,000</b>	<b>23,000</b>	<b>-</b>	<b>23,000</b>
Net Change in Fund Balance	(23,000)	(23,000)	151	23,151
Beginning Fund Balance	23,000	23,000	23,064	64
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,215</u>	<u>\$ 23,215</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ACTUAL AND BUDGET  
 For the Year Ended June 30, 2012

EMPIRE BOND RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Interest on Investments	\$ 3	\$ 3	\$ -	\$ (3)
Total Revenues	<u>3</u>	<u>3</u>	<u>-</u>	<u>(3)</u>
EXPENDITURES:				
Contingency	<u>239,714</u>	<u>239,714 (1)</u>	<u>-</u>	<u>239,714</u>
Total Expenditures	<u>239,714</u>	<u>239,714</u>	<u>-</u>	<u>239,714</u>
Net Change in Fund Balance	(239,711)	(239,711)	-	(239,717)
Beginning Fund Balance	<u>239,711</u>	<u>239,711</u>	<u>239,711</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,711</u>	<u>\$ 239,711</u>

(1) - Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2012

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12
Current:						
2011-12	\$ 1,589,522	\$ 38,283	\$ (19,252)	\$ 1,037	\$ 1,442,778	\$ 90,246
Prior Years:						
2010-11	90,313	(1)	(3,709)	2,926	40,019	49,512
2009-10	42,663	-	(3,218)	2,981	15,728	26,698
2008-09	22,653	-	(4,237)	4,097	13,441	9,072
2007-08	6,826	-	(1,767)	1,621	4,479	2,201
2006-07 & Prior	4,897	-	24,056	423	25,358	4,018
Total Prior	167,352	(1)	11,125	12,048	99,025	91,501
Total	\$ 1,756,874	\$ 38,282	\$ (8,127)	\$ 13,085	\$ 1,541,803	\$ 181,747

BALANCE UNCOLLECTED OR UNSEGREGATED

Downtown Special Revenue Fund	\$ 114,129
Empire Special Revenue Fund	67,618
Total Balance Uncollected or Unsegregated - All Funds	\$ 181,747

RECONCILIATION TO REVENUE:

	DOWNTOWN SPECIAL REVENUE	EMPIRE SPECIAL REVENUE
Cash Collections by County Treasurer Above	\$ 957,547	\$ 584,256
Add Additional Tax Payments by County		
Accrual of Receivables:		
June 30, 2011	(19,144)	(10,792)
June 30, 2012	16,370	9,808
Taxes, (Adjustments) in Lieu	2,774	984
Total Revenue	\$ 957,547	\$ 584,256

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URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY

COOS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED  
BY OREGON STATE REGULATIONS

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 21, 2012

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Urban Renewal Agency of the City of Coos Bay as of and for the year ended June 30, 2012, and have issued our report thereon dated September 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

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

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

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

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

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

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

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

*Pauly, Rogers, and Co., P.C.*

**PAULY, ROGERS AND CO., P.C.**