

CITY OF COOS BAY, OREGON

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2004

CITY OF COOS BAY, OREGON
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For the Year Ended June 30, 2004

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CITY OF COOS BAY, OREGON

CITY OFFICIALS

June 30, 2004

Mayor and City Council:

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

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

Jon Eck
1476 Juniper Street
Coos Bay, OR 97420

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

Anna Marie Larson
(resigned 11/2/04)
774 South 7th Street
Coos Bay, OR 97420

John Muenchrath
(appointed 11/15/04)
2500 Koosbay Blvd
Coos Bay, OR 97420

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

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

Chuck Knight, City Manager
(resigned 11/2/04)
500 Central Avenue
Coos Bay, OR 97420

Scott McClure, City Manager
(hired 11/15/04)
500 Central Avenue
Coos Bay, OR 97420

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

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coos Bay, Oregon, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coos Bay, Oregon's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

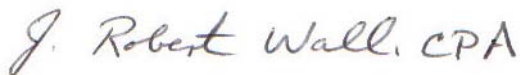
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coos Bay, Oregon, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in NOTE 1, the City initially reports a component unit for the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2004, on our consideration of the City of Coos Bay, Oregon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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

Coos Bay, Oregon
December 21, 2004



City of Coos Bay

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MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2004

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

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

FINANCIAL HIGHLIGHTS

The City's net assets increased by \$4.1 million (or 17%) due primarily to two significant events. The Urban Renewal Agency of the City of Coos Bay (Agency) transferred assets to the City; the largest being the improved Newmark Avenue in the amount of \$2.5 million. The Agency also paid off the Hotel/Motel Tax Bonds in the amount of \$540,000.

Governmental activities revenue increased by \$2.2 million (or 23%) primarily from capital contributions from the Agency.

Business-type activities revenue increased by \$700,000 (or 30%) due to an increase in user charges. The fiscal year 2002-03 increase of 25% was implemented in February 2003 and the fiscal year 2003-04 increase of 12% was implemented in July 2003.

Overall City program costs decreased by \$700,000 (or 6%), due to a reduction in capital projects and decreased interest expense on long-term debt.

REPORT LAYOUT

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

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

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

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

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

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

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

CITY AS A WHOLE

Government-Wide Financial Statements

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

	Governmental		Business-type		Total
	Activities		Activities		Government
	2004	2003	2004	2003	2004
Cash and investments	\$9.5	\$8.9	\$1.6	\$0.8	\$11.1
Other assets	1.4	1.5	0.2	0.3	1.6
Capital assets	8.6	6.2	9.2	9.6	17.8
Long term receivables	6.6	7.0	0.0	0.0	6.6
Total assets	26.1	23.6	11.0	10.7	37.1
Other liabilities	0.8	0.9	0.1	0.2	0.9
Long term debt outstanding	8.6	9.9	0.0	0.0	8.6
Total liabilities	9.4	10.8	0.1	0.2	9.5
Net assets:					
Invested in capital assets, net of debt	6.7	0.0	9.2	9.6	15.9
Restricted	5.7	5.9	0.3	0.5	6.0
Unrestricted	4.3	6.9	1.4	0.6	5.7
Total net assets	\$16.7	\$12.8	\$10.9	\$10.7	\$27.6

Statement of Net Assets at June 30, 2004:

During fiscal year 2003-04 several major events changed the balance of net assets. An explanation of each follows.

Governmental Activities

The growth in net assets is attributed to two significant events. The Urban Renewal Agency of the City of Coos Bay (Agency) transferred assets to the City; the largest being the improved Newmark Avenue for approximately \$2.5 million. The Agency also paid off the Hotel/Motel Tax Bonds in the amount of \$540,000.

Business-type Activities

The increase in net assets for the business-type activities is due to an increase in user charges, and planned capital projects that are not yet completed.

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

Statement of Activities for the Year Ended June 30, 2004:

Table 2
Governmental and Proprietary Activities
For Fiscal Year Ending June 30, 2004
(in millions)

	Governmental		Business-type		Total
	Activities		Activities		Government
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
REVENUES					
Program revenues					
Charges for services	\$0.6	\$0.5	\$3.0	\$2.3	\$3.6
Grants and contributions	0.8	0.8	0.0	0.0	0.8
Capital contributions	2.3	0.0	0.0	0.0	2.3
General revenues					
Taxes	7.4	7.2	0.0	0.0	7.4
Interest	0.2	0.3	0.0	0.0	0.2
Other	0.3	0.6	0.0	0.0	0.3
Total revenues	<u>11.6</u>	<u>9.4</u>	<u>3.0</u>	<u>2.3</u>	<u>14.6</u>
EXPENSES					
Governmental activities	7.8	8.6	0.0	0.0	7.8
Business-type activities	0.0	0.0	2.6	2.5	2.6
Total expenses	<u>7.8</u>	<u>8.6</u>	<u>2.6</u>	<u>2.5</u>	<u>10.4</u>
Transfers	0.1	0.0	(0.1)	0.0	0.0
Increase in net assets	3.9	0.8	0.3	(0.2)	4.2
Beginning net assets	<u>12.8</u>	<u>12.0</u>	<u>10.6</u>	<u>10.8</u>	<u>23.4</u>
Ending net assets	<u>\$16.7</u>	<u>\$12.8</u>	<u>\$10.9</u>	<u>\$10.6</u>	<u>\$27.6</u>

Governmental Activities

Total revenues increased by \$2.2 million (or 23%) primarily from capital contributions from the Agency. General taxes increased by \$200,000. Interest and miscellaneous revenues declined by a total of \$400,000.

Governmental activity expenses decreased by \$800,000 (or 9%). The decrease is due primarily to a reduction in capital projects and decreased interest expense on long-term debt.

Business-type Activities

Total revenues increased by \$700,000 (or 30%), which was made up entirely of program revenues. This was due to rate increases for wastewater charges, related increased consumption, and increased revenue from alum sludge disposal from the Coos Bay-North Bend Water Board. The fiscal year 2002-03 increase of 25% was implemented in February 2003 and the fiscal year 2003-04 increase of 12% was implemented in July 2003.

Business-type activity expenses increased by \$100,000 (or 4%) as a result of standard increases in operating expenses.

BUDGETARY HIGHLIGHTS

The City's General Fund Appropriations decreased by approximately \$300,000 from \$6.6 million to \$6.3 million. The adjustment was related to the net of a decrease in transfers and increases in standard operating expenditures. Actual operating costs within the General Fund were 84% of the final budget. This was primarily due to unfilled positions in public safety and PERS retirement rates not increasing to the extent that was originally anticipated and budgeted. These cost savings resulted in an overall increase to the fund balance of \$400,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

As of June 30, 2004 the City had invested \$17.8 million in capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$1.9 million.

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

	Governmental		Business-type		Totals	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land & assets not depreciated	\$0.5	\$0.2	\$0.0	\$0.0	\$0.5	\$0.2
Land improvements	0.4	0.4	0.6	0.7	1.0	1.1
Buildings & improvements	4.3	4.4	0.0	0.0	4.3	4.4
Machinery & equipment	0.5	0.6	0.9	0.9	1.4	1.5
Vehicles	0.4	0.7	0.1	0.2	0.5	0.9
Infrastructure - streets	2.5	0.0	0.0	0.0	2.5	0.0
Plant and systems	0.0	0.0	7.6	7.8	7.6	7.8
Total	<u>\$8.6</u>	<u>\$6.3</u>	<u>\$9.2</u>	<u>\$9.6</u>	<u>\$17.8</u>	<u>\$15.9</u>

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

Table 4
Change in Capital Assets
(in millions)

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$6.3	\$9.6	\$15.9
Additions	2.8	0.1	2.9
Retirement	0.0	0.0	0.0
Depreciation	(0.5)	(0.5)	(1.0)
Ending balance	<u>\$8.6</u>	<u>\$9.2</u>	<u>\$17.8</u>

Assets from governmental activities increased \$2.3 million (or 36%). This large increase is due to the capital contributions made by the Agency. Offsetting these additions were depreciation and retirement of assets.

Business-type activities assets decreased \$400,000 (or 4%). Offsetting any additions were depreciation and retirement of assets.

Debt Outstanding

As of year-end, the City had \$9.1 million in debt outstanding compared to \$10.3 million last year. \$540,000 of this debt was retired by the Agency. \$1.2 million of the debt outstanding at June 30, 2004 is due within one year.

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

	Totals	
	2004	2003
Governmental:		
Compensated absences	\$0.4	\$0.4
General obligations	2.0	2.4
Revenue bonds	1.0	1.7
Revenue secured loans	5.7	5.8
Sub-total	<u>9.1</u>	<u>10.3</u>
Business-type	<u>0.0</u>	<u>0.0</u>
Total	<u>\$9.1</u>	<u>\$10.3</u>

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

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

For more detailed information on the City's debt and amortization terms refer to pages 31-33 of the notes.

FUND-BASED FINANCIAL ANALYSIS

Governmental funds. The **General Fund** is the chief operating fund of the City. At June 30, 2004, the fund balance, which is all unreserved, was \$1.7 million. The fund balance represents 29% of revenues for 2003-04, which is adequate to cover expenditures prior to November when a significant portion of property tax revenues are received.

The **Jurisdictional Exchange Fund** was formed when the City took over 23 lane miles from the State of Oregon in exchange for \$4.8 million. The corpus of these monies are restricted from expenditure by City charter. Fund balance at June 30, 2004 was \$5.15 million. During 2003-04, this money earned \$160,000 in interest revenue. All amounts over the \$4.8 can be used to maintain and improve the 23 lane miles.

Business-type funds. The **Wastewater Fund** is the only major business-type fund. This fund is used to account for the operations of the wastewater treatment facilities, and sanitary sewer, and storm water systems. The primary source of revenue is charges for service. The City implemented a 12% increase to user rates in July 2003. Fund Balance at June 30, 2004 was \$1.2 of which most is earmarked for capital projects including Oregon Department of Environmental Quality mandated upgrades to our treatment facilities.

ECONOMIC FACTORS

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

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

The City's business-type activities are funded via utility charges for the Wastewater Fund and license and permit fees for the Building Codes Fund. The City Council has not authorized a rate increase to the City's sewer rate charge since the increase implemented in July 2003.

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

CITY OF COOS BAY, OREGON
Statement of Net Assets
June 30, 2004

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Coos Bay Urban Renewal Agency</u>
ASSETS				
Cash and investments	\$ 9,509,511	\$ 1,572,663	\$ 11,082,174	\$ 5,973,917
Receivables (net of allowance for uncollectibles)	1,067,243	203,300	1,270,543	114,906
Loans receivable	338,485	-	338,485	-
Prepays	8,477	-	8,477	-
Capital assets (see notes)				
Land, art collections, and construction in progress	452,040	-	452,040	-
Other capital assets (net of accum. deprec.)	8,133,225	9,244,242	17,377,467	1,530,091
Noncurrent asset (see notes)				
Due within one year				
Note receivable - joint venture	351,597	-	351,597	-
Due in more than one year				
Note receivable - joint venture	6,329,738	-	6,329,738	-
Total assets	<u>26,190,316</u>	<u>11,020,205</u>	<u>37,210,521</u>	<u>7,618,914</u>
LIABILITIES				
Accounts payable	\$ 143,152	\$ 67,222	\$ 210,374	\$ 23,775
Other accrued liabilities	118	3,369	3,487	-
Payroll and payroll taxes payable	49,028	-	49,028	-
Interest payable	221,069	-	221,069	27,727
Deferred revenue	364,194	8,723	372,917	-
Noncurrent liabilities				
Due within one year				
Revenue secured loan payable	150,595	-	150,595	-
Bonds payable	656,002	-	656,002	420,982
Due in more than one year				
Revenue secured loan payable	5,559,171	-	5,559,171	-
Bonds payable	2,275,567	-	2,275,567	7,227,728
Total liabilities	<u>9,418,896</u>	<u>79,314</u>	<u>9,498,210</u>	<u>7,700,212</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,699,832	9,244,242	15,944,074	-
Restricted for:				
Capital projects	5,154,849	341,764	5,496,613	-
Debt service	720,301	-	720,301	-
Unrestricted	4,196,438	1,354,885	5,551,323	(81,298)
Total net assets	<u>\$ 16,771,420</u>	<u>\$ 10,940,891</u>	<u>\$ 27,712,311</u>	<u>\$ (81,298)</u>

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

CITY OF COOS BAY, OREGON
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2004

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Primary government				
Governmental activities				
General government	\$ 1,010,332	\$ 245,990	\$ 27,250	\$ -
Public safety	4,716,131	268,468	9,025	-
Public works	797,943	-	79,598	2,315,194
Culture and recreation	897,241	74,474	3,742	-
Interest on long-term debt	406,758	-	703,948	-
Total governmental activities	<u>7,828,405</u>	<u>588,932</u>	<u>823,563</u>	<u>2,315,194</u>
Business - type activities				
Wastewater	2,426,963	2,767,874	-	-
Building codes	219,244	204,523	-	-
Total business - type activities	<u>2,646,207</u>	<u>2,972,397</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 10,474,612</u>	<u>\$ 3,561,329</u>	<u>\$ 823,563</u>	<u>\$ 2,315,194</u>
Component Unit				
Coos Bay Urban Renewal Agency	<u>\$ 460,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues

- Taxes
 - Property
 - Transient occupancy
 - Other - state
- Franchise fees
- Rent income
- Investment earnings
- Miscellaneous

Transfers/Contributed

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

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

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business - Type Activities	Total	Coos Bay Urban Renewal Agency
\$ (737,092)	\$ -	\$ (737,092)	\$ -
(4,438,638)	-	(4,438,638)	-
1,596,849	-	1,596,849	-
(819,025)	-	(819,025)	-
297,190	-	297,190	-
<u>(4,100,716)</u>	<u>-</u>	<u>(4,100,716)</u>	<u>-</u>
-	340,911	340,911	-
<u>-</u>	<u>(14,721)</u>	<u>(14,721)</u>	<u>-</u>
-	326,190	326,190	-
<u>(4,100,716)</u>	<u>326,190</u>	<u>(3,774,526)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(460,896)</u>
5,258,314	-	5,258,314	1,105,155
431,651	-	431,651	-
881,728	-	881,728	-
891,348	-	891,348	-
62,937	-	62,937	15,412
215,449	19,457	234,906	99,462
295,728	6,481	302,209	(162,009)
56,487	(56,487)	-	(2,315,194)
<u>8,093,642</u>	<u>(30,549)</u>	<u>8,063,093</u>	<u>(1,257,174)</u>
3,992,926	295,641	4,288,567	(1,718,070)
<u>12,778,494</u>	<u>10,645,250</u>	<u>23,423,744</u>	<u>1,636,772</u>
<u>\$ 16,771,420</u>	<u>\$ 10,940,891</u>	<u>\$ 27,712,311</u>	<u>\$ (81,298)</u>

CITY OF COOS BAY, OREGON
Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2004

	General	Jurisdictional Exchange Reserve	Other Governmental	Total Governmental
ASSETS				
Cash and investments	\$ 1,811,834	\$ 5,158,264	\$ 2,539,413	\$ 9,509,511
Receivables, net				
Taxes	432,104	-	61,756	493,860
Accounts	286,058	-	230,731	516,789
Assessments	30,845	-	20,558	51,403
Loans	338,485	-	-	338,485
Notes	5,151	-	-	5,151
Prepaid expenses	1,590	-	6,887	8,477
	<u>\$ 2,906,067</u>	<u>\$ 5,158,264</u>	<u>\$ 2,859,345</u>	<u>\$ 10,923,676</u>
LIABILITIES				
Accounts payable	\$ 69,149	\$ 3,415	\$ 70,588	\$ 143,152
Unclaimed property payable	78	-	-	78
Payroll and payroll taxes payable	49,028	-	-	49,028
Compensated absences	303,458	-	50,597	354,055
Deferred revenues	775,740	-	82,314	858,054
Matured interest payable	-	-	213	213
	<u>1,197,453</u>	<u>3,415</u>	<u>203,712</u>	<u>1,404,580</u>
Total liabilities				
FUND BALANCES				
Reserved for				
Debt service	-	-	720,301	720,301
Capital outlay	-	5,154,849	-	5,154,849
Unreserved, reported in				
General fund	1,708,614	-	-	1,708,614
Special revenue funds	-	-	801,257	801,257
Capital projects funds	-	-	1,134,075	1,134,075
	<u>1,708,614</u>	<u>5,154,849</u>	<u>2,655,633</u>	<u>9,519,096</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 2,906,067</u>	<u>\$ 5,158,264</u>	<u>\$ 2,859,345</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). 8,585,265

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 493,860
Joint venture long-term receivable 6,681,335

Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. 354,055

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, they are not reported in the funds (includes accrued interest of \$221,069). (8,862,191)

Net assets of governmental activities **\$ 16,771,420**

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

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Jurisdictional Exchange Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 4,006,090	\$ -	\$ 1,252,224	\$ 5,258,314
Franchise taxes	891,348	-	-	891,348
Other taxes	-	-	1,137,889	1,137,889
Assessments	7,611	-	-	7,611
Licenses and permits	83,723	-	-	83,723
Charges for use of money and property	85,095	160,797	38,058	283,950
Intergovernmental	355,378	-	796,313	1,151,691
Charges for services	207,697	-	83,408	291,105
Fines and forfeits	83,640	-	-	83,640
Other revenues	68,003	10,662	57,962	136,627
Total revenues	<u>5,788,585</u>	<u>171,459</u>	<u>3,365,854</u>	<u>9,325,898</u>
EXPENDITURES				
Current				
General government	808,657	-	-	808,657
Public safety	4,208,246	-	20,024	4,228,270
Public works	346,883	68,597	894,084	1,309,564
Culture and recreation	-	-	849,334	849,334
Capital outlay	8,338	-	298,602	306,940
Debt service				
Principal retirement	-	-	762,749	762,749
Interest and fiscal charges	-	-	477,774	477,774
Total expenditures	<u>5,372,124</u>	<u>68,597</u>	<u>3,302,567</u>	<u>8,743,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>416,461</u>	<u>102,862</u>	<u>63,287</u>	<u>582,610</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	248,132	-	380,682	628,814
Operating transfers out	<u>(248,132)</u>	<u>-</u>	<u>(324,195)</u>	<u>(572,327)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>56,487</u>	<u>56,487</u>
Net change in fund balances	416,461	102,862	119,774	639,097
FUND BALANCES - BEGINNING OF YEAR	<u>1,292,153</u>	<u>5,051,987</u>	<u>2,535,859</u>	<u>8,879,999</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,708,614</u>	<u>\$ 5,154,849</u>	<u>\$ 2,655,633</u>	<u>\$ 9,519,096</u>

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

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, 2004

Net change in fund balances-total governmental funds \$ 639,097

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

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

Expenditures for capital assets	\$ 2,698,944	
Less current year depreciation	<u>(467,027)</u>	2,231,917

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

Property taxes	(70,250)	
Notes receivable	<u>(38,115)</u>	(108,365)

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		1,302,749
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(1,456)	
Accrued interest on general obligation bonds	<u>(71,016)</u>	<u>(72,472)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>3,992,926</u></u>
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The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS
Major Governmental Funds

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

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

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
GENERAL FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,713,018	\$ 4,713,018	\$ 4,897,438	\$ 184,420
Assessments	1,100	1,100	7,611	6,511
Licenses and permits	69,100	69,100	83,723	14,623
Intergovernmental	320,684	320,684	355,378	34,694
Charges for services	208,032	208,032	207,697	(335)
Charges for use of money and property	48,100	48,100	85,095	36,995
Fines and forfeits	80,000	80,000	83,640	3,640
Miscellaneous	173,700	173,848	68,003	(105,845)
Total revenues	<u>5,613,734</u>	<u>5,613,882</u>	<u>5,788,585</u>	<u>174,703</u>
EXPENDITURES				
Personal services				
General government	588,872	579,172	454,791	124,381
Public safety	4,003,046	4,003,046	3,845,304	157,742
Community services	277,257	277,257	205,714	71,543
Total personal services	<u>4,869,175</u>	<u>4,859,475</u>	<u>4,505,809</u>	<u>353,666</u>
Materials and services				
General government	389,450	407,500	353,866	53,634
Public safety	322,400	322,400	362,942	(40,542)
Community services	175,360	175,508	141,169	34,339
Total materials and services	<u>887,210</u>	<u>905,408</u>	<u>857,977</u>	<u>47,431</u>
Capital outlay				
Public safety	-	-	8,338	8,338
Contingency	100,000	91,650	-	91,650
Total expenditures	<u>5,856,385</u>	<u>5,856,533</u>	<u>5,372,124</u>	<u>484,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(242,651)</u>	<u>(242,651)</u>	<u>416,461</u>	<u>659,112</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	932,000	932,000	248,132	(683,868)
Operating transfers out	(800,000)	(800,000)	(248,132)	551,868
Total other financing sources (uses)	<u>132,000</u>	<u>132,000</u>	<u>-</u>	<u>(132,000)</u>
Net change in fund balance	<u>(110,651)</u>	<u>(110,651)</u>	<u>416,461</u>	<u>527,112</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,180,000</u>	<u>1,180,000</u>	<u>1,292,153</u>	<u>112,153</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,069,349</u>	<u>\$ 1,069,349</u>	<u>1,708,614</u>	<u>\$ 639,265</u>
Adjustment from budgetary basis to generally accepted accounting principles basis:				
Capital assets, net			6,252,198	
Assets capitalized/contributed			2,617,198	
Depreciation expense			(411,694)	
Deferred revenue - property taxes			432,104	
Compensated absences			308,629	
Fund balance - generally accepted accounting principles basis			<u>\$ 10,907,049</u>	

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

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
JURISDICTIONAL EXCHANGE FUND
For the Year Ended June 30, 2004

	<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	\$ 100,000	\$ 100,000	\$ 160,797	\$ 60,797
Miscellaneous	-	-	10,662	10,662
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>171,459</u>	<u>71,459</u>
EXPENDITURES				
Public works				
Materials and services	20,000	20,000	8,856	11,144
Capital outlay	<u>230,000</u>	<u>230,000</u>	<u>59,741</u>	<u>170,259</u>
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>68,597</u>	<u>181,403</u>
Net change in fund balance	(150,000)	(150,000)	102,862	252,862
FUND BALANCE - BEGINNING OF YEAR	<u>4,950,000</u>	<u>4,950,000</u>	<u>5,051,987</u>	<u>101,987</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>	<u>\$ 5,154,849</u>	<u>\$ 354,849</u>

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

FUND FINANCIAL STATEMENTS
Proprietary Funds

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

- Wastewater
- Building Codes

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

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

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

CITY OF COOS BAY, OREGON
Statement of Net Assets
PROPRIETARY FUNDS
June 30, 2004

	Business-type Activities - Enterprise Funds		
	Major	Nonmajor	Total Proprietary Funds
	Wastewater	Nonmajor Enterprise Funds	
ASSETS			
Current assets			
Cash and investments	\$ 1,074,919	\$ 497,744	\$ 1,572,663
Receivables			
Accounts receivable, net	198,652	-	198,652
Assessments	4,648	-	4,648
Capital assets, net	<u>9,244,242</u>	<u>-</u>	<u>9,244,242</u>
Total assets	<u>10,522,461</u>	<u>497,744</u>	<u>11,020,205</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	52,016	15,206	67,222
Compensated absences payable	-	3,369	3,369
Deferred revenues	<u>4,648</u>	<u>4,075</u>	<u>8,723</u>
Total liabilities	<u>56,664</u>	<u>22,650</u>	<u>79,314</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,244,242	-	9,244,242
Restricted for			
Capital projects	-	341,764	341,764
Unrestricted	<u>1,221,555</u>	<u>133,330</u>	<u>1,354,885</u>
Total net assets	<u>\$ 10,465,797</u>	<u>\$ 475,094</u>	<u>\$ 10,940,891</u>

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

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenses, and Changes in Fund Net Assets
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds		Total Proprietary Funds
	Major	Nonmajor	
	Wastewater	Nonmajor Enterprise Funds	
OPERATING REVENUES			
Licenses and permits	\$ -	\$ 204,523	\$ 204,523
Intergovernmental	232,257	-	232,257
Charges for services	<u>2,535,616</u>	<u>-</u>	<u>2,535,616</u>
Total operating revenues	<u>2,767,873</u>	<u>204,523</u>	<u>2,972,396</u>
OPERATING EXPENSES			
Personal services	147,539	159,151	306,690
Materials and services	1,671,390	12,365	1,683,755
Capital outlay	121,189	41,480	162,669
Depreciation expense	<u>493,092</u>	<u>-</u>	<u>493,092</u>
Total operating expenses	<u>2,433,210</u>	<u>212,996</u>	<u>2,646,206</u>
Operating income (loss)	<u>334,663</u>	<u>(8,473)</u>	<u>326,190</u>
Non-operating revenues (expenses)			
Interest on investments	13,552	5,905	19,457
Other revenue (expenses)	<u>6,258</u>	<u>223</u>	<u>6,481</u>
Total non-operating revenues	<u>19,810</u>	<u>6,128</u>	<u>25,938</u>
Net income (loss) before operating transfers	<u>354,473</u>	<u>(2,345)</u>	<u>352,128</u>
Transfers in	-	60,000	60,000
Transfers out	<u>(106,487)</u>	<u>(10,000)</u>	<u>(116,487)</u>
Net operating transfers	<u>(106,487)</u>	<u>50,000</u>	<u>(56,487)</u>
Change in net assets	247,986	47,655	295,641
Total net assets - beginning of year	<u>10,217,811</u>	<u>427,439</u>	<u>10,645,250</u>
Total net assets - end of year	<u>\$ 10,465,797</u>	<u>\$ 475,094</u>	<u>\$ 10,940,891</u>

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

CITY OF COOS BAY, OREGON
Statement of Cash Flows
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Major	Nonmajor	Total Proprietary Funds
	Wastewater	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,769,089	\$ 206,082	\$ 2,975,171
Payments to suppliers	(1,659,534)	(41,766)	(1,701,300)
Payments to employees	(147,540)	(158,288)	(305,828)
Other receipts	6,258	223	6,481
Net cash provided (used) by operating activities	<u>968,273</u>	<u>6,251</u>	<u>974,524</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	60,000	60,000
Transfers to other funds	(106,487)	(10,000)	(116,487)
Net cash provided (used) by noncapital related financing activities	<u>(106,487)</u>	<u>50,000</u>	<u>(56,487)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(139,366)	-	(139,366)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	13,552	5,905	19,457
Net increase (decrease) in cash and cash equivalents	735,972	62,156	798,128
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>338,947</u>	<u>435,588</u>	<u>774,535</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,074,919</u>	<u>\$ 497,744</u>	<u>\$ 1,572,663</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 340,921	\$ (8,250)	\$ 332,671
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	493,092	-	493,092
Changes in assets and liabilities:			
Accounts receivable	19,156	-	19,156
Prepayments	117,765	-	117,765
Accounts payable and accrued liabilities	15,280	12,079	27,359
Accrued expenses	-	863	863
Deferred revenue	(17,941)	1,559	(16,382)
Net cash provided (used) by operating activities	<u>\$ 968,273</u>	<u>\$ 6,251</u>	<u>\$ 974,524</u>

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

BUDGETARY COMPARISON SCHEDULE

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, only the City's Wastewater Fund is presented in these basic financial statements. All other fund budgetary comparisons are displayed in the supplementary information.

CITY OF COOS BAY, OREGON
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
WASTEWATER FUND
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
Charleston	\$ 145,190	\$ 145,190	\$ 144,079	\$ (1,111)
Bunker Hill	85,063	85,063	88,178	3,115
Total intergovernmental	<u>230,253</u>	<u>230,253</u>	<u>232,257</u>	<u>2,004</u>
Charges for services				
Sewer permits	4,000	4,000	7,011	3,011
Sewer use fees	2,218,395	2,218,395	2,365,981	147,586
Sewer connection fees	10,000	10,000	19,442	9,442
Recreational vehicle dump fees	1,500	1,500	2,725	1,225
Alum sludge disposal fees	60,000	60,000	140,457	80,457
Total charges for services	<u>2,293,895</u>	<u>2,293,895</u>	<u>2,535,616</u>	<u>241,721</u>
Charges for use of money and property				
Interest on investments	3,000	3,000	13,552	10,552
Miscellaneous	5,000	6,142	6,258	116
Total revenues	<u>2,532,148</u>	<u>2,533,290</u>	<u>2,787,683</u>	<u>254,393</u>
EXPENDITURES				
Health and sanitation				
Personal services	192,906	192,906	147,539	45,367
Materials and services	1,787,928	1,785,739	1,671,390	114,349
Capital outlay	534,636	537,967	260,555	277,412
Contingency	10,191	10,191	-	10,191
Total expenditures	<u>2,525,661</u>	<u>2,526,803</u>	<u>2,079,484</u>	<u>447,319</u>
Excess (deficiency) of revenues over (under) expenditures	6,487	6,487	708,199	701,712
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(106,487)	(106,487)	(106,487)	-
Net change in fund balance	(100,000)	(100,000)	601,712	701,712
FUND BALANCE - BEGINNING OF YEAR	<u>310,000</u>	<u>310,000</u>	<u>619,843</u>	<u>309,843</u>
FUND BALANCE - END OF YEAR	<u>\$ 210,000</u>	<u>\$ 210,000</u>	1,221,555	<u>\$ 1,011,555</u>
Adjustment from budgetary basis to generally accepted accounting principles basis:				
Capital assets, net			9,597,968	
Capital outlay capitalized			139,366	
Depreciation expense			<u>(493,092)</u>	
Fund balance - generally accepted accounting principles basis			<u>\$ 10,465,797</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

CITY OF COOS BAY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

In June 1999, the GASB approved Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement provides for significant changes in financial reporting and includes phased implementation based on the size of the government, starting with fiscal years ending 2002. The City implemented for the prior fiscal year ended June 30, 2003.

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

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

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

Discretely presented component unit

The Coos Bay Urban Renewal Agency (Agency) was included as a component unit of the City initially for the year ended June 30, 2004. The Agency is presented as a governmental fund type (page 50). The primary purpose of the Coos Bay Urban Renewal Agency is to revitalize the commercial area of the City and to attract new businesses and jobs to the commercially zoned properties of Coos Bay's Downtown and Empire areas. The Coos Bay Urban Renewal Agency is governed by a seven member Board made up of the City of Coos Bay Mayor and Council members. The Coos Bay Urban Renewal Agency Budget Committee consists of the same members as the City of Coos Bay Budget Committee.

The fiscal year 2003-2004 budget includes revenues from property taxes, grants, donations and loan proceeds. Expenditures include construction and improvements for Downtown and Empire improvement projects. Complete financial statements for the individual component unit may be obtained at the City's administrative offices.

Excluded from the reporting entity:

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

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

B. Basic Financial Statements

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

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

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

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

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

C. Basis Of Presentation

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

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

The City reports the following major governmental funds:

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

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

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

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

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

Major

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

Non-Major

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Governmental Funds Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

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

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

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

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

E. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

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

Receivables and Payables

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

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

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

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

Inventories

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

Capital Assets

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

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

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

Capital assets of \$2,315,914 acquired/constructed by the Urban Renewal Agency of the City of Coos Bay (Agency), a component unit of the City (NOTE 1 A), and expensed in the Agency’s individual Downtown and Empire Capital Projects Funds during the year ended June 30, 2004, were contributed/transferred to the City. A large portion of these contributed assets were comprised of the Newmark Avenue Widening Project.

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

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

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

Accrued Compensated Absences and Sick Pay

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

Sick pay, which does not vest, is recognized in all funds when leave is taken.

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

Long-term portions of unpaid vacation and compensatory leave are not recorded as liabilities in the government-wide financial statements but accumulate in the following governmental funds as of June 30, 2004:

	<u>Vacation</u>	<u>Compensatory</u>	<u>Total</u>
General	\$ 252,451	\$ 51,007	\$ 303,458
Special Revenue:			
State Gas Tax	9,326	758	10,084
Library	39,533	980	40,513
Total special revenue	<u>48,859</u>	<u>1,738</u>	<u>50,597</u>
Total	<u>\$ 301,310</u>	<u>\$ 52,745</u>	<u>\$ 354,055</u>

Additionally, accrued vacation pay of \$3,369 was reported in the Building Codes Fund (a proprietary fund type) at June 30, 2004.

Long-Term Debt

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

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

Fund Equity

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

Other

1. Concentrations of Credit Risk

Financial instruments that potentially subject the City of Coos Bay, Oregon to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The City places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution while maintaining additional collateral with \$22.0 million (decreased to \$19.0 million in April, 2004) certificates of participation. Concentrations of credit with respect to trade receivables are limited due to the large number of customers comprising the City's customer base and their dispersion across different industries and geographic locations.

2. Management's Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Pooled Deposits and Investments

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

Petty cash	\$	970
Deposits with financial institutions		8,256,448
Investments		<u>2,824,756</u>
	\$	<u>11,082,174</u>

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

Cash and investments	\$	11,077,174
Restricted assets - cash in money market (firefighters fund)		<u>5,000</u>
	\$	<u>11,082,174</u>

B. Deposits

The City's bank balances are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes bank balances that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes uncollateralized bank balances for which the securities are held by the pledging financial institution, or by its trust department or agent but not in the City's name.

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. As of year ended June 30, 2004, the carrying amount of the City's deposits in financial institutions was \$11,081,204 and the bank balances were \$11,409,999. All deposits are held in the name of the City. Of these deposits, \$200,000 were covered by federal depository insurance. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. All bank balances in excess of federal depository insurance, if any, are collateralized by securities held by an entity other than the financial institution as an agent of the bank. This collateral is held by a separate custodian bank and controlled by a pool manager. The securities may be sold by the state treasurer on behalf of the City in the event of default. Potential uninsured deposits secured by a single institution collateral pool are the equivalent of securities held in the name of the City.

C. Investments

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

The State of Oregon Local Government Investment Pool (Pool) is not registered with the U.S. Securities and Exchange Commission as an investment company. Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and 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 the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2004 was unqualified.

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, adjusted for withdrawals and distributed income. Fair value of the City's position in the Pool at June 30, 2004 was 100.1% of the value of the Pool shares. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

The Governmental Accounting Standards Board has adopted generally accepted accounting principles, which include standards to categorize investments to give an indication of the level of credit and market risk assumed by the City at year-end. Category 1 includes investments that are insured or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes investments collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes investments uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not the City's name. Deposits in local government investment pools are not categorized.

The City's investments are categorized below to give an indication of the level of risk assumed at June 30, 2004. Category 3 includes uninsured and unregistered investments for which securities are held by the counterpart, or by its trust department or agent, but not in the City's name. All other investments are insured or registered, or securities held by the City or its agent in the City's name.

	Category 1	Category 3	Reported Amount Fair Value
Demand Deposits	\$ 510,335	\$ -	\$ -
Certificates of Deposit and Money Market Accounts	4,439,665	3,306,448	-
	<u>\$ 4,950,000</u>	<u>\$ 3,306,448</u>	8,256,448
State of Oregon Treasurer's Local Government Investment Pool			2,824,756
Petty Cash			970
Total			<u>\$ 11,082,174</u>

D. Receivables

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

	General	Special Revenue	Debt Service	Capital Projects	Totals
Receivables:					
Taxes	\$ 432,104	\$ -	\$ 61,740	\$ 16	\$ 493,860
Accounts	286,058	216,229	14,502	-	516,789
Assessments	30,845	-	-	20,558	51,403
Notes - other	5,151	-	-	-	5,151
	<u>754,158</u>	<u>216,229</u>	<u>76,242</u>	<u>20,574</u>	<u>1,067,203</u>
Loans	338,485	-	-	-	338,485
Note - joint venture	-	6,681,335	-	-	6,681,335
Total	<u>\$ 1,092,643</u>	<u>\$ 6,897,564</u>	<u>\$ 76,242</u>	<u>\$ 20,574</u>	<u>\$ 8,087,023</u>

The government-wide financial statements include a \$6,681,335 receivable in the governmental funds from the Coos Bay-North Bend Water Board joint venture (NOTE 1) for the outstanding balances of water revenue bond and loan at June 30, 2004, to be repaid by Water user fees to be collected prospectively by the Water Board. Of this outstanding balance \$351,597 is due within twelve months, and is classified as short-term, with the remaining \$6,329,738 presented as a long-term receivable.

Loans receivable of \$338,485 are loans made under prior federal grants to qualified residents for residential improvements. These loans bear interest from zero to three percent and are recoverable through liens on the residences.

Receivables of the City's governmental and business-type activities are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles - Governmental and Enterprise funds:	
Property taxes (estimated 10% uncollectible)	\$ <u>40,615</u>
Total uncollectibles of the current fiscal year	\$ <u><u>40,615</u></u>

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

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

	Unavailable
Property taxes receivable:	
General Fund	\$ 432,104
Debt Service Fund	61,756
Assessments	20,558
Loans	338,485
Other notes	5,151
Total	<u>\$ 858,054</u>

For the government-wide Statement of Net Assets all of the above receivables are deferred except for property taxes (for a total deferred revenues of \$364,194) due to their nature. Additionally, \$8,723 of business-type receivables are considered deferred revenues for this GASB Statement No. 34 presentation.

Property taxes are assessed as of January 1 and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Coos and remittance to the City is made at periodic intervals. For the fiscal year 2003-2004, the City levied net property taxes in the amount of \$4,506,401. The tax rate for the fiscal year 2003-2004 was \$7.1604 per \$1,000 of assessed value comprised of the permanent rate of \$6.3643 per \$1,000 of assessed value and a general obligation bond levy amount of \$501,231. The assessed valuation for the City as of January 1, 2003 was \$693,299,621 less urban renewal excess value of \$63,764,611 or \$629,535,010 for tax rate calculations.

Following is a summary of property tax transactions for the year ended June 30, 2004:

	Receivable 7/1/03	2003-2004 Net Levy	Collections and Adjustments	Receivable 6/30/04
2003-04	\$ -	\$ 4,506,401	\$ (4,267,897)	\$ 238,504
2002-03	267,462	-	(138,228)	129,234
2001-02	150,467	-	(69,660)	80,807
2000-01	92,767	-	(62,786)	29,981
1999-00	35,921	-	(31,011)	4,910
1998-99	5,301	-	(3,668)	1,633
1997-98	6,243	-	(2,742)	3,501
Prior years	5,949	-	(658)	5,291
Total	<u>\$ 564,110</u>	<u>\$ 4,506,401</u>	<u>\$ (4,576,650)</u>	<u>\$ 493,861</u>

E. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2004 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 188,232	\$ -	\$ -	\$ 188,232
Museum art works collection	250,000	-	-	250,000
Construction in progress	17,526	13,808	17,526	13,808
Total capital assets not being depreciated	<u>455,758</u>	<u>13,808</u>	<u>17,526</u>	<u>452,040</u>
Other capital assets				
Land and improvements	\$ 1,641,250	\$ -	\$ -	\$ 1,641,250
Buildings and improvements	5,921,607	7,800	-	5,929,407
Machinery and equipment	827,018	238,475	-	1,065,493
Vehicles	2,426,164	-	25,915	2,400,249
Infrastructure - streets	-	2,557,537	-	2,557,537
Total other capital assets at historical cost	<u>10,816,039</u>	<u>2,803,812</u>	<u>25,915</u>	<u>13,593,936</u>
Less accumulated depreciation				
Land and improvements	\$ 1,222,665	\$ 39,663	\$ -	\$ 1,262,328
Buildings and improvements	1,519,439	137,219	-	1,656,658
Machinery and equipment	510,453	81,492	-	591,945
Vehicles	1,767,042	208,478	25,915	1,949,605
Infrastructure - streets	-	175	-	175
Total accumulated depreciation	<u>5,019,599</u>	<u>467,027</u>	<u>25,915</u>	<u>5,460,711</u>
Other capital assets, net	<u>5,796,440</u>	<u>2,336,785</u>	<u>-</u>	<u>8,133,225</u>
Governmental activities capital assets, net	<u>\$ 6,252,198</u>	<u>\$ 2,350,593</u>	<u>\$ 17,526</u>	<u>\$ 8,585,265</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:

General government	\$ 210,557
Public safety	208,563
Culture and recreation	<u>47,907</u>
Total depreciation for governmental activities	<u>\$ 467,027</u>

Description	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Other capital assets				
Wastewater (WW)				
Land & improvements-WW	\$ 1,982,091	\$ -	\$ -	\$ 1,982,091
Machinery & equipment-WW	2,627,882	44,541	-	2,672,423
Vehicles-WW	599,695	-	-	599,695
Plant & system-WW	<u>13,055,059</u>	<u>94,825</u>	<u>-</u>	<u>13,149,884</u>
Total other capital assets	<u>18,264,727</u>	<u>139,366</u>	<u>-</u>	<u>18,404,093</u>
Accumulated depreciation				
Land & improvements-WW	1,274,936	94,045	-	1,368,981
Machinery & equipment-WW	1,689,415	112,017	-	1,801,432
Vehicles-WW	436,363	32,870	-	469,233
Plant & system-WW	<u>5,266,045</u>	<u>254,160</u>	<u>-</u>	<u>5,520,205</u>
Total accumulated depreciation	<u>8,666,759</u>	<u>493,092</u>	<u>-</u>	<u>9,159,851</u>
Business-type activities capital assets, net	<u>\$ 9,597,968</u>	<u>\$ (353,726)</u>	<u>\$ -</u>	<u>\$ 9,244,242</u>

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

Wastewater	\$ <u>493,092</u>
Total depreciation for business-type activities	<u>\$ 493,092</u>

F. Long-Term Debt

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

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

Fiscal Year	Issue of July 1, 1993 (refunding)		
	Total	Principal	Interest
2004-05	\$ 238,407	\$ 201,002	\$ 37,405
2005-06	238,407	209,237	29,170
2006-07	238,407	217,809	20,599
2007-08	238,407	226,706	11,701
2008-09	<u>119,203</u>	<u>116,815</u>	<u>2,388</u>
Total	<u>\$ 1,072,832</u>	<u>\$ 971,569</u>	<u>\$ 101,263</u>

Interest rate: 4% fixed annual rate.

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

Fiscal Year	Issue of July 31, 2000 (refunding)		
	Total	Principal	Interest
2004-05	\$ 539,892	\$ 455,000	\$ 84,892
2005-06	537,107	475,000	62,107
2006-07	543,098	505,000	38,098
2007-08	537,863	525,000	12,863
Total	\$ <u>2,157,960</u>	\$ <u>1,960,000</u>	\$ <u>197,960</u>

Interest rate: Fixed 4.90%

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

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

Fiscal Year	Issue of April 12, 2000		
	Total	Principal	Interest
2004-05	\$ 464,241	\$ 150,595	\$ 313,646
2005-06	467,678	161,938	305,740
2006-07	465,590	168,352	297,238
2007-08	468,239	179,840	288,399
2008-09	465,363	186,406	278,957
2009-14	2,337,466	1,103,989	1,233,477
2014-19	2,331,720	1,435,263	896,457
2019-24	2,332,855	1,879,498	453,357
2024-25	468,854	443,885	24,969
Total	\$ <u>9,802,006</u>	\$ <u>5,709,766</u>	\$ <u>4,092,240</u>

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

Changes in long-term liabilities. During the year ended June 30, 2004, the following changes occurred in governmental long-term liabilities:

	Balance 7/1/03	Additions	Reductions	Balance 6/30/04
General obligation:				
Sewer bonds:				
July 31, 2000 (refunding)	\$ 2,390,000	\$ -	\$ (430,000)	\$ 1,960,000
Revenue bonds:				
* Hotel/Motel bonds:				
February 1, 1993	540,000	-	* (540,000)	-
Water bonds:				
January 23, 2003 (refunding)	1,160,000	-	(188,431)	971,569
Revenue secured loan:				
April 12, 2000	5,854,084	-	(144,318)	5,709,766
Total Governmental	\$ <u>9,944,084</u>	\$ <u>-</u>	\$ <u>(1,302,749)</u>	\$ <u>8,641,335</u>

* These revenue bonds were paid off by the Urban Renewal Agency of the City of Coos Bay, a component unit of the City, (\$540,000), along with (\$16,470) of accrued interest (see next page 33) during August, 2003.

Interest coupon transactions. The following is a summary of governmental interest coupon transactions for the year ended June 30, 2003:

	<u>Matured Outstanding 7/1/03</u>	<u>Matured</u>	<u>Redeemed</u>	<u>Matured Outstanding 6/30/04</u>
General obligation:				
Sewer bonds:				
July 11, 1974 (Eastside)	\$ 63	\$ -	\$ -	\$ 63
July 31, 2000 (refunding)	-	106,575	106,575	-
Revenue bonds:				
* Hotel/Motel bonds:				
February 1, 1993	-	16,470	* 16,470	-
Water bonds:				
July 11, 1972 (Eastside)	150	-	-	150
July 1, 1993 (refunding)	-	49,976	49,976	-
Revenue secured loan (water):				
April 12, 2000	-	321,223	321,223	-
	<u>213</u>	<u>494,244</u>	<u>494,244</u>	<u>213</u>
Total Governmental	\$ <u>213</u>	\$ <u>494,244</u>	\$ <u>494,244</u>	\$ <u>213</u>

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

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

B. Contingency

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

C. Joint Venture

Pursuant to an interlocal agreement authorized by state statutes, the City joined the City of North Bend to establish and operate a water board for the mutual advantage of the governments. The City's share of assets, liabilities, and fund equity is 50 percent. Following is a summary of the most recent financial information as of, and for the year ended June 30, 2003:

Cash and investments	\$ 1,586,047
Other assets	<u>23,979,460</u>
Total assets	<u>\$ 25,565,507</u>
Total liabilities	\$ 8,188,873
Total equity	<u>17,376,634</u>
Total liabilities and equity	<u>\$ 25,565,507</u>
Total revenues	\$ 2,455,746
Total expenses	<u>2,152,789</u>
Net increase in equity	<u>\$ 302,957</u>

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

D. Related Party Transactions

All sewer service charges are billed by the Water Board (Part C, above) as an accommodation for the Cities of Coos Bay and North Bend, Oregon, and collections thereon are remitted to the cities, less a handling fee, for providing these services. During the year ended June 30, 2004, the Water Board remitted \$2,460,737 to the City of Coos Bay, Oregon, which included sewer user fee revenues, alum sludge disposal fees, and interest earnings (net of the handling fee totaling \$47,031).

Accounts receivable at the year ended June 30, 2004 include \$194,813 from the Water Board, which represents one net monthly payment.

E. Employee Retirement System

1. Plan Description

The City's Defined Benefit Pension Plan, State of Oregon Public Employees Retirement System (PERS) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is an agent multiple-employer pension plan administered by the Oregon Public Employees Retirement System. PERS is administered under ORS Chapter 237 by the Public Employees Retirement Board. The Board has the authority to establish and amend the benefit provisions of the plans that participate in the PERS to the respective employer entities. The Oregon Public Employee System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281 or by calling (503) 598-7377.

2. Funding Policy

PERS members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 10.36% of annual covered payroll increased from 7.43% on July 1, 2003. The City picked up the 6% employee contributions during the year ended June 30, 2004, as allowed under ORS 237.075. The contribution requirements of plan members and the City are established and may be amended by the PERS Retirement Board.

3. Annual Pension Costs

For the fiscal year ended June 30, 2004, the City's annual pension cost (APC) for PERS was equal to the City's required and actual contributions (ARC). The required contribution was determined as part of December 31, 1999, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases was 4.25% per year, and (c) 2.00% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation is 3.50% per year. The actuarial value of PERS assets are valued on the Expected Value Method. The City's unfunded actuarial liability is being amortized as a level percentage of payroll over 28 years on an open basis.

Three Year Trend Information

<u>For the Year Ended June 30,</u>	<u>Annual Pension Cost (APC) (ARC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$ 348,489	100%	\$ -
2003	571,866	100%	-
2004	602,707	100%	-

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

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Actuarial Liability</u>	<u>Excess of Assets over Accrued Actuarial Liability</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>Excess as a Percentage of Covered Payroll</u>
12/31/95	\$11,292,528	\$10,498,216	\$ 794,312	108%	\$ 4,192,838	19%
12/31/97	15,977,768	13,536,001	2,441,767	118%	3,779,915	65%
12/31/99	27,556,123	24,758,717	2,797,407	111%	4,064,724	69%
12/31/01 (restated)	27,940,747	24,160,854	3,779,893	116%	4,259,683	89%

Covered payroll for the current year ended June 30, 2004 was \$3,668,456. The City contributed the percentage of pay as recommended by the State of Oregon PERS to fully fund the plan.

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

PERS generally conducts actuarial valuations on a biennial basis. The most recent actuarial was prepared as of December 31, 1999, which was restated December 31, 2001.

F. Negative Fund Balances

Individual fund negative fund balances as of June 30, 2004, (GAAP Basis), were comprised of the following, primarily due to long-term debt payable and related accrued interest payable:

Governmental - Debt Service Funds:	
GO Bond Redemption	\$ (1,346,870)
Revenue Bond	(52,942)

G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is joined together with other cities and counties in the state, which are members of the City/County Insurance Services Trust (CIS), a public entity risk pool currently operating as a common risk management and insurance program for member cities and counties. The City has an annually renewable contract to pay CIS an annual premium for its general property and automobile liability insurance coverage.

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

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

H. Deferred Compensation Plans

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

I. Property Tax Limitation

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

J. New Accounting Pronouncement

In March 2003, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, effective for periods beginning after June 15, 2004. This Statement addresses disclosure of common deposits and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The City is reviewing the requirements of this standard. The City does not expect this standard to affect its financial position or results of operations.

SUPPLEMENTARY INFORMATION SECTION

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

Nonmajor Governmental Funds

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	<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	\$ 691,438	\$ 706,012	\$ 1,141,963	\$ 2,539,413
Receivables				
Taxes	-	61,740	16	61,756
Accounts	216,229	14,502	-	230,731
Assessments	-	-	20,558	20,558
Prepaid expenses	<u>6,887</u>	<u>-</u>	<u>-</u>	<u>6,887</u>
			-	
Total assets	<u>\$ 914,554</u>	<u>\$ 782,254</u>	<u>\$ 1,162,537</u>	<u>\$ 2,859,345</u>
LIABILITIES				
Accounts payable	\$ 62,700	\$ -	\$ 7,888	\$ 70,588
Compensated absences payable	50,597	-	-	50,597
Deferred revenues	-	61,740	20,574	82,314
Matured interest payable	<u>-</u>	<u>213</u>	<u>-</u>	<u>213</u>
Total liabilities	<u>113,297</u>	<u>61,953</u>	<u>28,462</u>	<u>203,712</u>
FUND BALANCES				
Reserved for				
Debt service	-	720,301	-	720,301
Unreserved, reported in				
Special revenue funds	801,257	-	-	801,257
Capital projects funds	<u>-</u>	<u>-</u>	<u>1,134,075</u>	<u>1,134,075</u>
Total fund balances	<u>801,257</u>	<u>720,301</u>	<u>1,134,075</u>	<u>2,655,633</u>
Total liabilities and fund balances	<u>\$ 914,554</u>	<u>\$ 782,254</u>	<u>\$ 1,162,537</u>	<u>\$ 2,859,345</u>

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2004

	<u>State Gas Tax</u>	<u>Special Police</u>	<u>Hotel/ Motel Tax</u>	<u>Library</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 240,760	\$ 35,901	\$ 74,353	\$ 340,424	\$ 691,438
Receivables					
Accounts	75,046	-	111,346	29,837	216,229
Prepaid expenses	-	-	-	6,887	6,887
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 315,806</u>	<u>\$ 35,901</u>	<u>\$ 185,699</u>	<u>\$ 377,148</u>	<u>\$ 914,554</u>
LIABILITIES					
Accounts payable	\$ 19,874	\$ 160	\$ 35,670	\$ 6,996	\$ 62,700
Compensated absences payable	10,084	-	-	40,513	50,597
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	29,958	160	35,670	47,509	113,297
FUND BALANCES					
Unreserved	<u>285,848</u>	<u>35,741</u>	<u>150,029</u>	<u>329,639</u>	<u>801,257</u>
Total liabilities and fund balances	<u>\$ 315,806</u>	<u>\$ 35,901</u>	<u>\$ 185,699</u>	<u>\$ 377,148</u>	<u>\$ 914,554</u>

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR DEBT SERVICE FUNDS
June 30, 2004

	GO Bond Redemption	Revenue Bond	Total
ASSETS			
Cash and investments	\$ 569,365	\$ 136,647	\$ 706,012
Receivables			
Taxes	61,740	-	61,740
Accounts	14,502	-	14,502
Total assets	\$ 645,607	\$ 136,647	\$ 782,254
LIABILITIES			
Deferred revenues	\$ 61,740	\$ -	\$ 61,740
Matured interest payable	213	-	213
Total liabilities	61,953	-	61,953
FUND BALANCES			
Reserved for			
Debt service	583,654	136,647	720,301
Total liabilities and fund balances	\$ 645,607	\$ 136,647	\$ 782,254

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2004

	<u>Street Improvement</u>	<u>Parks Improvement</u>	<u>Bike/ Pedestrian Improvement</u>	<u>Special Improvement</u>
ASSETS				
Cash and investments	\$ -	\$ 15,224	\$ 33,394	\$ 124,309
Receivables				
Taxes	16	-	-	-
Assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,558</u>
Total assets	<u>\$ 16</u>	<u>\$ 15,224</u>	<u>\$ 33,394</u>	<u>\$ 144,867</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenues	<u>16</u>	<u>-</u>	<u>-</u>	<u>20,558</u>
Total liabilities	16	-	-	20,558
FUND BALANCES				
Unreserved, reported in				
Capital projects funds	<u>-</u>	<u>15,224</u>	<u>33,394</u>	<u>124,309</u>
Total liabilities and fund balances	<u>\$ 16</u>	<u>\$ 15,224</u>	<u>\$ 33,394</u>	<u>\$ 144,867</u>

<u>Insurance Reserve</u>	<u>Public Works Equipment Reserve</u>	<u>Repair & Replacement Reserve</u>	<u>Major Capital Improvement</u>	<u>Minor Capital Improvement</u>	<u>Technology Reserve</u>	<u>Total</u>
\$ 104,663	\$ 3,603	\$ -	\$ 750,349	\$ 76,431	\$ 33,990	\$ 1,141,963
-	-	-	-	-	-	16
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,558</u>
<u>\$ 104,663</u>	<u>\$ 3,603</u>	<u>\$ -</u>	<u>\$ 750,349</u>	<u>\$ 76,431</u>	<u>\$ 33,990</u>	<u>\$ 1,162,537</u>
\$ -	\$ -	\$ -	\$ 4,762	\$ 2,564	\$ 562	\$ 7,888
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,574</u>
-	-	-	4,762	2,564	562	28,462
<u>104,663</u>	<u>3,603</u>	<u>-</u>	<u>745,587</u>	<u>73,867</u>	<u>33,428</u>	<u>1,134,075</u>
<u>\$ 104,663</u>	<u>\$ 3,603</u>	<u>\$ -</u>	<u>\$ 750,349</u>	<u>\$ 76,431</u>	<u>\$ 33,990</u>	<u>\$ 1,162,537</u>

CITY OF COOS BAY, OREGON
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	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				
Property taxes	\$ 731,733	\$ 520,491	\$ -	\$ 1,252,224
Other taxes	1,137,889	-	-	1,137,889
Charges for use of money and property	13,207	8,178	16,673	38,058
Intergovernmental revenues	12,767	703,948	79,598	796,313
Charges for services	83,408	-	-	83,408
Other revenues	<u>42,939</u>	<u>-</u>	<u>15,023</u>	<u>57,962</u>
Total revenues	<u>2,021,943</u>	<u>1,232,617</u>	<u>111,294</u>	<u>3,365,854</u>
EXPENDITURES				
Current				
Public safety	20,024	-	-	20,024
Public works	894,084	-	-	894,084
Culture and recreation	846,616	-	2,718	849,334
Capital outlay	3,909	-	294,693	298,602
Debt service				
Principal retirement	-	762,749	-	762,749
Interest and fiscal charges	<u>-</u>	<u>477,774</u>	<u>-</u>	<u>477,774</u>
Total expenditures	<u>1,764,633</u>	<u>1,240,523</u>	<u>297,411</u>	<u>3,302,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>257,310</u>	<u>(7,906)</u>	<u>(186,117)</u>	<u>63,287</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	36,487	344,195	380,682
Operating transfers out	<u>(7,063)</u>	<u>-</u>	<u>(317,132)</u>	<u>(324,195)</u>
Total other financing sources (uses)	<u>(7,063)</u>	<u>36,487</u>	<u>27,063</u>	<u>56,487</u>
Net change in fund balance	250,247	28,581	(159,054)	119,774
FUND BALANCES - BEGINNING OF YEAR	<u>551,010</u>	<u>691,720</u>	<u>1,293,129</u>	<u>2,535,859</u>
FUND BALANCES - END OF YEAR	<u>\$ 801,257</u>	<u>\$ 720,301</u>	<u>\$ 1,134,075</u>	<u>\$ 2,655,633</u>

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, 2004

	<u>State Gas Tax</u>	<u>Special Police</u>	<u>Hotel/ Motel Tax</u>	<u>Library</u>	<u>Total</u>
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ 731,733	\$ 731,733
Other taxes	706,238	-	431,651	-	1,137,889
Charges for use of money and property	2,010	505	2,485	8,207	13,207
Intergovernmental revenues	-	9,025	-	3,742	12,767
Charges for services	-	8,935	-	74,473	83,408
Other revenues	<u>13,874</u>	<u>4,545</u>	<u>-</u>	<u>24,520</u>	<u>42,939</u>
Total revenues	<u>722,122</u>	<u>23,010</u>	<u>434,136</u>	<u>842,675</u>	<u>2,021,943</u>
EXPENDITURES					
Current					
Public safety	-	20,024	-	-	20,024
Public works	511,621	-	382,463	-	894,084
Culture and recreation	-	-	-	846,616	846,616
Capital outlay	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>2,709</u>	<u>3,909</u>
Total expenditures	<u>512,821</u>	<u>20,024</u>	<u>382,463</u>	<u>849,325</u>	<u>1,764,633</u>
Excess (deficiency) of revenues over (under) expenditures	209,301	2,986	51,673	(6,650)	257,310
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(7,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,063)</u>
Net change in fund balance	202,238	2,986	51,673	(6,650)	250,247
FUND BALANCES - BEGINNING OF YEAR	<u>83,610</u>	<u>32,755</u>	<u>98,356</u>	<u>336,289</u>	<u>551,010</u>
FUND BALANCES - END OF YEAR	<u>\$ 285,848</u>	<u>\$ 35,741</u>	<u>\$ 150,029</u>	<u>\$ 329,639</u>	<u>\$ 801,257</u>

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, 2004

	<u>GO Bond Redemption</u>	<u>Revenue Bond</u>	<u>Total</u>
REVENUES			
Property taxes	\$ 520,491	\$ -	\$ 520,491
Intergovernmental	-	703,948	703,948
Charges for use of money and property	<u>5,679</u>	<u>2,499</u>	<u>8,178</u>
Total revenues	<u>526,170</u>	<u>706,447</u>	<u>1,232,617</u>
EXPENDITURES			
Debt service			
Principal retirement	430,000	332,749	762,749
Interest and fiscal charges	<u>106,575</u>	<u>371,199</u>	<u>477,774</u>
Total expenditures	<u>536,575</u>	<u>703,948</u>	<u>1,240,523</u>
Excess (deficiency) of revenues over (under) expenditures	(10,405)	2,499	(7,906)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>36,487</u>	-	<u>36,487</u>
Net change in fund balance	26,082	2,499	28,581
FUND BALANCES - BEGINNING OF YEAR	<u>557,572</u>	<u>134,148</u>	<u>691,720</u>
FUND BALANCES - END OF YEAR	<u>\$ 583,654</u>	<u>\$ 136,647</u>	<u>\$ 720,301</u>

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, 2004

	<u>Street Improvement</u>	<u>Parks Improvement</u>	<u>Bike/ Pedestrian Improvement</u>	<u>Special Improvement</u>
REVENUES				
Charges for use of money and property	\$ -	\$ 134	\$ 306	\$ 1,709
Intergovernmental revenues	79,598	-	-	-
Other revenues	-	7,483	3,300	4,240
Total revenues	<u>79,598</u>	<u>7,617</u>	<u>3,606</u>	<u>5,949</u>
EXPENDITURES				
Current				
Culture and recreation	-	2,718	-	-
Capital outlay	79,598	-	-	-
Total expenditures	<u>79,598</u>	<u>2,718</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>4,899</u>	<u>3,606</u>	<u>5,949</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	7,063	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7,063</u>	<u>-</u>
Net change in fund balance	-	4,899	10,669	5,949
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>10,325</u>	<u>22,725</u>	<u>118,360</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 15,224</u>	<u>\$ 33,394</u>	<u>\$ 124,309</u>

<u>Insurance Reserve</u>	<u>Public Works Equipment Reserve</u>	<u>Repair & Replacement Reserve</u>	<u>Major Capital Improvement</u>	<u>Minor Capital Improvement</u>	<u>Technology Reserve</u>	<u>Total</u>
\$ 1,088	\$ 50	\$ 6,630	\$ 5,946	\$ 797	\$ 13	\$ 16,673
-	-	-	-	-	-	79,598
-	-	-	-	-	-	15,023
<u>1,088</u>	<u>50</u>	<u>6,630</u>	<u>5,946</u>	<u>797</u>	<u>13</u>	<u>111,294</u>
-	-	-	-	-	-	2,718
-	-	-	139,491	26,930	48,674	294,693
-	-	-	139,491	26,930	48,674	297,411
<u>1,088</u>	<u>50</u>	<u>6,630</u>	<u>(133,545)</u>	<u>(26,133)</u>	<u>(48,661)</u>	<u>(186,117)</u>
20,000	-	-	248,132	-	69,000	344,195
-	-	(248,132)	(69,000)	-	-	(317,132)
<u>20,000</u>	<u>-</u>	<u>(248,132)</u>	<u>179,132</u>	<u>-</u>	<u>69,000</u>	<u>27,063</u>
21,088	50	(241,502)	45,587	(26,133)	20,339	(159,054)
<u>83,575</u>	<u>3,553</u>	<u>241,502</u>	<u>700,000</u>	<u>100,000</u>	<u>13,089</u>	<u>1,293,129</u>
<u>\$ 104,663</u>	<u>\$ 3,603</u>	<u>\$ -</u>	<u>\$ 745,587</u>	<u>\$ 73,867</u>	<u>\$ 33,428</u>	<u>\$ 1,134,075</u>

BUDGETARY COMPARISON SCHEDULES

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

In accordance with GASB Statement No. 34, the City's General Fund and any major special revenue funds (currently, only the Jurisdictional Exchange Reserve Fund) are presented in the basic financial statements. All other fund budgetary comparisons are displayed in the following pages as supplementary information.

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

Governmental Funds

SPECIAL REVENUE FUNDS

State Gas Tax

Special Police

Hotel/Motel Tax

Library

DEBT SERVICE FUNDS

General Obligation Bond Redemption

Revenue Bond

CAPITAL PROJECTS FUNDS

Street Improvement

Parks Improvement

Bike/Pedestrian Path Construction

Special Improvement

Insurance Reserve

Public Works Equipment Reserve

Repair and Replacement Reserve

Major Capital Improvement

Minor Capital Improvement

Technology Reserve

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
STATE GAS TAX FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State gas tax	\$ 600,000	\$ 600,000	\$ 706,238	\$ 106,238
Charges for use of money and property				
Interest on investments	500	500	2,010	1,510
Miscellaneous	<u>300</u>	<u>11,852</u>	<u>13,874</u>	<u>2,022</u>
Total revenues	<u>600,800</u>	<u>612,352</u>	<u>722,122</u>	<u>109,770</u>
EXPENDITURES				
Public works				
Personal services	301,241	301,241	241,052	60,189
Materials and services	289,943	299,995	270,569	29,426
Capital outlay	1,200	1,200	1,200	-
Contingency	<u>6,416</u>	<u>6,416</u>	<u>-</u>	<u>6,416</u>
Total expenditures	<u>598,800</u>	<u>608,852</u>	<u>512,821</u>	<u>96,031</u>
Excess (deficiency) of revenues over (under) expenditures	2,000	3,500	209,301	205,801
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(6,000)</u>	<u>(7,500)</u>	<u>(7,063)</u>	<u>437</u>
Net change in fund balance	(4,000)	(4,000)	202,238	206,238
FUND BALANCE - BEGINNING OF YEAR	<u>24,000</u>	<u>24,000</u>	<u>83,610</u>	<u>59,610</u>
FUND BALANCE - END OF YEAR	<u>\$ 20,000</u>	<u>\$ 20,000</u>	285,848	<u>\$ 265,848</u>
Adjustment from budgetary basis to generally accepted accounting principles basis:				
Compensated absences			<u>10,084</u>	
Fund balance - generally accepted accounting principles basis			<u>\$ 295,932</u>	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
SPECIAL POLICE FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Federal	\$ 13,500	\$ 21,686	\$ 9,025	\$ (12,661)
Charges for services				
Seat belt class fees	12,000	12,000	2,120	(9,880)
DUII impact panel fees	12,000	12,000	6,815	(5,185)
DRE reimbursement	500	500	-	(500)
Total charges for services	<u>24,500</u>	<u>24,500</u>	<u>8,935</u>	<u>(15,565)</u>
Charges for use of money and property				
Interest on investments	650	650	505	(145)
Miscellaneous	18,500	18,500	4,545	(13,955)
Total revenues	<u>57,150</u>	<u>65,336</u>	<u>23,010</u>	<u>(42,326)</u>
EXPENDITURES				
Public safety				
Personal services	11,000	11,000	8,758	2,242
Materials and services	63,750	71,936	11,266	60,670
Total expenditures	<u>74,750</u>	<u>82,936</u>	<u>20,024</u>	<u>62,912</u>
Net change in fund balance	(17,600)	(17,600)	2,986	20,586
FUND BALANCE - BEGINNING OF YEAR	<u>17,600</u>	<u>17,600</u>	<u>32,755</u>	<u>15,155</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,741</u>	<u>\$ 35,741</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
HOTEL/MOTEL TAX FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
Taxes				
Hotel/motel tax	\$ 378,000	\$ 378,000	\$ 431,651	\$ 53,651
Charges for use of money and property				
Interest on investments	1,200	1,200	1,765	565
Property rentals	<u>1,500</u>	<u>1,500</u>	<u>720</u>	<u>(780)</u>
Total charges for use of money and property	<u>2,700</u>	<u>2,700</u>	<u>2,485</u>	<u>(215)</u>
Total revenues	<u>380,700</u>	<u>380,700</u>	<u>434,136</u>	<u>53,436</u>
EXPENDITURES				
Public works				
Personal services	145,800	145,800	140,532	5,268
Materials and services	<u>242,900</u>	<u>242,900</u>	<u>241,931</u>	<u>969</u>
Total expenditures	<u>388,700</u>	<u>388,700</u>	<u>382,463</u>	<u>6,237</u>
Excess (deficiency) of revenues over (under) expenditures	(8,000)	(8,000)	51,673	59,673
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(32,000)</u>	<u>(32,000)</u>	<u>-</u>	<u>32,000</u>
Net change in fund balance	(40,000)	(40,000)	51,673	91,673
FUND BALANCE - BEGINNING OF YEAR	<u>40,000</u>	<u>40,000</u>	<u>98,356</u>	<u>58,356</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,029</u>	<u>\$ 150,029</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
LIBRARY FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
County serial levy	\$ 700,000	\$ 700,000	\$ 731,733	\$ 31,733
Intergovernmental				
Grants	10,000	10,000	-	(10,000)
State grant	2,000	2,000	3,742	1,742
Total intergovernmental	12,000	12,000	3,742	(8,258)
Charges for services				
Copies	4,900	4,900	4,772	(128)
Database specialist fees	40,603	40,603	43,747	3,144
Library fees	24,000	24,000	25,954	1,954
Total charges for services	69,503	69,503	74,473	4,970
Charges for use of money and property				
Interest on investments	6,400	6,400	5,577	(823)
Property rentals	2,000	2,000	2,630	630
Total charges for use of money and property	8,400	8,400	8,207	(193)
Miscellaneous				
Donations	15,000	15,000	19,495	4,495
Other	-	-	5,025	5,025
Total miscellaneous	15,000	15,000	24,520	9,520
Total revenues	804,903	804,903	842,675	37,772
EXPENDITURES				
Cultural and recreation				
Personal services	679,707	679,707	626,279	53,428
Materials and services	212,850	212,850	208,832	4,018
Capital outlay	2,500	2,500	2,709	(209)
Contingency	128,446	128,446	-	128,446
Library board reserve	50,000	50,000	11,505	38,495
Total expenditures	1,073,503	1,073,503	849,325	224,178
Net change in fund balance	(268,600)	(268,600)	(6,650)	261,950
FUND BALANCE - BEGINNING OF YEAR	268,600	268,600	336,289	67,689
FUND BALANCE - END OF YEAR	\$ -	\$ -	329,639	\$ 329,639
Adjustment from budgetary basis to generally accepted accounting principles basis:				
Compensated absences			40,513	
Depreciation expense			(47,907)	
Fund balance - generally accepted accounting principles basis			\$ 322,245	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
GENERAL OBLIGATION BOND REDEMPTION FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
Taxes	\$ 487,108	\$ 487,108	\$ 520,491	\$ 33,383
Charges for use of money and property				
Interest on investments	<u>6,000</u>	<u>6,000</u>	<u>5,679</u>	<u>(321)</u>
Total revenues	<u>493,108</u>	<u>493,108</u>	<u>526,170</u>	<u>33,062</u>
EXPENDITURES				
Debt service				
Principal	430,000	430,000	430,000	-
Interest	<u>106,575</u>	<u>106,575</u>	<u>106,575</u>	<u>-</u>
Total expenditures	<u>536,575</u>	<u>536,575</u>	<u>536,575</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(43,467)	(43,467)	(10,405)	33,062
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>36,487</u>	<u>36,487</u>	<u>36,487</u>	<u>-</u>
Net change in fund balance	(6,980)	(6,980)	26,082	33,062
FUND BALANCE - BEGINNING OF YEAR	<u>510,000</u>	<u>510,000</u>	<u>557,572</u>	<u>47,572</u>
FUND BALANCE - END OF YEAR	<u>\$ 503,020</u>	<u>\$ 503,020</u>	583,654	<u>\$ 80,634</u>
Adjustment from budgetary basis to generally accepted accounting principles basis:				
Deferred revenue - property taxes			61,756	
Bonds payable, beginning			(1,960,000)	
Accrued interest payable			<u>(32,280)</u>	
Fund balance - generally accepted accounting principles basis			<u>\$ (1,346,870)</u>	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
REVENUE BOND FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
CB-NB Water Board	\$ 703,948	\$ 703,948	\$ 703,948	\$ -
Charges for use of money and property				
Interest on investments	-	-	2,499	2,499
Total revenues	<u>703,948</u>	<u>703,948</u>	<u>706,447</u>	<u>2,499</u>
EXPENDITURES				
Debt service				
Principal	332,749	332,749	332,749	-
Interest	<u>371,199</u>	<u>371,199</u>	<u>371,199</u>	<u>-</u>
Total expenditures	<u>703,948</u>	<u>703,948</u>	<u>703,948</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>2,499</u>	<u>2,499</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>134,148</u>	<u>134,148</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	136,647	<u>\$ 136,647</u>
Adjustment from budgetary basis to generally accepted accounting principles basis:				
Note receivable, beginning			7,014,084	
Debt payable, beginning			(7,014,084)	
Accrued interest payable			<u>(189,589)</u>	
Fund balance - generally accepted accounting principles basis			<u>\$ (52,942)</u>	

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
STREET IMPROVEMENT FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State	\$ 154,598	\$ 154,598	\$ 79,598	\$ (75,000)
Charges for use of money and property				
Interest on investments	<u>700</u>	<u>700</u>	<u>-</u>	<u>(700)</u>
Total revenues	155,298	155,298	79,598	(75,700)
EXPENDITURES				
Public works				
Capital outlay	<u>237,698</u>	<u>237,698</u>	<u>79,598</u>	<u>158,100</u>
Net change in fund balance	(82,400)	(82,400)	-	(82,400)
FUND BALANCE - BEGINNING OF YEAR	<u>82,400</u>	<u>82,400</u>	<u>-</u>	<u>82,400</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
PARKS IMPROVEMENT FUND
For the Year Ended June 30, 2004

	<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	\$ 100	\$ 100	\$ 134	\$ 34
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>7,483</u>	<u>3,483</u>
Total revenues	<u>4,100</u>	<u>4,100</u>	<u>7,617</u>	<u>3,517</u>
EXPENDITURES				
Culture and recreation				
Materials and services	3,300	3,300	2,718	582
Capital outlay	<u>3,245</u>	<u>3,245</u>	<u>-</u>	<u>3,245</u>
Total expenditures	<u>6,545</u>	<u>6,545</u>	<u>2,718</u>	<u>3,827</u>
Excess (deficiency) of revenues over (under) expenditures	(2,445)	(2,445)	4,899	7,344
FUND BALANCE - BEGINNING OF YEAR	<u>4,245</u>	<u>4,245</u>	<u>10,325</u>	<u>6,080</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 15,224</u>	<u>\$ 13,424</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
BIKE/PEDESTRIAN PATH CONSTRUCTION FUND
For the Year Ended June 30, 2004

	<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	\$ 200	\$ 200	\$ 306	\$ 106
Miscellaneous				
Donations	<u>-</u>	<u>-</u>	<u>3,300</u>	<u>3,300</u>
Total revenues	200	200	3,606	3,406
EXPENDITURES				
Culture and recreation				
Capital outlay	<u>28,200</u>	<u>28,200</u>	<u>-</u>	<u>28,200</u>
Excess (deficiency) of revenues over (under) expenditures	(28,000)	(28,000)	3,606	31,606
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>6,000</u>	<u>6,000</u>	<u>7,063</u>	<u>1,063</u>
Net change in fund balance	(22,000)	(22,000)	10,669	32,669
FUND BALANCE - BEGINNING OF YEAR	<u>22,000</u>	<u>22,000</u>	<u>22,725</u>	<u>725</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,394</u>	<u>\$ 33,394</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
SPECIAL IMPROVEMENT FUND
For the Year Ended June 30, 2004

	<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	\$ 200	\$ 200	\$ 1,709	\$ 1,509
Miscellaneous				
Principal repayment	8,000	8,000	3,093	(4,907)
Interest repayment	<u>1,800</u>	<u>1,800</u>	<u>1,147</u>	<u>(653)</u>
Total miscellaneous	<u>9,800</u>	<u>9,800</u>	<u>4,240</u>	<u>(5,560)</u>
Total revenues	10,000	10,000	5,949	(4,051)
EXPENDITURES				
Culture and recreation				
Capital outlay	<u>24,000</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Excess (deficiency) of revenues over (under) expenditures	(14,000)	(14,000)	5,949	19,949
FUND BALANCE - BEGINNING OF YEAR	<u>14,000</u>	<u>14,000</u>	<u>118,360</u>	<u>104,360</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,309</u>	<u>\$ 124,309</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
INSURANCE RESERVE FUND
For the Year Ended June 30, 2004

	<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	\$ 1,088	\$ 488
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	20,600	20,600	21,088	488
FUND BALANCE - BEGINNING OF YEAR	<u>83,200</u>	<u>83,200</u>	<u>83,575</u>	<u>375</u>
FUND BALANCE - END OF YEAR	<u>\$ 103,800</u>	<u>\$ 103,800</u>	<u>\$ 104,663</u>	<u>\$ 863</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
PUBLIC WORKS EQUIPMENT RESERVE FUND
For the Year Ended June 30, 2004

	<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	\$ 50	\$ 50	\$ 50	\$ -
FUND BALANCE - BEGINNING OF YEAR	<u>3,500</u>	<u>3,500</u>	<u>3,553</u>	<u>53</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,550</u>	<u>\$ 3,550</u>	<u>\$ 3,603</u>	<u>\$ 53</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
REPAIR AND REPLACEMENT RESERVE FUND
For the Year Ended June 30, 2004

	<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	\$ -	\$ -	\$ 6,630	\$ 6,630
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(248,132)</u>	<u>(651,868)</u>
Net change in fund balance	(900,000)	(900,000)	(241,502)	(645,238)
FUND BALANCE - BEGINNING OF YEAR	<u>900,000</u>	<u>900,000</u>	<u>241,502</u>	<u>(658,498)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MAJOR CAPITAL IMPROVEMENT FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 10,000	\$ 10,000	\$ 5,946	\$ (4,054)
EXPENDITURES				
General government				
Materials and services	37,500	17,500	-	17,500
Capital outlay	<u>128,500</u>	<u>148,500</u>	<u>139,491</u>	<u>9,009</u>
Total expenditures	<u>166,000</u>	<u>166,000</u>	<u>139,491</u>	<u>26,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(156,000)</u>	<u>(156,000)</u>	<u>(133,545)</u>	<u>22,455</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	700,000	700,000	248,132	(451,868)
Operating transfers out	<u>(69,000)</u>	<u>(69,000)</u>	<u>(69,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>631,000</u>	<u>631,000</u>	<u>179,132</u>	<u>(451,868)</u>
Net change in fund balance	475,000	475,000	45,587	(429,413)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>700,000</u>
FUND BALANCE - END OF YEAR	<u>\$ 475,000</u>	<u>\$ 475,000</u>	<u>\$ 745,587</u>	<u>\$ 270,587</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MINOR CAPITAL IMPROVEMENT FUND
For the Year Ended June 30, 2004

	<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	\$ -	\$ -	\$ 797	\$ 797
EXPENDITURES				
General government				
Capital outlay	<u>56,900</u>	<u>56,900</u>	<u>26,930</u>	<u>29,970</u>
Excess (deficiency) of revenues over (under) expenditures	(56,900)	(56,900)	(26,133)	30,767
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balance	43,100	43,100	(26,133)	(69,233)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
FUND BALANCE - END OF YEAR	<u>\$ 43,100</u>	<u>\$ 43,100</u>	<u>\$ 73,867</u>	<u>\$ 30,767</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
TECHNOLOGY RESERVE FUND
For the Year Ended June 30, 2004

	<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	\$ -	\$ -	\$ 13	\$ 13
EXPENDITURES				
General government				
Capital outlay	\$ <u>69,000</u>	\$ <u>69,000</u>	\$ <u>48,674</u>	\$ <u>20,326</u>
Excess (deficiency) of revenues over (under) expenditures	(69,000)	(69,000)	(48,661)	20,339
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>69,000</u>	<u>69,000</u>	<u>69,000</u>	<u>-</u>
Net change in fund balance	-	-	20,339	20,339
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>13,089</u>	<u>(13,089)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,428</u>	<u>\$ 7,250</u>

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

Nonmajor Proprietary Funds

CITY OF COOS BAY, OREGON
Combining Balance Sheet
NONMAJOR PROPRIETARY FUNDS
June 30, 2004

	<u>Wastewater Equipment Reserve</u>	<u>Building Codes</u>	<u>Building Codes Reserve</u>	<u>Total Nonmajor Proprietary Funds</u>
ASSETS				
Current assets				
Cash and investments	\$ <u>354,920</u>	\$ <u>119,181</u>	\$ <u>23,643</u>	\$ <u>497,744</u>
Total assets	<u>354,920</u>	<u>119,181</u>	<u>23,643</u>	<u>497,744</u>
LIABILITIES				
Current liabilities				
Accounts payable	13,156	2,050	-	15,206
Compensated absences payable	-	3,369	-	3,369
Deferred revenues	<u>-</u>	<u>4,075</u>	<u>-</u>	<u>4,075</u>
Total liabilities	<u>13,156</u>	<u>9,494</u>	<u>-</u>	<u>22,650</u>
NET ASSETS				
Restricted for				
Capital projects	341,764	-	-	341,764
Unrestricted	<u>-</u>	<u>109,687</u>	<u>23,643</u>	<u>133,330</u>
Total net assets	<u>\$ <u>341,764</u></u>	<u>\$ <u>109,687</u></u>	<u>\$ <u>23,643</u></u>	<u>\$ <u>475,094</u></u>

CITY OF COOS BAY, OREGON
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Wastewater Equipment Reserve	Building Codes	Building Codes Reserve	Total Nonmajor Proprietary Funds
OPERATING REVENUES				
Licenses and permits	\$ -	\$ 204,523	\$ -	\$ 204,523
OPERATING EXPENSES				
Personal services	-	159,151	-	159,151
Materials and services	4,162	8,203	-	12,365
Capital outlay	38,480	-	3,000	41,480
Total operating expenses	42,642	167,354	3,000	212,996
Operating income (loss)	(42,642)	37,169	(3,000)	(8,473)
Non-operating revenues (expenses)				
Interest on investments	4,268	1,398	239	5,905
Other revenue (expenses)	-	223	-	223
Total non-operating revenues	4,268	1,621	239	6,128
Net income (loss) before operating transfers	(38,374)	38,790	(2,761)	(2,345)
Transfers in	50,000	-	10,000	60,000
Transfers out	-	(10,000)	-	(10,000)
Net operating transfers	50,000	(10,000)	10,000	50,000
Change in net assets	11,626	28,790	7,239	47,655
Total net assets - beginning of year	330,138	80,897	16,404	427,439
Total net assets - end of year	\$ 341,764	\$ 109,687	\$ 23,643	\$ 475,094

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, only the City's Wastewater Fund is presented in the basic financial statements. All other fund budgetary comparisons are displayed in the following pages as supplementary information.

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

Enterprise Funds

ENTERPRISE FUNDS

Wastewater (major)

SUPPLEMENTARY INFORMATION

Wastewater Equipment Reserve

Building Codes

Building Codes Reserve

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
WASTEWATER EQUIPMENT RESERVE
For the Year Ended June 30, 2004

	<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	\$ 4,000	\$ 4,000	\$ 4,268	\$ 268
EXPENDITURES				
Public works				
Materials and services	10,000	10,000	4,162	5,838
Capital outlay	339,000	339,000	38,480	300,520
Total expenditures	349,000	349,000	42,642	306,358
Excess (deficiency) of revenues over (under) expenditures	(345,000)	(345,000)	(38,374)	306,626
OTHER FINANCING SOURCES (USES)				
Operating transfers in	50,000	50,000	50,000	-
Net change in fund balance	(295,000)	(295,000)	11,626	306,626
FUND BALANCE - BEGINNING OF YEAR	295,000	295,000	330,138	35,138
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 341,764	\$ 341,764

CITY OF COOS BAY, OREGON
Reconciliation of Budgetary Revenues and Expenditures
to Proprietary Revenues and Expenses
WASTEWATER AND WASTEWATER EQUIPMENT RESERVE FUND
For the Year Ended June 30, 2004

	Revenues	Expenditures
FUND BALANCES - BUDGET BASIS		
Wastewater Operating fund	\$ 2,787,683	\$ 2,079,484
Wastewater Capital Projects Fund	4,268	42,642
Total	2,791,951	2,122,126
 SUPPORT SERVICES		
Expenditures capitalized	-	(139,366)
Depreciation expense	-	493,092
Revenues and expenses - page 18	\$ 2,791,951	\$ 2,475,852

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
BUILDING CODES RESERVE FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for use of money and property				
Interest on investments	\$ 300	\$ 300	\$ 239	\$ (61)
EXPENDITURES				
Public works				
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(2,700)	(2,700)	(2,761)	(61)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balance	7,300	7,300	7,239	(61)
FUND BALANCE - BEGINNING OF YEAR	<u>21,450</u>	<u>21,450</u>	<u>16,404</u>	<u>(5,046)</u>
FUND BALANCE - END OF YEAR	<u>\$ 28,750</u>	<u>\$ 28,750</u>	<u>\$ 23,643</u>	<u>\$ (5,107)</u>

CITY OF COOS BAY, OREGON
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
BUILDING CODES FUND
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 190,870	\$ 190,870	\$ 204,523	\$ 13,653
Charges for use of money and property				
Interest on investments	1,000	1,000	1,398	398
Miscellaneous	<u>50</u>	<u>50</u>	<u>223</u>	<u>173</u>
Total revenues	<u>191,920</u>	<u>191,920</u>	<u>206,144</u>	<u>14,224</u>
EXPENDITURES				
Public works				
Personal services	169,265	169,265	159,151	10,114
Materials and services	25,600	25,600	8,203	17,397
Contingency	<u>9,055</u>	<u>9,055</u>	<u>-</u>	<u>9,055</u>
Total expenditures	<u>203,920</u>	<u>203,920</u>	<u>167,354</u>	<u>36,566</u>
Excess (deficiency) of revenues over (under) expenditures	(12,000)	(12,000)	38,790	50,790
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	(22,000)	(22,000)	28,790	50,790
FUND BALANCE - BEGINNING OF YEAR	<u>39,000</u>	<u>39,000</u>	<u>80,897</u>	<u>41,897</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 109,687</u>	<u>\$ 92,687</u>

CITY OF COOS BAY, OREGON
Reconciliation of Budgetary Revenues and Expenditures
to Proprietary Revenues and Expenses
BUILDING CODES AND BUILDING CODES RESERVE FUND
For the Year Ended June 30, 2004

	Revenues	Expenditures
FUND BALANCES - BUDGET BASIS		
Building Codes Operating Fund	\$ 206,144	\$ 167,354
Building Codes Capital Projects Fund	239	3,000
Total	206,383	170,354
SUPPORT SERVICES		
Expenditures capitalized	-	-
Depreciation expense	-	-
Revenues and expenses - page 18	\$ 206,383	\$ 170,354

CITY OF COOS BAY, OREGON
Reconciliation of Budgetary Fund Balance to
Generally Accepted Accounting Principles Basis - Net Assets
For the year ended June 30, 2004

	Total Wastewater	Total Building Codes
FUND BALANCES - BUDGET BASIS		
Operating Fund	\$ 1,221,555	\$ 109,687
Capital Projects Fund	341,764	23,643
Total fund balances - budget basis	1,563,319	133,330
ADJUSTMENTS FROM BUDGETARY BASIS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS		
Capital assets, net	9,244,242	-
Total fund equities - generally accepted accounting principles basis (pages 17 and 18)	\$ 10,807,561	\$ 133,330

ACCOMPANYING INFORMATION

AUDITOR'S REPORT AND COMMENTS

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

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

We have audited the accompanying basic financial statements of the City of Coos Bay, Oregon as of and for the year ended June 30, 2004, and have issued our report thereon dated December 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

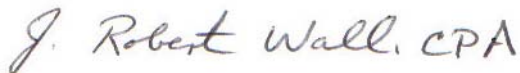
Compliance

As part of obtaining reasonable assurance about whether the City of Coos Bay, Oregon's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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



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

Coos Bay, Oregon
December 21, 2004

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

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

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

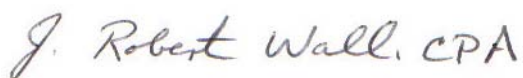
Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the City's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which may have included samples of transactions, to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

- As part of our audit of the basic financial statements, we reviewed and tested the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The accounting records were properly maintained and the accounting and internal control structure was adequate. We did convey recommendations for strengthening and improving the City of Coos Bay internal controls in a separate letter to management dated December 21, 2004.
- Other Audit Comments:
 - Collateral - Balances on deposit with financial institutions were secured during the year ended June 30, 2004, in accordance with requirements of ORS 295.015.
 - Indebtedness - The City has complied with applicable debt requirements during the year ended June 30, 2004, including limitations on debt incurred and outstanding, prescribed time periods of debt liquidation, and adherence to provisions of bond indentures and related City ordinances. The City of Coos Bay complied with legal restrictions pertaining to the use of monies available in the Debt Service Funds to retire indebtedness during the year ended June 30, 2004.
 - Insurance and Fidelity Bonds - We have examined the City's insurance and fidelity bond coverages at June 30, 2004 and ascertained that such policies appeared to be in force as of that date and appeared to comply with the legal requirements. We do not express an opinion as to the adequacy of the insurance policies since we are not trained to do so.
 - The City has complied with the provisions of ORS 221.903 regarding the bonding of City personnel.
 - Investments - The City is in compliance with legal requirements pertaining to investment of public funds.
 - Budget - Statutory provisions were complied with in the preparation and adoption of the annual budget and related tax levy for the ensuing 2004-2005 fiscal year. These provisions were also generally complied with in the preparation, adoption and execution of the annual budget and related tax levy for the year ended June 30, 2004.

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

- No elected officials of the City were entrusted with City funds during the year ended June 30, 2004.
- Public Contracts and Disclosures - The City was in compliance with legal requirements pertaining to the awarding of public contracts and construction of public improvements.
- Highway Funds - The City of Coos Bay complied with applicable legal requirements pertaining to the use of revenue from taxes on motor vehicle fuel and with statutory requirements pertaining to the use of road funds during the year ended June 30, 2004.
- Programs Funded From Outside Sources - We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies. The results of our tests indicate for the items tested, the City complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and for the items test, financial reports and related data were in agreement with and supported by the accounting records.

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



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

Coos Bay, Oregon
December 21, 2004