

**URBAN RENEWAL AGENCY
OF THE CITY OF COOS BAY
OREGON**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2004

**URBAN RENEWAL AGENCY
OF THE CITY OF COOS BAY**
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2004

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**URBAN RENEWAL AGENCY
OF THE CITY OF COOS BAY**

**ANNUAL FINANCIAL REPORT
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**URBAN RENEWAL AGENCY
OF THE CITY OF COOS BAY**

AGENCY OFFICIALS

As of June 30, 2004

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

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

Anna Marie Larson, Secretary
(resigned December 21, 2004)
774 South 7th Street
Coos Bay, OR 97420

John Muenchrath, Secretary
(elected December 21, 2004)
2500 Koosbay Blvd
Coos Bay, OR 97420

Joe Benetti
260 South Broadway
Coos Bay, OR 97420

Jon Eck
1476 Juniper Street
Coos Bay, OR 97420

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

Jeff McKeown
890 Telegraph Drive
Coos Bay, OR 97420

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Governing Body of the Urban Renewal Agency of the City of Coos Bay:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Urban Renewal Agency of the City of Coos Bay, Oregon, as of June 30, 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 NOTES 1 and 2, the Agency has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

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

The management's discussion and analysis information on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urban Renewal Agency of the City of Coos Bay, Oregon's basic financial statements. The combining and individual nonmajor fund financial statements and accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole

J. Robert Wall, CPA

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

Coos Bay, Oregon
December 21, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Coos Bay

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

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

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

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader. However, the Agency looks forward to offering comparative data in the future.

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

FINANCIAL HIGHLIGHTS

The Agency's net assets on June 30, 2004 were (\$81,000) primarily due to the agency transferring most assets to the City of Coos Bay as a contribution while continuing to recognize and service related debt.

Governmental activities revenue was \$1.3 million, the majority of which is tax increment revenue.

Overall Agency expenditures were \$3.7 million. Major expenditures included \$1.7 million for the Newmark Avenue Widening Project and \$1.3 million for debt service.

REPORT LAYOUT

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

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

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

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

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

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

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

AGENCY AS A WHOLE

Government-Wide Financial Statements

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

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

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 Agency's net assets were negative at June 30, 2004 primarily due to the agency transferring most assets to the City of Coos Bay as a contribution, while the Agency retains the long-term debt not scheduled to be fully retired until 2018.

Business-type Activities

There were no business-type activities during the year.

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

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

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

	Governmental Activities
	<u>2004</u>
REVENUES	
General revenues	
Taxes	\$1.10
Interest	0.10
Property sales/disposals	(0.66)
Contributions/transfers	(1.82)
Other	0.02
Total revenues	<u>(1.26)</u>
EXPENSES	
Governmental activities	<u>0.46</u>
Total expenses	<u>0.46</u>
Increase in net assets	(1.72)
Beginning net assets	<u>1.64</u>
Ending net assets	<u><u>(\$0.08)</u></u>

Governmental Activities

Governmental activities revenue was \$1.3 million, the majority of which is tax increment revenues.

Governmental activity expenditures were \$3.7 million. Major expenditures included \$1.7 million for the Newmark Widening Project and \$1.3 million for debt service.

BUDGETARY HIGHLIGHTS

The Agency's total appropriations increased by approximately \$5.7 million from \$5.1 million to \$10.8 million. The increase was due primarily to the additional \$5.1 million of new bonds financed in January 2003. Actual operating costs in all funds were 42% of the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004 the Agency had invested \$1.53 million in capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$220,000.

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

	Governmental
	Activities
	<u>2004</u>
Land & improvements	\$1.36
Buildings & improvements	0.15
Vehicles	0.02
Total	<u><u>\$1.53</u></u>

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

Table 4
Change in Capital Assets
(in millions)

	Governmental
	Activities
Beginning balance	\$1.753
Additions	0.497
Retirement	(0.714)
Depreciation	<u>(0.006)</u>
Ending balance	<u><u>\$1.530</u></u>

Assets from governmental activities decreased \$220,000. Offsetting additions were depreciation and retirement of assets.

Debt Outstanding

As of year-end, the Agency had \$7.6 million in debt outstanding compared to \$8.1 million last year. \$421,000 of the debt outstanding at June 30, 2004 is due within one year.

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

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

Debt of the Agency has not been rated.

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

ECONOMIC FACTORS

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

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

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Statement of Net Assets
GOVERNMENTAL FUNDS
June 30, 2004

ASSETS	
Cash and investments	\$ 5,973,917
Receivables	
Taxes	85,518
Accounts	29,388
Capital assets (net of accumulated depreciation)	<u>1,530,091</u>
Total assets	<u>7,618,914</u>
LIABILITIES	
Accounts payable	23,775
Interest payable	27,727
Noncurrent liabilities	
Due within one year	
Bonds payable	420,982
Due in more than one year	
Bonds payable	<u>7,227,728</u>
Total liabilities	<u>7,700,212</u>
NET ASSETS	
Unrestricted (deficit)	<u>(81,298)</u>
Total net assets	<u>\$ (81,298)</u>

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

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

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants/ Contributions	Governmental Activities	Total
Primary government					
Governmental activities					
General government	\$ 138	\$ -	\$ -	\$ (138)	\$ (138)
Public works	101,173	-	-	(101,173)	(101,173)
Interest on long-term debt	<u>359,585</u>	<u>-</u>	<u>-</u>	<u>(359,585)</u>	<u>(359,585)</u>
Total primary government	<u>\$ 460,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(460,896)</u>	<u>(460,896)</u>
General revenues					
Taxes					
Property				1,105,155	1,105,155
Rent income				15,412	15,412
Investment earnings				99,462	99,462
Property sales/disposals, net				(162,009)	(162,009)
Contributed/transferred				<u>(2,315,194)</u>	<u>(2,315,194)</u>
Total general revenues and transfers, net				<u>(1,257,174)</u>	<u>(1,257,174)</u>
Change in net assets				(1,718,070)	(1,718,070)
Net assets - beginning of year				<u>1,636,772</u>	<u>1,636,772</u>
Net assets - end of year				<u>\$ (81,298)</u>	<u>\$ (81,298)</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2004

	<u>Downtown Special Revenue</u>	<u>Empire Special Revenue</u>	<u>Downtown Bond</u>
ASSETS AND OTHER DEBITS			
Cash and investments	\$ 225,019	\$ 119,439	\$ -
Receivables, net			
Taxes	57,799	27,719	-
Accounts	<u>19,125</u>	<u>9,062</u>	<u>-</u>
Total assets and other debits	<u>301,943</u>	<u>156,220</u>	<u>-</u>
LIABILITIES			
Accounts payable	-	-	-
Deferred revenue	<u>57,799</u>	<u>27,719</u>	<u>-</u>
Total liabilities	<u>57,799</u>	<u>27,719</u>	<u>-</u>
FUND BALANCES			
Unreserved	244,144	128,501	-
Reserve for capital projects	-	-	-
Reserved for debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>244,144</u>	<u>128,501</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 301,943</u>	<u>\$ 156,220</u>	<u>\$ -</u>

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

Empire Bond	Downtown Capital Projects	Empire Capital Projects	Other Governmental	Total Governmental
\$ -	\$ 4,214,047	\$ 556,851	\$ 858,561	\$ 5,973,917
-	-	-	-	85,518
-	-	-	1,201	29,388
-	4,214,047	556,851	859,762	6,088,823
-	15,674	8,101	-	23,775
-	-	-	-	85,518
-	15,674	8,101	-	109,293
-	-	-	56,839	429,484
-	4,198,373	548,750	37,692	4,784,815
-	-	-	765,231	765,231
-	4,198,373	548,750	859,762	5,979,530
\$ -	\$ 4,214,047	\$ 556,851	\$ 859,762	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds (net of accumulated depreciation).	1,530,091
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	85,518
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 \$27,727).	<u>(7,676,437)</u>
Net assets of governmental activities	<u>\$ (81,298)</u>

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

	<u>Downtown Special Revenue</u>	<u>Empire Special Revenue</u>	<u>Downtown Bond</u>
REVENUES			
Taxes	\$ 751,241	\$ 359,394	\$ -
Charges for use of money and property	3,919	1,913	-
Property sales	-	-	-
Lease revenue	-	-	-
	<u>755,160</u>	<u>361,307</u>	<u>-</u>
Total revenues			
EXPENDITURES			
Materials and services	-	-	-
Capital outlay	-	-	-
Debt service	-	-	525,520
	<u>-</u>	<u>-</u>	<u>525,520</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>755,160</u>	<u>361,307</u>	<u>(525,520)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	525,520
Operating transfers out	(525,520)	(239,711)	-
	<u>(525,520)</u>	<u>(239,711)</u>	<u>525,520</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	229,640	121,596	-
FUND BALANCES, JULY 1, 2003	<u>14,504</u>	<u>6,905</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2004	<u>\$ 244,144</u>	<u>\$ 128,501</u>	<u>\$ -</u>

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

<u>Empire Bond</u>	<u>Downtown Capital Projects</u>	<u>Empire Capital Projects</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,110,635
-	71,640	21,011	979	99,462
-	-	-	55,250	55,250
-	-	-	15,412	15,412
<u>-</u>	<u>71,640</u>	<u>21,011</u>	<u>71,641</u>	<u>1,280,759</u>
-	69,080	26,272	138	95,490
-	607,549	1,707,645	-	2,315,194
<u>239,711</u>	<u>556,470</u>	<u>-</u>	<u>-</u>	<u>1,321,701</u>
<u>239,711</u>	<u>1,233,099</u>	<u>1,733,917</u>	<u>138</u>	<u>3,732,385</u>
<u>(239,711)</u>	<u>(1,161,459)</u>	<u>(1,712,906)</u>	<u>71,503</u>	<u>(2,451,626)</u>
239,711	-	-	-	765,231
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(765,231)</u>
<u>239,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(1,161,459)	(1,712,906)	71,503	(2,451,626)
<u>-</u>	<u>5,359,832</u>	<u>2,261,656</u>	<u>788,259</u>	<u>8,431,156</u>
<u>\$ -</u>	<u>\$ 4,198,373</u>	<u>\$ 548,750</u>	<u>\$ 859,762</u>	<u>\$ 5,979,530</u>

**URBAN RENEWAL AGENCY CITY
OF THE CITY OF COOS BAY
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 \$ (2,451,626)

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	\$ 496,651	
Less current year depreciation	<u>(5,821)</u>	490,830
Capital assets disposed of		(713,909)

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

Property taxes		(5,480)
----------------	--	---------

Estimated allowance for uncollectibles on property taxes receivable.		-
--	--	---

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		957,944
--------------------	--	---------

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

Accrued interest on general obligation bonds		<u>4,171</u>
--	--	--------------

Change in Net Assets of Governmental Activities		<u><u>\$ (1,718,070)</u></u>
--	--	-------------------------------------

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

FUND FINANCIAL STATEMENTS
Major Governmental Funds

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

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

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

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

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

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN SPECIAL REVENUE 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				
Property taxes	\$ 671,130	\$ 671,130	\$ 751,241	\$ 80,111
Charges for use of money and property				
Interest on investments	<u>1,500</u>	<u>1,500</u>	<u>3,919</u>	<u>2,419</u>
Total revenues	672,630	672,630	755,160	82,530
EXPENDITURES				
Debt service	<u>207,110</u>	<u>207,110</u>	<u>-</u>	<u>207,110</u>
Excess (deficiency) of revenues over (under) expenditures	465,520	465,520	755,160	289,640
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(525,520)</u>	<u>(525,520)</u>	<u>(525,520)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(60,000)	(60,000)	229,640	289,640
FUND BALANCE, JULY 1, 2003	<u>60,000</u>	<u>60,000</u>	<u>14,504</u>	<u>(45,496)</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,144</u>	<u>\$ 244,144</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE SPECIAL REVENUE 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				
Property taxes	\$ 321,520	\$ 321,520	\$ 359,394	\$ 37,874
Charges for use of money and property				
Interest on investments	<u>1,000</u>	<u>1,000</u>	<u>1,913</u>	<u>913</u>
Total revenues	322,520	322,520	361,307	38,787
EXPENDITURES				
Debt service	<u>102,809</u>	<u>102,809</u>	<u>-</u>	<u>102,809</u>
Excess (deficiency) of revenues over (under) expenditures	219,711	219,711	361,307	141,596
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(239,711)</u>	<u>(239,711)</u>	<u>(239,711)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(20,000)	(20,000)	121,596	141,596
FUND BALANCE, JULY 1, 2003	<u>20,000</u>	<u>20,000</u>	<u>6,905</u>	<u>(13,095)</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,501</u>	<u>\$ 128,501</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN 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>		
EXPENDITURES				
Debt service				
Principal	\$ 275,712	\$ 275,712	\$ 275,712	\$ -
Interest	<u>249,808</u>	<u>249,808</u>	<u>249,808</u>	<u>-</u>
Total expenditures	525,520	525,520	525,520	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>525,520</u>	<u>525,520</u>	<u>525,520</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-
FUND BALANCE, JULY 1, 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE 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>		
EXPENDITURES				
Debt service				
Principal	\$ 125,763	\$ 125,763	\$ 125,763	\$ -
Interest	<u>113,948</u>	<u>113,948</u>	<u>113,948</u>	<u>-</u>
Total expenditures	239,711	239,711	239,711	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>239,711</u>	<u>239,711</u>	<u>239,711</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-
FUND BALANCE, JULY 1, 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN CAPITAL PROJECTS 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 Grants	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Charges for use of money and property				
Interest on investments	<u>78,000</u>	<u>78,000</u>	<u>71,640</u>	<u>(6,360)</u>
Total revenues	<u>128,000</u>	<u>128,000</u>	<u>71,640</u>	<u>(56,360)</u>
EXPENDITURES				
Materials and services	109,000	109,000	69,080	39,920
Capital outlay	5,219,000	4,662,530	607,549	4,611,451
Debt service	<u>-</u>	<u>556,470</u>	<u>556,470</u>	<u>(556,470)</u>
Total expenditures	<u>5,328,000</u>	<u>5,328,000</u>	<u>1,233,099</u>	<u>4,094,901</u>
Excess (deficiency) of revenue over (under) expenditures	(5,200,000)	(5,200,000)	(1,161,459)	4,038,541
FUND BALANCE, JULY 1, 2003	<u>5,200,000</u>	<u>5,200,000</u>	<u>5,359,832</u>	<u>159,832</u>
FUND BALANCE, JUNE 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,198,373</u></u>	<u><u>\$ 4,198,373</u></u>

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE CAPITAL PROJECTS 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	\$ 41,000	\$ 41,000	\$ 21,011	\$ (19,989)
EXPENDITURES				
Materials and services	31,000	31,000	26,272	4,728
Capital outlay	<u>2,760,000</u>	<u>2,760,000</u>	<u>1,707,645</u>	<u>1,052,355</u>
Total expenditures	<u>2,791,000</u>	<u>2,791,000</u>	<u>1,733,917</u>	<u>1,057,083</u>
Excess (deficiency) of revenues over (under) expenditures	(2,750,000)	(2,750,000)	(1,712,906)	1,037,094
FUND BALANCE, JULY 1, 2003	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,261,656</u>	<u>(488,344)</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,750</u>	<u>\$ 548,750</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.

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

B. Basis Financial Statements

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

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

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

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

C. Basis of Presentation

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

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

The Agency reports the following **major** governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Property taxes collected within 60 days following year-end;
- Interest earned on savings and certificates of deposit;
- Federal and State grants, if any, (to the extent that revenues are recorded as eligible expenditures are incurred); and
- State shared revenues, if any, in transit to the Agency at year-end.
- Expenditures are recorded when the related fund liability is incurred, except for principal, interest, and loan servicing fees on general long-term debt which are recorded when due.

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

E. Assets, Liabilities And Equity

1. Cash and Investments

Deposits and Investments. The Agency maintains merged bank accounts and investments for its fund in a central pool of cash and investments with the City of Coos Bay. This pool includes amounts in demand deposits (money market accounts) and investments in the Oregon State Treasury Local Government Investment Pool (LGIP) which was partially transferred to money market accounts during the previous fiscal year, in June of 2002, for the Agency. The investment policy of the City is to invest in LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to each fund based on monthly cash balances.

Investments are stated at cost, which approximates fair value.

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

- Concentrations of Credit Risk - Financial instruments that potentially subject the City and Agency to concentrations of credit risk consist principally of temporary cash investments and accounts receivables. The City places its temporary cash investments with financial institutions and the State of Oregon's Local Government Investment Pool and limits the amount of credit exposure to any one financial institution (NOTE 6). Concentrations of credit with respect to receivables are limited due to the large number of customers comprising the City's user base. As of June 30, 2004, the City or Agency had no significant concentrations of credit risk.
- Interest Earnings - Cash on hand in excess of current requirements is maintained in interest bearing money market accounts, or invested in the Local Government Investment Pool. The City's interest earnings are allocated to the various funds in direct proportion to the ratio of each fund's capital invested.

2. Receivables and Payables

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

Recorded property taxes receivable that are collected within 31 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

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

Property tax revenue is recognized on the modified accrual basis in the governmental individual funds, that is when, it becomes both measurable and available to finance expenditures of the current period, with "available" meaning due and receivable in the current period and collected in the current period, or expected to be collected within 31 days of the close of the current period. Property taxes not received by then are considered susceptible to accrual on the modified accrual basis, but are shown in the balance sheets of the Individual Funds as assets and are offset by deferred revenues and, accordingly, have not been recorded as current revenue. Property tax revenues are recognized on the full accrual basis in the government-wide basic financial statements.

3. *Capital Assets*

Capital assets, which include property and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental individual fund statements, and capitalized and depreciated in the government-wide statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation.

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

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and storm drain systems are capitalized by the Agency beginning in the fiscal year ended June 30, 2004 (NOTE 2).

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

<u>Asset</u>	<u>Years</u>
Land improvements	10-50
Buildings	25-50
Building improvements	20-40
Equipment and machinery	5-15
Infrastructure	
Roads	40
Sidewalks	25-40

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

Capital assets of \$2,315,194 acquired/constructed by the Agency, and expensed in the 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.

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

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

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

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

5. *Net Assets*

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

6. *Fund Equity*

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

7. *Other*

- Management's Use of Estimates - The preparation of the basic financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain amounts from June 30, 2003 were adjusted to facilitate this analysis. Comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

NOTE 2. RESTATEMENT

As of and for the year ended June 30, 2004, the Agency implemented the following Governmental Accounting Standards Board (GASB) pronouncements:

- No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.
- No. 36 - Recipient Reporting for Certain Shared Non-exchange Revenues - An Amendment of GASB No. 33.
- No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.
- No. 38 - Certain Financial Statement Note Disclosures.
- No. 39 - Determining Whether Certain Organizations Are Component Units.

As a result of implementing these pronouncements, the following restatements to the June 30, 2003 equity balances were made to determine July 1, 2003 beginning net assets:

	<u>Governmental</u>
Fund balances - June 30, 2003	\$ 7,784,686
Capital assets, net of accumulated depreciation	1,753,171
Deferred revenue	90,998
Long-term debt	(8,050,185)
Accrued interest payable	<u>(31,898)</u>
Net assets - July 1, 2003	<u>\$ 1,636,772</u>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

B. Compliance

Statutory provisions were complied with in the preparation and adoption of the annual budget and related tax levy for the ensuing 2004-2005 fiscal year. These provisions were also complied with in the preparation, adoption and execution of the annual budget and related tax levy for the year ended June 30, 2004.

NOTE 4. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits are generally categorized as either (1) insured or registered for which the securities are held by the Agency or its agent in the Agency's name; (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the Agency's name; or, (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Agency's name.

The Agency's investments cannot be grouped in the above categories.

At fiscal year end, the carrying amount of deposits with the City of Coos Bay was \$8,624,592, of which \$8,624,592 was with money market accounts. All deposits are held in the name of the City of Coos Bay.

As described in Note 1C, the Agency maintains bank accounts and investments for its fund in a central pool of cash and investments with the City of Coos Bay. Financial instruments that potentially subject the City and the Agency to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The City and the Agency place their temporary cash investments with financial institutions and limit the amount of credit exposure to any one financial institution while maintaining additional collateral with \$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 and Agency's customer base and their dispersion across different industries and geographic locations. During the year ended June 30, 2004, the City and the Agency fully collateralized their deposits with adequate certificates and FDIC coverages.

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

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

B. Receivables

Receivables as of year ended June 30, 2004 are as follows:

	Special Revenue	Debt Service	Capital Projects	Totals
Receivables:				
Taxes	\$ 85,518	\$ -	\$ -	\$ 85,518
Accounts	<u>28,187</u>	<u>-</u>	<u>1,201</u>	<u>29,388</u>
Total	<u>\$ 113,705</u>	<u>\$ -</u>	<u>\$ 1,201</u>	<u>\$ 114,906</u>

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

Property taxes are assessed on January 1 and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Coos and remittance to the Agency is made at periodic intervals. For fiscal year 2003-2004, the Agency collected \$1,110,635 in tax increment revenues less \$5,480 estimated allowance for uncollectibles. The balance at June 30, 2004, in deferred incremental taxes receivable was \$85,518.

C. 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 and improvements	\$ 1,579,735	\$ (217,259)	\$ 1,362,476
Total capital assets not being depreciated	<u>1,579,735</u>	<u>(217,259)</u>	<u>1,362,476</u>
Other capital assets at historical cost			
Buildings and improvements	154,946	-	154,946
Equipment and machinery	<u>27,222</u>	<u>-</u>	<u>27,222</u>
Total other capital assets at historical cost	<u>182,168</u>	<u>-</u>	<u>182,168</u>
Less accumulated depreciation			
Buildings and improvements	(4,649)	(3,099)	(7,748)
Equipment and machinery	<u>(4,083)</u>	<u>(2,722)</u>	<u>(6,805)</u>
Total accumulated depreciation	<u>(8,732)</u>	<u>(5,821)</u>	<u>(14,553)</u>
Other capital assets, net	<u>173,436</u>	<u>(5,821)</u>	<u>167,615</u>
Governmental activities capital assets, net	<u>\$ 1,753,171</u>	<u>\$ (223,080)</u>	<u>\$ 1,530,091</u>

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

Public works	\$ <u>5,821</u>
Total depreciation for governmental activities	\$ <u><u>5,821</u></u>

D. Long-term Debt

The Urban Renewal Agency of the City of Coos Bay issued \$5,700,000 urban renewal current refunding bonds on January 24, 2003, which are payable from the tax increment revenues of the Downtown Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2004, are as follows:

Fiscal Year	Issue of January 24, 2003 (Series 2003 A)		
	Total	Principal	Interest
2004-05	\$ 525,520	\$ 289,108	\$ 236,412
2005-06	525,520	302,450	223,070
2006-07	525,520	316,406	209,114
2007-08	525,520	330,484	195,036
2008-09	525,520	346,257	179,263
2009-14	2,627,600	1,985,851	641,749
2014-18	<u>1,839,320</u>	<u>1,682,172</u>	<u>157,148</u>
Total	\$ <u>7,094,520</u>	\$ <u>5,252,728</u>	\$ <u>1,841,792</u>

Interest rate: Fixed annual rate of 4.5%.

The Urban Renewal Agency of the City of Coos Bay issued \$2,600,000 urban renewal current refunding bonds on January 24, 2003, which are payable from the tax increment revenues of the Empire Urban Renewal Area. The future requirements for amortization of these outstanding urban renewal bonds as of June 30, 2004, are as follows:

Fiscal Year	Issue of January 24, 2003 (Series 2003 A)		
	Total	Principal	Interest
2004-05	\$ 239,711	\$ 131,874	\$ 107,837
2005-06	239,711	137,959	101,752
2006-07	239,711	144,326	95,385
2007-08	239,711	150,747	88,964
2008-09	239,711	157,942	81,796
2009-14	1,198,555	905,827	292,728
2014-18	<u>838,988</u>	<u>767,307</u>	<u>71,681</u>
Total	\$ <u>3,236,098</u>	\$ <u>2,395,982</u>	\$ <u>840,116</u>

Interest rate: Fixed annual rate of 4.5%.

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

	Balance 7/1/03	Additions/ (Reductions)	Balance 6/30/04
Urban Renewal Bonds:			
<u>Downtown (Series 1/24/03 A):</u>			
Payment: June 2, 2003	\$ 5,528,439	\$ (275,711)	\$ 5,252,728
<u>Empire (Series 1/24/03 A):</u>			
Payment: June 2, 2003	<u>2,521,745</u>	<u>(125,763)</u>	<u>2,395,982</u>
Total	\$ <u>8,050,184</u>	\$ <u>(401,474)</u>	\$ <u>7,648,710</u>

The following is a summary of interest coupon transactions for the year ended June 30, 2004:

	Matured Outstanding 7/1/03	Matured	Redeemed	Matured Outstanding 6/30/04
Urban Renewal Bonds:				
<u>Downtown (Series 2003 A):</u>				
January 24, 2003	\$ -	\$ 249,808	\$ 249,808	\$ -
<u>Empire (series 2003 A):</u>				
January 24, 2003	-	113,948	113,948	-
Total	\$ -	\$ 363,756	\$ 363,756	\$ -

NOTE 5. OTHER INFORMATION

A. Risk Management

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

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

B. Property Tax Limitation

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

C. New Accounting Pronouncement

In March 2003, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 40, *Deposit 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 deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The City and Agency are reviewing the requirements of this standard. The City and Agency does not expect this standard to affect its financial position or results of operations.

SUPPLEMENTARY INFORMATION SECTION

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
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	\$ 56,839	\$ 765,231	\$ 36,491	\$ 858,561
Receivables				
Accounts	<u>-</u>	<u>-</u>	<u>1,201</u>	<u>1,201</u>
Total assets	<u>\$ 56,839</u>	<u>\$ 765,231</u>	<u>\$ 37,692</u>	<u>\$ 859,762</u>
FUND BALANCES				
Reserved for debt service	-	765,231	-	765,231
Reserved for capital projects	-	-	37,692	37,692
Unreserved, reported in				
Special revenue funds	<u>56,839</u>	<u>-</u>	<u>-</u>	<u>56,839</u>
Total liabilities and fund balances	<u>\$ 56,839</u>	<u>\$ 765,231</u>	<u>\$ 37,692</u>	<u>\$ 859,762</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Combining Balance Sheet
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2004

	<u>Empire Program</u>	<u>Downtown Program</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ <u>55,837</u>	\$ <u>1,002</u>	\$ <u>56,839</u>
Total assets	\$ <u><u>55,837</u></u>	\$ <u><u>1,002</u></u>	\$ <u><u>56,839</u></u>
FUND BALANCES			
Unreserved	\$ <u>55,837</u>	\$ <u>1,002</u>	\$ <u>56,839</u>
Total liabilities and fund balances	\$ <u><u>55,837</u></u>	\$ <u><u>1,002</u></u>	\$ <u><u>56,839</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Combining Balance Sheet
NONMAJOR DEBT SERVICE FUNDS
June 30, 2004

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

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Combining Balance Sheet
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2004

	<u>Empire Property Improvement</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 36,491	\$ 36,491
Receivables		
Accounts	<u>1,201</u>	<u>1,201</u>
Total assets	<u>\$ 37,692</u>	<u>\$ 37,692</u>
FUND BALANCES		
Reserved for capital projects	<u>\$ 37,692</u>	<u>\$ 37,692</u>
Total liabilities and fund balances	<u>\$ 37,692</u>	<u>\$ 37,692</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
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				
Charges for use of money and property	\$ 589	\$ -	\$ 390	\$ 979
Lease revenue	1,000	-	14,412	15,412
Property sales	<u>55,250</u>	<u>-</u>	<u>-</u>	<u>55,250</u>
Total revenues	56,839	-	14,802	71,641
EXPENDITURES				
Materials and services	<u>-</u>	<u>-</u>	<u>138</u>	<u>138</u>
Excess (deficiency) of revenues over (under) expenditures	56,839	-	14,664	71,503
FUND BALANCES, JULY 1, 2003	<u>-</u>	<u>765,231</u>	<u>23,028</u>	<u>788,259</u>
FUND BALANCES, JUNE 30, 2004	<u>\$ 56,839</u>	<u>\$ 765,231</u>	<u>\$ 37,692</u>	<u>\$ 859,762</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2004

	Empire Program	Downtown Program	Total
REVENUES			
Charges for use of money and property	\$ 587	\$ 2	\$ 589
Lease revenue	-	1,000	1,000
Property sales	55,250	-	55,250
Total revenues	55,837	1,002	56,839
FUND BALANCES, JULY 1, 2003	-	-	-
FUND BALANCES, JUNE 30, 2004	\$ 55,837	\$ 1,002	\$ 56,839

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended June 30, 2004

	Downtown Bond Reserve	Empire Bond Reserve	Totals
EXPENDITURES			
Debt service	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-
FUND BALANCES, JULY 1, 2003	525,520	239,711	765,231
FUND BALANCES, JUNE 30, 2004	\$ 525,520	\$ 239,711	\$ 765,231

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2004

	<u>Empire Property Improvements</u>	<u>Total</u>
REVENUES		
Lease revenue	\$ 14,412	\$ 14,412
Charges for use of money and property	<u>390</u>	<u>390</u>
Total revenues	14,802	14,802
EXPENDITURES		
Materials and services	<u>138</u>	<u>138</u>
Excess (deficiency) of revenues over (under) expenditures	14,664	14,664
FUND BALANCES, JULY 1, 2003	<u>23,028</u>	<u>23,028</u>
FUND BALANCES, JUNE 30, 2004	<u><u>\$ 37,692</u></u>	<u><u>\$ 37,692</u></u>

BUDGETARY COMPARISON SCHEDULES

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

In accordance with GASB Statement No. 34, the Agency's major governmental funds are presented in the basic financial statements. All other budgetary comparisons are displayed in the following pages as supplementary information.

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

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Empire Program Fund

Downtown Program Fund

DEBT SERVICE FUNDS

Downtown Bond Reserve Fund

Empire Bond Reserve Fund

CAPITAL PROJECTS FUNDS

Empire Property Improvement Fund

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE PROGRAM 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	\$ -	\$ -	\$ 587	\$ 587
Property sales	<u>-</u>	<u>-</u>	<u>55,250</u>	<u>55,250</u>
Total revenues	-	-	55,837	55,837
FUND BALANCE, JULY 1, 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,837</u>	<u>\$ 55,837</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN PROGRAM 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				
Lease revenue	\$ -	\$ -	\$ 1,000	\$ 1,000
Charges for use of money and property				
Interest on investments	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Total revenues	-	-	1,002	1,002
FUND BALANCE, JULY 1, 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002</u>	<u>\$ 1,002</u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
DOWNTOWN BOND 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>		
EXPENDITURES				
Contingency	\$ <u>525,520</u>	\$ <u>525,520</u>	\$ <u>-</u>	\$ <u>525,520</u>
FUND BALANCE, JULY 1, 2003	<u>525,520</u>	<u>525,520</u>	<u>525,520</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2004	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>525,520</u></u>	\$ <u><u>525,520</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE BOND 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>		
EXPENDITURES				
Contingency	\$ 239,711	\$ 239,711	\$ -	\$ 239,711
FUND BALANCE, JULY 1, 2003	<u>239,711</u>	<u>239,711</u>	<u>239,711</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 239,711</u></u>	<u><u>\$ 239,711</u></u>

URBAN RENEWAL AGENCY OF THE CITY OF COOS BAY
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
EMPIRE PROPERTY 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	\$ 350	\$ 350	\$ 390	\$ 40
Lease revenue	<u>14,401</u>	<u>14,401</u>	<u>14,412</u>	<u>11</u>
Total revenues	<u>14,751</u>	<u>14,751</u>	<u>14,802</u>	<u>51</u>
EXPENDITURES				
Materials and services	3,000	3,000	138	2,862
Capital outlay	<u>34,751</u>	<u>34,751</u>	<u>-</u>	<u>34,751</u>
Total expenditures	<u>37,751</u>	<u>37,751</u>	<u>138</u>	<u>37,613</u>
Excess (deficiency) of revenues over (under) expenditures	(23,000)	(23,000)	14,664	37,664
FUND BALANCE, JULY 1, 2003	<u>23,000</u>	<u>23,000</u>	<u>23,028</u>	<u>28</u>
FUND BALANCE, JUNE 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,692</u></u>	<u><u>\$ 37,692</u></u>

ACCOMPANYING INFORMATION

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

We have audited the accompanying basic financial statements of the Urban Renewal Agency of the City of Coos Bay, Oregon (Agency) as of and for the year ended June 30, 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 Urban Renewal Agency of the City of Coos Bay, Oregon's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have been a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

J. Robert Wall, CPA

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

Coos Bay, Oregon
December 21, 2004

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

To the Governing Body of the Urban Renewal Agency of the City of Coos Bay (Agency)
Coos County, Oregon

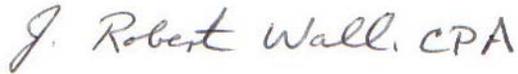
Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon municipal corporations. That other financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements,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

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

- As part of our audit of the basic financial statements, we reviewed and tested the Agency's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The accounting records were properly maintained and the accounting and internal control structure was adequate.
- Other Audit Comments:
 - Collateral - Agency funds are commingled with the City of Coos Bay's Oregon State Treasury Local Government Investment Pool and money market accounts. Investments in the Oregon State Treasury Local Government Investment Pool and money market accounts are made under the provisions of ORS 294.810. Funds held in the Oregon State Treasury Local Government Investment Pool are in the City of Coos Bay's name and are not subject to the collateralization requirements of ORS 295.015. Balances on deposit with financial institutions were fully secured and collateralized during the year ended June 30, 2004, in accordance with requirements of ORS 295.015.
 - Indebtedness - The Agency has not exceeded its legal debt limitations as provided by ORS 457.420.
 - Insurance and Fidelity Bonds - We have examined the Agency's insurance and fidelity bond coverages at June 30, 2004 and ascertained that such policies appeared to be in force as of that date and appeared to comply with legal requirements. We do not express an opinion as to the adequacy of the insurance policies since we are not trained to do so. The agency has complied with the provisions of ORS 221.903 regarding the bonding of Agency personnel.
 - Investments - Agency funds are commingled with the City of Coos Bay's cash and investment accounts. The Agency is in compliance with legal requirements pertaining to investment of public funds.
 - Budget - We reviewed the preparation, adoption, and execution of the budget for the current year and the preparation and adoption of the budget for the ensuing year. The Agency has complied with statutory requirements for the current 2003-2004 and ensuing 2004-2005 fiscal years' budgets. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The levels of control are materials and services, capital outlay, transfers, and debt service.

- No elected officials of the Agency were entrusted with Agency funds during the year ended June 30, 2004.
- Public Contracts and Disclosures - The Agency was in compliance with legal requirements pertaining to the awarding of public contracts and construction of public improvements.
- Highway Funds - The Urban Renewal Agency of the City of Coos Bay complied with applicable legal requirements pertaining to the use of revenue from taxes on motor vehicle fuel and with statutory requirements pertaining to the use of road funds during the year ended June 30, 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 Agency complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and for the items test, financial reports and related data were in agreement with and supported by the accounting records.

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



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

Coos Bay, Oregon
December 21, 2004