

**COQUILLE URBAN RENEWAL AGENCY
(A Component Unit of the City of Coquille)**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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AGENCY OFFICIALS

**COQUILLE URBAN RENEWAL AGENCY
(A Component Unit of the City of Coquille)**

**AGENCY OFFICIALS
June 30, 2011**

Board of Directors

Matt Muenchrath
280 North Collier
Coquille, OR 97423

Bryan Baird
1025 North Juniper
Coquille, OR 97423

Fran Capehart
76 North Folsom
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E. N. Daniels
891 East 4th
Coquille, OR 97423

Linda Short
650 South 1st Avenue
Coquille, OR 97423

Tim Spanberger
959 North Folsom
Coquille, OR 97423

Loran Wiese, Council President
200 South Adams
Coquille, OR 97423

Terence O'Connor, Urban Renewal Agency Manager

William C. Dufner, Finance Officer

Trew and Cyphers
John Trew, City Attorney

Coquille Urban Renewal Agency
851 North Central
Coquille, Oregon 97423

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

January 24, 2012

To the Governing Body of the
Coquille Urban Renewal Agency:

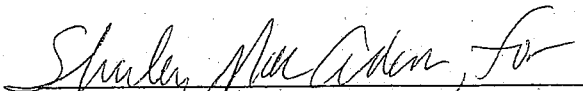
We have audited the accompanying financial statements of the governmental activities and the major fund of the Coquille Urban Renewal Agency, a component unit of the City of Coquille, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Coquille Urban Renewal Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 and the major fund of the Coquille Urban Renewal Agency as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of the Coquille Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.



Hough, MacAdam & Wartnik, LLC
Certified Public Accountants

Management's Discussion and Analysis

The management of the Coquille Urban Renewal Agency (the Agency) presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the Agency for the fiscal year ended June 30, 2011. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

Although legally separate from the City of Coquille, the Agency's governing body is identical to the City's, and because the services of the Agency are exclusively for the benefit of the City of Coquille, its financial information is included as an integral part of the City's financial statements.

Financial Highlights

- Agency-wide, total net assets at June 30, 2011 increased \$72,300. This was due to the smaller number and scope of projects the URA undertook this year and a small increase in the tax revenue.
- On an Agency-wide basis, the Agency ended the year with net assets of \$188,700.
- Tax increment revenues accounted for 99% of total Agency's revenues.
- Repayments to the City of Coquille for capital construction projects accounted for 79% of total expenses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Coquille Urban Renewal Agency's basic financial statements. The Agency is a governmental entity and follows governmental fund reporting. The financial statements of the Agency are prepared to show both an Agency-wide perspective and a fund perspective.

The Agency-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.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the agency-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an agency's near term requirements.

Because the focus of governmental funds is narrower than that of the agency-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the agency-wide financial statements. By doing so, readers may better understand the long-term impact of the agency near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. For ease of reading, these reconciliations have been included on the Agency-wide statements.

Notes to the Basic Financial Statements The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other supplementary information. The budget to actual statement of revenues and expenditures follow the notes to the basic financial statements in this report.

Agency -wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Agency, assets exceeded liabilities by \$188,700 at the close of the most recent fiscal year.

Statement of Net Assets

	Governmental Activities	
	2010	2011
Current and other assets	\$ 390,400	\$ 315,800
Current liabilities	274,000	127,100
Net assets: (Deficit)	116,400	188,700
Total net assets	\$ 116,400	\$ 188,700

Statement of Activities

The largest portion of the Agency’s revenue is from Tax Increment Revenues. This accounted for 99% of total revenues.

Changes in Net Assets

	Governmental Activities	
	<u>2010</u>	<u>2011</u>
Revenues:		
General revenues:		
Tax increment revenues	\$ 193,000	\$ 215,500
Investment earnings	2,900	1,500
Total revenues	<u>195,900</u>	<u>217,000</u>
Expenses:		
General government	<u>18,500</u>	<u>20,800</u>
Other:		
Reimbursement to City of Coquille	<u>(274,000)</u>	<u>(123,900)</u>
Change in net assets	(96,600)	72,300
Net assets, beginning of year	<u>213,000</u>	<u>116,400</u>
Net assets, end of year	<u>\$ 116,400</u>	<u>\$ 188,700</u>

Governmental activities. At the end of the year, the Agency owed \$123,900 to the City of Coquille for capital projects. These projects included an electronic sign at the Community Building, Riverwalk table, grant writing cost for the swimming pool, period lighting at the new Coos Curry Electric Coop Building, architects fees for the city entrance project and various façade improvements totaling \$44,168 including the Coquille Valley Historical Society, Pacific Heating and Comfort, Steve Tucker appliances among others.

Capital assets. The Agency does not own any capital assets. All improvements or assets purchased are retained by the City or by the property owner if made on private property.

Long-term Debt. The Agency did not have any long-term debt at the end of the 2010-2011 fiscal year.

Fund-based Financial Analysis

As previously discussed, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental fund reported an ending fund balance of \$188,700, a increase of \$72,300 from the prior year's fund balance of \$116,400. This is a result of slightly higher tax receipts and lower expenditures.

Budgetary Highlights

Because the budget is an estimation of revenues and expenditures, there are usually variations between the final amended budget and the actual budget-basis amounts. For the year ending June 30, 2011, there were budget variations in the General Fund due to the Agency's decision not to issue bonds in the current year \$1,500,000 less resources, the delay in the Swimming Pool project \$500,000 less expenditures and no need for a bond reserve or loan repayments.

Current Financial Issues and Concerns Bearing on the Future

The following key economic indicators reflect the economic outlook of the Agency:

- Taxes were about \$7,000 more than anticipated indicating a stabilization in the housing market.
- Interest earning were lower than anticipated mainly due to our decision to delay the bond issue, however rates on investments are still historically low reflecting the overall economy.
- The completion of the new building by the Coos Curry Electric Cooperative should increase the revenue to the agency, when it's included on the tax rolls.

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the Agency. The following are the major assumptions used in developing the FY 2012 budget:

- The beginning fund balance reflects the receipt of a bond issue that was not completed in 2011.
- Revenue will increase with the issuance of bonds in 2012.
- The URA will participate in the funding of the swimming pool project in the amount of \$500,000 pending the pool committee's success in raising the other \$1.9 million needed for the project.

Requests for Information

The financial report is designed to provide a general overview of the Agency's finances for those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chuck Dufner, Finance Director, Coquille Urban Renewal Agency, 851 North Central, Coquille, Oregon, 97423.

BASIC FINANCIAL STATEMENTS

**COQUILLE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF COQUILLE)
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2011**

	General Fund	Adjustments*	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 288,935	\$ -	\$ 288,935
Taxes receivable	26,840	-	26,840
Total assets	<u>\$ 315,775</u>	<u>\$ -</u>	<u>\$ 315,775</u>
LIABILITIES AND FUND BALANCE/NET ASSETS			
Liabilities:			
Accounts payable	\$ 3,188	\$ -	\$ 3,188
Deferred revenue	22,760	(22,760)	-
Due to primary government	123,879	-	123,879
Total liabilities	149,827	(22,760)	127,067
Fund balance/net assets:			
Unassigned/unrestricted	165,948	22,760	188,708
Total liabilities and fund balance/net assets	<u>\$ 315,775</u>	<u>\$ -</u>	<u>\$ 315,775</u>

* The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.

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

**COQUILLE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF COQUILLE)
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011**

	General Fund	Adjustments*	Statement of Activities
Revenues:			
Tax increment revenues	\$ 214,550	\$ 994	\$ 215,544
Interest on investments	1,453	-	1,453
Total revenues	216,003	994	216,997
Expenditures/expenses:			
General government:			
Materials and services	20,831	-	20,831
Other financing sources (uses):			
Reimbursement to City of Coquille	(123,879)	-	(123,879)
Net change in fund balance/net assets	71,293	994	72,287
Fund balance/net assets at beginning of year	94,655	21,766	116,421
Fund balance/net assets at end of year	\$ 165,948	\$ 22,760	\$ 188,708

* Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.

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

COQUILLE URBAN RENEWAL AGENCY
(A Component Unit of the City of Coquille)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Coquille Urban Renewal Agency, Oregon (Agency) was created by adoption of Ordinance 1388 by the City of Coquille, Oregon, on December 21, 1998. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. The Agency was formed primarily to carry out the terms of the Urban Renewal Plan, which designates certain areas of the City to be blighted and deteriorated and in need of redevelopment and rehabilitation. The governing body is comprised of the Mayor and City Council of the City of Coquille.

The Agency is a separate legal entity, governed by the City of Coquille's Council. The City Council has the ability to impose its will over the Agency as determined on the basis of budget adoption, taxing authority and funding for the Agency. Therefore, under the criteria set by the Governmental Accounting Standards Board, the Agency is considered a component unit of the City of Coquille and the Agency's financial activities are included as a blended component unit in the basic financial statements of the City of Coquille.

Although a component unit of the City of Coquille, the Agency exists and operates separately from the City of Coquille. Accordingly, the Agency's financial statements will also be included in the financial statements of the City of Coquille.

The Agency has no potential component units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Agency's financial operations are presented in a combined presentation for the agency-wide and fund financial levels. All activities of the Agency are categorized as governmental activities.

Agency-wide Financial Statements. The agency-wide financial statements display information about the Agency as a whole. The focus is on its financial sustainability. As such, the reporting presents the change in the aggregate financial position of the Agency, resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Agency-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.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Funds. The accounts of the Agency are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A minimum number of funds are maintained consistent with legal and managerial requirements. Funds are classified and summarized as governmental, proprietary and fiduciary activities. Currently the Agency has only governmental fund types.

The fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus. This measurement focus concentrates on the fund's resources available for spending 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 the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

The Agency reports the following governmental fund:

The *general fund* is used to account for the construction, administration, and certain debt service payments within the urban renewal area. This fund is financed by property taxes (tax increments) levied within the urban renewal area.

The financial statements for the governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Property taxes, interest revenue and various intergovernmental revenues are susceptible to accrual if received within 30 days of fiscal year end. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency applies restricted resources first.

C. Assets, Liabilities and Equity

1. *Cash and Cash Equivalents*

The Agency maintains merged bank accounts and investments for its fund in a central pool of cash and investments with the City of Coquille. This pool includes amounts in demand deposits and investments in the Oregon State Treasury Local Government Investment Pool (LGIP). 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 amortized cost which approximates fair value.

2. *Receivables and Payables*

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph B above.

3. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. *Deferred Revenues*

Deferred revenues represent uncollected property taxes deemed not available to finance operations of the current period.

5. *Fund Balance*

In accordance with GASB Statement No. 54, in governmental fund financial statements fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the Agency Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can only be used for specific purposes determined by a formal action by governing body ordinance or resolution. These amounts can not be used for any other purpose unless the governing body removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned – Amounts that are constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent must be expressed by the Urban Renewal Agency Board or their authorized designee.

Unassigned – All amounts not included in other spendable classification.

Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Board or the Assignment has been changed by the City General Manager. Decreases to fund balance first reduce Unassigned Fund balance, in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

6. *Net Assets*

Net assets represents 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 borrowings used for the acquisition, construction or improvement 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 Agency or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

II. 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 establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The Agency begins its budgeting process by appointing budget committee members in early fall of each year. Recommendations are developed through early spring and the Budget Committee usually approves the budget in late spring. Public notices of the budget hearing are generally published in early June, and the public hearing is held in late June. The budget is usually adopted, appropriations usually are made and the tax rate and levy are declared no later than June 30. The resolution authorizing appropriations sets the legal limit for expenditures. Materials and services and debt service are the levels of control.

Original appropriations may be increased through resolutions by transferring amounts between appropriations. A supplemental budget is required if appropriations are expected to exceed authorized appropriation amounts. Budget amounts are as originally adopted, or as amended by the Agency's Board of Directors.

III. DETAILED NOTES

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Agency at June 30, 2011. If bank deposits at year end are not entirely insured or collateralized with securities held by the Agency or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. The Public Funds Collateralization Program is a multiple financial institution collateral pool administered by the Oregon State Treasurer's office.

For the fiscal year ended June 30, 2011, the Agency did not have any funds on deposit with financial institutions.

Investments. The Agency has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the fiscal year ending June 30, 2011. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury 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. Accordingly, the adjustment to fair value would not represent an expendable increase in the Agency's cash position. Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 294. These funds are held in the Agency's name and are not subject to collateralization requirements or ORS 295.015.

Credit Risk. Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company.

The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments.

State statutes authorize the Agency to invest primarily in general obligations of the US 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 Agency has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The Agency is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Agency has no such investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund Board manages this risk by limiting the maturity of the investments held by the fund. The Agency has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

As of June 30, 2011, the Agency had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	<u>\$ 288,935</u>

B. Receivables

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 against the increase, if any, in true cash value of property located in the urban renewal area shall, after collection by the tax collector, be paid into a special fund of the Agency and shall be used to pay the principal and interest on indebtedness incurred by the Agency to finance or refinance the implementation of the urban renewal plan.

Receivables as of fiscal year end are as follows:

	Receivable 6/30/2010	2010-2011 Net Levy	Collections and Adjustments	Receivable 6/30/2011
2010-2011	\$ -	\$ 220,473	\$ 207,934	\$ 12,539
2009-2010	12,405	-	6,753	5,652
2008-2009	6,126	-	2,839	3,287
2007-2008	2,361	-	1,391	970
2006-2007	708	-	533	175
2005-2006	85	-	19	66
2004-2005	40	-	8	32
2003-2004	9	-	1	8
2002-2003	10	-	1	9
Prior years	22	-	-	22
Total	\$ 21,766	\$ 220,473	\$ 219,479	22,760
Taxes receivable, current portion				<u>4,080</u>
Total taxes receivable				<u>\$ 26,840</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 tax revenues are generated from increased assessed values within the area of the Agency. Property taxes are assessed July 1 and attached as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable in full on November 15, although installments, payable on November 15, February 15 and May 15, are allowed. Taxes are billed and collected by the County of Coos and remittance to the Agency is made at period intervals.

C. 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 carries commercial insurance. There has been no significant reduction in insurance coverage from the prior years and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years. The Agency's insurance is provided in combination with the City of Coquille's.

**REQUIRED SUPPLEMENTAL
INFORMATION**

GENERAL FUND

This fund is used to account for construction, administration, and certain debt service payments within the urban renewal area. This fund is financed by property taxes (tax increments) levied within the urban renewal area.

COQUILLE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF COQUILLE)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Tax increment revenues	\$ 207,603	\$ 207,603	\$ 214,550	\$ 6,947
Interest on investments	7,988	7,988	1,453	(6,535)
Total revenues	<u>215,591</u>	<u>215,591</u>	<u>216,003</u>	<u>412</u>
Expenditures:				
General government:				
Materials and services	719,625	719,625	20,831	698,794
Debt service	60,182	60,182	-	60,182
Total expenditures	<u>779,807</u>	<u>779,807</u>	<u>20,831</u>	<u>758,976</u>
Excess of (deficiency) of revenues over (under) expenditures	<u>(564,216)</u>	<u>(564,216)</u>	<u>195,172</u>	<u>759,388</u>
Other financing sources (uses):				
Issuance of Debt	1,500,000	1,500,000	-	(1,500,000)
Reimbursement to City of Coquille	(600,000)	(600,000)	(123,879)	476,121
Total other financing sources (uses)	<u>900,000</u>	<u>900,000</u>	<u>(123,879)</u>	<u>(1,023,879)</u>
Net change in fund balance	335,784	335,784	71,293	(264,491)
Fund balance (deficit) at beginning of year	48,834	48,834	94,655	45,821
Fund balance (deficit) at end of year	<u>\$ 384,618</u>	<u>\$ 384,618</u>	<u>\$ 165,948</u>	<u>\$ (218,670)</u>

See auditor's report.

SUPPLEMENTARY INFORMATION



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

January 24, 2012

To the Governing Body of the Coquille Urban Renewal Agency:

We have audited the accompanying financial statements of the governmental activities and major fund of the Coquille Urban Renewal Agency, a component unit of the City of Coquille, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States:

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management; the City Council, the State of Oregon, Secretary of State, Division of Audits; and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shuley MacAdam, CPA

Hough, MacAdam & Wartnik, LLC
Certified Public Accountants

**COQUILLE URBAN RENEWAL AGENCY
(A Component Unit of the City of Coquille)
INDEPENDENT AUDITOR'S COMMENTS**

June 30, 2011

Audit Report Requirements

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

Accounting Systems and Internal Control

The Coquille Urban Renewal Agency's accounting systems are adequate and the accounting records are properly maintained. The internal controls for the Agency are operating as designed and no material weaknesses or reportable conditions were noted.

Collateral

Based on the results of our tests, balances on deposit with financial institutions were collateralized in accordance with the requirements of ORS 295.015.

Indebtedness

Based on the results of our tests, the Agency has not exceeded its legal debt limitations as provided by ORS 457.190.

Insurance and Fidelity Bonds

We examined insurance policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering Agency owned property in force at June 30, 2011, are adequate.

Based on the results of our tests, the Agency has complied with the provisions of ORS 198.220 regarding the bonding of Agency personnel, through the City of Coquille's insurance policy.

Investments

Based on the results of our tests, at fiscal year end, the Agency was in compliance with legal requirements of ORS 294 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 fiscal year.

The resolution authorizing appropriations sets the levels by which expenditures cannot legally exceed appropriations. Materials and services and debt service are the levels of control.

The Agency has complied with statutory requirements for the current budget.

Public Contracts and Purchasing

Based on the results of our tests and our review of the minutes, the Agency appears to be in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.

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 tested, financial reports and related data were in agreement with and supported by the accounting records.

The Agency expended less than \$500,000 in Federal Financial Assistance. Therefore, they are not subject to the requirements of Circular A-133.

Statement of Accountability for Independently Elected Officials

This statement is not applicable to the Agency.