

**CENTRAL OREGON INTERGOVERNMENTAL**  
**COUNCIL**  
**BEND, OREGON**

**COMPREHENSIVE ANNUAL FINANCIAL**  
**REPORT**

**YEAR ENDED JUNE 30, 2011**

**Prepared by the Department of Fiscal and  
Administrative Services**

**Hoyt M. Wilson, Fiscal and Administrative Services  
Manager**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

**BEND, OREGON**  
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**BEND, OREGON**  
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## **INTRODUCTORY SECTION**



*Everywhere  
Central Oregon  
Works.*

September 30, 2011

Central Oregon Intergovernmental Council Board of Directors:  
334 N.E. Hawthorne Avenue  
Bend, Oregon 97701

## **Introduction**

We are pleased to present the Comprehensive Annual Financial Report of Central Oregon Intergovernmental Council (COIC) for the fiscal year ended June 30, 2011, together with the opinion thereon of our independent certified public accountants, Kerkoch Katter and Nelson, LLP. This report, required by Oregon Revised Statutes 297.425, is prepared by the Management of Central Oregon Intergovernmental Council. Also included are Audit Comments and Disclosures required under the Minimum Standards for Audits of Oregon Municipal Corporations Section of the Oregon Administrative Rules.

In addition, COIC is required to have a comprehensive single audit of its Federal Assistance Programs in accordance with the Single Audit Act, Office of Management and Budget (OMB) Circular A-133 and the provisions of Government Auditing Standards promulgated by the U.S. Comptroller General as they pertain to financial and compliance audits. A report on COIC's compliance with applicable Federal laws and regulations related to the Single Audit Act, OMB Circular A-133 is included.

This report is prepared in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada and the principles established by the Governmental Accounting Standards Board (GASB). It presents fairly the financial position of the various funds of COIC at June 30, 2011, and the results of operations of such funds and the cash flows of the proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America (US GAAP). The report consists of management's representations concerning the finances of COIC. Consequently, management assumes full responsibility of the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, COIC management has established a comprehensive internal control framework that is designed both to protect COIC's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of COIC's financial statements. Because the cost of internal controls should not outweigh their benefits, COIC's comprehensive framework of internal controls has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. COIC's MD&A is located on page 3 immediately following the independent auditor's opinion.

*“To provide education, retraining and economic development services to positively affect regional employment, individual lives, the business community and local government.”*

- COIC Mission Statement

## **Profile of the Organization**

Central Oregon Intergovernmental Council (COIC) is a Council of Governments organized under ORS 190 by the three counties and eight cities of Central Oregon. COIC is governed by a 19-member board, made up of an elected official appointed by each of the member governments: the counties of Crook, Deschutes, and Jefferson; and the cities of Bend, Culver, La Pine, Madras, Metolius, Prineville, Redmond, and Sisters; and appointed representatives of key economic sectors: business and industry, tourism and recreation, agribusiness and agriculture, timber and wood products and the unemployed/underemployed. The respective County Court or Commission makes each appointment. The County Courts and Commissions have mutually determined the areas of individual representation.

Since 1972, COIC has served Central Oregon, working together with our community partners to create and sustain a healthy regional economy. Formed initially to serve the region by providing employment and training services, COIC has evolved into the diverse organization it is today by changing as Central Oregon changes. COIC works with individuals, with businesses and with entire communities. As a Council of Governments, COIC is one of the few organizations in the region that involves all three counties, eight cities, and representatives from key economic sectors in policy making, program planning and delivery. Through program offerings in employment and training, community and economic development, transportation, and business loans, COIC is able to offer several valuable services to the community.

Over the years, COIC has grown from a single basement office in Bend to local offices in Bend, Klamath Falls, Lakeview, La Pine, Madras, Prineville and Redmond. The Central Oregon Intergovernmental Council employs over 120 people. Unlike a municipal government that has the ability to levy taxes to provide services, COIC relies solely on grants, contracts, and local match to provide specific services that are needed within the regions served. One reason that COIC has grown so much over the years is that Central Oregon has changed. The economy has expanded, population has increased, economic dependency has changed and the area has undergone significant structural changes. Rapid population growth has contributed to higher unemployment rates than the state average, serious strains on the region’s infrastructure, and affordable housing issues in some Central Oregon communities. COIC has proven invaluable to the region by providing both technical expertise and a cooperative structure for the region to come together, discuss and tackle many of its challenges.

## **Employment and Training**

COIC receives grants and contracts that provide training, education and employment services to businesses and residents of Central and South Central Oregon. These services help people of all ages and economic levels develop or improve skills so they can become job ready, employed and self-sufficient. COIC receives funds from state, federal and local sources to administer the following programs:

- Title IB of the Workforce Investment Act (WIA)
- National Emergency Grants
- Job Opportunities and Basic Skills (JOBS) Program in partnership with DHS
- Oregon Food Stamp Employment Transition (OFSET) Program in partnership with DHS
- Alternative Education (through contracts with local school districts)
- Disability Program Navigator Grant
- Employer Workforce Training Fund
- American Recovery and Reinvestment Act

The Workforce Investment Act (WIA) system is built around several key principles including strong role for local boards and the private sector, state and local flexibility, universal access, streamlining services, and informed choice. The WIA strives to increase the employment, retention and earnings of participants by: improving the quality of the workforce, enhancing the productivity and competitiveness of the nation, and reducing welfare dependency. COIC offers services in a one-stop environment. One-Stop centers are locations where partner agencies provide many services to employers and job seekers at one site. National Emergency Grants are awarded for the purpose of serving specific populations of dislocated workers by providing employment and training activities.

JOBS and OFSET are funded by a combination of state and federal dollars. In Central Oregon, COIC and Oregon Department of Human Services (DHS) share responsibility for the success of these programs. COIC manages specific activities for DHS directed at helping families and individuals who are receiving public assistance enter the workforce and then be successful at retaining employment.

Central Oregon Intergovernmental Council provides a unique alternative education program through contracts with five local school districts for students ages 14-21. The program offers both classroom education and outdoor work-based education to help students get a high school diploma or a GED, or earn credits and return to school. The program also helps students enter the job market by teaching skills that are transferable to a paying job. COIC is one of the state's largest alternative education programs.

The Disability Program Navigator Grant is used to hire a Disability Program Navigator to address the needs of people with disabilities seeking training and employment opportunities through the One-Stop Career Center system established under the Workforce Investment Act.

Employer Workforce Training Funds support the retention and growth of living wage jobs, a skilled workforce, and competitive businesses in Oregon by funding locally determined workforce development projects and activities.

The American Recovery and Reinvestment Act (ARRA) provided supplemental funding for a number of programs during the year. These included vocational training, paid work experience and maintenance and expansion of transportation programs.

### Community and Economic Development

Community development is a major goal for Central Oregon cities and counties, and the region as a whole has significant community development needs. As a regional Council of Governments, COIC's purpose includes providing a means for the region to work together to identify issues and needs which are regional in scope, achieve concurrence for cooperative actions, and achieve goals in areas including land use, human services, natural resources and environmental protection, public safety, economic development, transportation, education, and workforce development.

COIC provides project-specific Community Development services for individual communities, governments, businesses, and other partner organizations. These services are offered to:

1. facilitate multi-stakeholder, regional-scope projects and problem-solving;
2. take advantage of economies of scale by sharing capacity;
3. address the need for additional staff, resources, and technical capacity, and
4. COIC has developed in-house expertise in areas that benefit the communities collectively.

COIC is designated by the U.S. Department of Commerce, Economic Development Administration (EDA) as the “Economic Development District” for Central Oregon. Within this role COIC is responsible for identifying priority economic development project needs within the region, articulating regional needs to the EDA, and assisting local governments in applying for grant funding through the EDA. EDA grant categories include: public works infrastructure, technical assistance, planning, and economic adjustment.

As an Economic Development District, COIC is also responsible for creating and maintaining a regional Comprehensive Economic Development Strategy. COIC is in the process of revising and expanding the **Comprehensive Economic Development Strategy (CEDS)** for the Central Oregon region. The strategy will focus primarily on the development of:

- a priority list of local economic development needs (projects) for which state or federal funding are needed, submitted by cities, counties, tribes, businesses and organizations; and
- an inventory of regional-scale economic development issues and challenges for which multi-jurisdictional collaborative action is necessary.

COIC offers contract and grant administration services to local governments, non-profits, special districts and other entities in Central Oregon. COIC staff has extensive experience administering grants, including federal Department of Labor, US Forest Service, and Economic Development Administration grants. COIC has administered ten federal Community Development Block Grants (CDBG) over the past five years for the cities and counties of Central Oregon.

Recent grant writing and administration projects include: COCC Crook County Open Campus administration; City of Metolius Historic Rail Depot preservation project, USDA Rural Business Enterprise Grant applications for a Food Hub Feasibility study, and Meyer Memorial Trust Community Food System grant application.

COIC’s primary natural resource project is the coordination of the Deschutes Collaborative Landscape Restoration project, which promotes healthier, safer and more productive public lands through partnership efforts which will reduce wildfire risk, enhance fish and wildlife habitats, and maintain and improve water quality across all lands. This project is located on 97,000 acres in the Deschutes National Forest. The majority of the landscape is ponderosa pine and dry mixed conifer forest types. The goal of the project is to restore forest ecosystems and help to achieve a variety of community goals such as job creation. promote healthier, safer and more productive public lands through partnership efforts which will reduce wildfire risk, enhance fish and wildlife habitats, and maintain and improve water quality across all lands.

Other recent projects include:

- Development of a Community Wildfire Protection Plan for Jefferson County
- Biomass thermal heating project development
- Development of the Coordinated Resource Offering Protocol or "CROP" is an online graphics enabled database assembled by the COPWRR group to help businesses and community groups generate a picture of potential fiber supply (volumes and weights) from public land forest restoration projects in order to help these organizations make forest products business investment decisions.
- Central Oregon Partnership for Wildfire Risk Reduction
- Development of a regional Stormwater Management manual, which is used by cities and counties as a development guide.

COIC is also leading the development of a “Local Food Sector” program in Central Oregon, which is focused on strengthening local infrastructure and markets for locally produced value-added food products, as a means to strengthen the agricultural sector and create jobs. COIC was instrumental in the formation of the regional Food Policy Council, and led the development of the Central Oregon Regional Food Assessment.

COIC provides staffing and/or fiscal administration for nine boards or stakeholder groups in Central Oregon, including the Central Oregon Area Commission on Transportation, Central Oregon Food Policy Council, Workforce Response Team, Central Oregon Workforce Coordinating Council, Central Oregon Partnership for Wildfire Risk Reduction, Deschutes-Crook Resources Advisory Committee, Central Oregon Anadromous Fish Reintroduction Coordination Council and the Regional Stormwater Committee.

Within the Natural Resources program area, COIC works to enhance the capacity of regional institutions to successfully manage and conserve natural resources and environmental amenities to maintain environmental services (e.g. water yield and quality, agricultural and forestry lands, species habitat, etc.) and protect regional quality of life (e.g. scenic amenities, clean air, recreational opportunities, etc.) while providing sustainable economic opportunity. COIC natural resource and the environment services are focused on enhancing effectiveness and efficiencies at a regional scale and working towards long-term, sustainable solutions.

### Transportation

The overarching purpose of COIC’s transportation program is to strengthen regional transportation services and infrastructure through the development and implementation of regionally-based transportation plans, administration and operations, service coordination, and project development. A regional approach to transportation enhances efficiencies among transportation organizations and ensures regional connectivity for Central Oregon’s residents, businesses, and visitors.

The core functions of COIC’s Transportation services are:

- To identify regional public transportation needs and objectives and develop long-term, coordinated plans to address them;
- To develop and administer regional transportation programs and inter-community transit systems, as identified in regional plans on a priority basis;
- To assist communities in the development and operation of intra-city transit, as needed;
- To ensure connectivity of intra- and inter-community transportation systems; and
- To provide technical support and project development assistance to local governments, organizations, and federal and state agencies to assist their transportation programs.

COIC administers and manages transportation coordination, planning, and operation projects throughout the region, including the Cascades East Ride Center (CERC), the first Medical Ride Brokerage program developed on the east side of the Cascades. The Brokerage, through contracts with local providers, schedules rides to medical services for Medicaid eligible clients. The Brokerage serves Baker, Crook, Deschutes, Grant, Harney, Jefferson, Malheur, Union, and Wallowa counties. COIC contracts with Crook County to operate the Crook County Dial-a-Ride service. As of January 1, 2008 COIC assumed operation of local dial a ride services for the cities of Madras, Redmond, Sisters and LaPine which includes an inter-city shuttle service connecting these rural areas to the greater Bend area transit service.

COIC operates Cascades East Transit (CET), which provides local demand-response transportation services to La Pine, Madras, Metolius, Culver, Prineville, Redmond, Terrebonne, and Sisters. CET provides fixed route and complimentary paratransit services in Bend and “Community Connector Shuttles” between all of the Central Oregon communities including Warm Springs. COIC staffs county and tribal public transportation planning processes including TranSolutions, a regional public transit coordination working group and advisory committee; and in September 2010, COIC assumed management of the greater Bend Area Transit System (BAT) which has provided COIC with the opportunity to greater coordinate public transportation options for the Central Oregon area. COIC has also provided leadership in local transportation coordination projects.

COIC completed the remodel of the Hawthorne Station in Bend that serves the community and surrounding regions as a multi-modal transportation hub. The hub ties local bus service with community connector bus service and cab service. COIC’s Administrative Services Department, Loan Department and Community & Economic Development have moved into the Hawthorne Station office spaces. COIC in partnership with the City of Redmond has been awarded a grant from ODOT to construct a new transportation maintenance and operations facility in Redmond. The new building will be a maintenance facility used to service buses as well as an operations facility that will house the call center and dispatch functions of the transportation department.

### Business Development Loans

COIC manages business loan programs throughout Central, South Central and North Central Oregon that provide term financing to small businesses for projects that create new jobs or retain existing jobs. Loan funds can be used to purchase or build new facilities, purchase equipment, or provide working capital. All of COIC’s loans are designed to participate with bank loans, but some projects can be wholly financed by COIC. Central Oregon Intergovernmental Council manages, services, or packages for the following loan programs:

- Job Creation loan program
- Title IX Economic Development Administration loan programs
- Intermediary Relending Program, a USDA loan program
- Small Business Administration 504, Pre-Qualification (7a) and other Guaranteed Loan Programs through Oregon Business Development Corporation (OBDC), an SBA-certified development company
- And the Jefferson County Loan program

### Job Creation

Central Oregon Intergovernmental Council established a locally funded revolving loan fund in January 1986 in anticipation of serving businesses unable to meet more stringent federal requirements. The initial amount was \$250,000.

Participation has been based upon case-by-case council decisions. To afford maximum flexibility and utilization, no limitations have been established. COIC dedicated \$25,000 from this portfolio to match RLF Round 3 recapitalization.

During 1997 the board reserved the portfolio balance of this fund to establish a loan loss reserve required to acquire funds from the USDA intermediary relending program. The cash balance held in this fund was transferred to the IRP fund and principal payments made against the outstanding note receivable in this fund were transferred as they were received. The loan loss reserve for the IRP fund is now sufficient and the Board has resolved to leave the remaining funds in the Local Job Creation fund.

Central Oregon Intergovernmental Council was awarded \$300,000 in Department of Commerce, Economic Development Administration funds in 1984 to establish a revolving loan fund. The following conditions were required by EDA.

- 1) Participation to include Crook, Deschutes, Harney and Klamath Counties.
- 2) Local match at \$25,000 per county or \$100,000.

COIC elected to include an additional \$25,000 match to afford Jefferson County the opportunity of participation should it become eligible for Round #1 loans. Jefferson County was declared eligible for Round #1 funding in October 1986. During FY 1992-93, COIC's Board elected to transfer \$15,625 of the \$25,000 "excess match" to Round #3 to assure correct match within that portfolio. COIC elected to provide the match up front with repayment from Harney and Klamath Counties. Match reimbursement received from non-Central Oregon counties was transferred to the general fund upon receipt. Thus, beginning cash portfolio amount reflects \$300,000 EDA and \$109,375 local match for a total of \$409,375.

#### EDA Title IX Round #2

COIC was awarded recapitalization of \$450,000 in Department of Commerce, Economic Development Administration funds in 1987. The following conditions were required by EDA.

- 1) Participation to include Crook, Jefferson, Harney, Lake and Klamath Counties.
- 2) Local match at \$45,000 per county or \$225,000.

COIC elected to provide the match up front with repayment from Harney, Lake and Klamath Counties being anticipated. As of 6/30/96, all matches have been received. Beginning cash portfolio amount reflects \$450,000 EDA and \$225,000 local match for a total of \$675,000. Match received from non-Central Oregon counties is transferred to the general fund upon receipt.

#### EDA Title IX Round #3

COIC was awarded recapitalization of \$600,000 in Department of Commerce, Economic Development Administration funds in September 1990. The following conditions were required by EDA.

- 1) Participation to include Harney County. Should insufficient demand for loans in Harney County exist, COIC may request a waiver to loan in Crook, Jefferson, Klamath and Lake County contingent upon Harney County and EDA approval during initial draw.
- 2) Local match at \$200,000. State Regional Strategies to provide \$150,000, Harney County \$25,000, and COIC \$25,000.

COIC received a waiver from EDA to disburse a \$500,000 loan in Klamath County. All cash has been received from EDA and the Oregon Economic Development Department. The transfer from COIC's local job creation portfolio in the amount of \$25,000 has been completed. Harney County paid \$9,375 and COIC transferred \$15,625 from Round #1 to complete match requirements of the final \$25,000.

#### Intermediary Relending

In March of 1997, Central Oregon Intergovernmental Council received a \$2 million loan from the USDA Rural Development Department. On February 8, 2000, COIC received an additional loan for \$572,000. This loan is intended to provide term financing targeted to projects that create new jobs or retain existing jobs in rural communities, with a maximum amount of \$150,000. Participation includes Deschutes, Crook, Jefferson, Harney, Klamath, Lake, Wasco, and Sherman Counties. As of June 30, 2001, all available dollars had been borrowed from the USDA against the \$2.572 million loan commitment. The Central Oregon Intergovernmental Council pays an annual interest rate of 1% on funds borrowed from the USDA; principal repayments began in 2001.

COIC was required to establish a loan loss reserve significant enough to secure funds borrowed from USDA. The Local Job Creation fund balance was committed to the IRP fund for the purpose of securing this reserve. The amount transferred, as of 6/30/99 was \$136,218. The loan loss reserve is now enough to secure funds as required by USDA.

The financial reporting entity, Central Oregon Intergovernmental Council, includes all funds of the Council. The Council provides services in the areas of employment and training and economic development.

The management of Central Oregon Intergovernmental Council is responsible for establishing and maintaining effective internal controls to ensure compliance with requirements of laws, regulations, contracts and grants applicable to each program. The locally elected Board of Directors is responsible and accountable for all decisions of management. Control of COIC is vested in its board of directors who are elected by the voters within the district. Administrative and management functions are delegated to COIC staff who report and are responsible to the Board. In the development and subsequent modifications of COIC's accounting system, consideration has been given to the adequacy of internal accounting controls. The internal control structure is subject to periodic review by management, the Board and funding agencies.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- Safeguarding assets against loss from unauthorized use or disposition.
- Reliability of financial records for the preparation of financial statements and accounting for assets.

The concept of reasonable assurance recognizes that:

- The cost of control should not exceed the benefits to be derived; and
- The evaluation of costs and benefits requires management to use estimates and sound judgment.

As a part of Central Oregon Intergovernmental Council's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2011, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. We believe that COIC's internal accounting controls adequately safeguard assets. We further believe that the accounting controls provide reasonable assurance of proper recording of transactions.

The Central Oregon Intergovernmental Council is subject to the provisions of Oregon Revised Statute Chapter 294, Oregon's Budget Law applicable to Councils of Government. Annually, a proposed budget is presented to the budget committee. The budget committee holds public meetings. After the budget committee approves the budget document, it is submitted to the Board of Directors for adoption. COIC maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors. Activities of the general and special revenue funds are included in the annual appropriated budget. The legal levels of budgetary control are personal services, materials and services, and capital outlay. Special revenue and general fund budget versus actual statements of revenues, expenditures, and changes in fund balances are reviewed by management monthly and by the Board every other month at a publicly held meeting. Management also reviews cash flow projections monthly to ensure budgetary compliance will be met at year-end.

As demonstrated by the statements and schedules included in the financial section of this report, COIC continues to meet its responsibility for sound financial management.

### **Factors Affecting Financial Condition**

**Local economy.** COIC primarily serves the Central Oregon region, which covers 7,787 square miles in the geographic heart of the state. The region is comprised of three counties (Crook, Deschutes, and Jefferson) with a combined population of 222,195 (Portland State University, July 1, 2010 estimate). Between 2000 and 2007, the Central Oregon population grew by 35.9%. Population growth in Deschutes County between 2000 and 2007 was 39.4%, 15.9% in Jefferson County, and 34.9% in Crook County compared to 9.5% statewide. The Central Oregon population grew 49% between 1990 and 2000 and 31% from 2000 to 2010. Even with all of the growth, Crook and Jefferson are still very rural counties. Deschutes County was considered a non-metropolitan county until the year 2000 when the population of its core city (Bend) exceeded the 50,000 population mark (US Census, 2000) and is currently estimated at 83,125 (Portland State University, July 1, 2010 estimate).

Like many rural regions throughout the American West, Central Oregon's Crook, Deschutes and Jefferson counties have long depended upon surrounding natural resources as a source of economic opportunity. However, the decline in resource-based industries has resulted in a fundamental shift from a timber economy to one of services (financial, education, medical), manufacturing, tourism, government, and construction. High rates of population growth and the current economic slump have compounded the challenges of the transitioning economy by contributing to high unemployment rates.

Today, the primary industries in Central Oregon are leisure and hospitality, education and health services, and professional and business services. Overall, Central Oregon's population and employment growth has been positive for 15 years. However, recent changes in the economy and the ongoing recession have dramatically impacted Central Oregon. The seasonally adjusted unemployment rates have decreased from a year ago in all three Central Oregon counties, but still remain high compared to the State of Oregon average of 9.5%. The July 2011 seasonally adjusted unemployment rates were 12.7% in Deschutes County, 15.7% in Crook County (highest in the State of Oregon), and 13.5% in Jefferson County. A variable trend has been experienced in the counties to the South with the May 2010 seasonally adjusted unemployment rate in Klamath County decreasing to 12.9% from a year ago and a decrease in Lake County to 13%.

**Long-term financial planning.** COIC will continue to work with local workforce and economic development partners. We will participate actively as a member on the BRN (Business Response Network), helping local business and industry better access services that will improve productivity and increase profits, hiring and wages. We will work with the Economic Development Administration and with state and local economic development partners in support of emerging business clusters in an effort to improve new opportunities for employment and earnings as well as coordinating various regional natural resource projects. COIC continues to be a leader in local transportation services with expanding intercity bus schedules. We will continue offering a broad array of low or no cost work related services to employers and job seekers in local communities as an active member of the Central Oregon Work Source network. Finally, we will continue to work with local banks, helping make business financing more available and affordable to new and existing businesses in the region.

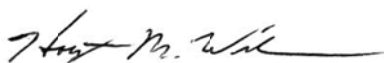
### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Oregon Intergovernmental Council for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the eleventh consecutive year that COIC has achieved this prestigious award. In order to be awarded a Certificate of Achievement, COIC must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this was made possible by the dedicated service of the entire staff of the fiscal and administrative services department. I wish to thank the Central Oregon Intergovernmental Council Board of Directors for their commitment to our organization.

Sincerely,



Hoyt M. Wilson

Fiscal & Administrative Services Manager

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**OFFICIALS**

**YEAR ENDED JUNE 30, 2011**

Chairman

Allan Unger  
Redmond, Oregon

Vice Chairman

Tom Greene  
Bend, Oregon

Secretary/Treasurer

Karen Friend  
Sisters, Oregon

Deputy Director

Karen Friend  
Sisters, Oregon

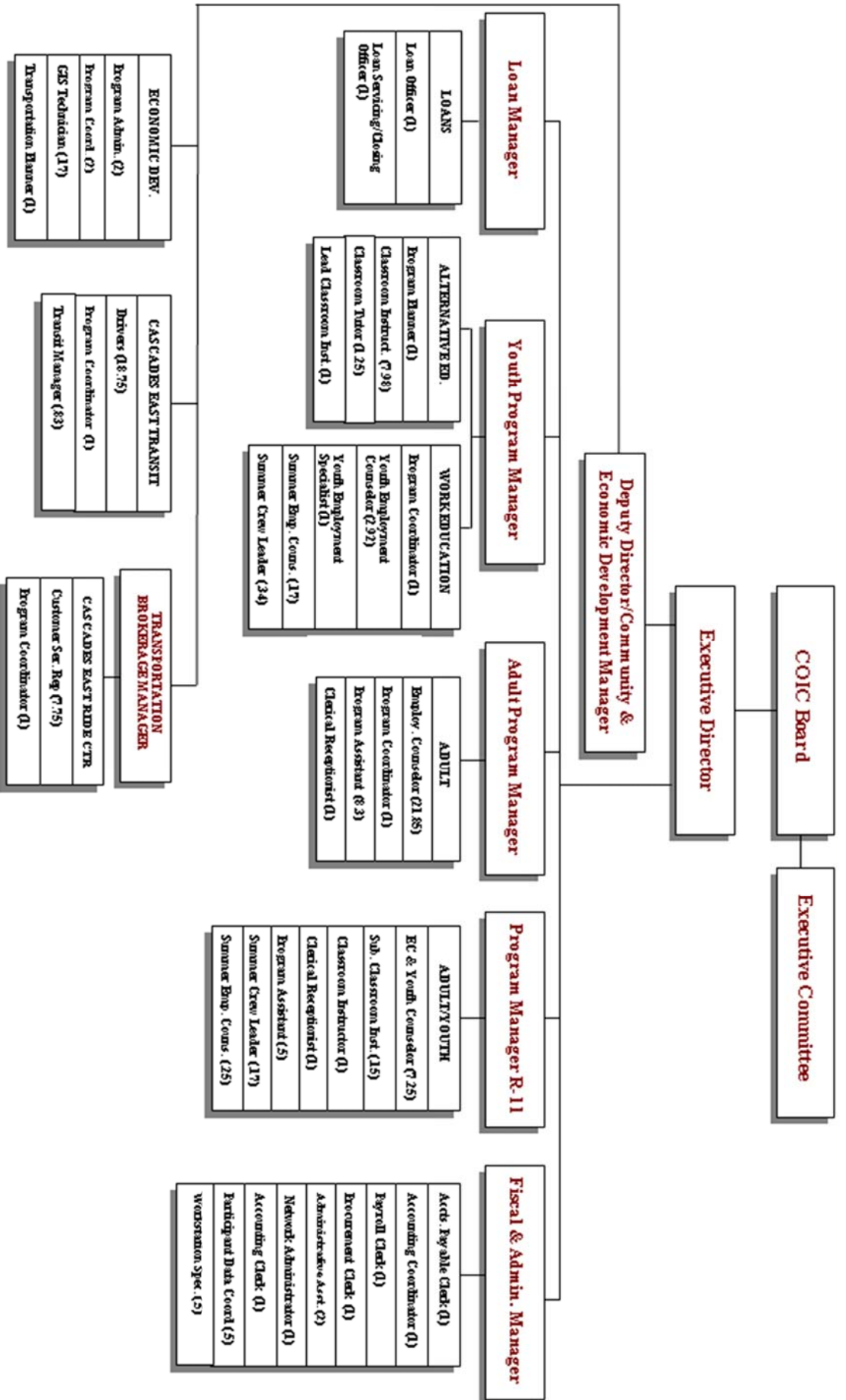
Executive Director

Tom Moore  
Bend, Oregon

Main Office

334 N.E. Hawthorne Avenue  
Bend, Oregon 97701

# COIC Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Central Oregon Intergovernmental Council

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danson*

President

*Jeffrey R. Emer*

Executive Director

**FINANCIAL SECTION**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

# KERKOCCH KATTER & NELSON, LLP

*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

Board of Officials  
Central Oregon Intergovernmental Council  
Redmond, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of Central Oregon Intergovernmental Council as of and for the year ended June 30, 2011, which collectively comprise the Central Oregon Intergovernmental Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Oregon Intergovernmental Council'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 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 and each major fund of Central Oregon Intergovernmental Council 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 September 30, 2011, on our consideration of Central Oregon Intergovernmental Council's internal control over financial reporting and 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 results 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.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information starting on page 3 and 29 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management discussion and analysis in accordance 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 the information 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 taken as a whole.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Central Oregon Intergovernmental Council's basic financial statements as a whole. The Introductory Section, Other Supplemental Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Other Supplemental Information and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other form of assurance on such information.

Kerkoch Katter & Nelson, LLP  
Certified Public Accountants



By: Stuart D. Katter – a partner

September 30, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis**

As management of Central Oregon Intergovernmental Council (COIC), we offer readers this narrative overview and analysis of the financial activities of COIC for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-x of this report.

### **Financial Highlights**

COIC is primarily a grant-based organization, with revenues of approximately \$6.3 million in federal grants, \$5.1 million in state grants and contracts, and \$3.3 million in miscellaneous grants and contracts. The vast majority of our grants are cost reimbursement contracts usually having a one or two year life before a new application for funding. These grants only cover costs actually expended, and have no potential to build up any reserves.

As a grant-based organization, we are subject to uncertainties in both the federal and state budgets. When the federal appropriations are not passed and the nation goes on "continued resolution", it makes the timing and amount of grant awards very volatile. When the State of Oregon experiences budget shortfalls, we are negatively impacted in some of our contracts.

Overall, we feel that COIC was able to effectively manage its resources to meet increased demands felt in our communities with reduced resources. While the economic outlook is stable, funding for programs operated by COIC are not projected to be improved much in FY12. COIC will continue to look for new and unique opportunities to work with other agencies and organizations to provide quality programs for our communities.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to COIC's basic financial statements. COIC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## Overview of the Financial Statements - Continued

### Government-wide financial statements:

The government-wide financial statements are designed to provide readers with a broad overview of COIC's finances, in a manner similar to a private-sector business. These statements provide information about the activities of COIC as a whole and present a longer-term view of COIC's finances.

The government-wide financial statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the method of accounting used by most private-sector business. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report COIC's net assets and changes to them. Net assets (the difference between assets and liabilities) is one way to measure an organization's financial health. Changes in net assets over time provide one indicator of whether financial health is improving or deteriorating.

### Fund Financial Statements:

Fund financial statements also may give you some insights into COIC's overall health. Fund financial statements report COIC's operations in more detail than the government-wide financial statements. COIC has only one type of fund - governmental funds. As discussed in the notes to the financial statements, COIC implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. The GASB Statement changes fund balance classifications so they can be more consistently applied. Of the combined ending fund balance of \$5.7 million, \$2.6 million was nonspendable, \$2.4 million was restricted for loan programs and \$.7 million was unassigned.

### Governmental Funds:

These funds are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of COIC's operations. The relationship (differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in the reconciliation after the fund financial statements on pages 13 and 16 of this report.

### Notes to the Financial Statements:

The notes provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

## Overview of the Financial Statements - Continued

Our auditor has provided assurance in the Independent Auditors' Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly presented. A user of this report should read the Independent Auditors' Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

### Financial Analysis of COIC

COIC's net assets at June 30, 2011 were \$7,983,092, an increase of \$1,312,272 from June 30, 2010. (See TABLE A)

**TABLE A**

#### Central Oregon Intergovernmental Council's Net Assets

	June 30, 2011	June 30, 2010
Current and other assets	\$ 6,633,142	\$ 6,873,510
Noncurrent assets	2,495,714	2,574,113
Capital assets, net of depreciation	<u>4,480,583</u>	<u>2,596,285</u>
<i>Total Assets</i>	<u>13,609,439</u>	<u>12,043,908</u>
Current and other liabilities	3,555,208	3,408,000
Noncurrent liabilities	<u>2,071,139</u>	<u>1,965,088</u>
<i>Total Liabilities</i>	<u>5,626,347</u>	<u>5,373,088</u>
Net Assets		
Invested in capital assets, net of related debt	3,977,577	2,291,683
Restricted for loan programs	3,205,747	3,334,915
Unrestricted	<u>799,768</u>	<u>1,044,222</u>
<i>Total Net Assets</i>	<u>\$ 7,983,092</u>	<u>\$ 6,670,820</u>

**Restricted and Unrestricted Net Assets.** As a grant-based organization operating primarily under cost reimbursement contracts, COIC has very limited potential to build up an unrestricted reserve. Only the general fund balance is truly unrestricted, with virtually all other balances being restricted by grant conditions, or contractual arrangements.

## Financial Analysis of COIC - Continued

**Changes in net assets.** Net assets of COIC's governmental activities increased by 20% to \$7,983,092. The increase in net assets was due primarily to the grant dollars received for economic development projects. COIC's total revenues increased by 11% percent from \$14,954,099 in FY10 to \$16,585,622 in FY11. Various grants were received to implement a larger service area for transportation programs which is reflected in the increase in operating grants and contracts and economic development expenses. Grants were received to expand job training program activities which is reflected in the increase in operating grants and contracts and employment and training expenses.

(See TABLE B)

**TABLE B**

### Central Oregon Intergovernmental Council's Changes in Net Assets

	June 30, 2011	June 30, 2010
<b>Program Revenues</b>		
Charges for service	\$ 1,677,259	\$ 366,315
Operating grants and contracts	14,682,535	14,351,724
Interest and other investment earnings	<u>225,828</u>	<u>236,060</u>
Total Revenues	<u>16,585,622</u>	<u>14,954,099</u>
<b>Program Expenses</b>		
Employment and Training	6,924,606	7,833,591
Economic Development	<u>8,348,744</u>	<u>5,605,212</u>
Total Expenses	<u>15,273,350</u>	<u>13,438,803</u>
Change in Net Assets	1,312,272	1,515,296
<b>Net assets, beginning of year</b>	<u>6,670,820</u>	<u>5,155,524</u>
<b>Net assets, end of year</b>	<u>\$ 7,983,092</u>	<u>\$ 6,670,820</u>

### Changes in Notes Payable

During the year ended June 30, 2011, COIC's Notes Payable increased by \$106,803. COIC has secured loan funding for the match required for the intermodal building purchase and remodel, which increased by \$209,398 during the year ended June 30, 2011. Principal payments on long-term debt were \$102,595 for the year ended June 30, 2011. See pages 23 and 24 for more detailed information on notes payable.

## **Significant Changes in Fund Balances**

The fund balance in the General Fund decreased by \$244,454 or 23%. The decrease was mainly due to additional undesignated funds expended for the intermodal building purchase and remodel. EDA Title IX Round One Fund decreased by \$84,448 or 14%. The reduction is mainly due to the write-off of loans in the amount of \$96,266 which failed due to the borrowers filing bankruptcy. The fund balance in the Intermediary Relending Program Fund decreased by \$168,398 or 6%. The reduction is also mainly due to the write-off of loans in the amount of \$86,970 which failed due to the borrowers filing bankruptcy.

## **Budgetary Highlights**

COIC's Governing Board revised its originally adopted budget in order to address unexpected changes in revenues and/or expenditures. The original budget was adopted on a very conservative basis with only grants whose award was almost certain included at the start of the fiscal year. Additional grants received during the year were then included in the supplemental budget, as state and federal sources became more certain.

Budgeted revenues in the final general fund budget were increased overall by \$599,558. This change was for additional Economic Development grant funds received in connection with the intermodal building purchase and remodel project. Budgeted expenditures for economic development were changed in the same amount as the change in program revenues mentioned above.

## **Capital Asset Administration**

Total capital assets, net of accumulated depreciation, were \$4,480,583 at June 30, 2011. COIC's largest capital asset investment is invested in transportation facilities in the amount of \$2,912,052. COIC also has transportation equipment of \$1,305,174, other equipment of \$216,305 and other improvements of \$47,052. COIC's capital assets were substantially acquired from expenditures paid by grants. More detailed information on capital assets may be found on page 22 in note 5 of the financial section of this report.

## **Economic Factors and Next Year's Budgets**

Central Oregon will continue to face challenges anchored in supporting relatively high growth and relatively low wages. COIC's largest areas of service are in the area of economic development and employment and training. One of the most important factors affecting our employment and training services budget is the federal Workforce Investment Act (WIA) annual appropriations. Although the appropriation to the State of Oregon was generally flat-funded, the Governor exercised his authority to hold back dollars, contracting them out to communities using a separate funding formula and oversight mechanism. This change decreased the money available through formula for the established workforce programs for adults and dislocated workers seeking employment. Central Oregon's allocation for services provided under the JOBS program has also been cut by the State in an effort to balance the State's budget and meet State goals. However additional funds were received as part of the American Recovery and Reinvestment Act which increased employment & training revenues in both 2011 and 2010. Most of these funds were made available to clients for vocational skills enhancement and summer employment for youth. The State has also reduced the funding level for the regional and rural investment programs that supported many economic and community development projects in the Central Oregon region. On the positive side, COIC has added and expanded transportation programs.

## **Economic Factors and Next Year's Budgets - Continued**

The continued expansion of the medical ride brokerage and other transportation programs, which now includes intercity public transportation in the Central Oregon area continue to secure COIC's position as being an integral part of regional transportation planning.

COIC continues to be a flexible and valuable organization to the region and as a result as programs fail to receive funding or receive funding reductions other funding sources become available. COIC has budgeted in FY12 to receive revenues of approximately \$19 million.

## **Requests for Information**

This financial report is designed to provide interested parties with a general overview of COIC's finances and to demonstrate COIC's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Central Oregon Intergovernmental Council, Fiscal & Administrative Services Manager, 334 N.E. Hawthorne Avenue, Bend, Oregon 97701.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

## **BASIC FINANCIAL STATEMENTS**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2011**

**ASSETS**

***Current assets***

Cash and investments	\$ 3,382,409
Receivables	
Accounts	13,609
Grants and contracts	2,901,739
Interest	34,393
Notes due within one year	241,228
Prepaid items	<u>59,764</u>
<i>Total current assets</i>	<u>6,633,142</u>

***Noncurrent assets***

Notes receivable	2,495,714
Capital assets, net	<u>4,480,583</u>
<i>Total assets</i>	<u>13,609,439</u>

**LIABILITIES**

***Current liabilities***

Accounts payable	972,944
Accrued payroll and benefits	425,193
Accrued payroll tax	228,664
Accrued interest	5,410
Unearned revenue	1,824,564
Notes payable due within one year	<u>98,433</u>
<i>Total current liabilities</i>	3,555,208

***Noncurrent liabilities***

Notes payable	<u>2,071,139</u>
<i>Total liabilities</i>	<u>5,626,347</u>

**NET ASSETS**

Investment in capital assets - net of related debt	3,977,577
Restricted for loan programs	3,205,747
Unrestricted	<u>799,768</u>
<i>Total net assets</i>	<u>\$ 7,983,092</u>

The accompanying notes are an integral part of the financial statements.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**

**YEAR ENDED JUNE 30, 2011**

Functions/Program	Expenses	Program Revenues		Changes in Net Assets
		Charges for Services	Operating Grants and Contracts	Total
<b>GOVERNMENTAL ACTIVITIES</b>				
Employment and Training	\$ 6,924,606	\$	\$ 6,865,798	\$ (58,808)
Economic Development	<u>8,348,744</u>	<u>1,677,259</u>	<u>7,816,737</u>	<u>1,145,252</u>
<i>Total primary government</i>	<u>\$ 15,273,350</u>	<u>\$ 1,677,259</u>	<u>\$ 14,682,535</u>	1,086,444
<b>GENERAL REVENUES</b>				
Interest				<u>225,828</u>
<b>CHANGE IN NET ASSETS</b>				1,312,272
<b>NET ASSETS, beginning</b>				<u>6,670,820</u>
<b>NET ASSETS, ending</b>				<u>\$ 7,983,092</u>

The accompanying notes are an integral part of the financial statements.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

	General	EDA Title IX Round One	EDA Title IX Round Two	EDA Title IX Round Three
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>				
Cash and investments	\$ 1,276,404	\$ 211,786	\$ 248,365	\$ 236,463
Accounts receivable	13,226		68	78
Grant and contracts receivable	2,901,739			
Interest receivable		1,198	25,017	3,282
Notes receivable		321,656	701,113	578,217
Prepaid items	59,764			
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Total assets</i>	<u>\$ 4,251,133</u>	<u>\$ 534,640</u>	<u>\$ 974,563</u>	<u>\$ 818,040</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b><i>Liabilities</i></b>				
Accounts payable	\$ 972,944	\$	\$	\$
Accrued payroll and benefits	425,193			
Accrued payroll taxes	228,664			
Accrued interest				
Unearned revenue	1,824,564			
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Total liabilities</i>	<u>3,451,365</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
 <b><i>Fund balances</i></b>				
Nonspendable - prepaid items	59,764			
Nonspendable - long-term notes receivable		265,778	647,718	534,335
Restricted for loan programs		268,862	326,845	283,705
Unassigned	740,004			
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Total fund balances</i>	<u>799,768</u>	<u>534,640</u>	<u>974,563</u>	<u>818,040</u>
 <i>Total liabilities and fund balances</i>	 <u>\$ 4,251,133</u>	 <u>\$ 534,640</u>	 <u>\$ 974,563</u>	 <u>\$ 818,040</u>

The accompanying notes are an integral part of the financial statements.

Intermediary Relending Program	Job Creation Program	Totals
\$ 1,409,218	\$ 173	\$ 3,382,409
237		13,609
		2,901,739
4,896		34,393
1,021,956	114,000	2,736,942
		59,764
<u>\$ 2,436,307</u>	<u>\$ 114,173</u>	<u>\$ 9,128,856</u>
\$	\$	\$ 972,944
		425,193
		228,664
5,410		5,410
		1,824,564
<u>5,410</u>		<u>3,456,775</u>
		59,764
938,164	109,719	2,495,714
1,492,733	4,454	2,376,599
		740,004
<u>2,430,897</u>	<u>114,173</u>	<u>5,672,081</u>
<u>\$ 2,436,307</u>	<u>\$ 114,173</u>	<u>\$ 9,128,856</u>

The accompanying notes are an integral part of the financial statements.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

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

**YEAR ENDED JUNE 30, 2011**

Total fund balances of governmental funds	\$ 5,672,081
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,480,583
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,169,572)</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 7,983,092</u></u>

The accompanying notes are an integral part of the financial statements.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2011**

	General	EDA Title IX Round One	EDA Title IX Round Two
<b>REVENUES</b>			
<i><b>Intergovernmental</b></i>			
Grants and contracts	\$ 14,682,535	\$	\$
<i><b>Local</b></i>			
Charges for services	1,667,775	970	1,549
Interest on revolving loans		22,936	56,475
Interest on investments	4,911	1,395	1,187
<i>Total revenues</i>	16,355,221	25,301	59,211
<b>EXPENDITURES</b>			
<i><b>Current</b></i>			
Employment and training	6,896,753		
Economic development	7,860,406	109,749	34,022
<i>Capital Outlay</i>	2,024,850		
<i><b>Debt Service</b></i>			
Principal	10,994		
Interest	16,070		
<i>Total expenditures</i>	16,809,073	109,749	34,022
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(453,852)	(84,448)	25,189
<b>OTHER FINANCING SOURCES</b>			
Issuance of long-term debt	209,398		
<b>NET CHANGE IN FUND BALANCES</b>	(244,454)	(84,448)	25,189
<b>FUND BALANCES, beginning of year</b>	1,044,222	619,088	949,374
<b>FUND BALANCES, end of year</b>	\$ 799,768	\$ 534,640	\$ 974,563

The accompanying notes are an integral part of the financial statements.

<u>EDA Title IX Round Three</u>	<u>Intermediary Relending Program</u>	<u>Job Creation Program</u>	<u>Totals</u>
\$	\$	\$	\$ 14,682,535
5,394	1,571		1,677,259
45,183	78,469	1,816	204,879
<u>1,328</u>	<u>11,742</u>	<u>386</u>	<u>20,949</u>
<u>51,905</u>	<u>91,782</u>	<u>2,202</u>	<u>16,585,622</u>
			6,896,753
45,017	151,296	2,202	8,202,692
			2,024,850
	91,601		102,595
	<u>17,283</u>		<u>33,353</u>
<u>45,017</u>	<u>260,180</u>	<u>2,202</u>	<u>17,260,243</u>
6,888	(168,398)		(674,621)
			<u>209,398</u>
6,888	(168,398)		(465,223)
<u>811,152</u>	<u>2,599,295</u>	<u>114,173</u>	<u>6,137,304</u>
<u>\$ 818,040</u>	<u>\$ 2,430,897</u>	<u>\$ 114,173</u>	<u>\$ 5,672,081</u>

The accompanying notes are an integral part of the financial statements.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds	\$ (465,223)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayment of long-term debt principal is an expenditure in governmental funds. However, the repayment reduces long-term debt in the Statement of Net Assets.	102,595
Issuance of long-term debt is an other financing source of revenue in governmental funds. However, the debt issuance is a long-term obligation in the Statement of Net Assets.	(209,398)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$2,024,850 exceeded depreciation expense in the amount of \$140,552.	<u>1,884,298</u>
<i>Change in net assets of governmental activities</i>	<u><u>\$ 1,312,272</u></u>

The accompanying notes are an integral part of the financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Central Oregon Intergovernmental Council (COIC) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of COIC's accounting policies are described below:

*Reporting Entity*

COIC was established by Articles of Agreement, entered into on August 21, 1972. COIC was formed under the authority of Oregon Revised Statutes 190.010, 190.030, 190.110, 190.210 and 190.220.

The primary goals of COIC are to improve planning, coordination and cooperation in the Central Oregon area. The functions and activities in which COIC is involved are:

1. To perform the function of an area-wide clearinghouse to review Local, State, and Federal projects affecting the Central Oregon area.
2. To provide a forum for discussion among City and County officials.
3. To provide planning on an area-wide basis.
4. To provide aid to sub-jurisdictions in the form of technical assistance and make available a process of channeling grant funds to local government units.
5. To perform a function of grantsmanship in terms of researching available grants and loans, writing and reviewing grant applications.
6. To administer employment and training programs.
7. To provide grant administration services for other organizations in the Central Oregon area.

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of COIC.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are directly allocated to program expenses. Program revenues include 1) charges for goods and services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues, including interest earnings.

*Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)*

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable is when the amount of the transaction can be determined. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, COIC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The revenues susceptible to accrual include intergovernmental revenue, interest revenue and charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

COIC has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

COIC has determined that each of its governmental funds are major funds and therefore reports the following governmental funds:

*General Fund*

The General Fund is used to account for the financial operations of COIC not accounted for in any other fund.

*Special Revenue Funds*

Special revenue funds are used to report activities of the revolving loan and other programs operated by COIC that are legally restricted to expenditures for specific purposes (not including expendable trusts). COIC reports the following special revenue funds:

The *Revolving Loan Funds (Local Job Creation and Title IX Round One, Two and Three)* account for loans to businesses that will create jobs in the State of Oregon counties of Crook, Deschutes, Jefferson, Harney, Lake and Klamath. Principal sources of revenues are Federal and State grants, loan principal and interest payments. Primary expenditures are for loans and loan administration.

The *Intermediary Relending Fund* accounts for loans to businesses that will create jobs or retain existing jobs in the State of Oregon counties of Crook, Deschutes, Jefferson, Harney, Klamath, Lake, Wasco and Sherman. Principal sources of revenues are Federal grants, loan principal and interest payments. Primary expenditures are for loans and loan administration.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Cash and Investments*

COIC maintains a common cash and investments pool for all COIC funds. COIC's cash and investments consist of cash on hand, demand deposits, time certificates of deposit and investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Investments that have a remaining maturity at the time of purchase of one year or less are stated at amortized cost. All other investments are stated at fair value, or estimated fair value. The LGIP is stated at cost which is 99% of fair value. Fair value of the LGIP is the same as COIC's value in the pool shares. Equity in pooled cash and investments includes amounts in demand deposits and time certificates of deposit as well as amounts in investments pools that have the same general characteristics of demand accounts. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash and investments balance as a proportion of COIC's total pooled cash and investments.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State of Oregon that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

*Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

*Receivables*

All receivables are considered to be collectible. No allowance for doubtful accounts is therefore considered necessary.

*Capital Assets*

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair value on the date donated. COIC defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. Interest and other costs incurred during construction are capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over four to seven years for equipment and ten to fifty years for buildings and improvements.

*Accrued Compensated Absences*

Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with COIC. The estimated liability for accrued compensated absences, if significant, includes salary related payments and is included in accrued payroll and benefits. Accrued compensated absences are reported in the government-wide financial statements. Governmental funds report only matured accrued compensated absences to currently terminating employees.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Unearned Revenue*

COIC reports unearned revenue on the balance sheets of the governmental funds. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met or when COIC has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

*Long-Term Obligations*

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Assets.

*Fund Balances*

In the fund financial statements, the fund balance for governmental funds is reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when resources cannot be spent because they are either legally or contractually required to be maintained intact, or are in a nonspendable form such as inventories, prepaid amounts, and assets held for resale.

Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

*Interfund Activity*

The effect of interfund activity has been eliminated in the government-wide financial statements, except where necessary to account for the cost of a program.

*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 may vary from those estimates.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

COIC, organized under Oregon Revised Statutes Chapter 190, is subject to budget provisions of Oregon Revised Statutes Sections 294.900 to 294.930. The governing board of COIC adopts appropriations on a budgetary basis at the legal level (personnel services, materials and services, capital outlay, and transfers) for each fund. The board adopted a supplemental budget for the year ended June 30, 2011. Each of these changes were necessary due to the receipt of additional grants that were not anticipated when the original budget was formulated. Additionally, budgets are approved by the grantor agencies for many federal and state funded programs operated by COIC. These budgets vary considerably in the categories of expenditures used and the degree of compliance required.

**NOTE 3 - CASH AND INVESTMENTS**

COIC maintains a common cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed in the Statement of Net Assets as "Cash and investments". The types of investments in which COIC may invest are restricted by Oregon Revised Statutes. Authorized investments include bank demand deposits, general obligations of the United States Government and its agencies, and certain states, certain guaranteed investments issued by banks, and the State of Oregon Local Government Investment Pool. Cash and investments are comprised of the following at June 30, 2011.

	<u>Security</u>	
Cash on hand	N/A	\$ 1,061
Demand accounts	FDIC & collateral	231,921
Time certificates of deposit	FDIC & collateral	1,297,361
Local Government Investment Pool	N/A	<u>1,852,066</u>
<i>Total cash and investments</i>		<u>\$ 3,382,409</u>

*Deposits with Financial Institutions*

Effective July 1, 2008, the State of Oregon formed the Oregon Public Funds Collateralization Program (OPFCP) under ORS 295. The OPFCP created a state-wide pool of qualified bank depositories for local governments, providing collateralization for bank balances that exceed the limits of the Federal Depository Insurance Corporation (FDIC), and eliminating the need for certificates of participation. As of June 30, 2011, the carrying amount of COIC's deposits in a financial institution was \$1,529,282 and the balance per the bank statements was \$1,846,549. The bank balance as of June 30, 2011 in the amount of \$1,846,549 was covered by the FDIC and collateralized by the OPFCP.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, COIC's investment policy requires that 100% of COIC's investment portfolio have maturities of one year or less. At June 30, 2011, the Local Government Investment Pool had investment maturities of less than one year.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

*Credit Risk*

Oregon Revised Statutes limit investments in commercial paper and corporate bonds to those rated at least A-1 and AA respectively by a nationally recognized rating agency. COIC has no investment policy that would further limit its investment choices. At June 30, 2011, COIC was in compliance with the above state limitations. The State of Oregon Local Government Investment Pool is unrated.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of failure of counterparty, COIC will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2011, COIC does not have investments exposed to custodial credit risk.

**NOTE 4 - NOTES RECEIVABLE**

Notes receivable at June 30, 2011 in the amount of \$2,736,942 are economic development loans made to businesses to create jobs in the State of Oregon. The amount reported as notes receivable as of June 30, 2011 is the amount of original notes, less principal repayments received. Interest received on these loans during the contract period is considered to be program income.

Interest rates on the loans range from 6.25% to 8.50% and are secured by various combinations of personal guarantees, real estate, equipment, inventory and receivables. Notes receivable at June 30, 2011 include approximately \$2,495,714 not expected to be collected within one year. COIC considers all loans to be collectible and, therefore, no allowance for doubtful accounts is considered necessary.

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the year was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Governmental funds</i>				
Capital assets not depreciated:				
Land	\$ 311,095	\$ 214,905	\$	\$ 526,000
Capital assets being depreciated:				
Equipment	1,396,226	238,609		1,634,835
Buildings and improvements	1,340,716	1,571,336		2,912,052
	3,048,037	2,024,850		5,072,887
Accumulated depreciation				
Equipment	(406,318)	(136,698)		(543,016)
Buildings and improvements	(45,434)	(3,854)		(49,288)
	(451,752)	(140,552)		(592,304)
<i>Total capital assets, net</i>	<b>\$ 2,596,285</b>	<b>\$ 1,884,298</b>	<b>\$ -</b>	<b>\$ 4,480,583</b>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

For the year ended June 30, 2011 depreciation expense of \$140,552 was directly charged to Employment and Training and Economic Development activities in the amounts of \$27,853 and \$112,699, respectively.

**NOTE 6 – NOTES PAYABLE**

Note payable to the U.S. Department of Agriculture. Payments of \$84,900 including interest at 1% are due annually. The loan is secured by revolving notes receivable and is due on June 30, 2027.	\$ 1,251,348
Note payable to the Oregon Certified Business Development Corporation. Payments of \$4,050 including interest at 4% are due monthly. The loan is due on February 2021.	389,006
Note payable to the Oregon Job Creation Program. Payments of \$2,015 including interest at 4% are due monthly. The loan is due on February 2021.	114,000
Note payable to the U.S. Department of Agriculture. Payments of \$24,282 including interest at 1% are due annually. The loan is secured by revolving notes receivable and is due on June 30, 2030.	<u>415,218</u>
<i>Total</i>	<u><u>\$ 2,169,572</u></u>

Changes in notes payable are as follows:

<i>Governmental activities:</i>	<u>Balances July 1, 2010</u>	<u>Principal Additions</u>	<u>Principal Reductions</u>	<u>Balances June 30, 2011</u>	<u>Due Within One Year</u>
Note payable dated March 6, 1997, original loan \$2,000,000	\$ 1,320,127	\$	\$ 68,779	\$ 1,251,348	\$ 68,779
Note payable dated March 1, 2011, original loan \$114,000		114,000		114,000	752
Note payable dated February 1, 2010, original loan \$304,602	304,602	95,398	10994	389,006	6,080
Note payable dated March 15, 2000, original loan \$572,000	<u>438,040</u>	<u></u>	<u>22,822</u>	<u>415,218</u>	<u>22,822</u>
	<u><u>\$ 2,062,769</u></u>	<u><u>\$ 209,398</u></u>	<u><u>\$ 102,595</u></u>	<u><u>\$ 2,169,572</u></u>	<u><u>\$ 98,433</u></u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 6 – NOTES PAYABLE (CONTINUED)**

Notes payable were incurred to fund revolving loan programs and acquire capital assets used for economic development activities. Interest expense in the amount of \$33,353 on the above notes payable has been directly allocated to economic development loan program expenses.

The annual requirements to pay principal and interest on notes payable at June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 98,433	\$ 29,801	\$ 128,234
2013	129,942	27,840	157,782
2014	131,463	26,319	157,782
2015	134,793	22,989	157,782
2016	137,454	20,328	157,782
2017-2021	721,153	67,757	788,910
2022-2026	422,793	17,958	440,751
2027-2030	393,541	113,720	507,261
	<u>\$ 2,169,572</u>	<u>\$ 326,712</u>	<u>\$ 2,496,284</u>

**NOTE 7 - UNEARNED REVENUES**

Unearned revenues as of June 30, 2011 consisted of the following:

Grants	\$ 1,814,590
Other contracts	9,974
<i>Total</i>	<u>\$ 1,824,564</u>

Unearned grant and contract revenue will be recognized as services are provided under the terms of the agreements.

**NOTE 8 - PENSION PLAN**

*Plan Description*

COIC is a participating employer in the Oregon Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system, established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. All COIC employees are eligible to participate in PERS after six months of employment.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 8 - PENSION PLAN (CONTINUED)**

Benefits are established by state statute. PERS is a component unit of the State of Oregon and issues a comprehensive annual financial report which may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700 or by calling (503) 598-7377.

*Funding Policy*

For the fiscal year ended June 30, 2011, COIC was required by the rules applicable to PERS to contribute 10.70% of Tier One and Tier Two employees' salaries to PERS. Employees entering the system subsequent to August 2003 are covered under the Oregon Public Service Retirement Plan (OPSRP). The effective rate for OPSRP employees is 12.4%. The contribution rate is determined based on actuarial valuations, which are performed by PERS periodically. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. COIC has elected to contribute the 6% "pick-up" of the employees' contribution in-lieu of a 6% pay increase.

*Annual Pension Cost*

For fiscal year ended June 30, 2011, COIC's annual pension cost for PERS was equal to COIC's required and actual contributions, and consisted of \$394,124 for COIC's required share. COIC also paid the employees' contribution of \$183,267. Employer contributions are calculated in conformance with the provision of GASB Statement 27 as a percentage of covered payroll. Therefore, the contributions transmitted to PERS are equal to the Annual Required Contributions (ARC) and there is no Net Pension Obligation (NPO) necessary to amortize any unmade contributions. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include a rate of return on investment of present and future assets 8.0% per year net of investment and administrative expenses, projected salary increases of 3.75% excluding merit and longevity increases, and cost of living adjustments of 2.75% per year for post-retirement benefits, and future interest credits of 8.5% for Tier One and 8.0% for Tier Two employees. Investment return and projected salary increases include an inflation component of 3.75%.

The actuarial value of PERS assets are valued on the Expected Value Method. The employer's unfunded actuarial liability is being amortized as a level percentage of projected payroll over 30 years on an open basis. The following tables present the three-year trend information and the schedule of funding progress for COIC:

Three-Year Trend Information

<u>Fiscal-year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	553,487	100	-
6/30/2010	478,707	100	-
6/30/2011	577,391	100	-

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 8 - PENSION PLAN (CONTINUED)**

*Annual Pension Cost (Continued)*

Schedule of Funding Progress for PERS

Valuation Date	AVA	AAL	UAAL	Funded Percent	Covered Payroll	UAAL/ Payroll
12/31/2007	9,583,547	8,654,315	(929,232)	111%	2,546,525	36%
12/31/2008	7,252,664	8,694,695	1,442,031	83%	3,047,833	47%
12/31/2009	8,552,656	9,391,954	839,298	91%	3,654,124	23%

AVA: Actuarial Value of Assets

AAL: Actuarial Accrued Liability

UAAL: Unfunded Actuarial Accrued Liability

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

Reimbursement claims under federal and state program grants are subject to audit and adjustment by grantor agencies. Any disallowed claims might become a liability of COIC. COIC is aware of no communications from granting agencies regarding the lack of compliance with grant conditions that could result in a liability. There are no asserted or known unasserted claims against COIC that require disclosure or a loss accrual under Financial Accounting Standards Board Statement No. 5.

**NOTE 10 - RETIREMENT PLANS**

Substantially all of COIC's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenses/expenditures as funded.

**NOTE 11 - RISK MANAGEMENT**

COIC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

COIC carries commercial insurance for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 12 – RECONCILIATION OF BUDGETARY BASIS TO GOVERNMENTAL FUND FINANCIAL STATEMENTS**

The schedules of Revenues, Expenditures and Changes in Fund Balance -Budgetary Basis as presented in required supplemental information have been prepared using COIC's budgetary basis of accounting, which differs from the Governmental Fund Financial Statements. The following is a reconciliation of the excess of revenues over expenditures – Budgetary Basis to net change in fund balances – Governmental Fund Basis as reported in the Basic Financial Statements:

	Governmental Funds
Excess of revenues over expenditures - budgetary basis	\$ (344,247)
Revolving loan collections	(227,481)
Bad Debts	(210,495)
Business loans	317,000
Net change in fund balances - governmental fund basis	\$ (465,223)

**NOTE 13 – LEASES**

COIC leases office space in Bend, La Pine, Madras, Prineville, Lakeview, Klamath Falls and Redmond under noncancellable operating leases. Rental expense under all noncancellable leases for the year ended June 30, 2011 was \$509,617.

Following is a schedule, by fiscal year, of the future minimum rental payments required under these leases as of June 30, 2011.

Year Ending		
2012	\$	504,131
2013		361,159
2014		300,382
2015		208,248
	\$	1,373,920

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 30, 2011, which is the date the financial statements were issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS**  
**BUDGET AND ACTUAL**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual
<b>REVENUES</b>				
Intergovernmental				
The Oregon Consortium	\$ 4,690,216	\$ 4,690,216	\$ (323,282)	\$ 4,366,934
Department of Transportation	2,014,028	2,014,028	511,794	2,525,822
Department of Human Services	3,509,180	3,851,782	302,187	4,153,969
Economic development	68,023	68,023	(18,291)	49,732
Oregon Youth Conservation Corp	108,166	108,166	(5,117)	103,049
Oregon Department of Energy	218,302	218,302	(218,302)	
National Forest	78,100	78,100	(19,727)	58,373
Local government	4,267,649	4,267,649	(996,789)	3,270,860
Other revenue	314,000	114,000	39,796	153,796
Charges for services				
Grant and loan administration	404,931	404,931	(62,032)	342,899
Bus fares	288,112	745,068	579,808	1,324,876
Other				
Interest on investments	6,789	6,789	(1,878)	4,911
<i>Total revenues</i>	<u>15,967,496</u>	<u>16,567,054</u>	<u>(211,833)</u>	<u>16,355,221</u>
<b>EXPENDITURES</b>				
Personnel services				
Salaries	4,768,768	5,011,042	24,345	4,986,697
Taxes and benefits	2,605,638	2,571,890	63,473	2,508,417
	<u>7,374,406</u>	<u>7,582,932</u>	<u>87,818</u>	<u>7,495,114</u>
Materials and services				
Rent	521,960	521,960	12,343	509,617
Telephone	142,117	142,117	14,135	127,982
Utilities	181,054	181,054	(15,420)	196,474
Office	206,413	206,413	(106,741)	313,154
Fees and dues	112,550	112,550	(28,591)	141,141
Advertising	21,080	21,080	3,242	17,838
Repairs and maintenance	420,198	420,198	17,538	402,660
Insurance	67,089	67,089	27,026	40,063
Professional services	47,365	47,365	(24,474)	71,839
Contracting	3,686,917	3,686,917	107,266	3,579,651
Training and travel	541,764	541,764	(106,193)	647,957
Client training services	1,034,604	1,140,355	(73,314)	1,213,669
	<u>6,983,111</u>	<u>7,088,862</u>	<u>(173,183)</u>	<u>7,262,045</u>

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**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(CONTINUED)**  
**BUDGETARY BASIS**  
**BUDGET AND ACTUAL**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2011**

- continued from page 29

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual
<b>EXPENDITURES (CONTINUED)</b>				
Capital outlay	1,603,190	2,088,471	63,621	2,024,850
Debt Service				
Principal		11,000	6	10,994
Interest		19,000	2,930	16,070
		30,000	2,936	27,064
Operating contingency	1,032,385	802,385	802,385	
<i>Total expenditures</i>	16,993,092	17,592,650	783,577	16,809,073
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,025,596)	(1,025,596)	571,744	(453,852)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from issuance of Long-term debt			209,398	209,398
<b>NET CHANGE IN FUND BALANCE</b>	(1,025,596)	(1,025,596)	781,142	(244,454)
<b>FUND BALANCE, budgetary basis - beginning of year</b>	1,025,596	1,025,596	18,626	1,044,222
<b>FUND BALANCE, budgetary basis - end of year</b>	\$ -	\$ -	\$ 799,768	\$ 799,768

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS**  
**BUDGET AND ACTUAL**

**EDA TITLE IX – ROUND ONE FUND**

**YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual</u>
<b>REVENUES</b>				
Payments on loan principal	\$ 30,806	\$ 30,806	\$ (8,194)	\$ 22,612
Loan fees	2,420	2,420	(1,450)	970
Interest on revolving loans	28,490	28,490	(5,554)	22,936
Interest on investments	1,617	1,617	(222)	1,395
	<u>63,333</u>	<u>63,333</u>	<u>(15,420)</u>	<u>47,913</u>
<b>EXPENDITURES</b>				
Materials and services	14,771	14,771	1,288	13,483
Business loans	290,647	290,647	227,647	63,000
	<u>305,418</u>	<u>305,418</u>	<u>228,935</u>	<u>76,483</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(242,085)	(242,085)	213,515	(28,570)
<b>FUND BALANCE, budgetary basis - beginning of year</b>	<u>242,085</u>	<u>242,085</u>	<u>(531)</u>	<u>241,554</u>
<b>FUND BALANCE, budgetary basis - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,984</u>	212,984
Adjustment for outstanding loans				<u>321,656</u>
<b>FUND BALANCE, end of year</b>				<u>\$ 534,640</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS**  
**BUDGET AND ACTUAL**

**EDA TITLE IX – ROUND TWO FUND**

**YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Variance with Final Budget Over(Under)	Actual
<b>REVENUES</b>				
Payments on loan principal	\$ 52,985	\$ 52,985	\$ (7,066)	\$ 45,919
Loan fees	3,035	3,035	(1,486)	1,549
Interest on revolving loans	64,765	64,765	(8,290)	56,475
Interest on investments	1,172	1,172	15	1,187
	<i>Total revenues</i>	121,957	(16,827)	105,130
<b>EXPENDITURES</b>				
Materials and services	31,321	31,321	4,775	26,546
Business loans	284,209	284,209	284,209	
	<i>Total expenditures</i>	315,530	288,984	26,546
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(193,573)	(193,573)	272,157	78,584
<b>FUND BALANCE, budgetary basis - beginning of year</b>				
	193,573	193,573	1,293	194,866
<b>FUND BALANCE, budgetary basis - end of year</b>				
	\$ -	\$ -	\$ 273,450	273,450
Adjustment for outstanding loans				701,113
<b>FUND BALANCE, end of year</b>				<b>\$ 974,563</b>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS**  
**BUDGET AND ACTUAL**

**EDA TITLE IX – ROUND THREE FUND**

**YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Variance with Final Budget Over(Under)	Actual
<b>REVENUES</b>				
Payments on loan principal	\$ 81,221	\$ 81,221	\$ (25,104)	\$ 56,117
Loan fees	4,924	4,924	470	5,394
Interest on revolving loans	40,958	40,958	4,225	45,183
Interest on investments	2,088	2,088	(760)	1,328
	<i>Total revenues</i>	129,191	(21,169)	108,022
<b>EXPENDITURES</b>				
Materials and services	21,783	21,783	(3,451)	25,234
Business loans	445,181	445,181	305,181	140,000
	<i>Total expenditures</i>	466,964	301,730	165,234
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(337,773)	(337,773)	280,561	(57,212)
<b>FUND BALANCE, budgetary basis - beginning of year</b>	337,773	337,773	(40,738)	297,035
<b>FUND BALANCE, budgetary basis - end of year</b>	\$ -	\$ -	\$ 239,823	239,823
Adjustment for outstanding loans				578,217
<b>FUND BALANCE, end of year</b>				\$ 818,040

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS**  
**BUDGET AND ACTUAL**

**INTERMEDIARY RELENDING PROGRAM FUND**

**YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual
<b>REVENUES</b>				
Payments on loan principal	\$ 107,013	\$ 107,013	\$ (4,180)	\$ 102,833
Loan fees	9,239	9,239	(7,668)	1,571
Interest on revolving loans	89,218	89,218	(10,749)	78,469
Interest on investments	10,014	10,014	1,728	11,742
	<u>215,484</u>	<u>215,484</u>	<u>(20,869)</u>	<u>194,615</u>
 <b>EXPENDITURES</b>				
Materials and services	59,890	59,890	(4,436)	64,326
Debt service				
Principal	91,740	91,740	139	91,601
Interest	17,442	17,442	159	17,283
Business loans	1,429,401	1,429,401	1,429,401	
	<u>1,598,473</u>	<u>1,598,473</u>	<u>1,425,263</u>	<u>173,210</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(1,382,989)	(1,382,989)	1,404,394	21,405
 <b>FUND BALANCE, budgetary basis - beginning of year</b>				
	<u>1,382,989</u>	<u>1,382,989</u>	<u>4,547</u>	<u>1,387,536</u>
 <b>FUND BALANCE, budgetary basis - end of year</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,408,941</u>	<u>1,408,941</u>
Adjustment for outstanding loans				<u>1,021,956</u>
 <b>FUND BALANCE, end of year</b>				
				<u>\$ 2,430,897</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY BASIS**  
**BUDGET AND ACTUAL**

**JOB CREATION PROGRAM FUND**

**YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual</u>
<b>REVENUES</b>				
Interest on revolving loans	\$ 2,775	\$ 2,775	\$ (959)	\$ 1,816
Interest on investments	478	478	(92)	386
	<u>3,253</u>	<u>3,253</u>	<u>(1,051)</u>	<u>2,202</u>
<i>Total revenues</i>				
<b>EXPENDITURES</b>				
Materials and services	3,253	3,253	1,051	2,202
Business loans	114,173	114,173	173	114,000
	<u>117,426</u>	<u>117,426</u>	<u>1,224</u>	<u>116,202</u>
<i>Total expenditures</i>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(114,173)	(114,173)	173	(114,000)
<b>FUND BALANCE, <i>budgetary basis</i> - <i>beginning of year</i></b>				
	<u>114,173</u>	<u>114,173</u>		<u>114,173</u>
<b>FUND BALANCE, <i>budgetary basis</i> - <i>end of year</i></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173</u>	173
Adjustment for outstanding loans				<u>114,000</u>
<b>FUND BALANCE, <i>end of year</i></b>				<u>\$ 114,173</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

**OTHER SUPPLEMENTAL INFORMATION**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CONTRACT EXPENDITURES WITH THE OREGON CONSORTIUM**  
**REGION 10**

**YEAR ENDED JUNE 30, 2011**

<i><b>Expenditures</b></i>	Administration	Program
WIA Title 1B Youth	\$	\$ 602,775
WIA Title 1B Adult		591,973
WIA Title 1B DW transfer for Adult		105,215
WIA Title 1B Dislocated Worker		20,618
WIA Title 1B Dislocated Worker PY10/FY11		719,308
ARRA AA Project Woodgrain Millworks FY09	6,060	
AA Project Contract Industries PY09		34,843
ARRA AA Project TRG Customer Solutions FS FY09		34,657
ARRA AA Project ATT - FS FY09		22,397
ARRA AA Project Mt Bachelor Academy FY09		27,396
Disability Programs Navigator		6,121
Disability Programs Navigator		165
Local Boards/RWIB		28,473
Employee Workforce Training Funds - Program Support Admin - FY10	10,880	
Regional Economic Impact NEG PY09		426,274
ARRA NEG - ARRA Cessna Aircraft OR - 40 FY09		277,587
OJT NEG		52,601
ARRA OGTC - SESP		51,659
National Career Readiness Certificate		2,861
ARRA National Career Readiness Certificate		28,100
EWTF GSTF Statewide Activities Lean - PY08		14,000
Career Readiness Certificate Project FY09		24,913
ARRA Green Jobs Profiles & Occupational Analysis Project		116,936
Department of Human Services SYEP PY09		20,269
	\$ 16,940	\$ 3,209,141
<i>Total expenditures</i>		

Total Current Year Expenditures	Program Income Expenditures	Total Program Costs
\$ 602,775	\$ 17,769	\$ 620,544
591,973		591,973
105,215		105,215
20,618		20,618
719,308		719,308
6,060		6,060
34,843		34,843
34,657		34,657
22,397		22,397
27,396		27,396
6,121		6,121
165		165
28,473	813	29,286
10,880		10,880
426,274		426,274
277,587		277,587
52,601		52,601
51,659		51,659
2,861		2,861
28,100		28,100
14,000		14,000
24,913		24,913
116,936		116,936
20,269		20,269
<u>\$ 3,226,081</u>	<u>\$ 18,582</u>	<u>\$ 3,244,663</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CONTRACT EXPENDITURES WITH THE OREGON CONSORTIUM**  
**REGION 11**

**YEAR ENDED JUNE 30, 2011**

<i><b>Expenditures</b></i>	Administration	Program
WIA Title 1B Youth	\$	\$ 361,685
WIA Title 1B Adult		249,928
WIA Title 1B DW Transfer for Adult		59,516
WIA Title 1B Dislocated Worker PY10/FY11		254,469
Employee Workforce Training Fund RR - PS - FY11		961
Employee Workforce Training Fund SWA - PS - FY11		4,254
Regional Economic Impact NEG PY09 OR - 51		173,462
ARRA OJT NEG		17,997
ARRA OGTC - SESP		14,024
ARRA National Career Rediness Certificate		6
Department of Human ServicesSYEP PY09		4,551
<i>Total expenditures</i>	\$ -	\$ 1,140,853

<u>Total Current Year Expenditures</u>	<u>Program Income Expenditures</u>	<u>Total Program Costs</u>
\$ 361,685	\$ 14,809	\$ 376,494
249,928		249,928
59,516		59,516
254,469		254,469
961		961
4,254		4,254
173,462		173,462
17,997		17,997
14,024		14,024
6		6
<u>4,551</u>		<u>4,551</u>
<u>\$ 1,140,853</u>	<u>\$ 14,809</u>	<u>\$ 1,155,662</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CONTRACT EXPENDITURES WITH THE OREGON CONSORTIUM**  
**COMBINED**

**YEAR ENDED JUNE 30, 2011**

<i><b>Expenditures</b></i>	Administration	Program
WIA Title 1B Youth	\$	\$ 964,460
WIA Title 1B Adult		841,901
WIA Title 1B DW transfer for Adult		164,731
WIA Title 1B Dislocated Worker		20,618
WIA Title 1B Dislocated Worker PY10/FY11		973,777
ARRA AA Project Woodgrain Millworks FY09	6,060	
AA Project Contract Industries PY09		34,843
ARRA AA Project TRG Customer Solutions FS FY09		34,657
ARRA AA Project ATT - FS FY09		22,397
ARRA AA Project Mt Bachelor Academy FY09		27,396
Disability Programs Navigator		6,121
Disability Programs Navigator		165
Local Boards/RWIB		28,473
Employee Workforce Training Funds - PS - FY10	10,880	
Employee Workforce Training Fund RR - PS - FY11		961
Employee Workforce Training Fund SWA - PS - FY11		4,254
Regional Economic Impact NEG PY09		599,736
ARRA NEG - ARRA Cessna Aircraft OR - 40 FY09		277,587
OJT NEG		70,598
ARRA OGTC - SESP		65,683
National Career Readiness Certificate		2,861
ARRA National Career Readiness Certificate		28,106
EWTF GSTF Statewide Activities Lean - PY08		14,000
Career Readiness Certificate Project FY09		9,380
ARRA Career Readiness Certificate Project FY09		15,533
ARRA Green Jobs Profiles & Occupational Analysis Project		116,936
Department of Human Services SYEP PY09		24,820
	<u>\$ 16,940</u>	<u>\$ 4,349,994</u>
<i>Total expenditures</i>		

Total Current Year Expenditures	Program Income Expenditures	Total Program Costs
\$ 964,460	\$ 32,578	\$ 997,038
841,901		841,901
164,731		164,731
20,618		20,618
973,777		973,777
6,060		6,060
34,843		34,843
34,657		34,657
22,397		22,397
27,396		27,396
6,121		6,121
165		165
28,473	813	29,286
10,880		10,880
961		961
4,254		4,254
599,736		599,736
277,587		277,587
70,598		70,598
65,683		65,683
2,861		2,861
28,106		28,106
14,000		14,000
9,380		9,380
15,533		15,533
116,936		116,936
24,820		24,820
<u>\$ 4,366,934</u>	<u>\$ 33,391</u>	<u>\$ 4,400,325</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CAPITAL ASSETS BY SOURCE**

**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><i>Capital assets</i></b>		
Land	\$ 526,000	\$ 311,095
Equipment	1,634,835	1,396,226
Buildings and improvements	<u>2,912,052</u>	<u>1,340,716</u>
 <i>Total capital assets</i>	 <u>\$ 5,072,887</u>	 <u>\$ 3,048,037</u>
 <b><i>Capital assets by source</i></b>		
Intergovernmental		
Federal and other	<u>\$ 5,072,887</u>	<u>\$ 3,048,037</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY**

**JUNE 30, 2011**

	<u>Land</u>	<u>Equipment</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Employment and training	\$	\$ 285,291	\$ 76,894	\$ 362,185
Economic development	<u>526,000</u>	<u>1,349,544</u>	<u>2,835,158</u>	<u>4,710,702</u>
	<u>\$ 526,000</u>	<u>\$ 1,634,835</u>	<u>\$ 2,912,052</u>	<u>\$ 5,072,887</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY**

**YEAR ENDED JUNE 30, 2011**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Employment and training				
Cost	\$ 362,185	\$		\$ 362,185
Accumulated depreciation	(293,766)	(27,853)		(321,619)
	<u>68,419</u>	<u>(27,853)</u>		<u>40,566</u>
Economic development				
Cost	2,685,852	2,024,850		4,710,702
Accumulated depreciation	(157,986)	(112,699)		(270,685)
	<u>2,527,866</u>	<u>1,912,151</u>		<u>4,440,017</u>
	<u>\$ 2,596,285</u>	<u>\$ 1,884,298</u>	<u>\$ -</u>	<u>\$ 4,480,583</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

**STATISTICAL SECTION**

## **STATISTICAL SECTION CONTENTS**

This part of Central Oregon Intergovernmental Council's statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about COIC's overall health.

<i>FINANCIAL TRENDS</i>	45-48
These schedules contain trend information to help the reader Understand how COIC's financial performance and well-being have changed over time.	
<i>REVENUE CAPACITY</i>	49-50
These schedules contain information to help the reader assess COIC's significant sources of revenue.	
<i>DEBT CAPACITY</i>	51
These schedules present information to help the reader assess the affordability of COIC's current levels of outstanding debt.	
<i>DEMOGRAPHIC AND ECONOMIC INFORMATION</i>	52-53
These schedules offer demographic and economic indicators to help the reader understand the environment within which COIC's financial activities take place.	
<i>OPERATING INFORMATION</i>	54-57
These schedules contain service data to help the reader understand how the information in COIC's financial report relates to the services COIC provides and the activities it performs.	

*SOURCES:* Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Central Oregon Intergovernmental Council implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF NET ASSETS BY COMPONENT**  
**LAST EIGHT FISCAL YEARS**

**GOVERNMENTAL ACTIVITIES**  
**PRIMARY GOVERNMENT**

	Year Ended							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>GOVERNMENTAL</b>								
<b>ACTIVITIES</b>								
Invested in capital assets:								
- net of related debt	\$ 219,378	\$ 226,814	\$ 189,167	\$ 151,520	\$ 134,082	\$ 456,904	\$ 2,291,683	\$ 3,977,577
Restricted for loan								
programs	3,587,089	3,793,352	3,968,317	3,937,849	3,884,913	3,673,547	3,334,915	3,205,747
Unrestricted	<u>795,077</u>	<u>828,477</u>	<u>875,586</u>	<u>931,324</u>	<u>975,667</u>	<u>1,025,073</u>	<u>1,044,222</u>	<u>799,768</u>
<i>Total governmental</i>								
<i>activities net</i>								
<i>assets</i>	<u>\$ 4,601,544</u>	<u>\$ 4,848,643</u>	<u>\$ 5,033,070</u>	<u>\$ 5,020,693</u>	<u>\$ 4,994,662</u>	<u>\$ 5,155,524</u>	<u>\$ 6,670,820</u>	<u>\$ 7,983,092</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**

**GOVERNMENTAL ACTIVITIES**  
**PRIMARY GOVERNMENT**

	Year Ended							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>EXPENSES</b>								
Employment and training	\$ 4,118,519	\$ 4,389,856	\$ 4,080,322	\$ 4,114,166	\$ 5,083,809	\$ 6,198,775	\$ 7,833,591	\$6,924,606
Economic development	1,754,027	1,920,926	2,327,274	3,440,425	3,605,569	5,054,976	5,605,212	8,348,744
<i>Total expenses</i>	<u>5,872,546</u>	<u>6,310,782</u>	<u>6,407,596</u>	<u>7,554,591</u>	<u>8,689,378</u>	<u>11,253,751</u>	<u>13,438,803</u>	<u>15,273,350</u>
<b>PROGRAM REVENUES</b>								
Charges for services	370,008	351,358	401,759	404,313	404,498	385,492	366,315	1,677,259
Operating grants								
Employment and training	4,149,083	4,471,418	3,923,105	4,079,341	5,065,816	5,095,544	7,805,739	6,865,798
Economic development	849,272	1,679,027	2,150,186	2,878,988	3,011,496	5,631,736	6,545,985	7,816,737
<i>Total program revenues</i>	<u>5,368,363</u>	<u>6,501,803</u>	<u>6,475,050</u>	<u>7,362,642</u>	<u>8,481,810</u>	<u>11,112,772</u>	<u>14,718,039</u>	<u>16,359,794</u>
<b>NET (EXPENSE)/REVENUE</b>	<u>(504,183)</u>	<u>191,021</u>	<u>67,454</u>	<u>(191,949)</u>	<u>(207,568)</u>	<u>(140,979)</u>	<u>1,279,236</u>	<u>1,086,444</u>
<b>GENERAL REVENUES</b>								
Interest	28,031	56,078	116,973	179,572	181,537	301,841	236,060	225,828
<b>CHANGE IN NET ASSETS</b>	<u>\$ (476,152)</u>	<u>\$ 247,099</u>	<u>\$ 184,427</u>	<u>\$ (12,377)</u>	<u>\$ (26,031)</u>	<u>\$ 160,862</u>	<u>\$ 1,515,296</u>	<u>\$1,312,272</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF FUND BALANCES**  
**LAST EIGHT FISCAL YEARS**

**GOVERNMENTAL FUNDS**  
**PRIMARY GOVERNMENT**

	Year Ended							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>GENERAL FUND</b>								
Nonspendable - prepaid items	\$ 45,835	\$ 33,472	\$ 58,526	\$ 49,592	\$ 49,646	\$ 58,461	\$ 50,935	\$ 59,764
Unassigned	<u>749,242</u>	<u>795,005</u>	<u>817,060</u>	<u>881,732</u>	<u>926,021</u>	<u>966,612</u>	<u>993,287</u>	<u>740,004</u>
<i>Total general fund</i>	<u>\$ 795,077</u>	<u>\$ 828,477</u>	<u>\$ 875,586</u>	<u>\$ 931,324</u>	<u>\$ 975,667</u>	<u>\$ 1,025,073</u>	<u>\$ 1,044,222</u>	<u>\$ 799,768</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>								
Nonspendable - long-term notes receivable	\$ 3,241,549	\$ 2,979,730	\$ 2,747,961	\$ 2,613,056	\$ 2,350,346	\$ 2,568,821	\$ 2,574,113	\$ 2,495,714
Restricted for loan programs	<u>2,635,120</u>	<u>3,017,065</u>	<u>3,336,448</u>	<u>3,353,151</u>	<u>3,473,895</u>	<u>2,954,246</u>	<u>2,518,969</u>	<u>2,376,599</u>
<i>Total all other governmental funds</i>	<u>\$ 5,876,669</u>	<u>\$ 5,996,795</u>	<u>\$ 6,084,409</u>	<u>\$ 5,966,207</u>	<u>\$ 5,824,241</u>	<u>\$ 5,523,067</u>	<u>\$ 5,093,082</u>	<u>\$ 4,872,313</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CHANGES IN FUND BALANCES**  
**LAST EIGHT FISCAL YEARS**

**GOVERNMENTAL FUNDS**  
**PRIMARY GOVERNMENT**

	Year Ended							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>REVENUES</b>								
Interest	\$ 308,459	\$ 313,096	\$ 342,940	\$ 416,803	\$ 435,597	\$ 301,841	\$ 236,060	\$ 225,828
Intergovernmental	4,717,927	5,893,427	5,847,324	6,721,098	7,823,252	10,727,280	14,351,724	14,682,535
Charges for services	370,008	351,358	401,759	404,313	404,498	385,492	366,315	1,677,259
<i>Total revenues</i>	<u>5,396,394</u>	<u>6,557,881</u>	<u>6,592,023</u>	<u>7,542,214</u>	<u>8,663,347</u>	<u>11,414,613</u>	<u>14,954,099</u>	<u>16,585,622</u>
<b>EXPENDITURES</b>								
Employment and training	4,082,854	4,366,216	4,045,570	4,079,414	5,049,057	6,156,835	7,805,738	6,896,753
Economic development	1,727,450	1,834,208	2,302,633	3,416,639	3,582,623	5,015,768	5,475,022	8,202,692
Debt service								
Principal	85,566	86,137	87,351	87,734	89,030	89,808	91,353	102,595
Interest	23,635	22,617	21,746	20,891	20,051	19,374	17,491	33,353
Capital outlay	73,793	95,177			20,209	384,596	2,279,933	2,024,850
<i>Total expenditures</i>	<u>5,993,298</u>	<u>6,404,355</u>	<u>6,457,300</u>	<u>7,604,678</u>	<u>8,760,970</u>	<u>11,666,381</u>	<u>15,669,537</u>	<u>17,260,243</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(596,904)	153,526	134,723	(62,464)	(97,623)	(251,768)	(715,438)	(674,621)
<b>OTHER FINANCING SOURCES</b>								
Issuance of long-term debt							304,602	209,398
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (596,904)</u>	<u>\$ 153,526</u>	<u>\$ 134,723</u>	<u>\$ (62,464)</u>	<u>\$ (97,623)</u>	<u>\$ (251,768)</u>	<u>\$ (410,836)</u>	<u>\$ (465,223)</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NON- CAPITAL EXPENDITURES</b>	1.8%	1.7%	1.7%	1.4%	1.2%	1.0%	0.8%	0.9%

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF GENERAL GOVERNMENTAL REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

**GOVERNMENTAL FUNDS**  
**PRIMARY GOVERNMENT**

Fiscal Year Ending June 30,	Intergovernmental		
	Federal	State	Local
2002	\$ 3,915,999	\$ 1,508,702	\$ 42,697
2003	3,365,236	1,979,200	61,483
2004	3,349,522	1,297,427	70,978
2005	3,534,030	2,331,776	27,621
2006	3,140,387	2,607,236	99,701
2007	3,212,284	3,371,342	137,472
2008	4,280,026	3,426,954	116,270
2009	5,933,097	4,266,399	527,784
2010	7,997,726	5,796,054	557,944
2011	6,294,537	5,117,138	3,270,860

	Charges For Services		Interest		Totals
	_____		_____		_____
\$	438,445	\$	411,074	\$	6,316,917
	593,161		353,799		6,352,879
	370,008		308,459		5,396,394
	351,358		313,096		6,557,881
	401,759		342,940		6,592,023
	404,313		416,803		7,542,214
	404,500		435,597		8,663,347
	385,492		301,841		11,414,613
	366,315		236,060		14,954,099
	1,677,259		225,828		16,585,622

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CHARGES FOR SERVICES BY LARGEST CUSTOMER**  
**LAST EIGHT FISCAL YEARS**

**GOVERNMENTAL ACTIVITIES**  
**PRIMARY GOVERNMENT**

	For Year ended							
	2004	2005	2006	2007	2008	2009	2010	2011
Oregon Business								
Development	\$ 105,951	\$ 116,588	\$ 127,208	\$ 138,297	\$ 154,575	\$ 175,489	\$ 200,602	\$ 211,108
All Others	<u>264,057</u>	<u>234,770</u>	<u>274,551</u>	<u>266,016</u>	<u>249,925</u>	<u>210,003</u>	<u>165,713</u>	<u>1,466,151</u>
<i>Total</i>	<u><u>370,008</u></u>	<u><u>351,358</u></u>	<u><u>401,759</u></u>	<u><u>404,313</u></u>	<u><u>404,500</u></u>	<u><u>385,492</u></u>	<u><u>366,315</u></u>	<u><u>1,677,259</u></u>

Information for the years ended June 30, 2002 and 2003 is not currently available.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF OUTSTANDING DEBT**  
**LAST TEN FISCAL YEARS**

**GOVERNMENTAL ACTIVITIES**  
**PRIMARY GOVERNMENT**

Fiscal Year Ending June 30,	Total Debt	Central Oregon Personal Income	Total Debt to Personal Income	Central Oregon Population	Total Debt Per Capita
2002	\$ 2,441,257	\$ 3,529,075,000	0.0692%	\$ 166,550	\$ 15
2003	2,375,146	3,745,396,000	0.0634%	170,700	14
2004	2,289,580	4,081,309,000	0.0561%	174,986	13
2005	2,203,443	4,493,638,000	0.0490%	186,867	12
2006	2,116,092	5,088,723,000	0.0416%	198,550	11
2007	2,028,358	5,391,673,000	0.0376%	208,725	10
2008	1,939,328	N/A	N/A	216,310	9
2009	1,849,250	N/A	N/A	220,605	8
2010	2,062,769	N/A	N/A	N/A	N/A
2011	2,169,572	N/A	N/A	N/A	N/A

N/A - Not available

Source: Deschutes County and Economic Development for Central Oregon.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ending June 30,	Central (1a) Oregon Population	Central Oregon (1b) Per Capita Income	Central Oregon (1b) Total Personal Income	Unemployment (1b) Percentage Rate
2002	166,550	26,509	\$ 3,529,075,000	8.0
2003	170,700	27,114	3,745,396,000	8.1
2004	174,986	28,470	4,081,309,000	7.2
2005	186,867	26,470	4,493,638,000	5.6
2006	198,550	27,124	5,088,723,000	5.4
2007	208,725	28,406	5,391,673,000	5.9
2008	216,310	29,987	N/A	9.2
2009	220,605	N/A	N/A	15.3
2010	200,675	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A

(1) Sources of information

- (a) Portland State University Center of Population and Research
- (b) Economic Development for Central Oregon
- (c) State of Oregon Employment Division

N/A - Not available

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND 9 YEARS AGO**

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
St. Charles Medical Center	3,028	1	3.37%	N/A	N/A	N/A
Bend/La Pine School District	1,795	2	2.00%	N/A	N/A	N/A
Les Schwab Tire Centers	1,500	3	1.67%	N/A	N/A	N/A
Deschutes County	1,000	4	1.11%	N/A	N/A	N/A
Sunriver Resort	850	5	0.95%	N/A	N/A	N/A
T-Mobile	850	6	0.95%	N/A	N/A	N/A
Redmond School District	755	7	0.84%	N/A	N/A	N/A
Mt. Bachelor	750	8	0.83%	N/A	N/A	N/A
Wal-Mart	700	9	0.78%	N/A	N/A	N/A
TRG Customer Solutions	650	10	0.72%	N/A	N/A	N/A
	<u>11,878</u>		<u>13.22%</u>			

Total area employment ( Crook, Deschutes and Jefferson Counties) at April 2010 was 89,847.

Sources: Economic Development for Central Oregon, Deschutes County Finance Department, Bend/La Pine School District, Redmond School District, Central Oregon Community College.

N/A - Not available

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST EIGHT FISCAL YEARS**

FUNCTION/PROGRAM	Full-time Equivalent Employees for the year ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Employment and training	48	47	43	46	57	71	68	72
Economic development	9	11	14	16	26	32	44	57
<i>Total</i>	<u>57</u>	<u>58</u>	<u>57</u>	<u>62</u>	<u>83</u>	<u>103</u>	<u>112</u>	<u>129</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF PROGRAM PARTICIPANTS BY FUNCTION/PROGRAM**  
**LAST EIGHT FISCAL YEARS**

<b>FUNCTION/PROGRAM</b>	Program participants for the year ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Employment and training Participants	1,491	3,414	3,959	4,078	5,672	9,545	13,528	16,903
Economic development Participants	N/A	312	1,997	2,166	3,114	4,419	5,544	N/A
<i>Total</i>	<u>1,491</u>	<u>3,726</u>	<u>5,956</u>	<u>6,244</u>	<u>8,786</u>	<u>13,964</u>	<u>19,072</u>	<u>16,903</u>

N/A - Not available

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF CAPITAL ASSETS BY FUNCTION/PROGRAM**  
**LAST EIGHT FISCAL YEARS**

FUNCTION/PROGRAM	Program facilities for the year ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Employment and training	6	6	6	6	6	5	5	5
Economic development	1	1	1	1	1	1	1	1

**STATE COMPLIANCE SECTION**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY STATE REGULATIONS**

**YEAR ENDED JUNE 30, 2011**

Board of Officials  
Central Oregon Intergovernmental Council  
Redmond, Oregon

We have audited the basic financial statements of the Central Oregon Intergovernmental Council as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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 Central Oregon Intergovernmental Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY STATE REGULATIONS (CONTINUED)**

**YEAR ENDED JUNE 30, 2011**

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

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

This report is intended solely for the information and use of the management, the audit committee, Board of Directors and federal awarding agencies and pass-through entities of the Central Oregon Intergovernmental Council and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

Kerkoch Katter & Nelson, LLP  
Certified Public Accountants



By: Stuart D. Katter – a partner

September 30, 2011

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**

**FEDERAL COMPLIANCE SECTION**

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor/ Pass-Through Entity Number	Expenditures
<i>U.S. Department of Labor</i>			
Passed Through The Oregon Consortium:			
Workforce Investment Act - WIA			
WIA Title 1B Youth	(1)17.259	PY09&PY10	\$ 964,460
WIA Title 1B Adult	(1)17.258	PY09&PY10	841,901
WIA Title 1B DW transfer for Adult	(1)17.260	PY09	164,731
WIA Title 1B Dislocated Worker	(1)17.260	PY09	20,618
WIA Title 1B Dislocated Worker PY10/FY11	(1)17.278	PY10	973,777
ARRA AA Project Woodgrain Millworks FY09	(1)ARRA17.260	FSFY09	6,060
AA Project Contract Industries PY09	(1)17.260	PY09	34,843
ARRA AA Project TRG Customer Solutions FS FY09	(1)ARRA17.260	FSFY09	34,657
ARRA AA Project ATT - FS FY09	(1)ARRA17.260	FSFY09	22,397
ARRA AA Project Mt Bachelor Academy FY09	(1)ARRA17.260	FSFY09	27,396
Disability Programs Navigator	(1)17.266	PY09	6,121
Disability Programs Navigator	(1)17.260	PY09	165
Local Boards/RWIB	(1)17.259	PY09	28,473
Employee Workforce Training Funds - PS - FY10	(1)17.259	PY10	10,880
Employee Workforce Training Fund RR - PS - FY11	(1)17.278	PY10	961
Employee Workforce Training Fund SWA - PS - FY11	(1)17.278	PY10	4,254
Regional Economic Impact NEG PY09	(1)17.260	PY09	599,736
ARRA NEG - ARRA Cessna Aircraft OR - 40 FY09	(1)ARRA17.260	FSFY09	277,587
OJT NEG	(1)ARRA17.260	FSFY09	70,598
OGTC - SESP	(1)ARRA17.275	PY09	65,683
National Career Readiness Certificate	(1)17.278	PY10	2,861
ARRA National Career Readiness Certificate	(1)ARRA17.260	FSFY09	28,106
EWTF GSTF Statewide Activities Lean - PY08	(1)17.260	PY08	14,000
Career Readiness Certificate Project FY09	(1)17.260	PY10	9,380
ARRA Career Readiness Certificate Project FY09	(1)ARRA17.260	FSFY09	15,533
ARRA Green Jobs Profiles & Occupational Analysis Project	(1)ARRA17.275	FSFY09	116,936
<i>Total U.S. Department of Labor</i>			<u>4,342,114</u>
<i>U.S. Department of Health and Human Services</i>			
Passed Through The Oregon Consortium:			
Department of Human Services SYEP PY09	93.558	PY09	24,820
<i>Total The Oregon Consortium</i>			<u>4,366,934</u>

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor/ Pass-Through Entity Number	Expenditures
<i>U.S. Department of Agriculture</i>			
Intermediary Relending Program	10.767	N/A	\$ 64,326
Cooperative Forestry Association	10.664	N/A	58,373
Wildland Fire Management	(1)ARRA10.688	N/A	<u>103,049</u>
<i>Total U.S. Department of Agriculture</i>			<u>225,748</u>
<i>U.S. Department of Commerce</i>			
Economic Development Grant	11.302	N/A	49,732
Economic Development Revolving Loan Programs	11.307	N/A	<u>65,263</u>
<i>Total U.S. Department of Commerce</i>			<u>114,995</u>
<i>U.S. Department of Transportation</i>			
Passed Through the State of Oregon			
Department of Transportation:			
Formula grant	20.509	N/A	1,107,145
Formula grant	(1)ARRA20.509	N/A	270,272
Job Access/ Commuting	20.516	N/A	<u>209,443</u>
<i>Total U.S. Department of Transportation</i>			<u>1,586,860</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 6,294,537</u></u>

Note A - The federal portion of Economic Development revolving loan funds as of June 30, 2011 was \$1,811,542.  
- The federal portion of Intermediary Relending Program revolving loan funds as of June 30, 2011 was \$2,495,223.

(1) - Major programs

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2011**

**Purpose of the Schedule**

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to COIC's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of COIC, it is not intended to and does not present either the financial position, changes in fund balances, or the operating funds' revenues and expenditures.

**SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The information in the Schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**Federal Financial Assistance**

Pursuant to the Single Audit Act of 1984 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**Major Programs**

The Single Audit Act of 1984 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for COIC are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**YEAR ENDED JUNE 30, 2011**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity**

The reporting entity is fully described in notes to the financial statements. Additionally, the Schedule includes all federal programs administered by COIC for the year ended June 30, 2011.

**Revenue and Expenditure Recognition**

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.

# KERKOCCH KATTER & NELSON, LLP

*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' 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**

Board of Officials  
Central Oregon Intergovernmental Council  
Redmond, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of Central Oregon Intergovernmental Council as of and for the year ended June 30, 2010, which collectively comprise Central Oregon Intergovernmental Council's basic financial statements and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Central Oregon Intergovernmental Council'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 Central Oregon Intergovernmental Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Oregon Intergovernmental Council'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 would not necessarily 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 Central Oregon Intergovernmental Council's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant 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 that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITORS' 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 (CONTINUED)**

*Compliance and Other Matters (Continued)*

This report is intended solely for the information and use of the management, the board of directors and others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Kerkoch Katter & Nelson, LLP  
Certified Public Accountants



By: Stuart D. Katter – a partner

September 30, 2011

# KERKOCCH KATTER & NELSON, LLP

Certified Public Accountants

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Officials  
Central Oregon Intergovernmental Council  
Redmond, Oregon

### ***Compliance***

We have audited the compliance of Central Oregon Intergovernmental Council with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the Central Oregon Intergovernmental Council's major federal programs for the year ended June 30, 2011. Central Oregon Intergovernmental Council's major federal programs are identified in the Summary of Audit Results. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Oregon Intergovernmental Council's management. Our responsibility is to express an opinion on Central Oregon Intergovernmental Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Oregon Intergovernmental Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Oregon Intergovernmental Council's compliance with those requirements.

In our opinion, Central Oregon Intergovernmental Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### ***Internal Control Over Compliance***

Management of Central Oregon Intergovernmental Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Central Oregon Intergovernmental Council's internal control over compliance with requirements that could have a direct and material effect on a major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Oregon Intergovernmental Council's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(CONTINUED)**

*Internal Control Over Compliance (Continued)*

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of the management, the board of directors and others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Kerkoch Katter & Nelson, LLP  
Certified Public Accountants



By: Stuart D. Katter – a partner

September 30, 2011

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**  
**BEND, OREGON**

**SCHEDULE OF FINDINGS AND QUESTIONS COSTS**

**YEAR ENDED JUNE 30, 2011**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issues:	Unqualified
Internal control reporting:	
Material Weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
17.258	WIA
17.259	WIA
17.260	WIA
ARRA17.260	WIA
17.266	WIA
17.275	WIA
ARRA17.275	WIA
17.278	WIA
20.509	Formula Grant
ARRA20.509	Formula Grant
10.767	Intermediary Relending Program
ARRA10.688	Wildland Fire Management

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**CENTRAL OREGON INTERGOVERNMENTAL COUNCIL**