

**URBAN RENEWAL AGENCY OF THE CITY OF BANDON
(A Component Unit of the City of Bandon)**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

URBAN RENEWAL AGENCY OF THE CITY OF BANDON
(A Component Unit of the City of Bandon)

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION

**URBAN RENEWAL AGENCY OF THE CITY OF BANDON
(A Component Unit of the City of Bandon)**

**AGENCY OFFICIALS
June 30, 2012**

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Matthew Winkel, Urban Renewal Agency Manager

Juana Bell, Finance Director

Fred Carleton, City Attorney

Urban Renewal Agency of the City of Bandon
P.O. Box 67
Bandon, Oregon 97411



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
Urban Renewal Agency of the City of Bandon
Bandon, Oregon

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the 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 the Agency, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers

it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The required supplementary information, as listed in the table of contents, is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. Other supplementary information provided is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Merina & Company, LLP
West Linn, Oregon
November 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
URBAN RENEWAL AGENCY OF CITY OF BANDON, OREGON
June 30, 2012

The management of the Urban Renewal Agency of the City of Bandon, Oregon (agency) presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. This Management's Discussion and Analysis is intended to be an easily readable analysis of the agency's financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow. The report consists of agency-wide statements, fund financial statements, notes to the basic financial statements, and supplementary information.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the agency's basic financial statements. The agency's basic financial statements include three components: (1) agency-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The focus is on both the agency as a whole (agency-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the agency's accountability.

Agency-wide financial statements. The agency-wide financial statements are designed to provide readers with a broad overview of the agency's finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the agency's assets and liabilities, with the difference between the two reported as net assets (or deficit net assets if liabilities exceed assets). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in a future fiscal period (e.g., uncollected property taxes). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental and business-type activities). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various agency activities and the degree to which activities are subsidized by general revenues.

Both of the agency-wide financial statements distinguish functions of the agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the agency include debt service and various urban renewal projects. The agency has no business-type activities.

The agency-wide financial statements include the Urban Renewal District No. 1 and the Urban Renewal District No. 2.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the agency are considered governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the agency-wide financial statements. However, unlike the agency-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the agency-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The agency maintains two individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the two funds.

The agency adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the two governmental funds as supplementary information. The governmental fund financial statements can be found in the basic financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the agency-wide and fund financial statements.

Other required information. In addition to this discussion and analysis, this report also presents required supplementary information concerning budgetary comparison for the two funds of the agency.

Agency-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Urban Renewal Agency, total liabilities exceeded total assets by \$594,787 (reported as *deficit net assets*). This deficit is primarily due to the Urban Renewal Agency incurring debt for the Fillmore Avenue and Community Center Projects. The Urban Renewal Agency and the City of Bandon agreed that the City of Bandon would receive loans from the Oregon Economic and Community Development Department and the League of Oregon Cities LoCap Program and, in turn, the Urban Renewal Agency would make the payments on the loans.

The *Statement of Net Assets* provides a focus on the assets and liabilities related to the Agency's governmental activities.

Urban Renewal Agency of the City of Bandon Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	<u>\$ 642,694</u>	<u>\$ 1,031,214</u>
Total Assets	<u>\$ 642,694</u>	<u>\$ 1,031,214</u>
Long-term liabilities outstanding	\$ 1,126,726	\$ 1,216,099
Other liabilities	<u>110,755</u>	<u>121,183</u>
Total liabilities	<u>1,237,481</u>	<u>1,337,282</u>
Net assets:		
Unrestricted (Deficit) net assets	<u>(594,787)</u>	<u>(306,068)</u>
Total net assets (deficit)	<u>\$ (594,787)</u>	<u>\$ (306,068)</u>

Current year expenditures exceeded current year revenues by \$288,719 (see the following schedule of the Agency's Changes in Net Assets. This resulted in an increase in deficit net assets balance to (\$594,787) in 2012 from (\$306,068) in 2011. This deficit means that if the Urban Renewal Agency had to pay its obligations now rather than over the long-term loan schedule currently in effect, the agency would not have sufficient funds available to do so. The *Statement of Activities* focuses on the program costs and their matching resources. To the extent a program's costs are not recovered by grants and direct charges, the costs are paid from general taxes and other resources.

Urban Renewal Agency of the City of Bandon's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
General Revenues:		
Taxes	\$ 460,293	\$ 463,415
Payments in lieu of taxes	5,151	2,755
Grants	50,000	-
Other	-	8,333
Unrestricted investment earnings	2,444	5,334
	<u>517,888</u>	<u>479,837</u>
Total revenues		
Expenses:		
General government	751,795	592,699
Interest expense	54,812	59,598
	<u>806,607</u>	<u>652,297</u>
Total expenses		
Increase (decrease) in net assets	(288,719)	(172,460)
Net assets, beginning of year	<u>(306,068)</u>	<u>(133,608)</u>
Net assets, end of year	<u><u>\$ (594,787)</u></u>	<u><u>\$ (306,068)</u></u>

The Agency's activities are governmental activities. The majority of support for governmental activities comes from taxes.

Financial Analysis of the Agency's Funds

As noted earlier, the agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Financial Statements

Following the agency-wide financial statements is a section containing fund financial statements. The agency presents its two funds as major funds. For each fund, a Budgetary Comparison Statement is presented.

Budgetary Highlights

No changes were made to the adopted budget during the year. Actual revenues of the Urban Renewal District No. 1 were less than budgeted by \$230,234, due to a special levy being budgeted but not imposed. Also, loan proceeds of \$1,000,000 were budgeted during the year in the event the city would take out a loan. Actual expenditures were less than budgeted by \$1,576,982 because less money was spent on capital projects during the year. Actual revenues for the Urban Renewal District No. 2 were less than budgeted by \$95,076 due to a special levy budgeted but not imposed. Expenditures were less than budgeted by \$265,362, since capital projects were less than budgeted during the year.

Capital Assets and Debt Administration

The Agency has no capital assets. The Agency has no bonded debt but does have loans from the City of Bandon for various projects during fiscal years 1992, 1993, and a new loan in 2009. In 2005, the agency assumed the debt for the Oregon Economic Development Department. In 2008, the agency assumed debt from the League of Oregon Cities. For more detailed information on the agency's debt, refer to the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The combined fiscal year 2011-2012 Urban Renewal Budget for District No. 1 and District No. 2 is \$2,732,004. This budget is \$721,871 more than the fiscal year 2012-2013 budget of \$2,010,133.

The Urban Renewal Budget for District No. 1 includes \$33,500 in materials and services for consulting, administration, and audit services, and \$105,086 for debt service payments and reserves. The proposed Capital budget is \$1,530,203, including \$351,316 for S. Jetty Park and Pathway, \$150,000 for the Woolen Mills Restrooms, \$20,000 for façade loan program, \$1,000,000 for Woolen Mills Development, and \$8,887 for unspecified Urban Renewal Capital Projects.

The Urban Renewal Budget for District No. 2 includes \$28,200 for consulting, administrative, and auditing services, and debt service payments and reserves of \$177,742. Capital Projects budget includes \$135,402 for unspecified Urban Renewal Capital Projects.

For purposes of property tax revenue projections, it was assumed that assessed values and the resulting ad valorem property tax share would experience no growth for fiscal year 2012-2013 revenues and that the In-Lieu Tax payments from Heritage Place would remain the same as previously received unless there is a change in the assessed valuation of that facility. Since the Local Option Street Tax will continue to be imposed this year, the Urban Renewal Special Levy will not be imposed.

As required by Measure 50 implementing regulations, substantial amendments were made to both Urban Renewal Districts in 1998. Those amendments set the maximum amounts of indebtedness at \$5,375,225 for District No. 1, and \$7,314,821 for District No. 2. In fiscal year 2011-2012, a substantial amendment was prepared and approved for the Area 1 Plan. It added projects and increased the maximum amount of indebtedness from \$5,375,225 to \$12,003,980. Also in fiscal year 2011-2012, a minor amendment was prepared and approved for Area 2 Plan. As a minor amendment, it only added projects but did not increase the maximum amount of indebtedness, so the approval of the overlapping taxing districts was not required, and it is not subject to referendum. As of July 1, 2012, the remaining available indebtedness is projected to be \$7,475,864 for District No. 1, and \$5,038,435 for District No. 2.

Requests for Information

This financial report is designed to provide a general overview of the agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Juana Bell, MBA
Finance Director
City of Bandon
PO Box 67
Bandon, OR 97411



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BASIC FINANCIAL STATEMENTS

**URBAN RENEWAL AGENCY
OF THE CITY OF BANDON
(A COMPONENT UNIT OF THE CITY OF BANDON)
STATEMENT OF NET ASSETS
June 30, 2012**

ASSETS

Cash and cash equivalents	\$ 586,739
Taxes receivable	<u>55,955</u>
Total assets	<u>642,694</u>

LIABILITIES

Liabilities:	
Accounts payable	5,619
Accrued interest payable	15,763
Long-term liabilities:	
Amount due within one year	89,373
Amount due after one year	<u>1,126,726</u>
Total liabilities	<u>1,237,481</u>

NET ASSETS

Unrestricted net assets (deficit)	<u><u>\$ (594,787)</u></u>
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The notes to the basic financial statements are an integral part of this statement.

URBAN RENEWAL AGENCY
OF THE CITY OF BANDON
(A COMPONENT UNIT OF THE CITY OF BANDON)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Expenditures:	
General government	\$ 751,795
Interest expense	<u>54,812</u>
Total program expenses	<u>806,607</u>
General revenues:	
Tax increment revenues	460,293
Payments in lieu of taxes	5,151
Other - Grant	50,000
Interest earnings	<u>2,444</u>
Total general revenues	<u>517,888</u>
Change in net assets	(288,719)
Net assets, beginning of yea	<u>(306,068)</u>
Net assets, end of year	<u><u>\$ (594,787)</u></u>

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

**URBAN RENEWAL AGENCY
OF THE CITY OF BANDON
(A COMPONENT UNIT OF THE CITY OF BANDON)
BALANCE SHEET
June 30, 2012**

	<u>Urban Renewal District No. 1</u>	<u>Urban Renewal District No. 2</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 361,049	\$ 225,690	\$ 586,739
Taxes receivable	<u>37,289</u>	<u>18,666</u>	<u>55,955</u>
Total assets	<u><u>\$ 398,338</u></u>	<u><u>\$ 244,356</u></u>	<u><u>\$ 642,694</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,619	\$ -	\$ 5,619
Deferred revenue	37,289	18,666	55,955
Due to primary government	<u>-</u>	<u>284,854</u>	<u>284,854</u>
Total liabilities	42,908	303,520	346,428
Fund balance:			
Committed for Capital Projects	355,430	-	355,430
Unassigned	<u>-</u>	<u>(59,164)</u>	<u>(59,164)</u>
Total fund balances	355,430	(59,164)	296,266
Total liabilities and fund balances	<u><u>\$ 398,338</u></u>	<u><u>\$ 244,356</u></u>	<u><u>\$ 642,694</u></u>
Fund balance at end of year - governmental funds			\$ 296,266
 Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:			
 Some liabilities, such as external loans payable and the related interest, are not due and payable in the current period and therefore are not reported in the fund financial statements:			
Long term debt		\$ (931,245)	
Accrued interest payable		<u>(15,763)</u>	(947,008)
Some revenues, such as taxes receivable, do not provide current financial resources and are not reported in the fund financials.			<u>55,955</u>
Net assets of governmental activities			<u><u>\$ (594,787)</u></u>

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

**URBAN RENEWAL AGENCY
OF THE CITY OF BANDON
(A COMPONENT UNIT OF THE CITY OF BANDON)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2012**

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
Revenues:			
Taxes	\$ 304,688	\$ 157,464	\$ 462,152
Interest	1,693	751	2,444
Other- Grants	-	50,000	50,000
Payments in lieu of taxes	1,989	3,162	5,151
Total revenues	<u>308,370</u>	<u>211,377</u>	<u>519,747</u>
Expenditures:			
General government:			
Materials and services	21,841	8,602	30,443
Capital outlay	549,574	171,778	721,352
Debt service:			
Principal	23,705	15,000	38,705
Interest	29,638	25,643	55,281
Total expenditures	<u>624,758</u>	<u>221,023</u>	<u>845,781</u>
Net change in fund balances	(316,388)	(9,646)	(326,034)
Fund balances at beginning of year	<u>671,818</u>	<u>(49,518)</u>	<u>622,300</u>
Fund balances at end of year	<u>\$ 355,430</u>	<u>\$ (59,164)</u>	<u>\$ 296,266</u>
Net change in fund balance - governmental funds			\$ (326,034)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

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

(1,859)

In the Governmental funds, the issuance of debt and the repayment of long-term debt consumes current financial resources, however, it has no affect on the Statement of Activities

Repayment of debt	\$ 38,705
Change in interest payable	469

39,174

Change in net assets of governmental activities

\$ (288,719)

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

URBAN RENEWAL AGENCY OF THE CITY OF BANDON
(A Component Unit of the City of Bandon)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Urban Renewal Agency of the City of Bandon, Oregon (Agency) was created by adoption of Ordinance 1911 by the City of Bandon, Oregon, on August 5, 1986. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. The Agency was formed primarily to carry out the terms of the Urban Renewal Plan, which designates the Woolen Mill, Old Town and South Jetty areas of the City to be blighted and deteriorated and in need of redevelopment and rehabilitation. During the year ended June 30, 1991, the Urban Renewal Plan was amended to include a new area known as the Coquille Point Urban Renewal Area. The governing body is comprised of the Mayor and the City Council of the City of Bandon.

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

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

The Agency has no potential component units.

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

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

The Agency's financial operations are presented at both the agency-wide and fund financial levels. All activities of the Agency are categorized as governmental activities.

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

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

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

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

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

The fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting.

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

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

The Agency reports the following funds:

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

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

Property taxes, interest revenue and various intergovernmental revenues are susceptible to accrual if received within 30 days of fiscal year end. Other receipts become measurable and available when cash is received by the Agency and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency applies restricted resources first.

C. Assets, Liabilities and Equity

1. *Cash and Cash Equivalents*

The Agency maintains merged bank accounts and investments for its fund in a central pool of cash and investments that are commingled with the City of Bandon. This pool includes amounts in demand deposits and investments in the Oregon State Treasury Local Government Investment Pool (LGIP). The investment policy of the Agency is to invest in LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations. The Agency allocates earnings on investments to each fund based on monthly cash balances.

Investments are stated at amortized cost which approximates fair value.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables." All other outstanding balances between funds are reported as "due to/from other funds."

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

3. *Long-term Obligations*

The Agency reports long-term debt of governmental funds at face value in the Statement of Net Assets. These obligations will be met using receipts from property tax and other special levies.

4. *Use of Estimates*

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

5. *Deferred Revenues*

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

6. *Summary of Significant Accounting Policies:*

a. *Fund Equity*

Prior to GASB 54, ending fund balances were specified as reserved, designated, or unreserved. Now GASB 54 requires reclassification of the fund balances into five categories: non-spendable, restricted, committed, assigned and unassigned. In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the City Council, by formal council action. Commitments

of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes items assigned for specific uses, authorized by the City. Assignments of fund balance can be done at any time, including after the fiscal year end date.

Unassigned – This is the residual classification used for those balances not assigned to another category.

Urban Renewal No. 1 has a committed fund balance of \$355,430 and Urban Renewal No. 2 has an unassigned deficit balance of (\$59,164) as of June 30, 2012.

b. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

7. *New Accounting Pronouncement – GASB Statement No. 61 and 62*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61, The Financial Reporting Entity: Omnibus and Statement No. 62, Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements. The City and Urban Renewal Agency implemented GASB Statement No. 61 and 62 in the year ending June 30, 2012.

8. *Net Assets*

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

B. Deficit Fund Balances

The Urban Renewal District No. 2 Fund had a deficit balance of (\$59,164) as of June 30, 2012. The fund incurred expenditures in prior years which left the deficit balance. Management expects this deficit fund balance to be reversed in future years as tax increment revenues are received.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Agency at June 30, 2012. If bank deposits at year end are not entirely insured or collateralized with securities held by the Agency or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. As of June 30, 2012, The Urban Renewal Agency has no deposits with financial institutions and \$578,694 invested in the Local Government Investment Pool. Any deposits with financial institutions will be covered up to \$250,000 by Federal Depository Insurance, and the remaining deposited at an approved depository as prescribed by the Oregon State Treasurer.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Agency does not have a formal deposit policy for custodial credit risk. As of June 30, 2012, there was no bank balance that was exposed to custodial credit risk, because it was all invested with the LGIP.

Investments. The Agency has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the fiscal year ending June 30, 2012. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

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

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the Agency's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximates fair value.

Credit Risk. State statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The Agency has no formal investment policy that further restricts its investment

choices.

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

Interest Rate Risk. The Agency has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets follows:

Investments in LGIP	\$ 578,694
Cash with County	8,045
	<u>\$ 586,739</u>

As of June 30, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	<u>\$ 578,694</u>

B. Receivables

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

Receivables as of fiscal year end are as follows:

	<u>Receivable 7/1/2011</u>	<u>2011-2012 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable 6/30/2012</u>
2011-12	\$ -	\$ 478,949	\$ 451,889	\$ 27,060
2010-11	29,113	-	15,262	13,851
2009-10	14,843	-	6,486	8,357
2008-09	9,381	-	4,399	4,982
2007-08	3,213	-	2,509	704
2006-07	291	-	111	180
2005-06	318	-	100	218
Prior years	655	-	52	603
Total	<u>\$ 57,814</u>	<u>\$ 478,949</u>	<u>\$ 480,808</u>	<u>\$ 55,955</u>

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

Property tax revenues are generated from increased assessed values within the area of the district. Property taxes are assessed July 1 and attached as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable in full on November 15, although installments, payable on November 15, February 15 and May 15, are allowed. Taxes are billed and collected by the County of Coos and remittance to the Agency is made at period intervals.

C. Long-Term Debt

Loans Payable – Urban Renewal Agency. The Agency secured loans from the City for various projects during fiscal years 1992, 1993, and 2009. The payments on these loans are due June 30th of each year except the 2009 loan which is due July 1st, if funds are available. These liabilities are also indicated as receivables on the City’s basic financial statements. As required by the Governmental Accounting Standards Board, these liabilities are reported in the fund financial statements.

- 1. 1992 Loan for Capital Improvements:** The original loan date with the City was November 11, 1992 for \$470,000. There is no reserve requirement. This debt may be paid prior to maturity without penalty. Interest is computed annually at a rate of 3.5% on the outstanding balance. Scheduled payment dates are due June 30th of each year through 2021. The payments on this loan vary from year to year. Annual debt requirements are shown below:

Fiscal Year	Principal	Interest	Total
2013	13,533	4,287	17,820
2014	14,007	3,814	17,821
2015	14,497	3,324	17,821
2016	15,004	2,816	17,820
2017	15,530	2,291	17,821
2018-2020	49,927	3,535	53,462
	122,498	<u>\$ 20,067</u>	<u>\$ 142,565</u>
Less current portion	<u>(13,533)</u>		
	<u>\$ 108,965</u>		

- 2. 1993 Loan for Sewer Improvements:** The original loan date with the City was May 19, 1993 for \$198,000. There are no reserve requirements. This debt may be paid prior to maturity without penalty. Interest is computed annually on the outstanding balance at 3%. Scheduled payments are due June 30th of each year through 2013. Annual debt requirements are shown below:

Fiscal Year	Principal	Interest	Total
2013	13,414	403	13,817
	13,414	<u>\$ 403</u>	<u>\$ 13,817</u>
Less current portion	<u>(13,414)</u>		
	<u>\$ -</u>		

3. 2005 OECDD Loan. In addition to the above debt, on July 15, 2005, the Agency entered into an agreement with the City of Bandon to pay principal and interest on a \$985,000 loan the City incurred with the Oregon Economic Development Department to finance improvements to Fillmore Avenue. As of June 30, 2007, the City had drawn down the remainder of the loan, made necessary adjustments and finalized the terms of the loan. The Urban Renewal Agency of the City of Bandon has agreed to make the annual debt service payments, but the City remains responsible. There are no reserve requirements. This debt may be paid prior to maturity without penalty. Interest is computed semi-annually on the outstanding balance at 4%. Principal and interest payments are required in December of each year through December 1, 2031. Annual debt requirements are shown below:

Fiscal Year	Principal	Interest	Total
2013	23,853	28,690	52,543
2014	24,008	27,736	51,744
2015	24,168	26,775	50,943
2016	24,335	25,809	50,144
2017	24,508	24,835	49,343
2018-2022	145,417	107,986	253,403
2023-2027	186,256	73,835	260,091
2028-2032	223,700	30,161	253,861
	<u>676,245</u>	<u>\$ 345,827</u>	<u>\$ 1,022,072</u>
Less current portion	<u>(23,853)</u>		
	<u>\$ 652,392</u>		

4. 2009 Community Center Development. The original issue date of this loan was July 1, 2008 in the amount of \$200,000, payable to the City of Bandon. There is no reserve requirement. Interest on the outstanding balance is computed annually at the rate of 4.5% over 10 years. The loan is payable from Urban Renewal revenues and payments are due in July of each year. There is no penalty for early payment. Annual debt service requirements are shown below:

Fiscal Year	Principal	Interest	Total
2013	18,573	6,703	25,276
2014	19,409	5,867	25,276
2015	20,283	4,993	25,276
2016	21,195	4,081	25,276
2017	22,149	3,127	25,276
2018-2019	47,334	2,130	49,464
	<u>148,943</u>	<u>\$ 26,901</u>	<u>\$ 175,844</u>
Less current portion	<u>(18,573)</u>		
	<u>\$ 130,370</u>		

5. **2008 League of Oregon Cities Loan:** On February 29, 2008, the City entered into an agreement with the League of Oregon Cities to borrow \$315,000 to finance improvements to the Community Building. The Urban Renewal Agency of the City of Bandon has agreed to make the annual debt service payments, but the City retains ultimate responsibility. To give a better picture of the debt commitment by the Urban Renewal Agency, the remaining debt has been added to the Urban Renewal long-term debt schedule. There are no reserve requirements. This debt may be paid prior to maturity without penalty. Interest is computed semi-annually on the outstanding balance at rates that vary from 2.7% to 5.15%. Scheduled payment dates are January 1 and July 1 through 2023. Annual debt requirements are shown below:

Fiscal Year	Principal	Interest	Total
2013	20,000	11,958	31,958
2014	20,000	11,108	31,108
2015	20,000	10,158	30,158
2016	20,000	9,208	29,208
2017	20,000	8,258	28,258
2018-2022	125,000	23,619	148,619
2022-2023	30,000	773	30,773
	<u>255,000</u>	<u>\$75,082</u>	<u>\$330,082</u>
Less current portion	<u>(20,000)</u>		
	<u><u>\$235,000</u></u>		

Changes in Long-Term Liabilities. During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the Statement of Net Assets:

Loans Payable	Balance 7/1/11	Additions	Reductions	Balance 6/30/12	Due within one year
1.	\$ 135,573	\$ -	\$ (13,075)	\$ 122,498	\$ 13,533
2.	26,444	-	(13,030)	13,414	13,414
3.	699,950	-	(23,705)	676,245	23,853
4.	166,716	-	(17,773)	148,943	18,573
5.	<u>270,000</u>	<u>-</u>	<u>(15,000)</u>	<u>255,000</u>	<u>20,000</u>
	<u>\$ 1,298,683</u>	<u>\$ -</u>	<u>\$ (82,583)</u>	<u>\$ 1,216,100</u>	<u>\$ 89,373</u>

D. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance. There has been no significant reduction in insurance coverage from the prior years and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years. The Agency's insurance is provided in combination with the City of Bandon.

E. Subsequent Events

On August 15, 2012, Urban Renewal Agency Area #1 issued \$2.2 million in Full Faith and Credit Obligations, Series 2012. Interest rates on the bonds range from 2 – 3.5 percent with a maturity date of August 1, 2032. Proceeds of the Obligations will be used to finance capital projects in the urban renewal plan for the Urban Renewal Area #1.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BANDON
URBAN RENEWAL DISTRICT NO. 1 FUND
(A COMPONENT UNIT OF THE CITY OF BANDON)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2012

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes:			
Property taxes - current year	\$ 265,914	\$ 286,279	\$ 20,365
Previously levied taxes	16,000	18,409	2,409
Special levy taxes	250,755	-	(250,755)
Interest	4,000	1,693	(2,307)
Other	1,000	-	(1,000)
Payments in lieu of taxes	935	1,989	1,054
	<u>538,604</u>	<u>308,370</u>	<u>(230,234)</u>
Total revenues			
Expenditures:			
General government:			
Materials and services	33,500	21,841	11,659
Capital outlay	2,061,554	549,574	1,511,980
Debt service:			
Principal	23,705	23,705	-
Interest	29,638	29,638	-
Other - Debt Reserves	53,343	-	53,343
	<u>2,201,740</u>	<u>624,758</u>	<u>1,576,982</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(1,663,136)</u>	<u>(316,388)</u>	<u>1,346,748</u>
Other financing sources (uses):			
Loan proceeds	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total other financing sources (uses)	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Net change in fund balance	(663,136)	(316,388)	346,748
Fund balance at beginning of year	<u>663,136</u>	<u>671,818</u>	<u>8,682</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 355,430</u>	<u>\$ 355,430</u>

See auditor's report.



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OTHER SUPPLEMENTARY INFORMATION

CITY OF BANDON
URBAN RENEWAL DISTRICT NO. 2 FUND
(A COMPONENT UNIT OF THE CITY OF BANDON)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2012

	Original & Final Budget	Actual	Variance
Revenues:			
Taxes:			
Property taxes - current year	\$ 137,975	\$ 148,531	\$ 10,556
Previously levied taxes	8,000	8,933	933
Special levy taxes	156,658	-	(156,658)
Interest	2,000	751	(1,249)
Grants	-	50,000	50,000
Payments in lieu of taxes	1,820	3,162	1,342
Total revenues	306,453	211,377	(95,076)
Expenditures:			
General government:			
Materials and services	27,600	8,602	18,998
Capital outlay	333,020	171,778	161,242
Debt service:			
Principal	59,479	58,879	600
Interest	25,643	25,643	-
Other - Debt Reserves	84,522	-	84,522
Total expenditures	530,264	264,902	265,362
Net change in fund balance	(223,811)	(53,525)	170,286
Fund balance at beginning of year	223,811	(49,518)	(273,329)
Fund balance at end of year	\$ -	(103,043)	\$ (103,043)
Budgetary adjustment for interfund loan principal		43,879	
Fund balance at end of year, GAAP basis		\$ (59,164)	

See auditor's report.



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ACCOMPANYING INFORMATION

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

Agency Officials
Urban Renewal Agency of the City of Bandon
Bandon, Oregon

We have audited the financial statements of the governmental activities and each major fund of Urban Renewal Agency of the City of Bandon, Oregon (Agency), as of and for the year ended June 30, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
November 5, 2012

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the Urban Renewal Agency of the City of Bandon, Oregon (Agency), as of and for the year ended June 30, 2012 and have issued our report thereon dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-0000 through 162-010-0320 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 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.

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 repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Agency does not receive any highway revenues.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).

- Accountability for collecting or receiving money by elected officials. The Agency does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, included the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

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



Merina & Company, LLP
West Linn, Oregon
November 5, 2012