

**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, 2013

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, 2013

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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, 2013**

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Bandon, Oregon 97411

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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), component unit of the City of Bandon, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note IV to the financial statements, the Agency adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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 was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic 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 basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and other supplementary

information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic 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 basic 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.

Other Reporting Required by *Government Auditing Standards* and Oregon Revised Statutes

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 14, 2013, on our consideration of the Agency's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

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

Merina & Company, LLP
West Linn, Oregon
November 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
URBAN RENEWAL AGENCY OF CITY OF BANDON, OREGON
June 30, 2013

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, 2013. 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 Position* presents information on all of the agency's position and liabilities, with the difference between the two reported as net position (or deficit net position if liabilities exceed position). Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position may serve over time as a useful indicator of a government's financial position. For the Urban Renewal Agency, total liabilities exceeded total position by \$1,739,446 (reported as *deficit net position*). This deficit is primarily due to the Urban Renewal Agency incurring debt for capital projects. The Urban Renewal Agency refinanced the 2008 LoCap loan with a 10-year Wedbush Bank Loan for \$248,000 at 2.95% interest. General Obligation bonds for \$2,200,000 were issued for Urban Renewal Agency #1 capital projects. The Urban Renewal Agency and the City of Bandon agreed that the City of Bandon would receive the loans and, in turn, the Urban Renewal Agency would make the payments on the loans.

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

Urban Renewal Agency of the City of Bandon Net Position

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
Current and other assets	<u>\$ 642,694</u>	<u>\$ 1,648,514</u>
Total Assets	<u>\$ 642,694</u>	<u>\$ 1,648,514</u>
Long-term liabilities outstanding	\$ 1,126,726	\$ 3,167,815
Other liabilities	<u>110,755</u>	<u>220,145</u>
Total liabilities	<u>1,237,481</u>	<u>3,387,960</u>
Net Position:		
Unrestricted net position (deficit)	<u>\$ (594,787)</u>	<u>\$ (1,739,446)</u>

Current year expenditures exceeded current year revenues by \$1,144,659 (see the following schedule of the Agency's Statement of Activities). This resulted in an increase in deficit net position balance from (\$594,787) in 2012 to (\$1,739,446) in 2013. The large increase in deficit balance can be mostly contributed to the General Obligation Bonds for \$2,200,000 that were issued during the year. 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 Statement of Activities

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
Revenues:		
General Revenues:		
Taxes	\$ 460,293	\$ 431,272
Payments in lieu of taxes	5,151	5,274
Grants	50,000	-
Interest earnings	<u>2,444</u>	<u>11,536</u>
Total revenues	<u>517,888</u>	<u>448,082</u>
Expenses:		
General government	751,795	1,496,149
Interest expense	<u>54,812</u>	<u>96,592</u>
Total expenses	<u>806,607</u>	<u>1,592,741</u>
Change in net position	(288,719)	(1,144,659)
Net position, beginning of year	<u>(306,068)</u>	<u>(594,787)</u>
Net position, end of year	<u>\$ (594,787)</u>	<u>\$ (1,739,446)</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 \$14,488, due to receiving less property tax revenues than expected during the year. Actual expenditures were less than budgeted by \$1,311,003 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 \$22,930 due to less property tax receipts than budgeted. Expenditures were more than budgeted by \$11,212, due to refinancing the 2008 LoCap Loan during the year, resulting in more principal debt payments than originally anticipated.

Capital Assets and Debt Administration

The Agency has no capital assets. The Agency has one new bonded debt for \$2,200,000 and has loans from the City of Bandon for various projects during fiscal years 1992, 2009, and the 1993 loan was paid off during the year. In 2005, the agency assumed the debt for the Oregon Economic Development Department. The 2008 League of Oregon Cities loan was paid off with a refinancing of \$248,000 with Wedbush Bank. 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 2013-2014 Urban Renewal Budget for District No. 1 and District No. 2 is \$2,814,228. This budget is \$804,095 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 \$398,252 for debt service payments and reserves. The proposed Capital budget is \$1,951,123, including \$65,000 for Edison Wayside, \$351,316 for S. Jetty Park and Pathway, \$450,000 for City Shop Property, \$30,000 for façade loan program, \$550,000 for Woolen Mills Development, and \$504,807 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 \$143,930. Capital Projects budget includes \$167,000 for parks, \$55,439 for Bluff Trail, and \$36,784 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 2013-2014 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, 2013, the remaining available indebtedness is projected to be \$6,941,560 for District No. 1, and \$4,943,395 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

BASIC FINANCIAL STATEMENTS

**URBAN RENEWAL AGENCY
OF THE CITY OF BANDON
(A COMPONENT UNIT OF THE CITY OF BANDON)
STATEMENT OF NET POSITION
June 30, 2013**

ASSETS

Cash and cash equivalents	\$ 1,578,227
Taxes receivable	52,737
Loans Receivable	<u>17,550</u>

Total assets	<u>1,648,514</u>
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LIABILITIES

Liabilities:

Accounts payable	22,166
Accrued interest payable	33,392
Long-term liabilities:	
Amount due within one year	164,410
Amount due after one year	3,164,622
Bond premium, net of amortization due within one year	177
Bond premium, net of amortization due after one year	<u>3,193</u>

Total liabilities	<u>3,387,960</u>
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NET POSITION

Unrestricted net position (deficit)	<u><u>\$ (1,739,446)</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, 2013

Expenditures:		
General government		\$ 1,496,149
Interest expense		<u>96,592</u>
Total program expenses		<u>1,592,741</u>
General revenues:		
Tax increment revenues		431,272
Payments in lieu of taxes		5,274
Interest earnings		<u>11,536</u>
Total general revenues		<u>448,082</u>
Change in net position		(1,144,659)
Net position, beginning of year		<u>(594,787)</u>
Net position, end of year		<u><u>\$ (1,739,446)</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, 2013**

	<u>Urban Renewal District No. 1</u>	<u>Urban Renewal District No. 2</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,318,055	\$ 260,170	\$ 1,578,225
Taxes receivable	34,884	17,853	52,737
Loans receivable	<u>17,550</u>	<u>-</u>	<u>17,550</u>
Total assets	<u>\$ 1,370,489</u>	<u>\$ 278,023</u>	<u>\$ 1,648,512</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 22,166	\$ -	\$ 22,166
Due to primary government	<u>-</u>	<u>239,333</u>	<u>239,333</u>
Total liabilities	<u>22,166</u>	<u>239,333</u>	<u>261,499</u>
Deferred inflows of resources:			
Unavailable revenue-property taxes	34,884	17,853	52,737
Unavailable revenue-loan receivable	<u>17,550</u>	<u>-</u>	<u>17,550</u>
Total deferred inflows of resources	<u>52,434</u>	<u>17,853</u>	<u>70,287</u>
Fund balance:			
Committed for Capital Projects	<u>1,295,889</u>	<u>20,837</u>	<u>1,316,726</u>
Total fund balances	<u>1,295,889</u>	<u>20,837</u>	<u>1,316,726</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,370,489</u>	<u>\$ 278,023</u>	<u>\$ 1,648,512</u>
Fund balance at end of year - governmental funds			\$ 1,316,726
Amounts reported for <i>governmental activities</i> in the Statement of Net Position 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		(3,089,697)	
Bond premium, net of amortization		(3,370)	
Accrued interest payable		<u>(33,392)</u>	
			(3,126,459)
Some revenues, such as taxes receivable, do not provide current financial resources and are not reported in the fund financials.			<u>70,287</u>
Net position of governmental activities			<u>\$ (1,739,446)</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, 2013**

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
Revenues:			
Taxes	\$ 281,289	\$ 135,649	\$ 416,938
Interest	11,465	73	11,538
Payments in lieu of taxes	1,959	3,315	5,274
Total revenues	<u>294,713</u>	<u>139,037</u>	<u>433,750</u>
Expenditures:			
General government:			
Materials and services	81,465	18,680	100,145
Capital outlay	1,394,621	1,384	1,396,005
Debt service:			
Principal	23,853	265,694	289,547
Interest	57,847	21,278	79,125
Total expenditures	<u>1,557,786</u>	<u>307,036</u>	<u>1,864,822</u>
Excess (deficiency) of revenues over (under) expenditures	(1,263,073)	(167,999)	(1,431,072)
Other financing sources (uses):			
Loan proceeds	2,200,000	248,000	2,448,000
Premium on bond issuance	3,532	-	3,532
	<u>2,203,532</u>	<u>248,000</u>	<u>2,451,532</u>
Net change in fund balances	940,459	80,001	1,020,460
Fund balances at beginning of year	<u>355,430</u>	<u>(59,164)</u>	<u>296,266</u>
Fund balances at end of year	<u>\$ 1,295,889</u>	<u>\$ 20,837</u>	<u>\$ 1,316,726</u>
Net change in fund balance - governmental funds			\$ 1,020,460

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.

14,334

Loan proceeds, bond premiums and receipt of long-term receivable payments provide current financial resources to governmental funds; however, these transactions create liabilities or offset receivable balances in the Statement of Net Assets:

 Proceeds from the issuance of debt

(2,448,000)

 Proceeds from bond premium

(3,532)

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

289,546

 Amortization of bond premium

162

 Change in interest payable

(17,629)

Change in net position of governmental activities

\$ (1,144,659)

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, 2013

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 Position 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 position. All transactions and events that affect the total economic resources (net position) 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 Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position.

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.

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 Position. 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 Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

6. Fund Equity

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 Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund Balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

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 enabling legislation.

Committed – Includes amounts that have been committed by resolution by the Agency's Officials which is the Agency's "highest level of decision-making authority." Committed amounts may not be used for any other purpose unless the Agency Officials remove the constraint by similar Officials action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by Official action. Assigned fund balance is established by Agency through adoption or amendment of the budget as intended for specific purpose.

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 \$1,295,889 and Urban Renewal No. 2 has a committed fund balance of \$20,837 as of June 30, 2013.

7. Use of Restricted Resources

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

8. *Net Position*

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use 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.

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, 2013. 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, 2013, The Urban Renewal Agency has no deposits with financial institutions and \$1,572,134 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 agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. 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, 2013, 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, 2013. 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 position follows:

Investments in LGIP	\$ 1,572,132
Cash with County	<u>6,093</u>
	<u><u>\$ 1,578,225</u></u>

As of June 30, 2013, 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><u>\$ 1,572,134</u></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 07/01/12</u>	<u>2012-2013 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable 06/30/13</u>
2012-13	\$ -	\$ 426,183	\$ 403,201	\$ 22,982
2011-12	27,060	-	11,862	15,198
2010-11	13,851	-	4,841	9,010
2009-10	8,358	-	5,040	3,318
2008-09	4,982	-	4,134	848
2007-08	704	-	238	466
2006-07	180	-	11	169
Prior years	<u>820</u>	<u>-</u>	<u>74</u>	<u>746</u>
Total	<u><u>\$ 55,955</u></u>	<u><u>\$ 426,183</u></u>	<u><u>\$ 429,401</u></u>	<u><u>\$ 52,737</u></u>

Non-current property taxes receivable are classified as deferred inflows of resources. 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

a. Bonds Payable – Urban Renewal Agency.

2012 General Obligation Bond: On August 15, 2012, the city entered into an agreement with Wedbush Securities Inc. for the issuance of general obligation bonds in the amount of \$2,200,000. Interest is computed bi-annually at 2% to 4%. This debt can be prepaid after August 1, 2022 without penalty. Scheduled payment dates are the 1st day of February and August each year through 2033. Annual debt requirements are shown below:

Fiscal Year	Principal	Interest	Total
2014	85,000	62,381	147,381
2015	85,000	60,681	145,681
2016	90,000	58,931	148,931
2017	90,000	57,131	147,131
2018	95,000	55,281	150,281
2019-2023	495,000	243,255	738,255
2024-2028	585,000	158,830	743,830
2029-2033	675,000	58,745	733,745
	2,200,000	\$ 755,235	\$ 2,955,235
Less current portion	(85,000)		
	\$ 2,115,000		

b. 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
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	16,073	1,747	17,820
2019-2020	33,853	1,788	35,641
	108,964	\$ 15,780	\$ 124,744
Less current portion	(14,007)		
	\$ 94,957		

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. The loan was paid in full in 2013.

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
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	24,688	23,855	48,543
2019-2023	156,465	101,995	258,460
2024-2028	192,612	65,758	258,370
2029-2032	181,608	20,374	201,982
	652,392	\$ 317,137	\$ 969,529
Less current portion	(24,008)		
	\$ 628,384		

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
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	23,146	2,130	25,276
2019	24,188	-	24,188
	130,370	\$ 20,198	\$ 150,568
Less current portion	(19,409)		
	\$ 110,961		

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%. This loan was paid in full through a refinance in 2012:
6. **2012 Wedbush Refinancing of LoCap Loan:** On November 28, 2012, the City entered into an agreement for a \$248,000 loan with Wedbush Bank to refinance their loan from 2008 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. 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 a rate of 2.95% until maturity on December 1, 2022.

Fiscal Year	Principal	Interest	Total
2014	21,986	6,840	28,826
2015	22,640	6,186	28,826
2016	23,312	5,513	28,825
2017	24,005	4,821	28,826
2018	24,718	4,107	28,825
2019-2023	<u>120,645</u>	<u>9,071</u>	<u>129,716</u>
	237,306	\$ 36,538	\$ 273,844
Less current portion	<u>(21,986)</u>		
	<u>\$ 215,320</u>		

Changes in Long-Term Liabilities. During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the Statement of Net position:

Bonds Payable	Balance 7/1/12	Additions	Reductions	Balance 6/30/13	Due within one year
Bonds	\$ -	\$ 2,200,000	\$ -	\$ 2,200,000	\$ 85,000
Loans Payable					
1.	122,498	-	(13,534)	108,964	14,007
2.	13,414	-	(13,414)	-	-
3.	676,245	-	(23,853)	652,392	24,008
4.	148,943	-	(18,573)	130,370	19,409
5.	255,000	-	(255,000)	-	-
6.	-	248,000	(10,694)	237,306	21,986
Total Loans	<u>1,216,100</u>	<u>248,000</u>	<u>(335,068)</u>	<u>1,129,032</u>	<u>79,410</u>
Total Long-Term Liabilities	<u>\$ 1,216,100</u>	<u>\$ 2,448,000</u>	<u>\$ (335,068)</u>	<u>\$ 3,329,032</u>	<u>\$ 164,410</u>

IV. Other Information

A. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency 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.

B. New Accounting Pronouncement – GASB Statement No. 63 and 65

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. The Agency implemented GASB Statement No. 63 and 65 in the year ending June 30, 2013.

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, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes:				
Property taxes - current year	\$ 282,212	\$ 282,212	\$ 263,332	\$ (18,880)
Previously levied taxes	20,000	20,000	17,957	(2,043)
Interest	4,000	4,000	11,465	7,465
Other	1,000	1,000	-	(1,000)
Payments in lieu of taxes	1,989	1,989	1,959	(30)
Total revenues	<u>309,201</u>	<u>309,201</u>	<u>294,713</u>	<u>(14,488)</u>
Expenditures:				
General government:				
Materials and services	33,500	103,500	81,465	22,035
Capital outlay	1,530,203	2,570,203	1,394,621	1,175,582
Debt service:				
Principal	23,853	23,853	23,853	-
Interest	28,690	28,690	57,847	(29,157)
Other - debt reserves	52,543	142,543	-	142,543
Total expenditures	<u>1,668,789</u>	<u>2,868,789</u>	<u>1,557,786</u>	<u>1,311,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,359,588)</u>	<u>(2,559,588)</u>	<u>(1,263,073)</u>	<u>1,296,515</u>
Other financing sources (uses):				
Loan proceeds	1,000,000	2,200,000	2,200,000	-
Premium on bond issuance	-	-	3,532	3,532
Total other financing sources (uses)	<u>1,000,000</u>	<u>2,200,000</u>	<u>2,203,532</u>	<u>3,532</u>
Net change in fund balance	(359,588)	(359,588)	940,459	1,300,047
Fund balance at beginning of year	<u>359,588</u>	<u>359,588</u>	<u>355,430</u>	<u>(4,158)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,889</u>	<u>\$ 1,295,889</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, 2013

	Original & Final Budget	Actual	Variance
Revenues:			
Taxes:			
Property taxes - current year	\$ 146,805	\$ 126,704	\$ (20,101)
Previously levied taxes	10,000	8,945	(1,055)
Interest	2,000	73	(1,927)
Payments in lieu of taxes	3,162	3,315	153
	<u>161,967</u>	<u>139,037</u>	<u>(22,930)</u>
Total revenues			
Expenditures:			
General government:			
Materials and services	28,200	18,680	9,520
Capital outlay	135,402	1,384	134,018
Debt service:			
Principal	65,521	311,214	(245,693) *
Interest	23,350	21,278	2,072
Other - debt reserves	88,871	-	88,871
	<u>341,344</u>	<u>352,556</u>	<u>(11,212)</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(179,377)</u>	<u>(213,519)</u>	<u>(34,142)</u>
Other financing sources (uses):			
Loan proceeds	-	248,000	248,000
	<u>-</u>	<u>248,000</u>	<u>248,000</u>
Net change in fund balance	(179,377)	34,481	213,858
Fund balance at beginning of year, budgetary basis	179,377	225,690	46,313
Fund balance at end of year, budgetary basis	<u>\$ -</u>	<u>260,171</u>	<u>\$ 260,171</u>
Interfund loan payable		<u>(239,334)</u>	
Fund balance at end of year, GAAP basis		<u>\$ 20,837</u>	

* Exempt from Oregon budget law

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ACCOMPANYING INFORMATION

**INDEPENDENT AUDITOR'S 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, Oregon
Bandon, Oregon

We have audited, 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, the financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Bandon, Oregon (Agency), a component unit of the City of Bandon, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Merina & Company, LLP
West Linn, Oregon
November 14, 2013

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

We have audited the basic 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, 2013 and have issued our report thereon dated November 14, 2013. 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 162-10-000 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 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, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

This report is intended solely for the information and use of the Agency, 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.

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

Merina & Company, LLP
West Linn, Oregon
November 14, 2013