

**CITY OF BANDON
URBAN RENEWAL AGENCY
COOS COUNTY, OREGON**

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**



**12700 SW 72nd Ave.
Tigard, OR 97223**

**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, 2014**

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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, 2014

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

**AGENCY OFFICIALS
June 30, 2014**

	<u>Term Expiration</u>
Mary Schamehorn, Mayor PO Box 521 Bandon, Oregon 97411	December 31, 2014
Brian Vick PO Box 433 Bandon, Oregon 97411	December 31, 2016
Mike Claassen 1455 Pelican Place Bandon, Oregon 97411	December 31, 2014
Claudine Hundhausen 3795 Beach Loop Drive Bandon, Oregon 97411	December 31, 2016
Geri Procetto PO Box 1956 Bandon, Oregon 97411	December 31, 2016
Chris Powell PO Box 296 Bandon, Oregon 97411	December 31, 2014
Nancy Drew PO Box 2133 Bandon, Oregon 97411	December 31, 2014

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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October 16, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bandon Urban Renewal Agency
Coos County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Bandon Urban Renewal Agency, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

The financial statements as of June 30, 2013, were audited by other auditors whose report dated November 14, 2013, issued an unmodified opinion on those statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 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 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 City of Bandon Urban Renewal Agency, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Agency adopted the provisions of GASB Statement No. 65, – *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

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 required supplementary information 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report on October 16, 2014 on our consideration of the internal control over financial reporting and on our tests of 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 internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 16, 2014 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" at the beginning and end.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
URBAN RENEWAL AGENCY OF CITY OF BANDON, OREGON
June 30, 2014

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, 2014. 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 \$2,060,925 (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

	Governmental Activities	
	2014	2013
Current and other assets	\$ 1,139,235	\$ 1,648,514
Total Assets	\$ 1,139,235	\$ 1,648,514
Long-term liabilities outstanding	\$ 3,001,224	\$ 3,167,815
Other liabilities	198,936	220,145
Total liabilities	3,200,160	3,387,960
Net Position:		
Unrestricted net position (deficit)	\$ (2,060,925)	\$ (1,739,446)

Current year expenditures exceeded current year revenues by \$321,479 (see the following schedule of the Agency's Statement of Activities). This resulted in an increase in deficit net position balance to (\$2,060,925) in 2014 from (\$1,739,446) in 2013. The increase in deficit balance can be mostly contributed to various Urban Renewal Capital Projects worked on 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>2014</u>	<u>2013</u>
Revenues:		
General Revenues:		
Taxes	\$ 443,973	\$ 431,272
Payments in lieu of taxes	3,631	5,274
Other	598	-
Interest earnings	7,175	11,536
	<u>455,377</u>	<u>448,082</u>
Total revenues		
Expenses:		
General government	671,689	1,496,149
Interest expense	105,167	96,592
	<u>776,856</u>	<u>1,592,741</u>
Total expenses		
Change in net position	(321,479)	(1,144,659)
Net position, beginning of year	<u>(1,739,446)</u>	<u>(594,787)</u>
Net position, end of year	<u>\$ (2,060,925)</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 more than budgeted by \$9,484, due to receiving more property tax revenues than expected during the year. Actual expenditures were less than budgeted by \$1,551,369 because less money was spent on capital projects during the year than budgeted. Actual revenues for the Urban Renewal District No. 2 were more than budgeted by \$2,799 due to more property tax receipts than budgeted. Expenditures were less than budgeted by \$337,673 due to spending less on Capital Projects than was budgeted.

Capital Assets and Debt Administration

The Agency has no capital assets. The Agency has one bonded debt for \$2,115,000 and has loans from the City of Bandon for various projects during fiscal years 1992 and 2009. 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 2014-2015 Urban Renewal Budget for District No. 1 and District No. 2 is \$1,419,308, which is \$1,394,920 (49.6%) less than last year.

The Urban Renewal Budget for District No. 1 includes \$33,500 in materials and services for consulting, administration, and audit services, and \$391,047 for debt service payments and reserves. The proposed Capital budget is \$545,000, including \$165,000 for Parks and Recreation Grant Matches, \$30,000 for façade loan program, and \$350,000 for Woolen Mills Development 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 \$181,925. Capital Projects budget includes \$178,978 for parks, and \$60,658 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 2014-2015 revenues and that the In-Lieu Tax payments from Heritage Place will now be paid as property taxes. 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, 2014, the remaining available indebtedness is projected to be \$6,283,558 for District No. 1, and \$5,598,331 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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**URBAN RENEWAL AGENCY
OF THE CITY OF BANDON
(A COMPONENT UNIT OF THE CITY OF BANDON)
STATEMENT OF NET POSITION
June 30, 2014**

ASSETS

Cash and cash equivalents	\$ 1,069,739
Taxes receivable	46,246
Loans receivable	<u>23,250</u>

Total assets	<u>1,139,235</u>
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LIABILITIES

Liabilities:

Accounts payable	247
Accrued interest payable	32,101
Long-term liabilities:	
Amount due within one year	166,588
Amount due after one year	2,998,031
Bond premium, net of amortization due within one year	177
Bond premium, net of amortization due after one year	<u>3,016</u>

Total liabilities	<u>3,200,160</u>
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NET POSITION

Unrestricted net position (deficit)	<u>\$ (2,060,925)</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, 2014

Expenditures:	
General government	\$ 671,689
Interest expense	<u>105,167</u>
Total program expenses	<u>776,856</u>
General revenues:	
Tax increment revenues	443,973
Payments in lieu of taxes	3,631
Other	598
Interest earnings	<u>7,175</u>
Total general revenues	<u>455,377</u>
Change in net position	(321,479)
Net position, beginning of year	<u>(1,739,446)</u>
Net position, end of year	<u>\$ (2,060,925)</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, 2014**

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
ASSETS			
Cash and cash equivalents	\$ 752,987	\$ 316,752	\$ 1,069,739
Taxes receivable	30,456	15,790	46,246
Loans receivable	23,250	-	23,250
Total assets	\$ 806,693	\$ 332,542	\$ 1,139,235
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15	\$ 232	\$ 247
Due to primary government	-	205,918	205,918
Total liabilities	15	206,150	206,165
Deferred inflows of resources:			
Unavailable revenue-property taxes	30,456	15,790	46,246
Unavailable revenue-loan receivable	23,250	-	23,250
Total deferred inflows of resources	53,706	15,790	69,496
Fund balance:			
Committed for Capital Projects	752,972	110,602	863,574
Total fund balances	752,972	110,602	863,574
Total liabilities, deferred inflows of resources and fund balances	\$ 806,693	\$ 332,542	\$ 1,139,235
Fund balance at end of year - governmental funds			\$ 863,574
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		(2,958,701)	
Bond premium, net of amortization		(3,193)	
Accrued interest payable		(32,101)	
		(2,993,995)	
Some revenues, such as taxes receivable, do not provide current financial resources and are not reported in the fund financials.			69,496
Net position of governmental activities			\$ (2,060,925)

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, 2014**

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
Revenues:			
Taxes	\$ 280,660	\$ 146,554	\$ 427,214
Interest	5,982	1,193	7,175
Payments in lieu of taxes	1,349	2,282	3,631
Other	598	-	598
Total revenues	288,589	150,029	438,618
Expenditures:			
General government:			
Materials and services	17,463	8,403	25,866
Capital outlay	614,919	13,353	628,272
Debt service:			
Principal	109,008	21,989	130,997
Interest	90,116	16,519	106,635
Total expenditures	831,506	60,264	891,770
Excess (deficiency) of revenues over (under) expenditures	(542,917)	89,765	(453,152)
Fund balances at beginning of year	1,295,889	20,837	1,316,726
Fund balances at end of year	\$ 752,972	\$ 110,602	\$ 863,574
Net change in fund balance - governmental funds			\$ (453,152)

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. 16,759

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 Position:

Bond premium	177
Loans receivable	(17,550)

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

Repayment of debt	130,997
Change in interest payable	1,290

Change in net position of governmental activities \$ (321,479)

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, 2014

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 maintains two individual governmental funds, *Urban Renewal District No. 1* and *Urban Renewal District No. 2*, which are maintained for capital projects within the two Districts.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. 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. There are no deferred outflows.

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. Deferred inflows consist of unavailable property tax revenue and a loan receivable.

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,

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 \$752,972 and Urban Renewal No. 2 has a committed fund balance of \$110,602 as of June 30, 2014.

There are no non-spendable, restricted, assigned or unassigned balances as of June 30, 2014.

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, 2014. 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, 2014, The Urban Renewal Agency has no deposits with financial institutions and \$1,063,742 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, 2014, 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, 2014. 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 represents 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	\$ 1,063,742
Cash with County	<u>5,997</u>
	<u>\$ 1,069,739</u>

As of June 30, 2014, 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>\$ 1,063,742</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 7/1/2013</u>	<u>2013-2014 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable 6/30/2014</u>
2013-14	\$ -	\$ 427,608	\$ 406,915	\$ 20,693
2012-13	22,982	-	11,425	11,557
2011-12	15,198	-	6,483	8,715
2010-11	9,010	-	6,045	2,965
2009-10	3,318	-	2,416	902
2008-09	848	-	470	378
2007-08	466	-	237	229
Prior years	915	-	108	807
Total	<u>\$ 52,737</u>	<u>\$ 427,608</u>	<u>\$ 434,099</u>	<u>\$ 46,246</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
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	95,000	53,281	148,281
2020-2024	510,000	228,655	738,655
2025-2029	600,000	140,821	740,821
2030-2033	550,000	38,073	588,073
	2,115,000	\$ 692,854	\$ 2,807,854
Less current portion	(85,000)		
	\$ 2,030,000		

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 2020. The payments on this loan vary from year to year. Annual debt requirements are shown below:

Fiscal Year	Principal	Interest	Total
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	16,636	1,185	17,821
2020	17,217	603	17,820
	94,957	\$ 11,966	\$ 106,923
Less current portion	(14,497)		
	\$ 80,460		

2. **2005 OECD 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
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	29,876	22,867	52,743
2020-2024	162,569	95,473	258,042
2025-2029	199,034	57,358	256,392
2030-2032	139,206	12,429	151,635
	628,384	\$ 289,401	\$ 917,785
Less current portion	(24,168)		
	\$ 604,216		

3. **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
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
	110,961	\$ 14,331	\$ 125,292
Less current portion	(20,283)		
	\$ 90,678		

4. **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. Washington Federal bought the loan in May, 2014. 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
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	25,453	3,373	28,826
2020-2023	95,189	5,698	100,887
	215,317	\$ 29,698	\$ 245,015
Less current portion	(22,640)		
	\$ 192,677		

Changes in Long-Term Liabilities. During the fiscal year ended June 30, 2014, the following changes occurred in liabilities reported in the Statement of Net position:

Bonds Payable	Balance 7/1/13	Additions	Reductions	Balance 6/30/14	Due within one year
Bonds	\$ 2,200,000	\$ -	\$ (85,000)	\$ 2,115,000	\$ 85,000
Loans Payable					
1.	\$ 108,964	\$ -	\$ (14,007)	\$ 94,957	\$ 14,497
2.	652,392	-	(24,008)	628,384	24,168
3.	130,370	-	(19,409)	110,961	20,283
4.	237,306	-	(21,989)	215,317	22,640
Total Loans	1,129,032	-	(79,413)	1,049,619	81,588
Total Long-Term Liabilities	\$ 3,329,032	\$ -	\$ (164,413)	\$ 3,164,619	\$ 166,588

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.

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, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes:			
Property taxes - current year	\$ 252,146	\$ 260,906	\$ 8,760
Previously levied taxes	20,000	19,754	(246)
Interest	4,000	5,982	1,982
Other	1,000	598	(402)
Payments in lieu of taxes	<u>1,959</u>	<u>1,349</u>	<u>(610)</u>
Total revenues	<u>279,105</u>	<u>288,589</u>	<u>9,484</u>
Expenditures:			
General government:			
Materials and services	33,500	17,463	16,037
Capital outlay	1,951,123	614,919	1,336,204
Debt service:			
Principal	109,008	109,008	-
Interest	90,118	90,116	2
Other - debt reserves	<u>199,126</u>	<u>-</u>	<u>199,126</u>
Total expenditures	<u>2,382,875</u>	<u>831,506</u>	<u>1,551,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,103,770)</u>	<u>(542,917)</u>	<u>1,560,853</u>
Fund balance at beginning of year	<u>2,103,770</u>	<u>1,295,889</u>	<u>(807,881)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 752,972</u>	<u>\$ 752,972</u>

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, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes:			
Property taxes - current year	\$ 131,915	\$ 136,514	\$ 4,599
Previously levied taxes	10,000	10,040	40
Interest	2,000	1,193	(807)
Payments in lieu of taxes	3,315	2,282	(1,033)
	<u>147,230</u>	<u>150,029</u>	<u>2,799</u>
Total revenues			
Expenditures:			
General government:			
Materials and services	28,200	8,403	19,797
Capital outlay	259,223	13,353	245,870
Debt service:			
Principal	55,405	55,405	-
Interest	16,525	16,519	6
Other - debt reserves	72,000	-	72,000
	<u>431,353</u>	<u>93,680</u>	<u>337,673</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(284,123)</u>	<u>56,349</u>	<u>340,472</u>
Fund balance at beginning of year, budgetary basis	<u>284,123</u>	<u>260,171</u>	<u>(23,952)</u>
Fund balance at end of year, budgetary basis	<u>\$ -</u>	<u>316,520</u>	<u>\$ 316,520</u>
Due to primary government		<u>(205,918)</u>	
Fund balance at end of year, GAAP basis		<u>\$ 110,602</u>	

* Exempt from Oregon budget law



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October 16, 2014

To the Board of Directors
City of Bandon Urban Renewal Agency
Coos County, Oregon

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

We have audited, in accordance with the 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 City of Bandon Urban Renewal Agency as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 financial statements are free from material misstatement, we performed tests of 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 internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, prominent "R" at the beginning.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.



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October 16, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Bandon Urban Renewal Agency as of and for the year ended June 30, 2014, and have issued our report thereon dated October 16, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

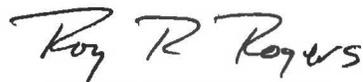
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized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

In connection with our testing nothing came to our attention that caused us to believe the City of Bandon Urban Renewal 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 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

In planning and performing our audit, we considered the internal controls 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the Board and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Roy R Rogers". The signature is written in a cursive style with a large, stylized "R" and "S".

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.