

City of Bandon

JOINT CITY COUNCIL / URBAN RENEWAL AGENDA DOCUMENTATION	DATE: Feb 5, 2018
SUBJECT: Accepting the Financial Audit Report for FY2015-16	ITEM #: 3.1

BACKGROUND

The Accounting Firm of Pauly, Rogers and Co., P.C. completed the FY2015-16 Financial Audit for the City of Bandon's Urban Renewal Districts in January 2018, with the assistance of Moss Adams, LLP, who prepared the Financial Statements.

Copies of the Independent Auditor's Report and Annual Financial Report were made available to the Mayor and Council prior to the meeting.

A brief summary of the report will be provided.

FISCAL IMPACT

Not Applicable

RECOMMENDATION

Acknowledge and accept the report.

RECOMMENDED MOTION(S)

Motion to accept the City of Bandon Urban Renewal District's Annual Financial and Independent Auditor's Report for Fiscal Year 2015-16, as prepared by Pauly, Rogers and Co., P.C.

SUBMITTED BY



Robert J Mawson, City Manager/Urban Renewal Manager

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

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**



12700 SW 72nd Ave.
Tigard, OR 97223

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

**AGENCY OFFICIALS
June 30, 2016**

Mayor and City Council	Term Expirations
Mary Schamehorn, Mayor	December 31, 2016
Brian Vick	December 31, 2016
Claudine Hundhausen	December 31, 2016
Geri Procetto	December 31, 2016
Chris Powell	December 31, 2018
Madeline Seymour.	December 31, 2018
Peter Braun	December 31, 2018

Robert Mawson, City Manager
City of Bandon
555 Highway 101
P.O. Box 67
Bandon, Oregon 97411

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November 29, 2017

INDEPENDENT AUDITORS' REPORT

To the City Council
Bandon Urban Renewal Agency
Coos County, Oregon

Report on the Financial Statements

We have audited the accompanying basic 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, 2016, and the related notes to the financial statements, which collectively comprise the 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 basic 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 basic 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, 2016, 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.

Emphasis of Matter

The Agency adopted the provisions of GASB 72 - *Fair Value Measurement and Application* and GASB 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. 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 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 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, 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 council 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 dated November 29, 2017 on our consideration of the internal control over financial reporting. 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 November 29, 2017, 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, flowing style.

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

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Urban Renewal Agency Of City Of Bandon, Oregon

June 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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.

Urban Renewal Agency Of City Of Bandon, Oregon

June 30, 2016

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 \$1,566,574 (reported as deficit net position). This deficit is primarily due to the outstanding debt the Agency incurred in past years for capital projects. This debt includes refinancing the 2008 LoCap loan with a 10-year Wedbush Bank Loan for \$248,000 at 2.95% interest and General obligation bonds for \$2,200,000 that were issued for Agency #1 capital projects. The Agency and the City of Bandon (the City) agreed that the City would receive the loans and, in turn, the 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 City Of Bandon, Oregon
June 30, 2016

Urban Renewal Agency of the City of Bandon Net Position

	Governmental Activities	
	2016	2015
Current and other assets	\$ 1,235,699	\$ 1,156,694
Total assets	<u>\$ 1,235,699</u>	<u>\$ 1,156,694</u>
Long-term liabilities outstanding	\$ 2,761,568	\$ 2,761,568
Other liabilities	\$ 40,705	\$ 202,025
Total liabilities	<u>\$ 2,802,273</u>	<u>\$ 2,963,593</u>
Net Position		
Unrestricted net position (deficit)	<u><u>\$ (1,566,574)</u></u>	<u><u>\$ (1,806,899)</u></u>

Current year revenue exceeded current year expenditures by \$240,325 (see the following schedule of the Agency's statement of activities). This resulted in a decrease in deficit net position balance to (\$1,566,574) in 2016 from (\$1,806,899) in 2015. The decrease in deficit balance can be mostly attributed to principal payments made on outstanding loans which reduced the total debt, and to various Urban Renewal capital projects worked on during the year. This deficit means that if the 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

	Governmental Activities	
	2016	2015
GENERAL REVENUES		
Tax increment revenues	\$ 452,692	\$ 450,893
Interest earnings	\$ 6,697	\$ 5,229
Total general revenues	<u>\$ 459,389</u>	<u>\$ 456,122</u>
EXPENDITURES		
General Government	\$ 126,282	\$ 91,954
Interest Expense	\$ 92,782	\$ 110,142
Total Program Expense	<u>\$ 219,064</u>	<u>\$ 202,096</u>
Change in net position	\$ 240,325	\$ 254,026
Net position, beginning of year	<u>\$ (1,806,899)</u>	<u>\$ (2,060,925)</u>
Net position, end of year	<u><u>\$ (1,566,574)</u></u>	<u><u>\$ (1,806,899)</u></u>

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

Urban Renewal Agency Of City Of Bandon, Oregon

June 30, 2016

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 \$6,102, due to receiving more property tax revenues than expected during the year. Actual expenditures were less than budgeted by \$777,841 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 \$4,892 due to more property tax receipts than budgeted. Expenditures were less than budgeted by \$333,345 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 \$1,940,000 and a loan from the City of Bandon for a Community Center Development Project 2009. A principle balance of \$69,483 remains. In 2005, the Agency assumed the debt for the Oregon Economic Development Department. A principal balance of \$579,881 remains. The 2008 League of Oregon Cities loan was paid off with a refinancing of \$248,000 with Wedbush Bank. A principle balance of \$169,365 remains. 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 2016-2017 Urban Renewal Budget for District No. 1 and District No. 2 is \$1,505,898, which is \$37,598 (3%) greater than last year.

The urban renewal budget for district No. 1 includes \$36,100 in materials and services for consulting, administration, and audit services, and \$170,059 for debt service payments and reserves. The proposed capital budget is \$879,904, including \$165,000 for street construction, \$30,000 for façade loan program, and \$684,904 for capital projects.

The urban renewal budget for district No. 2 includes \$8,200 for consulting, administrative, and auditing services; Debt service payments and reserves of \$146,000 and a Capital projects budget of \$265,135 for unspecified urban renewal projects.

Urban Renewal Agency Of City Of Bandon, Oregon
June 30, 2016

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 2016-2017 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, 2015, the remaining available indebtedness is projected to be \$5,738,558 for district No. 1, and \$5,358,695 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:

Robert J Mawson
Urban Renewal Manager
City of Bandon
PO Box 67
Bandon, OR 97411

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BASIC FINANCIAL STATEMENTS

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Urban Renewal Agency of the City of Bandon
Statement of Net Position
June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 1,174,223
Taxes receivable	42,325
Loans receivable	<u>19,151</u>
Total assets	<u>1,235,699</u>
LIABILITIES	
Accounts payable	372
Customer deposits	1,250
Accrued interest payable	39,083
Long-term liabilities	
Amount due within one year	160,662
Amount due after one year	2,598,067
Bond premium, net of amortization due within one year	177
Bond premium, net of amortization due after one year	<u>2,662</u>
Total liabilities	<u>2,802,273</u>
NET POSITION	
Unrestricted net position (deficit)	<u>\$ (1,566,574)</u>

**Urban Renewal Agency of the City of Bandon
Statement of Activities
For The Year Ended June 30, 2016**

GENERAL REVENUES	
Tax increment revenues	452,692
Interest earnings	<u>6,697</u>
Total general revenues	<u>459,389</u>
EXPENDITURES	
General government	\$ 126,282
Interest expense	<u>92,782</u>
Total program expenses	<u>219,064</u>
Change in net position	240,325
Net position, beginning of year	<u>(1,806,899)</u>
Net position, end of year	<u>\$ (1,566,574)</u>

Urban Renewal Agency of the City of Bandon
Balance Sheet – Governmental Funds
June 30, 2016

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
ASSETS			
Cash and cash equivalents	\$ 822,207	\$ 352,016	\$ 1,174,223
Taxes receivable	27,951	14,374	42,325
Loans receivable	19,151	-	19,151
Total assets	\$ 869,309	\$ 366,390	\$ 1,235,699
LIABILITIES			
Accounts payable	\$ -	\$ 372	\$ 372
Customer deposits	1,250	-	1,250
Due to primary government	-	69,483	69,483
Total liabilities	1,250	69,855	71,105
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	27,951	14,374	42,325
Unavailable revenue - loan receivable	19,151	-	19,151
Total deferred inflows of resources	47,102	14,374	61,476
FUND BALANCES			
Committed for capital projects	820,957	282,161	1,103,118
Total liabilities, deferred inflows of resources and fund balances	\$ 869,309	\$ 366,390	\$ 1,235,699
Fund balance at end of year - governmental funds			\$ 1,103,118
Amounts reported for governmental activities 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		(2,619,763)	
Due to primary government		(69,483)	
Bond premium, net of amortization		(2,839)	
Accrued interest payable		(39,083)	
			(2,731,168)
Some revenues, such as taxes receivable, do not provide current financial resources and are not reported in the fund financials.			
			61,476
Net position of governmental activities			\$ (1,566,574)

Urban Renewal Agency of the City of Bandon
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For The Year Ended June 30, 2016

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
REVENUES			
Taxes	\$ 288,091	\$ 145,614	\$ 433,705
Interest	5,078	1,619	6,697
Total revenues	293,169	147,233	440,402
EXPENDITURES			
General government:			
Materials and services	737	397	1,134
Capital outlay	76,386	26,417	102,803
Debt service			
Principal	114,335	23,313	137,648
Interest	84,740	9,594	94,334
Total expenditures	276,198	59,721	335,919
Net change in fund balances	16,971	87,512	104,483
Fund balances, beginning of year	803,986	194,649	998,635
Fund balances, end of year	<u>\$ 820,957</u>	<u>\$ 282,161</u>	<u>\$ 1,103,118</u>

Net change in fund balance - governmental funds \$ 104,483

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. 18,987

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 (22,345)

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 137,648
Change in interest payable 1,375

Change in net position of governmental activities \$ 240,325

NOTES TO THE
BASIC FINANCIAL STATEMENTS

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Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Urban Renewal Agency of the City of Bandon, Oregon (the Agency) was created by adoption of Ordinance 1911 by the City of Bandon, Oregon (the City), 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. 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 (GASB), 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, the Agency exists and operates separately from the City. Accordingly, the Agency's financial statements will also be included in the financial statements of the City.

The Agency has no potential component units.

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

The basic financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. 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 basic 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 basic 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.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Deferred Outflows/Inflows, and Net Position/Fund balances

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.

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 the Measurement Focus, Basis of Accounting and Basis of Presentation paragraph above.

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.

Use of Estimates—The preparation of the basic financial statements in conformity with U.S. GAAP 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 basic financial statements and reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of \$42,325 and a loan receivable of \$19,151 reported in the balance sheet.

Fund Balances—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 \$820,957 and Urban Renewal No. 2 has a committed fund balance of \$282,161 as of June 30, 2016.

There are no nonspendable, restricted, assigned, or unassigned balances as of June 30, 2016.

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.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds, except for interfund loans and 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. Expenditures of the various funds were within authorized appropriations.

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits

GASB has adopted U.S. 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, 2016. 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, 2016, The Agency has no deposits with financial institutions and \$1,167,839 invested in the LGIP. Any deposits with financial institutions will be covered up to \$250,000 by Federal Depositary Insurance, and the remaining deposited at an approved depositary as prescribed by the Oregon State Treasurer.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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, 2016, 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 LGIP during the fiscal year ending June 30, 2016. 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). 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 5.00% 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.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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	\$ 1,167,838
Cash with county	<u>6,385</u>
	<u>\$ 1,174,223</u>

As of June 30, 2016, 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>\$ 1,167,838</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>Coos County</u>	<u>Receivable July 1, 2015</u>	<u>2015-2016 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable June 30, 2016</u>
2015-2016		\$ 435,726	\$ (415,703)	\$ 20,023
2014-2015	\$ 19,224	-	(8,435)	10,789
2013-2014	10,622	-	(3,875)	6,747
2012-2013	6,622	-	(3,980)	2,642
2011-2012	3,291	-	(2,571)	720
2010-2011	852	-	(403)	449
2009-2010	661	-	(324)	337
Prior years	<u>1,217</u>	<u>-</u>	<u>(599)</u>	<u>618</u>
Total	<u>\$ 42,489</u>	<u>\$ 435,726</u>	<u>\$ (435,890)</u>	<u>\$ 42,325</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.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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 District No. 1

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 2.00% to 4.00%. This debt can be prepaid after August 1, 2022 without penalty. Scheduled payment dates are February 1 and August 1, each year through 2033. Annual debt requirements are shown below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 90,000	\$ 57,131	\$ 147,131
2018	95,000	55,281	150,281
2019	95,000	53,281	148,281
2020	95,000	51,481	146,481
2021	100,000	49,531	149,531
2022-2026	545,000	194,805	739,805
2027-2031	635,000	101,925	736,925
2032-2033	285,000	9,807	294,807
	<u>\$ 1,940,000</u>	<u>\$ 573,242</u>	<u>\$ 2,513,242</u>
Less current portion	<u>(90,000)</u>		
Total	<u>\$ 1,850,000</u>		

b. Loans Payable – Urban Renewal Agency District No. 2

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. 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 Agency revenues and payments are due in July of each year. There is no penalty for early payment. This liability is indicated as receivable on the City's basic financial statements.

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

As required by GASB, this liability is reported in the fund financial statements. Annual debt service requirements are shown below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 22,149	\$ 3,127	\$ 25,276
2018	23,146	2,130	25,276
2019	24,188	1,088	25,276
	69,483	<u>\$ 6,345</u>	<u>\$ 75,828</u>
Less current portion	<u>(22,149)</u>		
Total	<u>\$ 47,334</u>		

2005 OECD Loan On July 15, 2005, the Agency entered into an agreement with the City 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 Agency 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 24,508	\$ 24,835	\$ 49,343
2018	24,688	23,855	48,543
2019	29,876	22,867	52,743
2020	30,071	21,672	51,743
2021	30,280	20,432	50,712
2022-2026	174,964	81,380	256,344
2027-2031	217,078	39,658	256,736
2032	48,416	2,118	50,534
	579,881	<u>\$ 236,817</u>	<u>\$ 816,698</u>
Less current portion	<u>(24,508)</u>		
Total	<u>\$ 555,373</u>		

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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 Agency 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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 24,005	\$ 4,821	\$ 28,826
2018	24,718	4,107	28,825
2019	25,453	3,373	28,826
2020	26,210	2,616	28,826
2021	26,988	1,837	28,825
2022-2023	41,991	1,245	43,236
	169,365	<u>\$ 17,999</u>	<u>\$ 187,364</u>
Less current portion	<u>(24,005)</u>		
Total	<u>\$ 145,360</u>		

Changes in Long-Term Liabilities During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the statement of net position:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>	<u>Due within one year</u>
Bonds Payable:					
2012 General obligation bond	\$ 2,030,000	\$ -	\$ (90,000)	\$1,940,000	\$ 90,000
Loans Payable:					
2005 OECD loan	\$ 604,216	\$ -	\$ (24,335)	\$ 579,881	\$ 24,508
2009 Community center development	90,678	-	(21,195)	69,483	22,149
2012 Wedbush locap refinance	192,677	-	(23,312)	169,365	24,005
Total loans payable	<u>887,571</u>	<u>-</u>	<u>(68,842)</u>	<u>818,729</u>	<u>70,662</u>
Total long-term liabilities	<u>\$ 2,917,571</u>	<u>\$ -</u>	<u>\$ (158,842)</u>	<u>\$2,758,729</u>	<u>\$ 160,662</u>

Urban Renewal Agency of the City of Bandon
(A Component of the City of Bandon)
Notes to the Basic Financial Statements

NOTE 4 – OTHER INFORMATION

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.

Personnel Costs

The City of Bandon invoices the Urban Renewal Agency (URA) for services provided. This includes amounts associated with personnel costs in support of URA activities. There are no employees of the agency.

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- Level 1 Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. The Agency intends to measure these investments at book value, as the LGIP's fair value approximates its amortized cost basis.

LGIP measured at the net asset value (NAV) are readily available to spend when needed. The balance in this pool is expected to stay fairly static as the interest rate in the pool is desirable. The risk associated with the LGIP is very low. The City only invests in the LGIP. The NAV of the Agency's investments as of June 30, 2016 was \$1,167,839.

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REQUIRED
SUPPLEMENTARY INFORMATION

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Urban Renewal Agency of the City of Bandon
Schedules of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual (Non-U.S. GAAP Budgetary Basis)
Urban Renewal District No. 1 Fund
For The Year Ended June 30, 2016

	Original & Final Budget	Actual	Variance
Revenues			
Taxes			
Property taxes - current year	\$ 260,835	\$ 272,192	\$ 11,357
Previously levied taxes	20,000	15,899	(4,101)
Interest	5,000	5,078	78
Other	500	-	(500)
Payments in lieu of taxes	732	-	(732)
Total revenues	<u>287,067</u>	<u>293,169</u>	<u>6,102</u>
Expenditures			
General government			
Materials and services	33,500	737	32,763
Capital outlay	621,464	76,386	545,078
Debt service			
Principal	114,335	114,335	-
Interest	84,740	84,740	-
Bond reserves	200,000	-	200,000
Total expenditures	<u>1,054,039</u>	<u>276,198</u>	<u>777,841</u>
Excess (deficiency) of revenues over (under) expenditures	(766,972)	16,971	783,943
Fund balance, beginning of year	<u>766,972</u>	<u>803,986</u>	<u>37,014</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 820,957</u>	<u>\$ 820,957</u>

Urban Renewal Agency of the City of Bandon
Schedules of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual (Non-U.S. GAAP Budgetary Basis)
Urban Renewal District No. 2 Fund
For The Year Ended June 30, 2016

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Taxes			
Property taxes - current year	\$ 131,501	\$ 137,308	\$ 5,807
Previously levied taxes	10,000	8,306	(1,694)
Interest	500	1,619	1,119
Payments in lieu of taxes	340	-	(340)
Total revenues	<u>142,341</u>	<u>147,233</u>	<u>4,892</u>
Expenditures			
General government:			
Materials and services	28,200	397	27,803
Capital outlay	240,061	26,417	213,644
Debt service			
Principal	115,000	44,508	70,492
Interest	6,000	9,594	(3,594) *
Bond reserve	25,000	-	25,000
Total expenditures	<u>414,261</u>	<u>80,916</u>	<u>333,345</u>
Excess (deficiency) of revenues over (under) expenditures	(271,920)	66,317	338,237
Other financing sources (uses):			
Receipt of loan payment	-	94,957	94,957
Net change in fund balance	(271,920)	161,274	433,194
Fund balance, beginning of year, budgetary basis	<u>271,920</u>	<u>190,370</u>	<u>(81,550)</u>
Fund balance, end of year, budgetary basis	<u>\$ -</u>	<u>351,644</u>	<u>\$ 351,644</u>
Due to primary government		<u>(69,483)</u>	
Fund balance, end of year, U.S. GAAP basis		<u>\$ 282,161</u>	

* Exempt from Oregon budget law

ACCOMPANYING INFORMATION

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November 29, 2017

To the City Council
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 basic 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, 2016 and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 basic 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.

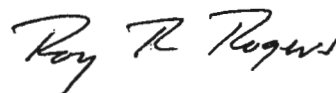
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 basic 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 the basic 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.



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



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November 29, 2017

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, 2016, and have issued our report thereon dated November 29, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 the basic 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:

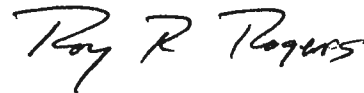
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter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

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 basic 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 council members 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, prominent "R" at the beginning.

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