

City of Bandon

CITY COUNCIL AGENDA DOCUMENTATION	DATE: December 2, 2019
SUBJECT: Accepting the Financial Audit Report for FY 2017-18	ITEM NO: City/UR 3.2

BACKGROUND:

The accounting firm of Pauly, Rogers and Co., P.C. completed the FY 2017-18 Financial Audit for the City of Bandon's Urban Renewal Districts in July 2019, 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.

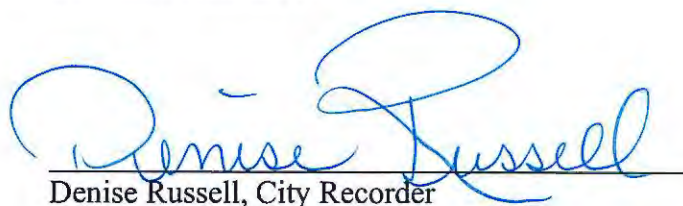
FISCAL IMPACT:

Not Applicable

RECOMMENDATION:

Motion to accept the City of Bandon's Urban Renewal District's Annual Financial and Independent Auditor's Report for Fiscal Year 2017-18, as prepared by Pauly, Rogers and Co., P.C.

SUBMITTED BY:


Denise Russell, City Recorder

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

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**



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

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

AGENCY OFFICIALS
June 30, 2017

Mayor and City Council	Term Expirations
Mary Schamehorn, Mayor	December 31, 2018
Brian Vick	December 31, 2020
Claudine Hundhausen	December 31, 2020
Geri Procetto	December 31, 2020
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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www.paulyrogersandcocpas.com

July 23, 2019

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 (the Agency), as of and for the year ended June 30, 2018, and the related notes to the basic 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. 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, 2018, 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.

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.

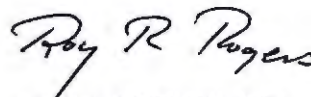
The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information 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 Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated July 23, 2019, 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.



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

Urban Renewal Agency Of City Of Bandon, Oregon
June 30, 2018

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, 2018. 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

Urban Renewal Agency Of City Of Bandon, Oregon June 30, 2018

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 assets by \$923,616 (reported as deficit net position), which compared to the previous year's deficit number of \$1,325,052, represented a positive improvement of \$401,436. 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, 2018

Urban Renewal Agency of the City of Bandon Net Position

	Governmental Activities	
	2018	2017
Current and other Assets	\$ 1,572,442	\$ 1,314,628
Total Assets:	\$ 1,572,442	\$ 1,314,628
Long-term Liabilities Outstanding	\$ 2,386,573	\$ 2,600,728
Other Liabilities	\$ 63,057	\$ 38,952
Total Liabilities	\$ 2,449,630	\$ 2,639,680
Deferred Inflows of Resources	\$ 46,428	\$ -
Net Position		
Unrestricted Net Position (deficit)	\$ (923,616)	\$ (1,325,052)

Current year revenue exceeded current year expenditures by \$401,436 (see the following schedule of the Agency's statement of activities). This resulted in a decrease in deficit net position balance to (\$923,616) in 2018 from (\$1,325,052) in 2017. 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	
	2018	2017
GENERAL REVENUES		
Tax increment revenues	\$ 477,628	\$ 436,867
Interest earnings	\$ 19,713	\$ 9,852
Payments in Lieu of Taxes	\$ 27,010	\$ -
Total general revenues	\$ 524,351	\$ 446,719
EXPENDITURES		
General Government	\$ 17,531	\$ 116,843
Interest Expense	\$ 105,384	\$ 88,354
Total Program Expense	\$ 122,915	\$ 205,197
Change in net position	\$ 401,436	\$ 241,522
Net position, beginning of year	\$ (1,325,052)	\$ (1,566,574)
Net position, end of year	\$ (923,616)	\$ (1,325,052)

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, 2018

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 \$56,043, due to receiving more property tax revenues than expected during the year. Actual expenditures were less than budgeted by \$437,008 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 \$30,067 due to more property tax receipts than budgeted. Expenditures were less than budgeted by \$486,299 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 \$1,850,000, of which \$1,755,000 remains, and a loan from the City of Bandon for a Community Center Development Project 2009 of which \$24,188 remains. In 2005, the Agency assumed the debt for the Oregon Economic Development Department, which was re-funded in 2018. A principle balance of \$484,257 remains. The 2008 League of Oregon Cities loan was paid off with a refinancing of \$248,000 with Wedbush Bank. A principle balance of \$120,643 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 2019-2020 Urban Renewal Budget for District No. 1 and District No. 2 is \$2,081,000.

The urban renewal budget for district No. 1 is \$1,281,000 and includes \$39,625 in materials and services for consulting, administration, legal, and audit services, and \$398,224 for debt service payments and reserves. The proposed capital budget is \$843,151, including \$480,000 for the South Jetty Trail project, \$50,000 for the façade loan program, \$60,000 for a Masonic Lodge Grant Match, \$100,000 for 11th St Storm Drain Improvements, and \$68,151 for misc. capital projects.

The urban renewal budget for district No. 2 is \$800,000 and includes \$24,380 for consulting, administrative, legal, and auditing services; Debt service payments and reserves of \$58,826 and a Capital projects budget of \$716,794 for unspecified urban renewal projects.

Urban Renewal Agency Of City Of Bandon, Oregon
June 30, 2018

For purposes of property tax revenue projections, it was assumed that assessed values and the resulting ad valorem property tax share would experience minimal growth for fiscal year 2019-2020 revenues. 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, 2018

ASSETS	
Cash and cash equivalents	\$ 1,290,037
Taxes receivable	44,632
Loans receivable	8,906
Capital assets	
Land	<u>228,867</u>
Total assets	<u>1,572,442</u>
LIABILITIES	
Accounts payable	28,700
Customer deposits	1,250
Accrued interest payable	33,107
Long-term liabilities	
Amount due within one year	179,172
Amount due after one year	2,204,916
Bond premium, net of amortization due after one year	<u>2,485</u>
Total liabilities	<u>2,449,630</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on refunding	<u>46,428</u>
NET POSITION	
Unrestricted net position (deficit)	<u><u>\$ (923,616)</u></u>

Urban Renewal Agency of the City of Bandon
Statement of Activities
For the Year Ended June 30, 2018

EXPENSES	
General government	\$ 17,531
Interest expense	<u>105,384</u>
Total program expenses	<u>122,915</u>
GENERAL REVENUES	
Tax increment revenues	477,628
Payments in lieu of taxes	27,010
Interest earnings	<u>19,713</u>
Total general revenues	<u>524,351</u>
CHANGE IN NET POSITION	401,436
NET POSITION, beginning of year	<u>(1,325,052)</u>
NET POSITION, end of year	<u><u>\$ (923,616)</u></u>

Urban Renewal Agency of the City of Bandon
Balance Sheet – Governmental Funds
June 30, 2018

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
ASSETS			
Cash and cash equivalents	\$ 791,822	\$ 498,215	\$ 1,290,037
Taxes receivable	29,696	14,936	44,632
Loans receivable	8,906	-	8,906
Total assets	\$ 830,424	\$ 513,151	\$ 1,343,575
LIABILITIES			
Accounts Payable	28,700	-	28,700
Customer deposits	1,250	-	1,250
Due to primary government	-	24,188	24,188
Total liabilities	29,950	24,188	54,138
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	29,696	14,936	44,632
Unavailable revenue - loan receivable	8,906	-	8,906
Total deferred inflows of resources	38,602	14,936	53,538
FUND BALANCES			
Committed for capital projects	761,872	474,027	1,235,899
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 830,424	\$ 513,151	\$ 1,343,575
Fund balance at end of year - governmental funds			\$ 1,235,899
Capital assets are not current financial resources in governmental funds, but are reported in the statement of net position at their net depreciable value			
Land			228,867
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		(2,384,088)	
Due to primary government		24,188	
Deferred gain on refunding		(46,428)	
Bond premium, net of amortization		(2,485)	
Accrued interest payable		(33,107)	
			(2,441,920)
Some revenues, such as taxes receivable, do not provide current financial resources and are not reported in the fund financials.			53,538
Net position of governmental activities			\$ (923,616)

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

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, 2018

	Urban Renewal District No. 1	Urban Renewal District No. 2	Total
REVENUES			
Taxes	\$ 315,283	\$ 152,990	\$ 468,273
Interest	11,782	7,931	19,713
Payments in lieu of taxes	18,433	8,577	27,010
Total revenues	<u>345,498</u>	<u>169,498</u>	<u>514,996</u>
EXPENDITURES			
General government			
Materials and services	8,519	1,685	10,204
Capital outlay	5,209	-	5,209
Debt service			
Principal	603,945	12,685	616,630
Interest	106,295	3,859	110,154
Total expenditures	<u>723,968</u>	<u>18,229</u>	<u>742,197</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(378,470)	151,269	(227,201)
OTHER FINANCING SOURCES (USES)			
Issuance of refunding bonds	484,257	-	484,257
NET CHANGE IN FUND BALANCES	105,787	151,269	257,056
FUND BALANCES, beginning of year	<u>656,085</u>	<u>322,758</u>	<u>978,843</u>
FUND BALANCES, end of year	<u>\$ 761,872</u>	<u>\$ 474,027</u>	<u>\$ 1,235,899</u>
Net change in fund balance - governmental funds			\$ 257,056

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.	450
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	(5,247)
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.	
Bond proceeds	(484,257)
Deferred charge on refunding	(46,428)
Repayment of debt	675,091
Change in interest payable	4,594
Change in net position of governmental activities	<u>\$ 401,436</u>

Notes to the Basic Financial Statements

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Urban Renewal Agency 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 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 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.

Urban Renewal Agency 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

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.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Urban Renewal Agency maintains a capitalization threshold of \$5,000 and a useful life of over one year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Urban Renewal Agency of the City of Bandon

Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furnishings and equipment	5 – 7 years
Infrastructure	10 – 60 years
Land Improvements	5 – 100 years
Buildings	30 – 100 years
Other	5 – 100 years

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 the basic 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.

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 reported on the Governmental Funds Balance Sheet and deferred charge on refunding reported on the Statement of Net Position.

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.

Urban Renewal Agency of the City of Bandon

Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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 a 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 \$761,872 and Urban Renewal No. 2 has a committed fund balance of \$474,027 as of June 30, 2018.

There are no nonspendable, restricted, assigned, or unassigned balances as of June 30, 2018.

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.

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.

Urban Renewal Agency of the City of Bandon

Notes to the Basic Financial Statements

Note 2 – Stewardship, Compliance, and Accountability (continued)

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 were within authorized appropriations or exempt from Oregon budget law for the year ended June 30, 2018.

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, 2018. 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, 2018, The Agency has no deposits with financial institutions and \$1,290,037 invested in the LGIP. 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.

Urban Renewal Agency of the City of Bandon

Notes to the Basic Financial Statements

Note 3 – Detailed Notes on All Funds and Account Groups (continued)

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, 2018, there was no bank balance that was exposed to custodial credit risk, because it was all invested with the LGIP.

Investments

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 OFS 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.

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.

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.

Urban Renewal Agency of the City of Bandon
Notes to the Basic Financial Statements

Note 3 – Detailed Notes on All Funds and Account Groups (continued)

As of June 30, 2018, the Agency 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>\$ 1,290,037</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, 2017</u>	<u>2017-2018 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable July 1, 2018</u>
2017-2018		\$ 454,123	\$ (434,098)	\$ 20,025
2016-2017	\$ 19,557	-	(8,415)	11,142
2015-2016	11,975	-	(3,802)	8,173
2014-2015	7,003	-	(4,328)	2,675
2013-2014	3,161	-	(2,456)	705
2012-2013	706	-	(265)	441
2011-2012	498	-	(159)	339
Prior years	<u>1,282</u>	<u>-</u>	<u>(150)</u>	<u>1,132</u>
Total	<u>\$ 44,182</u>	<u>\$ 454,123</u>	<u>\$ (453,673)</u>	<u>\$ 44,632</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.

Urban Renewal Agency of the City of Bandon
Notes to the Basic Financial Statements

Note 3 – Detailed Notes on All Funds and Account Groups (continued)

C. Capital Assets

Capital asset activity for the Urban Renewal Agency for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable capital assets				
Land	\$ 228,867	\$ -	\$ -	\$ 228,867
Net Governmental capital assets	<u>\$ 228,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,867</u>

D. 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:

2012 General Obligation Bond

Fiscal Year	Principal	Interest	Total
2019	\$ 95,000	\$ 53,281	\$ 148,281
2020	95,000	51,481	146,481
2021	100,000	49,531	149,531
2022	100,000	46,531	146,531
2023	105,000	42,431	147,431
2024-2028	585,000	158,830	743,830
2029-2033	<u>675,000</u>	<u>58,745</u>	<u>733,745</u>
	\$ 1,755,000	\$ 460,830	\$ 2,215,830
Less current portion	<u>(95,000)</u>		
Total	<u>\$ 1,660,000</u>		

Urban Renewal Agency of the City of Bandon

Notes to the Basic Financial Statements

Note 3 – Detailed Notes on All Funds and Account Groups (continued)

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

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 30 of each year except the 2009 loan which is due July 1, if funds are available. These liabilities are also indicated as receivables on the City's basic financial statements. As required by GASB, these liabilities are reported in the fund financial statements.

2005 OECD loan – In addition to the above debt, 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. In April 2018, the note was refunded in the amount of \$530,685 with a revised loan agreement to finance \$484,257 resulting in a gain of \$46,428, which is reported as deferred inflow and will be amortized over the remaining life of the loan. 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. Interest is computed semi-annually on the outstanding balance at 4.00%. Principal and interest payments are required in December of each year through December 2, 2032. Annual debt requirements are shown below:

2005 OECD Loan

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 34,530	\$ 17,733	\$ 52,263
2020	29,712	21,701	51,413
2021	24,906	20,506	45,412
2022	30,112	19,300	49,412
2023	30,329	17,833	48,162
2024-2028	170,301	66,010	236,311
2029-2032	164,367	20,531	184,898
	484,257	<u>\$ 183,614</u>	<u>\$ 667,871</u>
Less current portion	<u>(34,530)</u>		
Total	<u>\$ 449,727</u>		

Urban Renewal Agency of the City of Bandon
Notes to the Basic Financial Statements

Note 3 – Detailed Notes on All Funds and Account Groups (continued)

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. Annual debt service requirements are shown below:

2009 Community Center Development

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 24,188	\$ -	\$ 24,188
	24,188	\$ -	\$ 24,188
Less current portion	<u>(24,188)</u>		
Total	<u>\$ -</u>		

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, 2023.

2012 Wedbush Refinancing of LoCap Loan

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 25,454	\$ 3,373	\$ 28,827
2020	26,210	2,616	28,826
2021	26,988	1,837	28,825
2022	27,790	1,035	28,825
2023	<u>14,201</u>	<u>210</u>	<u>14,411</u>
	120,643	\$ 9,071	\$ 129,714
Less current portion	<u>(25,454)</u>		
Total	<u>\$ 95,189</u>		

Urban Renewal Agency of the City of Bandon

Notes to the Basic Financial Statements

Note 3 – Detailed Notes on All Funds and Account Groups (continued)

Changes in long-term liabilities

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the statement of net position:

	June 30, 2017	Additions	Deletions	June 30, 2018	Due Within One Year
Bonds payable					
2012 General obligation bond	\$ 1,850,000	\$ -	\$ (95,000)	\$ 1,755,000	\$ 95,000
Loans payable					
2005 OECD loan	555,373	-	(555,373)	-	-
2018 OECD loan, refunding	-	484,257	-	484,257	34,530
2009 Community center development	47,334	-	(23,146)	24,188	24,188
2012 Wedbush locap refinance	145,360	-	(24,718)	120,643	25,454
Total loans payable	748,067	484,257	(603,237)	629,088	84,172
Total long-term liabilities	\$ 2,598,067	\$ 484,257	\$ (698,237)	\$ 2,384,088	\$ 179,172

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.

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.

Urban Renewal Agency of the City of Bandon

Notes to the Basic Financial Statements

Note 5 – Fair Value Measurements (continued)

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, 2018 was \$1,290,034.

Note 6 – Tax Abatements

The Agency has entered into no tax abatement programs. There are no tax abatement programs entered into by another government reducing the Agency's property tax revenues for the year ended June 30, 2018.

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Required Supplemental 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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes			
Property taxes - current year	\$ 257,167	\$ 305,988	\$ 48,821
Previously levied taxes	28,288	9,295	(18,993)
Interest	4,000	11,782	7,782
Payments in lieu of taxes	-	18,433	18,433
	<u>289,455</u>	<u>345,498</u>	<u>56,043</u>
EXPENDITURES			
General government			
Materials and services	34,500	8,519	25,981
Capital outlay	866,476	5,209	861,267
Debt service			
Principal	115,000	603,945	(488,945) *
Interest	85,000	106,295	(21,295) *
Bond reserves	60,000	-	60,000
	<u>1,160,976</u>	<u>723,968</u>	<u>437,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(871,521)	(378,470)	493,051
OTHER FINANCING SOURCES (USES)			
Issuance of refunding loan	-	484,257	484,257
NET CHANGE IN FUND BALANCE	(871,521)	105,787	977,308
FUND BALANCE, beginning of year	<u>871,521</u>	<u>656,085</u>	<u>(215,436)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 761,872</u>	<u>\$ 761,872</u>

* Exempt from Oregon budget law

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, 2018

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes			
Property taxes - current year	\$ 124,487	\$ 148,136	\$ 23,649
Previously levied taxes	13,694	4,854	(8,840)
Interest	1,000	7,931	6,931
Payments in lieu of taxes	250	8,577	8,327
	<u>139,431</u>	<u>169,498</u>	<u>30,067</u>
EXPENDITURES			
General government			
Materials and services	23,500	1,685	21,815
Capital outlay	449,173	-	449,173
Debt service			
Principal	24,000	35,830	(11,830) *
Interest	6,000	3,859	2,141 *
Bond reserve	25,000	-	25,000
	<u>527,673</u>	<u>41,374</u>	<u>486,299</u>
NET CHANGE IN FUND BALANCE	(388,242)	128,124	(456,232)
FUND BALANCE, beginning of year, budgetary basis	<u>388,242</u>	<u>370,091</u>	<u>(18,151)</u>
FUND BALANCE, end of year, budgetary basis	<u>\$ -</u>	<u>498,215</u>	<u>\$ (474,383)</u>
INTERFUND LOAN PAYABLE		<u>(24,188)</u>	
FUND BALANCE, at year end, U.S. GAAP basis		<u>\$ 474,027</u>	

* Exempt from Oregon budget law



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July 23, 2019

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, 2018, and have issued our report thereon dated July 23, 2019. 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.**

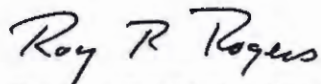
In connection with our testing nothing came to our attention that caused us to believe the City of Bandon Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon 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.

We noted a matter involving the internal control structure and its operations that we consider to be a significant deficiency under standards established by the American Institute of Certified Public Accountants, which is noted in our management letter dated July 23, 2019.

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.



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