

**COQUILLE URBAN RENEWAL AGENCY  
(A Component Unit of the City of Coquille)**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**COQUILLE URBAN RENEWAL AGENCY  
(A Component Unit of the City of Coquille)**

**ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2018**

**TABLE OF CONTENTS**

AGENCY OFFICIALS	1
FINANCIAL SECTION:	
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 7
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Fund Balance Sheet	8
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	9
Notes to the Basic Financial Statements	10 - 15
REQUIRED SUPPLEMENTARY INFORMATION:	
General Fund:	16
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	17
ACCOMPANYING INFORMATION:	
Auditor's Comments and Reports:	
Report on Internal Control and on Compliance and Other Matters	18 - 19
Independent Auditor's Report Required by Oregon State Regulations	20 - 21

# **AGENCY OFFICIALS**

**COQUILLE URBAN RENEWAL AGENCY  
(A Component Unit of the City of Coquille)**

**AGENCY OFFICIALS**

**June 30, 2018**

Board of Directors

Kathryn Simonetti  
540 Elliott  
Coquille, OR 97423

Dennis Graham  
509 North Collier  
Coquille, OR 97423

Julie Nighswonger  
330 South Adams Street  
Coquille, OR 97423

Hugh Pinkston  
490 East 1<sup>st</sup> Street  
Coquille, OR 97423

Kyle Wirebaugh  
526 North Collier  
Coquille, OR 97423

Linda Short  
650 South 1<sup>st</sup> Avenue  
Coquille, OR 97423

Loran Wiese  
200 South Adams  
Coquille, OR 97423

---

William C. Dufner, Urban Renewal Agency Manager

Julie Rowe, Finance Officer

Amy Muenchrath, City Attorney

---

Coquille Urban Renewal Agency  
851 North Central  
Coquille, Oregon 97423

# FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

February 25, 2019

To the Governing Body of the  
Coquille Urban Renewal Agency:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Coquille Urban Renewal Agency, a component unit of the City of Coquille, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Coquille 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*

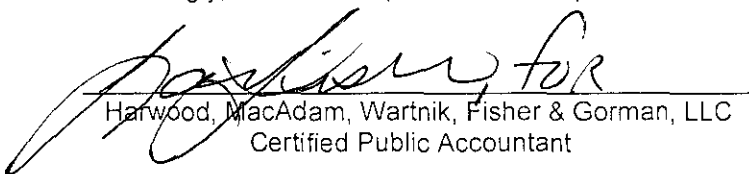
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on 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 budget and actual schedule, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019, on our consideration of the Coquille Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering Coquille Urban Renewal Agency's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 25, 2019 on our consideration of the Coquille Urban Renewal Agency's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 to 162-010-0330. The purpose of that report is to describe our testing of compliance and the results of that testing and not to provide an opinion on compliance. Accordingly, we do not express such an opinion.

  
Harwood, MacAdam, Wartnik, Fisher & Gorman, LLC  
Certified Public Accountant

## **Management's Discussion and Analysis**

The management of the Coquille Urban Renewal Agency (the Agency) presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the Agency for the fiscal year ended June 30, 2018. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

Although legally separate from the City of Coquille, the Agency's governing body is identical to the City's, and because the services of the Agency are exclusively for the benefit of the City of Coquille, its financial information is included as an integral part of the City's financial statements.

### **Financial Highlights**

- Agency-wide, total net position at June 30, 2018 increased by \$222,132 due to higher than expected tax increment revenues and lower than budgeted expenditures, primarily the number and size of the completed projects.
- On an Agency-wide basis, the Agency ended the year with net position of \$974,951.
- The tax increment revenues of 2018 were used to provide the Agency with sufficient funds to increase the net position of the URA.
- Tax increment revenues accounted for 95% of total Agency's revenues.
- Direct expenditures of the fund for projects accounted for 58.5% of expenses with administrative costs being the remaining 41.5%.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Coquille Urban Renewal Agency's basic financial statements. The Agency is a governmental entity and follows governmental fund reporting. The financial statements of the Agency are prepared to show both an Agency-wide perspective and a fund perspective.

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

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

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



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 agency-wide financial statements. By doing so, readers may better understand the long-term impact of the agency near-term financial 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. For ease of reading, these reconciliations have been included on the Agency-wide statements.

**Notes to the Basic Financial Statements** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Other supplementary information.** The budget to actual statement of revenues and expenditures follow the notes to the basic financial statements in this report.

**Agency-wide Financial Analysis**

**Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$974,951.

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 975,451	\$ 752,819
Noncurrent liabilities	-	-
Current liabilities	<u>500</u>	<u>-</u>
Total liabilities	<u>500</u>	<u>-</u>
Net position	<u>974,951</u>	<u>752,819</u>
Total liabilities and net position	<u><u>\$ 975,451</u></u>	<u><u>\$ 752,819</u></u>

**Statement of Activities**

The largest portion of the Agency's revenue is from Tax Increment Revenues. This accounted for 95% of total revenues.

### Changes in Net Position

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Revenues:		
General revenues:		
Tax increment revenues	\$ 290,065	\$ 267,584
Investment earnings	15,105	8,305
Total revenues	<u>305,170</u>	<u>275,889</u>
Expenses:		
General government	<u>83,038</u>	<u>211,290</u>
Change in net position	222,132	64,599
Net position, beginning of year	<u>752,819</u>	<u>688,220</u>
Net position, end of year	<u>\$ 974,951</u>	<u>\$ 752,819</u>

**Governmental activities.** The primary projects this year were the Riverwalk gazebo and Reitman Park pathways representing 48.27% of total projects. The remaining projects undertaken this year were on private property.

**Capital assets.** The Agency does not own any capital assets. All improvements or assets purchased are retained by the City or by the property owner if made on private property.

**Long-term debt.** The URA did not borrow any additional funds from the City of Coquille in the current year.

### Fund-based Financial Analysis

As previously discussed, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental fund reported an ending fund balance of \$947,313, an increase of \$222,030 from the prior year's fund balance of \$725,283. This is a result of higher than expected tax increment revenues and the relatively low number and cost of 2018 projects.

### Budgetary Highlights

Because the budget is an estimation of revenues and expenditures, there are usually variations between the final amended budget and the actual budget-basis amounts. For the year ending June 30, 2018, there were budget variations in the General Fund due to higher than expected tax increment revenues and lower than anticipated project expenditures and higher than projected beginning fund balance.

### **Current Financial Issues and Concerns Bearing on the Future**

The following key economic indicators reflect the economic outlook of the Agency:

- Tax revenues have remained stable for the last three years.
- Interest earnings were \$10,805 higher than anticipated, mainly due to a higher cash balance and higher interest rates.
- The major projects this year were the building of a gazebo at the Riverwalk and the construction of pathways at Reitman Park. The projects on private property shows that the business owners in the district are willing to invest in their properties and improve the appearance of the business district.

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the Agency. The following are the major assumptions used in developing the FY 2019 budget:

- The beginning fund balance reflects the decision not to obtain a larger bond but to try and avoid the issuance and interest expense associated with a bond and the ability of the URA to fund projects.
- The Tax Increment Revenue will continue to increase with the façade program and anticipated additions to the tax rolls from the former GP site.

### **Requests for Information**

The financial report is designed to provide a general overview of the Agency's finances for those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Julie Rowe, Finance Director, Coquille Urban Renewal Agency, 851 North Central, Coquille, Oregon, 97423.

# **BASIC FINANCIAL STATEMENTS**

**COQUILLE URBAN RENEWAL AGENCY**  
**(A COMPONENT UNIT OF THE CITY OF COQUILLE)**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
June 30, 2018

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 944,108	\$ -	\$ 944,108
Taxes receivable	31,343	-	31,343
Total assets	<u>\$ 975,451</u>	<u>\$ -</u>	<u>\$ 975,451</u>
<b>LIABILITIES AND FUND BALANCE/NET POSITION</b>			
Liabilities:			
Accounts payable	\$ 500	\$ -	\$ 500
Deferred inflows of resources			
Unavailable revenue - property taxes	27,638	(27,638)	-
Fund balance/net position:			
Unassigned/unrestricted	947,313	27,638	974,951
Total liabilities and fund balance/net position	<u>\$ 975,451</u>	<u>\$ -</u>	<u>\$ 975,451</u>

\* The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.  
Liabilities not due and payable in the current period are not reported in the fund financial statements.

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

**COQUILLE URBAN RENEWAL AGENCY  
(A COMPONENT UNIT OF THE CITY OF COQUILLE)  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended June 30, 2018**

	General Fund	Adjustments*	Statement of Activities
Revenues:			
Tax increment revenues	\$ 289,963	\$ 102	\$ 290,065
Interest on investments	15,105	-	15,105
Total revenues	305,068	102	305,170
Expenditures/expenses:			
General government:			
Materials and services	83,038	-	83,038
Net change in fund balance/net position	222,030	102	222,132
Fund balance/net position at beginning of year	725,283	27,536	752,819
Fund balance/net position at end of year	\$ 947,313	\$ 27,638	\$ 974,951

\* Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. Repayment of long-term debt consumes current financial resources but has no affect on the Statement of Activities.

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

**COQUILLE URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of Coquille)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Coquille Urban Renewal Agency, Oregon (Agency) was created by adoption of Ordinance 1388 by the City of Coquille, Oregon, on December 21, 1998. 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 certain areas of the City to be blighted and deteriorated and in need of redevelopment and rehabilitation. The governing body is comprised of the Mayor and City Council of the City of Coquille.

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

The Agency has no potential component units.

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

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

The Agency's financial operations are presented in a combined presentation for the agency-wide and fund financial levels. All activities of the Agency are categorized as governmental activities.

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

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

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

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

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

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

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

The Agency reports the following governmental fund:

**General Fund** – This is the Agency's primary operating fund and is used to account for and report all financial resources and transactions not required to be accounted for and reported in other funds including construction, administration, and certain debt service payments within the urban renewal area. This fund is financed by property taxes (tax increments) levied within the urban renewal area.

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.

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



## C. Assets, Liabilities and Equity

### 1. *Cash and Cash Equivalents*

The Agency maintains merged bank accounts and investments for its fund in a central pool of cash and investments with the City of Coquille. This pool includes amounts in demand deposits and investments in the Oregon State Treasury Local Government Investment Pool (LGIP). The investment policy of the City 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 City allocates earnings on investments to each fund based on monthly cash balances.

Investments are stated at amortized cost, which approximates fair value.

### 2. *Receivables and Payables*

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

### 3. *Use of Estimates*

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

### 4. *Fund Balance*

In accordance with GASB Statement No. 54, in governmental fund financial statements fund balances are classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts that can be spent only for specific purposes because of the Agency Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed* – Amounts that can only be used for specific purposes determined by a formal action by governing body ordinance or resolution. These amounts cannot be used for any other purpose unless the governing body removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

*Assigned* – Amounts that are constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent must be expressed by the Urban Renewal Agency Board or their authorized designee.

*Unassigned* – All amounts not included in other spendable classification.

The details of the fund balance are included in the Governmental Fund Balance Sheet. As noted in Note I B, restricted funds are used first as appropriate. When an expenditure is incurred for purposes for which any unrestricted fund balance classification could be used, committed balances are used first, then assigned, then unassigned.

## 5. *Net Position*

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Agency's financial statements.

Government-wide net position is divided into three components:

Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. The Agency does not have any capital assets of its own.

Restricted net position - consists of assets that are restricted by the Agency's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors. The Agency had no restricted net position at June 30, 2018.

Unrestricted - all other net position is reported in this category.

## 6. *Deferred Inflows/Outflows*

The Balance Sheet reports a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of deferred inflows, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. 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 adopted, appropriations are made and the tax rate and levy are declared no later than June 30. The resolution authorizing appropriations sets the legal limit for expenditures. Materials and services and debt service are the levels of control.

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

### III. DETAILED NOTES

#### A. Deposits and Investments

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Agency at June 30, 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. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program. The Public Funds Collateralization Program is a multiple financial institution collateral pool administered by the Oregon State Treasurer's office.

For the fiscal year ended June 30, 2018, the Agency did not have any funds on deposit with financial institutions.

**Investments.** The Agency has invested funds in the State Treasurer's Oregon Short Term Fund Local Government Investment Pool during the fiscal year ending June 30, 2018. 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).

The Local Government Investment Pool (LGIP) is an unrated 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. Withdrawals in excess of \$25 million require 48 hours' notice.

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 294. These funds are held in the Agency's name and are not subject to collateralization requirements or ORS 295.015.

*Credit Risk.* Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company.

The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short Term Funds Board, which establish diversification percentages and specify the types and maturities of investments.

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

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

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short Term Fund Board manages this risk by limiting the maturity of the investments held by the fund. 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.

As of June 30, 2018, the Agency had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	<u>\$ 944,108</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.

As of June 30, 2018, the Agency estimated accounts receivable from property taxes to be \$31,343, of which \$3,705 is currently due and \$27,638 is non-current.

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

Property tax revenues are generated from increased assessed values within the area of the Agency. 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 periodic intervals.

**C. Risk Management**

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

**REQUIRED SUPPLEMENTARY  
INFORMATION**

## GENERAL FUND

---

The General Fund is used to account for and report all financial resources and transactions not required to be accounted for and reported in another fund. This fund is used to account for and report construction, administration, and certain debt service payments within the urban renewal area. This fund is financed by property taxes (tax increments) levied within the urban renewal area.

---

**COQUILLE URBAN RENEWAL AGENCY  
(A COMPONENT UNIT OF THE CITY OF COQUILLE)  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Tax increment revenues	\$ 265,000	\$ 265,000	\$ 289,963	\$ 24,963
Interest on investments	4,300	4,300	15,105	10,805
Total revenues	<u>269,300</u>	<u>269,300</u>	<u>305,068</u>	<u>35,768</u>
Expenditures:				
General government:				
Materials and services	868,510	868,510	83,038	785,472
Net change in fund balance	(599,210)	(599,210)	222,030	821,240
Fund balance (deficit) at beginning of year	599,210	599,210	725,283	126,073
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,313</u>	<u>\$ 947,313</u>

See auditor's report.

**ACCOMPANYING INFORMATION**





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

February 25, 2019

To the Governing Body of the Coquille Urban Renewal Agency:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Coquille Urban Renewal Agency, a component unit of the City of Coquille, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 25, 2019.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

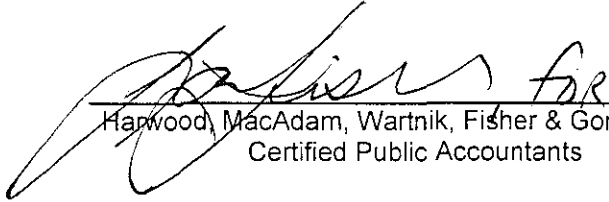
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



\_\_\_\_\_  
Harwood, MacAdam, Wartnik, Fisher & Gorman, LLC  
Certified Public Accountants



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

February 25, 2019

To the Governing Body of Coquille Urban Renewal Agency:

We have audited the basic financial statements of Coquille Urban Renewal Agency ("the Agency") as of and for the year ended June 30, 2018, and have issued our report thereon dated February 25, 2019. 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 and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

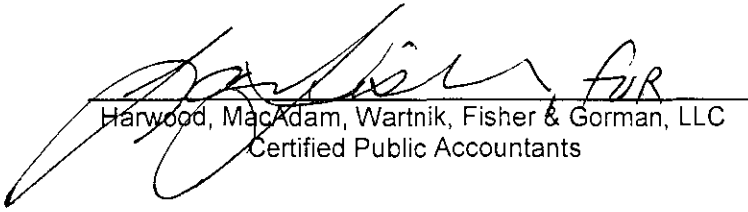
In connection with our testing nothing came to our attention that caused us to believe that the Coquille Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State.

**OAR 162-010-0230 Internal Control**

Please see our 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*.

**Purpose of this Report**

This report is intended solely for the information and use of the Board of Directors and management of the Coquille Urban Renewal Agency 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, appearing to read "Harwood, MacAdam, Wartnik, Fisher & Gorman, LLP", is written over a horizontal line. The signature is stylized and cursive.

Harwood, MacAdam, Wartnik, Fisher & Gorman, LLC  
Certified Public Accountants