Coos Bay Urban Renewal Agency
Agenda Staff Report

MEETING DATE December 3, 2013	AGENDA ITEM NUMBER

TO: Chairman and Board Members

FROM: Susanne Baker, Finance Director SB
THROUGH: Rodger Craddock, City Manager

ISSUE: Acceptance of FYE 13 City of Coos Bay Urban Renewal Agency Audit

BACKGROUND:

The City of Coos Bay Urban Renewal Agency (Agency) engaged Pauly, Rogers and Co. to perform an external audit of the FYE 13 financial statements. Pauly, Rogers and Co. is an independent external auditor and is directly responsible to the legislative body to express an opinion on the fairness of the presentation of the financial statements. Management is responsible for compliance with legal requirements, for maintaining adequate internal controls, and for conducting programs economically and efficiently. The auditor provides an opinion or presents findings on such matters.

Pauly, Rogers and Co. has issued an unqualified opinion that the financial statements present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2013, and the results of its operations are in conformity with Generally Accepted Accounting Principles (GAAP).

What does unqualified opinion mean? An unqualified opinion means the Agency has been given a "clean" opinion with no reservations. It is the independent auditor's judgment that the financial records and statements are fairly and appropriately presented, and in accordance with GAAP. An unqualified opinion is the most common type of auditor's report and the desired result.

Ms. Tara Kamp, from Pauly, Rogers and Co., will present the Agency's Audit for FYE 13 and in compliance with Statement of Auditing Standards No. 114 (SAS 114), provide the Communication to the Governing Body SAS 114 Letter.

ADVANTAGES:

The audit process provides for full public disclosure and transparency in government.

DISADVANTAGES:

None.

BUDGET:

An unqualified opinion from the auditor affects the Agency's credit worthiness and bond rating. This opinion continues the Agency's history of being under sound fiscal management and positions the Agency well for future financings.

RECOMMENDATION:

Staff proposes the Agency accept the FYE 13 audit.

smb

Attachments:
FYE 13 Audit
Communication to the Governing Body SAS 114 Letter

COOS BAY URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF COOS BAY)
COOS COUNTY, OREGON

COMMUNICATION TO THE GOVERNING BODY

FOR THE YEAR ENDED JUNE 30, 2013

CERTIFIED PUBLIC ACCOUNTANTS
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September 24, 2013

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Urban Renewal Agency of the City of Coos Bay for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Purpose of the Audit

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the financial statements and compliance with:

- generally accepted accounting principles and auditing standards
- the Oregon Municipal Audit Law and the related administrative rules

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We also communicated any internal control related matters that are required to be communicated under professional standards.

Results of Audit

1. Audit opinion letter - an unmodified opinion on the financial statements has been issued. This means we have given a "clean" opinion with no reservations.

2. State minimum standards – We found no exceptions or issues requiring comment.

Management Letter

No management letter was issued.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013, except for the implementation of GASB 61 – *The Financial Reporting Entity and* GASB 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were Management's estimate of Accounts Receivable and Capital Asset Depreciation, which is based on estimated collectability of receivables and useful lives of assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. There were immaterial uncorrected misstatements noted during the audit which were discussed with management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information within Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing Audited Financial Statements

With respect to the other information accompanying the financial statements, we read the information to identify if any material inconsistencies or misstatement of facts existed with the audited financial statements. Our results noted no material inconsistencies or misstatement of facts.

Other Matters – Future Accounting and Auditing Issues

In order to keep you aware of new auditing standards issued by the American Institute of Certified Public Accounts and accounting statements issued by the Governmental Accounting Standards Board (GASB), we have prepared the following summary of the more significant upcoming issues:

GASB 65

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, reclassifies certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources. Certain items previously reported as assets and liabilities will be reported as outflows of resources or inflows of resources. The term "deferred" will only be used when referring to deferred inflows and outflows of resources. As a result, "deferred revenue" will become "unearned revenue" and "deferred costs" will become "prepaid costs". The implementation date for this statement is fiscal periods beginning after December 15, 2012.

GASB 66

GASB Statement No. 66, *Technical Corrections*, resolves conflicting guidance that resulted from the issuance of GASB Statement No. 54 and GASB Statement 62. Amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of a government's risk financing activities to the general fund and the internal services fund type. Amends GASB 62 by modifying the specific guidance on accounting for operating lease payments that vary from a straight-line basis, the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and servicing fees relating to the mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. The implementation date for this statement is fiscal periods beginning after December 15, 2012.

GASB 67

GASB Statement No. 67, *Financial Reporting for Pension Plans*, amends the requirements of GASB Statement No. 25 as they relate to pension plans administered through trusts that meet certain criteria, establishes standards for financial reporting by defined benefit pension plans administered through qualified trusts, and amends note disclosure and required supplemental information requirements for defined benefit and defined contribution pension plans administered through qualified trusts. The implementation date for this statement is fiscal periods beginning after June 15, 2013.

Best Practices – Not Significant Deficiencies

1. Segregation of Duties

   Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. We recommend that the Governing Body continually monitor the financial activities to mitigate this risk and consider obtaining additional fidelity insurance coverage to compensate for this risk.

Pauly, Rogers and Co., P.C.

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

Tara M. Kamp, CPA

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.