

FLORENCE URBAN RENEWAL AGENCY
(A Component Unit of the City of Florence, Oregon)
FLORENCE, OREGON
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012



FLORENCE URBAN RENEWAL AGENCY
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INTRODUCTORY SECTION

**FLORENCE URBAN RENEWAL AGENCY
BOARD OF DIRECTORS**

BOARD OF DIRECTORS

Current Membership Name:	Term Expiration January 31
Nola Xavier, Chair, City of Florence Council President	2012
Phil Brubaker, City of Florence Mayor	2012
Joshua Greene	2012
PJ Clark-Lais	2012
Ann Huntington	2013
Mike Webb, Vice-Chair	2013
Suzanne Roberts, City of Florence Council Vice-President	2014
Ian Jarman	2014
Woody Woodbury	2014
John Scott	2014

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florence Urban Renewal Agency
Florence, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of Florence Urban Renewal Agency, a component unit of the City of Florence, Oregon (the Agency) as of and for the year ended June 30, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The introductory section, and Debt Service Fund Budgetary Schedule, are presented for purposes of additional analysis and are not a required part of the financial statements. The Debt Service Fund budgetary schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section 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.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
November 27, 2012

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

This discussion is intended to be an easily readable analysis of the City of Florence Urban Renewal Agency's (Agency) financial activities based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the financial statements that follow. The accompanying notes are also an integral part of this report.

The report consists of agency-wide statements, fund financial statements, notes to the statements and supplemental information. The basic financial statements include the agency-wide financial statements that present an overview of the Agency's entire operations, while the fund level statements present the financial information of each of the two major funds.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Agency management.

The Agency's financial statements have been audited by Merina & Company, LLC, a firm of licensed certified public accountants. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2012. The independent auditor's report is presented as the first component of the financial section of this report.

AGENCY-WIDE STATEMENTS

Statement of Net Assets

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. The Agency has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB34).

Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Agency is improving or deteriorating. However, completed Agency projects become assets of the City of Florence; therefore, they have been transferred to the City and do not appear as assets of the Agency.

The Agency's liabilities exceeded assets by \$133,385 at June 30, 2012. Although the Agency reports assets in the amount of \$2.7 million, outstanding liabilities exceed assets because the capital asset "infrastructure project" is capitalized in the separately issued City financial statements. At the end of the current fiscal year, the Agency reports a deficit balance in unrestricted net assets. There was a decrease in net assets of \$530,072. A condensed version of the Statement of Net Assets follows:

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

SUMMARY OF NET ASSETS

	Governmental Activities	
	2012	2011
ASSETS:		
Cash and investments	\$ 2,618,868	\$ 387,461
Other assets	24,994	661
Property taxes receivable	18,984	13,611
Total Assets	<u>\$ 2,662,846</u>	<u>\$ 401,733</u>
LIABILITIES:		
Other liabilities	\$ 576,231	\$ 5,046
Long-term debt outstanding	2,220,000	-
Total Liabilities	<u>2,796,231</u>	<u>5,046</u>
NET ASSETS:		
Restricted	251,025	396,687
Unrestricted	<u>(384,410)</u>	<u>-</u>
Total net assets (deficit)	<u>(133,385)</u>	<u>396,687</u>
Total Liabilities and Net Assets	<u>\$ 2,662,846</u>	<u>\$ 431,733</u>

Statement of Activities

The Statement of Activities focuses on the program costs and their matching resources. To the extent a program's cost is not recovered by grants and property taxes, it is paid from debt proceeds. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by debt. The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year.

As discussed previously, the Agency's change in net assets was a decrease of \$530,072, resulting in deficit ending net assets of \$133,385. This represents the extent to which the Agency did not capitalize the assets paid for by the debt issuance. Instead the assets are transferred to the City who is the owner of the infrastructure improvements. The Agency is self-supporting from property taxes to pay for each year's debt service expenses.

Expenses for total activities increased \$527,513 over the prior year due to the commencement of the Infrastructure Project and interest costs on the repayment of debt. The Agency's Statements of Activities for the fiscal year ended June 30, 2012 and June 30, 2011, is as follows:

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

CHANGES IN NET ASSETS

	Net Revenues (Expenses) and Changes in Net Assets	
	2012	2011
EXPENSES:		
Economic development	\$ (697,886)	\$ (304,332)
Interest on long-term obligations	(133,959)	-
Total program expenses	<u>(831,845)</u>	<u>(304,332)</u>
GENERAL REVENUES:		
Property taxes	288,546	263,654
Interest	12,937	1,444
Miscellaneous	290	258
Total general revenues	<u>301,773</u>	<u>265,356</u>
Change in net assets	(530,072)	(38,976)
NET ASSETS, BEGINNING	<u>396,687</u>	<u>435,663</u>
NET ASSETS, ENDING	<u>\$ (133,385)</u>	<u>\$ 396,687</u>

The Agency's tax increment for the fiscal year ending June 30, 2012 totaled \$288,546 and was used for repayment of debt. The debt proceeds were used to finance the improvements identified in the urban renewal plan also known as the Urban Renewal Infrastructure Project.

FUND FINANCIAL STATEMENTS

Fund Statements

Following agency-wide statements is a section containing fund financial statements. A fund is a grouping of related accounts that have been segregated for specific activities or objectives. The Agency presents each of its two funds as major funds.

The Agency's funds are used to account for essentially the same functions reported as the Agency activities in the Agency-wide financial statements. However, unlike the Agency-wide financial statements, the Agency fund financial statements focus on near-term inflows and

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Agency's programs.

Capital Assets and Debt Administration

The Agency incurred capital outlay expenditure of \$640,626 for the Agency's Infrastructure Project. The City of Florence is the project manager and recipient of these funds. Agency capital asset projects become assets of the City of Florence; therefore, they have been transferred to the City and do not appear as assets of the Agency.

As of June 30, 2012, the Agency has one long-term debt outstanding in the amount of \$2,200,000. The loan was issued at the beginning of the fiscal year to fund the infrastructure project within the Urban Renewal District. Additional information on the Agency's long-term debt can be found in the notes to the basic financial statements – note 6.

NOTES AND SUPPLEMENTAL INFORMATION

Economic Factors

The Urban Renewal Agency continues to be an important partner in economic development within the City of Florence, providing necessary infrastructure improvements to support continued growth and quality of service to those within the Agency's boundaries. Increasing property values within the boundaries of the Agency translate into increasing tax increment available. That tax increment is used to pay debt service on loans issued to fund projects and improvements.

Agency expenditures are based on the Urban Renewal Plan appropriately titled *Florence Downtown Preservation and Renewal Plan* adopted on August 14, 2006 with the passing of Ordinance No. 7, Series 2006. The vision of the Agency is to preserve and revitalize the Downtown Area as the primary cultural, tourist, commercial and community core to serve all of Florence's citizens and visitors by encouraging continuing growth, development and enhancement consistent with Florence's small-town ambiance and character.

Next Year's Budget

For the fiscal year 2012-2013, the Agency projects the property tax increment by dividing the taxes under Section 1c, Article IX, of the Oregon Constitution and ORS Chapter 457 to be \$291,300. The Agency's General Fund budget for fiscal year 2012-13 will be highlighted by the completion of the work on the Old Town infrastructure project that began in this fiscal year. The adopted budget for 2012-13 includes capital outlay of \$1,800,000 to complete the infrastructure project and a transfer to the debt service fund of \$311,000 to pay for debt service expenditures.

The Agency's debt service expenditures are projected to total \$311,800 for the new debt borrowing entered into in the early part of July 2011. The Debt Service Fund reflects a \$311,000 transfer in from the General Fund to pay for the debt service expenditures.

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Financial Contact

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, you should contact the Agency's Chair Nola Xavier at City of Florence, City Hall, 250 HWY 101, Florence, OR 97439

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
- Budgetary Comparison Statement
 - General Fund

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

FLORENCE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF FLORENCE, OREGON)
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,618,868
Property taxes receivable	18,984
Intergovernmental	494
Current portion of debt issuance costs	<u>1,750</u>
Total current assets	<u>2,640,096</u>
Noncurrent assets:	
Debt issuance costs	<u>22,750</u>
Total noncurrent assets	<u>22,750</u>
Total assets	<u><u>\$ 2,662,846</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 3,341
Due to other governments	562,234
Accrued interest payable	10,656
Current portion of long-term debt	<u>175,000</u>
Total current liabilities	<u>751,231</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>2,045,000</u>
Total noncurrent liabilities	<u>2,045,000</u>
Total liabilities	<u>2,796,231</u>
NET ASSETS	
Restricted for:	
Debt Service	251,025
Unrestricted	<u>(384,410)</u>
Total net assets (deficit)	<u>(133,385)</u>
Total liabilities and net assets	<u><u>\$ 2,662,846</u></u>

The accompanying notes are an integral part of the basic financial statements.

FLORENCE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF FLORENCE, OREGON)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Expense Revenue and Change in Net Asset Total Governmental Activities</u>
Governmental activities:			
Economic development	\$ 697,886	\$ -	\$ (697,886)
Interest on long-term obligations	133,959	-	(133,959)
Total government	<u>\$ 831,845</u>	<u>\$ -</u>	<u>\$ (831,845)</u>
General revenues:			
Property taxes levied for debt service			288,546
Interest and investment earnings			12,937
Miscellaneous			290
Total general revenues and transfers			<u>301,773</u>
Change in net assets			<u>(530,072)</u>
Net assets - beginning			<u>396,687</u>
Net assets - ending			<u>\$ (133,385)</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

The Urban Renewal Capital Projects Fund accounts for services and construction costs for the development within the Florence Urban Renewal Agency. Principal sources of revenues are property taxes, grants, and interest on investments.

Debt Service Fund

The Urban Renewal Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest relating to the Florence Urban Renewal Agency District.

FLORENCE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF FLORENCE, OREGON)
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,367,843	\$ 251,025	\$ 2,618,868
Property taxes receivable	18,984	-	18,984
Due from other governments	494	-	494
Total assets	<u>\$ 2,387,321</u>	<u>\$ 251,025</u>	<u>\$ 2,638,346</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable and accrued expenses	\$ 3,341	\$ -	\$ 3,341
Due to other governments	562,234	-	562,234
Deferred revenue	18,054	-	18,054
Total liabilities	<u>583,629</u>	<u>-</u>	<u>583,629</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Debt service	\$ -	\$ 251,025	\$ 251,025
Unrestricted	1,803,692	-	1,803,692
Total fund balance	<u>1,803,692</u>	<u>251,025</u>	<u>2,054,717</u>
Total liabilities and fund balance	<u>\$ 2,387,321</u>	<u>\$ 251,025</u>	

Amounts reported in the statement of net assets are different because:

Long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	18,054
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,230,656)</u>
Net Assets	<u>\$ (133,385)</u>

The accompanying notes are an integral part of the basic financial statements.

FLORENCE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF FLORENCE, OREGON)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Debt Service Fund	Total Governmental
REVENUES:			
Property taxes	\$ 283,228	\$ -	\$ 283,228
Interest revenue	11,912	1,025	12,937
Miscellaneous revenue	290	-	290
	<hr/>	<hr/>	<hr/>
Total revenues	295,430	1,025	296,455
EXPENDITURES:			
Economic development	55,510	-	55,510
Capital outlay	640,626	-	640,626
Debt service			
Principal	-	280,000	280,000
Interest	-	149,553	149,553
	<hr/>	<hr/>	<hr/>
Total expenditures	696,136	429,553	1,125,689
Revenues over (under) expenditures	(400,706)	(428,528)	(829,234)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	-	2,500,000	2,500,000
Transfers in	2,237,530	417,083	2,654,613
Transfers out	(417,083)	(2,237,530)	(2,654,613)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	1,820,447	679,553	2,500,000
Net changes in fund balances	1,419,741	251,025	1,670,766
FUND BALANCES, BEGINNING	<hr/>	<hr/>	<hr/>
	383,951	-	383,951
FUND BALANCES, ENDING	<hr/>	<hr/>	<hr/>
	\$ 1,803,692	\$ 251,025	\$ 2,054,717

The accompanying notes are an integral part of the basic financial statements.

**FLORENCE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF FLORENCE, OREGON)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Amounts reported in the statement of activities are different because:

Net change in fund balances - Governmental Funds		\$ 1,670,766
Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenues in the funds as follows:		
Property taxes		5,318
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest	\$ (10,656)	
Amortization of bond issuance costs	<u>24,500</u>	
		13,844
Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.		<u>(2,220,000)</u>
Change in net assets of governmental activities:		<u><u>\$ (530,072)</u></u>

The accompanying notes are an integral part of the basic financial statements.

FLORENCE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF FLORENCE, OREGON)
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 268,517	\$ 268,517	\$ 283,228	\$ 14,711
Interest revenue	2,500	2,500	11,912	9,412
Miscellaneous revenue	300	300	290	(10)
Total revenues	271,317	271,317	295,430	24,113
EXPENDITURES:				
Materials and service	85,600	85,600	55,510	30,090
Capital outlay	2,250,000	2,250,000	640,626	1,609,374
Contingency	12,717	12,717	-	12,717
Total expenditures	2,348,317	2,348,317	696,136	1,652,181
Revenues over (under) expenditures	(2,077,000)	(2,077,000)	(400,706)	1,676,294
OTHER FINANCING SOURCES (USES):				
Transfers in	2,250,000	2,250,000	2,237,530	(12,470)
Transfers out	(450,000)	(450,000)	(417,083)	32,917
Total other financing sources (uses)	1,800,000	1,800,000	1,820,447	20,447
Net changes in fund balances	(277,000)	(277,000)	1,419,741	1,696,741
FUND BALANCE, BEGINNING	380,000	380,000	383,951	3,951
FUND BALANCE, ENDING	\$ 103,000	\$ 103,000	\$ 1,803,692	\$ 1,700,692

NOTES TO THE BASIC FINANCIAL STATEMENTS

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

(1) Summary of Significant Accounting Policies

A. Description of Reporting Entity

The financial statements of the Florence Urban Renewal Agency (Agency) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Agency (a component unit of the City of Florence) was formed in 2006 to plan, direct, and manage certain projects within Florence. Pursuant to ORS 457.055 and under Lane County's order no. 86-8-27-1H, the City Council has appointed a nine member board as governing body of the Agency. The Urban Renewal Agency General Fund and Urban Renewal Agency Debt Service Funds are reported as governmental fund types.

The Agency's Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a component unit of the City of Florence and, as such is included in the financial statements of the City of Florence for the year ended June 30, 2012.

The Agency has no component units.

B. Basic Financial Statements

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. Governmental activities are normally supported by taxes and intergovernmental revenues.

Agency-wide financial statements

The statement of net assets and the statement of activities display information about the Agency as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal year. These aggregated statements consist of the statement of net assets and the statement of activities.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently the Agency has only governmental fund types.

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

C. Basis of Presentation

The financial transactions of the Agency are recorded in the General fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, the Agency's funds are presented as major funds.

General Fund - The General Fund is used to record expenditures related to capital improvement projects. Major sources of revenue and other financing sources are specific taxes that are legally restricted to expenditures for specific purposes.

Debt Service Fund – The Debt Service Fund is used for the repayment of principal and interest on long-term obligations used to finance construction projects of the Agency.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The Agency-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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. This reconciliation is part of the financial statements.

E. Cash and cash equivalents

The Agency considers cash equivalents as all highly liquid investments with maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

F. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Real and personal property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Lane County and remitted to the Agency. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within the Agency's boundaries.

G. Fund Balance

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 legal constitutional provisions.

Committed – Includes items committed by the Board of Directors, by formal board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes items assigned for specific uses, authorized by the Agency. Assignments of fund balance can be done at any time, including after the fiscal year end date.

Unassigned – This is the residual classification used for those balances not assigned to another category.

H. 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.

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Completed Agency projects become assets of the City of Florence; therefore, they have been transferred to the City and do not appear as assets of the Agency. The debt related to capital projects, however, is reported as a liability of the Agency causing the Agency's liabilities to exceed assets by \$133,385 at June 30, 2012.

J. Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Budgetary Information

On or before June 30 of each year, the Agency enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Agency Board of Directors for budget hearings prior to enactment of the resolution. The Agency budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end.

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

(3) Cash and Cash Equivalents

At June 30, 2012 the amount invested in cash and cash equivalents of the Agency consist of the following:

Bank Deposit	\$ 2,618,868
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A. Interest rate risk

The Florence Urban Renewal Agency does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Credit risk

State statues authorize the Agency to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasure's Oregon Local Government Investment Pool, among others. The Agency has no investment policy that would further limit its investment choices.

C. Concentration of credit risk

All investments of the Florence Urban Renewal Agency shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

The Agency currently has no concentration in the Local Government Investment Pool.

D. Custodial credit risk

In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits with financial institutions up to \$250,000 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2012, none of the Agency's bank balances were exposed to credit risk.

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

E. Property Taxes

Property tax transactions for the year ended June 30, 2012, were as follows:

<u>Tax Year</u>	<u>Property Taxes Receivable June 30, 2011</u>	<u>Add Levy as Extended By Assessor</u>	<u>Deduct Discounts Cancellations and Adjustments</u>	<u>Deduct Collections</u>	<u>Property Taxes Receivable June 30, 2012</u>
2011-2012		296,305	(8,236)	(278,375)	\$ 9,694
2010-2011	7,869		(312)	(2,377)	5,180
2009-2010	3,910	-	(121)	(448)	3,341
2008-2009	1,548	-	(60)	(828)	660
2007-2008	284	-	(13)	(162)	109
	<u>\$ 13,611</u>	<u>\$ 296,305</u>	<u>\$ (8,742)</u>	<u>\$ (282,190)</u>	<u>\$ 18,984</u>

(4) Deferred Revenue

Deferred revenue as of June 30, 2012 consists of uncollected property taxes not deemed available to finance operations of the current period.

(5) Capital Assets

The Agency incurred capital outlay expenditure of \$640,626 for the Agency's Infrastructure Project. The Agency does not capitalize the assets paid for by the debt issuance. Instead the assets are transferred to the City who is the owner of infrastructure improvements.

(6) Long Term Debt

A. General Obligation Notes Payable

On July 8, 2011, the City received proceeds in the amount of \$2,500,000 from Oregon Pacific Bank to finance a street, water, and sewer infrastructure project. Loan principal and interest is payable semi-annually at 3.75% through June 1, 2026.

Amount
outstanding
June 30, 2012

\$ 2,220,000

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Annual debt service requirements to maturity for notes payable are as follows:

Fiscal Year	FURA Capital Projects	
	Principal	Interest
2013	\$ 175,000	\$ 135,050
2014	190,000	124,404
2015	190,000	112,846
2016	190,000	101,535
2017	170,000	89,729
2018-22	750,000	303,420
2023-27	555,000	84,019
2028-32	-	-
2033-37	-	-
	<u>\$ 2,220,000</u>	<u>\$ 951,003</u>

(7) Risk Management

The Agency is exposed to various risks of loss related to: torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. Except for unemployment compensation, the Agency purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2011 to 2012, and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

(8) Related Party Transactions

As agreed to in an intergovernmental agreement between the Agency and the City of Florence, payments totaling \$8,468 were paid to the City for accounting, administration and professional services provided by City Staff performing Agency functions. The amount payable to the City at June 30, 2012 for infrastructure grant project payments and administrative/ professional services was \$562,234.

(9) Commitments and Subsequent Events

On September 23, 2011, the Agency entered into an intergovernmental agreement with the City of Florence agreeing that the Old Town Infrastructure Project will be managed by the City's Public Works Department. This project authorizes the Agency to use resources on streetscape and utility improvements within the Florence Urban Renewal Area. The total amount of the project commitment is \$2,237,530. The remaining commitment at June 30, 2012, is \$1,596,000.

OTHER SUPPLEMENTARY INFORMATION

**FLORENCE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF FLORENCE, OREGON)
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest revenue	\$ -	\$ -	\$ 1,025	\$ 1,025
Total revenues	-	-	1,025	1,025
EXPENDITURES:				
Debt service				
Principal	320,000	320,000	280,000	40,000
Interest	130,000	130,000	149,553	(19,553)
Total expenditures	450,000	450,000	429,553	20,447
Revenues over (under) expenditures	(450,000)	(450,000)	(428,528)	21,472
OTHER FINANCING SOURCES (USES):				
Issuance of debt	2,500,000	2,500,000	2,500,000	-
Transfers in	450,000	450,000	417,083	(32,917)
Transfers out	(2,250,000)	(2,250,000)	(2,237,530)	12,470
Total other financing sources (uses)	700,000	700,000	679,553	(20,447)
Net changes in fund balances	250,000	250,000	251,025	1,025
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ 250,000	\$ 250,000	\$ 251,025	\$ 1,025

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

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

We have audited the basic financial statements of Florence Urban Renewal Agency (the Agency), as of and for the year ended June 30, 2012 and have issued our report thereon dated November 27, 2012. 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.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial 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 repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Agency does not receive highway revenues.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).

- Accountability for collecting or receiving money by elected officials. The Agency does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the 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 the 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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



Merina & Company, LLP
West Linn, Oregon
November 27, 2012