



FLORENCE URBAN RENEWAL AGENCY
(A Component Unit of the City of Florence, Oregon)

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017

FLORENCE URBAN RENEWAL AGENCY
(A Component Unit of the City of Florence, Oregon)

Annual Financial Report

Year Ended June 30, 2017

FLORENCE URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2017

Table of Contents

	<u>Page</u>
Introductory Section:	
Board of Directors	i
Financial Section:	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements:	
Governmental Funds Balance Sheet / Statement of Net Position	6
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	8
Notes to Financial Statements	9 - 12
Other Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	13
Compliance Section:	
Independent Auditor's Report Required by Oregon State Regulations	14 - 15

INTRODUCTORY SECTION

FLORENCE URBAN RENEWAL AGENCY
(A Component Unit of the City of Florence, Oregon)

June 30, 2017

BOARD OF DIRECTORS

	<u>Term Expires December 31,</u>
Joshua Greene, Chair, City of Florence Council Member	2018
John Scott, Vice-Chair	2020
Joe Henry, City of Florence Mayor	2018
Ron Priesler, City of Florence Council Member	2020
Ron Caputo	2018
Mike Webb	2019
Patricia Riley	2020
William Meyer	2022
Dave Braley	2019

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florence Urban Renewal Agency
Florence, Oregon

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

We have audited the accompanying financial statements of the governmental activities and each major fund of the Florence Urban Renewal Agency (the Agency), a component unit of the City of Florence, Oregon, as of and for the year ended June 30, 2017, 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. 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 Agency'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 each major fund as of June 30, 2017, the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 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, which 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 management discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and other supplemental information are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The other supplemental information 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. Such 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 other supplemental information is fairly stated, in all material respects, in relation to the basic 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated on August 6, 2018 our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Isler CPA



by Paul Nielson, CPA, a member of the firm
Eugene, Oregon
August 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS FLORENCE URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2017

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the Florence Urban Renewal Agency (the Agency) for the fiscal year ended June 30, 2017. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The Agency's assets totaled \$1.34 million on at June 30, 2017, and consisted mainly of cash and cash equivalents of \$1.3 million
- The Agency's liabilities totaled \$3.3 million at June 30, 2017, and consisted mainly of long-term debt of \$3.23 million. Net position (assets minus liabilities) was a deficit of \$1.96 million at June 30, 2017. The deficit increased by \$0.38 million. As of the end of the current fiscal year, the Agency's two funds reported a combined fund balance of \$1.24 million, an increase of \$1.22 million.
- Revenues for the fiscal year ended June 30, 2017, totaled \$0.38 million and consisted mainly of property taxes of \$0.38 million.

FINANCIAL STATEMENTS

The Agency's basic financial statements are presented using the integrated approach as prescribed by GASB Statement No. 34. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Agency has combined the government-wide and fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The basic financial statements present financial information about the Agency as a whole and about its activities. Following the basic financial statements is the Schedule of Property Tax Transactions and the report by the independent certified public accountants, as required by statute.

Government-wide Financial Statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities and are designed to present the financial picture of the Agency in a manner similar to a private-sector business (i.e. from the economic resources measurement focus using the accrual basis of accounting).

The Statement of Net Position includes all assets of the Agency (including capital assets, if any) as well as all liabilities (including long-term debt). Net position is the difference between assets and liabilities, which is one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Fund Financial Statements

Funds are used to segregate resources for specific activities or objectives. The Agency has two governmental funds: the General Fund and the Urban Renewal Debt Service Fund.

The Governmental Funds' statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes that should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

The Agency's liabilities exceeded assets by \$1.96 million at June 30, 2017. The largest portions of its net position were capital assets net of related debt and cash and cash equivalents. A condensed version of the Statement of Net Position follows:

Amounts in thousands	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 1,299	\$ 86
Property Taxes Receivable	<u>38</u>	<u>23</u>
Total assets	<u>1,337</u>	<u>109</u>
Liabilities		
Note payable	3,227	1,575
Other liabilities	<u>73</u>	<u>116</u>
Total liabilities	<u>3,300</u>	<u>1,691</u>
Net Position		
Restricted for debt service	281	87
Unrestricted	<u>(2,244)</u>	<u>(1,669)</u>
Total net position	<u>\$ (1,963)</u>	<u>\$ (1,582)</u>

At the end of the current fiscal year, the Agency reports a negative balance in unrestricted net position. There was a decrease in total net position of \$0.38. million. Long-term debt increased by \$1.65 million as the Agency drew additional dollars on its credit facility with the City. The Agency made it scheduled debt payments to the City.

The note payable to the City is a long-term obligation, which will be paid with property taxes received in the future.

Statements of Activities

The Agency's Statements of Activities for fiscal year ended June 30, 2017 and June 30, 2016, follows:

Amounts in thousands	<u>2017</u>	<u>2016</u>
Revenues		
General Revenues:		
Property taxes	\$ 377	\$ 328
Investment earnings	1	1
Miscellaneous	<u>3</u>	<u>3</u>
	378	332
Expenses		
Economic development	697	692
Interest expense	<u>62</u>	<u>86</u>
Total expenses	<u>759</u>	<u>778</u>
Increase (decrease) in net position	(381)	(446)
Net position, beginning of the year	<u>(1,582)</u>	<u>(1,136)</u>
Net position, end of the year	<u>\$ (1,963)</u>	<u>\$ (1,582)</u>

The cost of the Agency's economic development activities totaled \$0.7 million for the year, an increase of \$5,000 over the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, 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 expendable 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 funds reported combined ending fund balances of \$1.24 million an increase of \$1.22 million.

The General Fund is the chief operating fund of the Agency. At the end of the current fiscal year, the fund balance of the General Fund was \$0.96 million, an increase of \$1.03 million during the current fiscal year.

DEBT ADMINISTRATION

As of June 30, 2018 the Agency had a debt balance of \$3.23 million an increase of \$1.65 million from 2016. This loan was an advance from City of Florence.

For more detailed information on the Agency's long-term debt, refer to accompanying notes to the financial statements.

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

In preparing the budget for the 2017-19 biennium, the Agency's first biennial budget, City management presented two-year spending in addition to a six year financial plan for consideration and approval by the Agency's Budget Committee and Agency Board of Directors. The budget included updated assumptions for inflation and adjustments to property tax projections for the two-year period. Additionally, updated project costs for the ReVision Florence project, secured funding and debt necessary to complete projects were included.

The local economy shows signs of recovery, with additional real estate development, and increased tourism. Increases to property valuation continue to lag expectations on a City-wide basis, with valuations in the urban renewal area showing a different and encouraging trend. Revenue forecasts have been adjusted accordingly.

Annual inflation is projected to remain in the 1.5 percent to 3.0 percent range, while local population growth is projected to remain below 1.0 percent annually. Development activity is projected to trend upward with the potential for several projects to seek development approval during the next two year period.

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, please contact the City's Finance Department at info@ci.florence.or.us.

BASIC FINANCIAL STATEMENTS

FLORENCE URBAN RENEWAL AGENCY

Governmental Funds Balance Sheet / Statement of Net Position

June 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and cash equivalents	\$ 1,019,288	\$ 279,892	\$ 1,299,180	\$ -	\$ 1,299,180
Property taxes receivable	<u>-</u>	<u>38,135</u>	<u>38,135</u>	<u>-</u>	<u>38,135</u>
Total assets	<u>\$ 1,019,288</u>	<u>\$ 318,027</u>	<u>\$ 1,337,315</u>	<u>-</u>	<u>\$ 1,337,315</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 62,512	\$ -	\$ 62,512	\$ -	\$ 62,512
Accrued interest payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,551</u>	<u>10,551</u>
Long-term debt:					
Due within one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,865</u>	<u>139,865</u>
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,087,427</u>	<u>3,087,427</u>
Total liabilities	<u>62,512</u>	<u>-</u>	<u>62,512</u>	<u>3,237,843</u>	<u>3,300,355</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>-</u>	<u>36,723</u>	<u>36,723</u>	<u>(36,723)</u>	<u>-</u>
FUND BALANCES / NET POSITION					
Fund balances:					
Restricted for debt service	<u>-</u>	<u>281,304</u>	<u>281,304</u>	<u>(281,304)</u>	
Unassigned	<u>956,776</u>	<u>-</u>	<u>956,776</u>	<u>(956,776)</u>	
Total fund balances	<u>956,776</u>	<u>281,304</u>	<u>1,238,080</u>	<u>(1,238,080)</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,019,288</u>	<u>\$ 318,027</u>	<u>\$ 1,337,315</u>		
Net position:					
Restricted for debt service				281,304	281,304
Unrestricted				<u>(2,244,344)</u>	<u>(2,244,344)</u>
Total net position				<u>\$ (1,963,040)</u>	<u>\$ (1,963,040)</u>

Adjustment to unavailable revenue is because the focus of governmental funds is on short-term financing. Some assets, such as receivables, will not be available to pay for current-period expenditures. Receivables are offset by unavailable revenue in the governmental funds, and thus are not included in the fund balance. Receivables are not offset in the Statement of Net Position

Adjustment to accrued interest payable and long-term debt are due to long-term liabilities applicable to the Agency's governmental activities that are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

FLORENCE URBAN RENEWAL AGENCY

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance
/ Statement of Activities

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
GENERAL REVENUES					
Property taxes	\$ -	\$ 361,323	\$ 361,323	\$ 15,618	\$ 376,941
Interest income	-	1,045	1,045	-	1,045
Total revenues	<u>-</u>	<u>362,368</u>	<u>362,368</u>	<u>15,618</u>	<u>377,986</u>
URBAN RENEWAL EXPENDITURES/ EXPENSES					
Economic development	697,560	-	697,560	-	697,560
Debt service:					
Principal	-	72,696	72,696	(72,696)	-
Interest expense	-	95,004	95,004	(33,222)	61,782
Total expenditures/expenses	<u>697,560</u>	<u>167,700</u>	<u>865,260</u>	<u>(105,918)</u>	<u>759,342</u>
Excess (deficiency) of revenues over (under) expenditures / expenses	(697,560)	194,668	(502,892)	121,536	(381,356)
OTHER FINANCING SOURCES/(USES)					
Loan proceeds	<u>1,725,351</u>	<u>-</u>	<u>1,725,351</u>	<u>(1,725,351)</u>	<u>-</u>
Change in fund balance/net position	1,027,791	194,668	1,222,459	(1,603,815)	(381,356)
Fund balance / net position:					
Beginning of year	<u>(71,015)</u>	<u>86,636</u>	<u>15,621</u>	<u>(1,597,305)</u>	<u>(1,581,684)</u>
End of year	<u>\$ 956,776</u>	<u>\$ 281,304</u>	<u>\$ 1,238,080</u>	<u>\$ (3,201,120)</u>	<u>\$ (1,963,040)</u>

Adjustment to property tax revenue for the change in unavailable revenues reported on the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund.

Adjustment to interest expense and debt service principal payments is due to long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Adjustment to loan proceeds is because the focus of governmental funds is on short-term financing, an increase in outstanding debt is recognized as an inflow of resources as it is available to pay for current-period expenditures. Additions to long-term debt are not included on the Statement of Activities; they are recognized in the long-term debt balance on the Statement of Net Position.

FLORENCE URBAN RENEWAL AGENCY

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2017

	Budget		Actual	Variance with Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Intergovernmental	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Total revenues	<u>501,000</u>	<u>501,000</u>	<u>-</u>	<u>(501,000)</u>
Expenditures:				
Materials and services	249,300	249,300	195,983	53,317
Capital Outlay	1,900,000	1,900,000	501,577	1,398,423
Contingency	<u>252,170</u>	<u>252,170</u>	<u>-</u>	<u>252,170</u>
Total expenditures	<u>2,401,470</u>	<u>2,401,470</u>	<u>697,560</u>	<u>1,703,910</u>
Excess (deficiency) of revenues over (under) expenditures	(1,900,470)	(1,900,470)	(697,560)	1,202,910
Other financing sources:				
Loan proceeds	<u>1,725,351</u>	<u>1,725,351</u>	<u>1,725,351</u>	<u>-</u>
Net change in fund balance	(175,119)	(175,119)	1,027,791	1,202,910
Fund balance:				
Beginning of year	<u>175,119</u>	<u>175,119</u>	<u>(71,015)</u>	<u>(246,134)</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 956,776</u></u>	<u><u>\$ 956,776</u></u>

See accompanying notes to financial statements.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2017

Note I - Summary of significant accounting policies

A. Organization

Florence Urban Renewal Agency (the Agency) was organized in 2006 under the provisions of ORS Chapter 457 as the urban renewal agency in the City of Florence, Oregon ("City"), responsible for implementing various public improvement programs as identified in the City Center Revitalization Plan. The Agency's Board of Directors is appointed by the City of Florence City Council.

The "tax increment financing" method is being used to provide funds for the Agency. Under this method, a base year value within the urban renewal area is established (2007, in this case). Any increase in the assessed value over that base year cannot be used by the assessor to compute tax rates for local taxing bodies. The assessor computes the tax rate on the base year value of the area, then applies that rate to the increase in assessed value. The tax on the increased value can be used by the Agency only to pay indebtedness incurred to finance the urban renewal projects.

The Agency's financial statements include all activities and organizations with which the Agency exercises authoritative appointment of governing authority or where financial dependency on the Agency exists. The Agency has no potential component units but, as determined under generally accepted accounting principles, is considered to be a component unit of the City, and, as such, is included in the basic financial statements of the City for the year ended June 30, 2017, copies of which can be obtained from the Finance Department of the City of Florence.

B. Measurement focus, basis of accounting, and financial presentation

The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances display information about the Agency, including all of its financial activities. The Agency's activities are financed primarily through property taxes.

The basic financial statements listed in the table of contents provide information about the Agency's funds. These funds account for the general administration of the Agency's urban renewal areas and for the acquisition and rehabilitation of property within the designated urban renewal areas. The financial statements are initially (left-most columns) 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 government 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, debt service expenditures are recorded only when payment is due.

Property tax and assessments receivable are recognized at the time property owners are assessed for property improvements. Property tax and assessments receivable expected to be collected within sixty days following the year end are considered measurable and available and are recognized as revenue. All other revenue items are considered to measurable and available only when cash is received by the Agency.

The government reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in the debt service fund.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

On the same basic financial statements as listed in the table of contents, the balances are reported (right-most columns) using the *economic resources measurement focus* and the *accrual basis of accounting* using an "adjustments" column. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year in which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the basic financial statements.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2017

Note I - Summary of significant accounting policies (continued)

C. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

D. Assets, liabilities, deferred inflows of resources, and net position or fund balance

1. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Property taxes receivable

Real and personal property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding are considered delinquent on May 16. Management has determined that an allowance for uncollectible accounts is not required for property taxes.

3. Capital assets

The Agency does not have any capital assets. Once a capital project is completed it is transferred to the City.

4. Fund balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the board approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, followed by committed, assigned, and unassigned fund balance.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2017

Note I - Summary of significant accounting policies (continued)

E. Budget

A budget is prepared and legally adopted for all funds on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law). The budget is adopted by the Board, appropriations made, and the tax levy is declared no later than June 30. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations at the principal object levels - personnel, materials and services (including contractual payments), capital outlay, debt service, and operating contingency - are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Management may make transfers of appropriations within object levels. However, transfers of appropriations between object levels require the approval of the Board. Unexpected additional resources may be added to the budget through the use of a supplemental budget. The Board, at a regular Board meeting, may adopt supplemental budgets of less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers, and approval by the Board.

Noncompliance with Oregon Budget Law for the year ended June 30, 2016 is as follows:

The debt service fund reported expenditures in excess of budgeted appropriations for debt service in the amount of \$39,900.

Note II - Detailed notes on all funds

A. Cash and cash equivalents

Custodial Credit Risk. This is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk, but follows the requirements of ORS 295. The Agency's cash is covered by federal depository insurance and by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. At June 30, 2017, the Agency's deposits were insured by federal depository insurance or collateralized under the PFCP.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2017

Note III - Detailed notes on all funds (continued)

B. Long-term Debt

In August 2015 the Agency received a loan from the City of Florence. In the years ended June 30, 2017 and 2016 the Agency borrowed \$1,725,351 and \$1,574,637, respectively. The loan is payable in annual installments with a variable interest rate of 3.25% to 7.25%, maturing on September 1, 2035. Loan activity and balances for the year ended June 30, 2017 was as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Payments</u>	<u>End of year</u>	<u>Current portion</u>
City of Florence Loan	\$ 1,574,637	\$ 1,725,351	\$ (72,696)	\$ 3,227,292	\$ 139,865

Annual debt service requirements to maturity for the 2015 City of Florence Loan at year end are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 139,865	\$ 106,365
2019	144,036	102,194
2020	148,067	98,163
2021	152,748	93,482
2022	157,303	88,927
2023 - 2027	851,140	394,719
2028 - 2032	939,845	445,591
2033 - 2037	<u>1,094,300</u>	<u>210,880</u>
Total	3,627,304	\$ <u>1,540,321</u>
Borrowed subsequent to year end:	<u>(400,012)</u>	
Total outstanding at June 30, 2017	\$ <u>3,227,292</u>	

Note III- Other information

A. 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 government carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

SUPPLEMENTAL INFORMATION

FLORENCE URBAN RENEWAL AGENCY

DEBT SERVICE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues:				
Property taxes	\$ 363,600	\$ 363,600	\$ 361,323	\$ (2,277)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>1,045</u>	<u>45</u>
Total revenues	<u>364,600</u>	<u>364,600</u>	<u>362,368</u>	<u>(2,232)</u>
Expenditures:				
Debt service	127,800	127,800	167,700	(39,900)
Contingency	<u>272,149</u>	<u>272,149</u>	<u>-</u>	<u>272,149</u>
Total expenditures	<u>399,949</u>	<u>399,949</u>	<u>167,700</u>	<u>232,249</u>
Net change in fund balance	(35,349)	(35,349)	194,668	230,017
Fund Balance:				
Beginning of year	<u>35,349</u>	<u>35,349</u>	<u>86,636</u>	<u>51,287</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,304</u>	<u>\$ 281,304</u>

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Board of Directors
Florence Urban Renewal Agency
Florence, Oregon

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

We have audited the basic financial statements of Florence Urban Renewal Agency (the "Agency"), as of and for the year ended June 30, 2017, and have issued our report thereon dated August 6, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Auditors of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement..

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 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment**
- **Budgets legally required (ORS Chapter 294)**
- **Insurance and fidelity bonds in force or required by law**
- **Programs funded from 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 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 Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. Expenditures exceeded budgeted amounts as described in Note I. E. to the financial statements.
2. Accounting records were not prepared timely and accurately for audit.

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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified a deficiency in internal control over financial reporting that we consider to be a material weakness, as described in the AU Section 325 written communication.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



By, Paul Nielson member of the firm
Eugene, Oregon
August 6, 2018