

FLORENCE URBAN RENEWAL AGENCY
(A Component Unit of the City of Florence, Oregon)
FLORENCE, OREGON
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011



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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	2012
Phil Brubaker, City of Florence Mayor	2012
Joshua Greene	2012
PJ Clark-Lais	2012
Ann Huntington	2013
Mike Webb	2013
Sue Roberts	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, 2011, 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, 2011, and the respective changes in financial position thereof 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 other supplementary data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary data is the responsibility of management and were 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.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
January 6, 2012

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011. 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 assets exceeded liabilities by \$396,687 at June 30, 2011. The largest portion of its net assets is cash which is considered restricted for urban renewal projects. Net assets decreased \$38,976 from prior year. A condensed version of the Statement of Net Assets follows:

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

STATEMENT OF NET ASSETS

	Governmental Activities	
	2011	2010
ASSETS:		
Cash and investments	\$ 387,461	\$ 432,864
Due from other governments	661	324
Property taxes receivable	13,611	12,042
	<hr/>	<hr/>
Total Assets	\$ 401,733	\$ 445,230
	<hr/>	<hr/>
LIABILITIES:		
Accounts payable	\$ 5,046	\$ 9,567
	<hr/>	<hr/>
Total Liabilities	5,046	9,567
	<hr/>	<hr/>
NET ASSETS:		
Restricted	396,687	435,663
	<hr/>	<hr/>
Total net assets	396,687	435,663
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 401,733	\$ 445,230
	<hr/>	<hr/>

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 \$38,976, resulting in positive ending net assets of \$396,687. This represents the extent to which programs were self-supporting from property taxes and previous year's changes in net assets.

Expenses for total activities increased \$239,997 over the prior year due to completion of the Agency's Preservation and Rehabilitation Grant program that encouraged community development and a donation to the City of Florence for the Agency's part in the land acquisition for the Siuslaw Interpretive Center. The Agency's Statements of Activities for the fiscal year ended June 30, 2011 and June 30, 2010, is as follows:

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

STATEMENT OF ACTIVITIES

	Net Revenues (Expenses) and Changes in Net Assets	
	<u>2011</u>	<u>2010</u>
EXPENSES:		
Community development	\$ (304,332)	\$ (64,335)
Total program expenses	<u>(304,332)</u>	<u>(64,335)</u>
GENERAL REVENUES:		
Property taxes	263,654	249,767
Interest	1,444	1,375
Miscellaneous	<u>258</u>	<u>72</u>
Total general revenues	<u>265,356</u>	<u>251,214</u>
Change in net assets	(38,976)	186,879
NET ASSETS, BEGINNING	<u>435,663</u>	<u>248,784</u>
NET ASSETS, ENDING	<u>\$ 396,687</u>	<u>\$ 435,663</u>

The Agency's tax increment for the fiscal year ending June 30, 2011 totaled \$263,654 and was used to provide grants under the Agency's Preservation and Rehabilitation Grant program. In future years, the property tax revenue will be used for repayment of debt. Future debt proceeds will be used to finance the improvements identified in the urban renewal plan.

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. Even though the Agency has budgeted for two funds, only the General Fund had activity as of June 30, 2011.

Agency funds are used to account for essentially the same functions reported as agency activities in the agency-wide financial statements. However, unlike the agency-wide financial statements, agency fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 \$85,300 for the Agency's part in the land acquisition for the Siuslaw Interpretive Center. This wonderful addition to Old Town is a partnership between the Agency, the City of Florence, and the Oregon Department of Transportation (ODOT) and Federal Highways. Again, 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.

As of June 30, 2011, the Agency has no long-term debt outstanding.

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 will then be 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 2011-2012, the Agency project the property tax increment by dividing the taxes under Section 1c, Article IX, of the Oregon Constitution and ORS Chapter 457 to be \$268,817. The Agency's budget for fiscal year 2011-12 will be highlighted by the anticipation of beginning to work on the Old Town infrastructure project for \$2,250,000 in capital outlay expenditures. The adopted budget for 2011-12 includes revenues for tax increment of \$263,517 and a transfer in from debt service fund of \$2,250,000.

The Agency's debt service expenditures are projected to total \$450,000 for the new debt borrowing entered into in the early part of July 2011. The Debt Service Fund reflects \$2,500,000 in debt issuance proceeds from the anticipated loan for the above mentioned project.

**FLORENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 387,461
Property taxes receivable	13,611
Intergovernmental	<u>661</u>
Total assets	<u><u>\$ 401,733</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	<u>\$ 5,046</u>
Total liabilities	<u>5,046</u>
NET ASSETS	
Restricted for:	
Urban renewal projects	<u>396,687</u>
Total net assets (deficit)	<u>396,687</u>
Total liabilities and net assets	<u><u>\$ 401,733</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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Expense Revenue and Change in Net Asset</u>
			<u>Total Governmental Activities</u>
Governmental activities:			
Community development	\$ 304,332	\$ -	\$ (304,332)
Total government	<u>\$ 304,332</u>	<u>\$ -</u>	<u>\$ (304,332)</u>
General revenues:			
Property taxes levied for debt service			263,654
Interest and investment earnings			1,444
Miscellaneous			258
Total general revenues and transfers			<u>265,356</u>
Change in net assets			<u>(38,976)</u>
Net assets - beginning			<u>435,663</u>
Net assets - ending			<u>\$ 396,687</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)
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 387,461	\$ -	\$ 387,461
Property taxes receivable	13,611	-	13,611
Due from other governments	<u>661</u>	<u>-</u>	<u>661</u>
Total assets	<u>\$ 401,733</u>	<u>\$ -</u>	<u>\$ 401,733</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable and accrued expenses	\$ 5,046	\$ -	\$ 5,046
Deferred revenue	<u>12,736</u>	<u>-</u>	<u>12,736</u>
Total liabilities	<u>17,782</u>	<u>-</u>	<u>17,782</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Urban renewal projects	<u>383,951</u>	<u>-</u>	<u>383,951</u>
Total fund balance	<u>383,951</u>	<u>-</u>	<u>383,951</u>
Total liabilities and fund balance	<u>\$ 401,733</u>	<u>\$ -</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.	<u>12,736</u>
Net Assets	<u>\$ 396,687</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, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
REVENUES:			
Property taxes	\$ 262,406	\$ -	\$ 262,406
Interest revenue	1,444	-	1,444
Miscellaneous revenue	<u>258</u>	<u>-</u>	<u>258</u>
Total revenues	<u>264,108</u>	<u>-</u>	<u>264,108</u>
EXPENDITURES:			
Community development	219,032	-	219,032
Capital outlay	<u>85,300</u>	<u>-</u>	<u>85,300</u>
Total expenditures	<u>304,332</u>	<u>-</u>	<u>304,332</u>
Net changes in fund balances	(40,224)	-	(40,224)
FUND BALANCES, BEGINNING	<u>424,175</u>	<u>-</u>	<u>424,175</u>
FUND BALANCES, ENDING	<u><u>\$ 383,951</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 383,951</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)
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, 2011**

Amounts reported in the statement of activities are different because:

Net change in fund balances - Governmental Funds	\$ (40,224)
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Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Property taxes	<u>1,248</u>
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Change in net assets of governmental activities	<u><u>\$ (38,976)</u></u>
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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, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 231,750	\$ 231,750	\$ 262,406	\$ 30,656
Interest revenue	-	-	1,444	1,444
Miscellaneous revenue	-	-	258	258
Total revenues	231,750	231,750	264,108	32,358
EXPENDITURES:				
General Government:				
Materials and service	274,975	274,975	219,032	55,943
Capital outlay	85,300	85,300	85,300	-
Contingency	65,000	65,000	-	65,000
Total expenditures	425,275	425,275	304,332	120,943
Revenues over (under) expenditures	(193,525)	(193,525)	(40,224)	153,301
OTHER FINANCING SOURCES (USES):				
Issuance of debt	250,000	250,000	-	(250,000)
Transfers out	(252,750)	(252,750)	-	252,750
Total other financing sources (uses)	(2,750)	(2,750)	-	2,750
Net changes in fund balances	(196,275)	(196,275)	(40,224)	156,051
FUND BALANCE, BEGINNING	405,000	405,000	424,175	19,175
FUND BALANCE, ENDING	\$ 208,725	\$ 208,725	\$ 383,951	\$ 175,226

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

(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 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, 2011.

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 on 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, 2011

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 new 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 improvements 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, 2011

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 Equity

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, 2011

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.

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.

(3) Cash and Cash Equivalents

At June 30, 2011 the amount invested in cash and cash equivalents of the Agency consist of the following:

Bank Deposit	\$ 387,461
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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.

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

B. Credit risk

State statutes 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 Treasurer'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, 2011, none of the Agency's bank balances were exposed to credit risk.

E. Property Taxes

Property tax transactions for the year ended June 30, 2011, were as follows:

Tax Year	Property Taxes Receivable June 30, 2010	Add Levy as Extended By Assessor	Deduct Discounts Cancellations and Adjustments	Deduct Collections	Property Taxes Receivable June 30, 2011
2010-2011	\$ -	\$ 272,716	\$ (7,508)	\$ (257,339)	\$ 7,869
2009-2010	8,595	-	(370)	(4,315)	3,910
2008-2009	2,787	-	(195)	(1,044)	1,548
2007-2008	660	-	(31)	(345)	284
	\$ 12,042	\$ 272,716	\$ (8,104)	\$ (263,043)	\$ 13,611

(4) Deferred Revenue

Deferred revenue as of June 30, 2011 consists of uncollected property taxes not deemed available to finance operations of the current period.

FLORENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

(5) 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 2010 to 2011, and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

(6) Related Party Transactions

As agreed to in an intergovernmental agreement between the Agency and the City of Florence, payments totaling \$15,339 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, 2011 was \$4,564.

(7) Commitments and Subsequent Events

Subsequent to year end the Agency secured on July 8, 2011, local financing from Oregon Pacific Bank in the amount of \$2.5 million to fund infrastructure projects within the Urban Renewal District. The projects will include new water and sewer upgrades and possibly beautification projects such as streetscapes. The water lines in Old Town date back to 1940's to 1956. Typically a 6-inch water line will deliver 900-1,000 gallons per minute. The new 16-inch water main will provide 6,200-8,000 gallons per minute and will meet the domestic and fire demands for Old Town. The 16" lines will be placed from Highway 126 down Quince Street and 2nd Street. The 12" lines will loop down Nopal Street to Bay Street, then up Kingwood back to 2nd Street. This water line is to provide the much needed fire flows for the Bay Street area (4,000-5,000 gpm). This is more than the 3,500 minimum for commercial zoned areas as required by the new state standard. An 8" line will continue on Bay Street and Kingwood Street to the Bay Bridge Condos.

There is currently no gravity sewer in Quince Street from the crest of the hill to Harbor Street. The sewer goes north at 8th Street and flows east to the pump station by Xylo and then flows towards the wastewater treatment plant. The sewer line in Oak Street was installed in the mid 1950's and is shallow, has root intrusion, and is substandard for the area. A new 8" line will be installed from 6th and Quince to Harbor Street as well as from 4th to 1st Street on Oak Street.

On September 23, 2011, the Agency entered into an intergovernmental agreement with the City of Florence agreeing that the project will be managed by the City's Public Works Department. The total amount of the project commitment is \$2,237,530.

OTHER SUPPLEMENTARY DATA

OTHER SUPPLEMENTAL DATA

➤ **Budgetary Comparison Schedule**

- **Debt Service Fund**

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, 2011

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES:				
Debt service				
Principal	250,000	250,000	-	250,000
Interest	2,750	2,750	-	2,750
Total expenditures	252,750	252,750	-	252,750
Revenues over (under) expenditures	(252,750)	(252,750)	-	252,750
OTHER FINANCING SOURCES (USES):				
Transfers in	252,750	252,750	-	(252,750)
Total other financing sources (uses)	252,750	252,750	-	(252,750)
Net changes in fund balances	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ -	\$ -

**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the basic financial statements of Florence Urban Renewal Agency, component unit of the City of Florence, Oregon (the Agency), as of and for the year ended June 30, 2011 and have issued our report thereon dated January 6, 2012. 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 Audits of Oregon Municipal Corporations.

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 162-010-0000 through 162-010-0320 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 – the Agency does not have long-term liabilities.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues – 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).
- 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, included the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-000 through 162-010-320 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 opinions 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.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
January 6, 2012