

**CITY OF NORTH BEND URBAN RENEWAL AGENCY**  
**(A COMPONENT UNIT OF CITY OF NORTH BEND)**  
**COOS COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of The City of North Bend)**  
**COOS COUNTY, OREGON**

**For the Year Ended June 30, 2010**

**ANNUAL FINANCIAL REPORT**

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**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of The City of North Bend)**  
**COOS COUNTY, OREGON**

<b>BOARD OF DIRECTORS</b>	<b>TERM EXPIRES</b>
Rick Wetherell, Chair	November 2010
Larry Garboden	November 2010
Barry Hayes	November 2010
Bill Richardson	November 2010
Janet Rubin	November 2012
Mike Erbele	November 2012
Howard Graham	November 2012

All directors receive mail at the address listed below.

ADMINISTRATION  
Jan Willis, City Administrator

City Hall  
835 California Street  
North Bend, OR 97459

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**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of The City of North Bend)**  
**COOS COUNTY, OREGON**

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

• 12700 SW 72ND AVENUE • TIGARD, OREGON 97223  
• (503) 620-2632 • FAX (503) 684-7523

November 9, 2010

To the Agency Board  
North Bend Urban Renewal Agency  
North Bend, Oregon

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Bend Urban Renewal Agency, as of and for the year ended June 30, 2010 which collectively comprise the Agency's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of management. Our responsibility is to express opinions on these basic 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 basic 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 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the North Bend Urban Renewal Agency, as of June 30, 2010, and the changes in financial position for the year then ended in accordance with accounting principals generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The supplementary data, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.

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**NORTH BEND URBAN RENEWAL AGENCY**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2010**

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As management of the North Bend Urban Renewal Agency (the Agency), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010. We request readers to consider the information presented here in conjunction with the basic financial statements (pages 3-8) and the accompanying notes to the financial statements (pages 9-15).

**FINANCIAL HIGHLIGHTS**

- The Agency's assets totaled \$4,431,775 at June 30, 2010, consisting of \$1,890,428 in unrestricted cash and cash equivalents, \$2,490,825 in capital assets, and \$50,522 in receivables. Total assets increased by \$1,685,184 from the previous fiscal year.
- The Agency's liabilities totaled \$385,292 at June 30, 2010, consisting of \$350,606 in noncurrent liabilities, \$11,845 of debt payable in less than one year, \$10,845 in accrued interest, and \$11,996 in accounts payable. Total liabilities increased by \$9 from the previous fiscal year.
- The assets of the Agency exceeded its liabilities at June 30, 2010 by \$4,404,483 (net assets), consisting of \$1,918,109 in unrestricted net assets and the remainder of \$2,128,374 invested in capital assets, net of related debt. Unrestricted net assets represent the amount that may be used to meet the Agency's ongoing obligations to citizens and creditors.
- The Agency's total net assets increased by \$1,685,175 from the previous fiscal year. This represents an increase of \$189,899 in unrestricted net assets and in an increase of \$1,495,276 in net assets invested in capital assets net of related debt. The primary source of this increase in net assets is property taxes.
- The Agency, which maintains one fund, had an unreserved fund balance at June 30, 2010 of \$1,887,902, up by \$205,609 from the June 30, 2009 unreserved fund balance of \$1,682,293.
- The Agency's total debt decreased by \$11,279 during the year to a June 30, 2010 balance of \$362,451.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are written for the purpose of introducing the Agency's basic financial statements. The basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements present information about the Agency using the method of accounting similar to that used by private-sector companies, called the full-accrual basis of accounting. This basis of accounting reveals all assets and liabilities as well as revenue and expenses regardless of when cash is received or paid. This provides a broad view of the financial picture of the Agency. The full-accrual basis differs from the modified-accrual basis of accounting used by the fund financial statements of the Agency, which focus on the use of spendable resources and the balance of such resources in the short-term period of one fiscal year.

The Statement of Net Assets reveals the total assets and liabilities of the Agency, with the difference between the two disclosed as *net assets*. Net assets may serve as one of the key performance

measurements over time to gauge whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities reveals the detail of the change in the Agency's net assets for the year ending June 30, 2010. All activities affecting net assets are included, regardless of the timing of cash flow, which may be in future fiscal periods.

Both of the government-wide financial statements are designed to present information by function of the government. *Governmental activities* are primarily supported by taxes and intergovernmental revenue for the purpose of identification, planning, and execution of urban renewal strategies to improve the livability of the City of North Bend. These activities are separated from *business-type activities*, which are supported primarily from user fees and charges directly linked to the services provided. The Agency's government-wide financial statements will only reveal governmental activities, as there is only one fund utilized by the Agency, serving as a governmental fund.

The Agency is considered a *blended* component unit of the City of North Bend, while maintaining separate legal status from the City. Financial statements of the City of North Bend can be obtained from the Finance department at P.O. Box B, 835 California Street, North Bend, Oregon, 97459, (541) 756-8575, or via the web at [www.northbendcity.org](http://www.northbendcity.org)

The government-wide financial statements can be found on pages 3-4 of this report.

## **FUND FINANCIAL STATEMENTS**

A *fund* is a grouping of related accounts used for the purpose of maintaining control over resources segregated for specific activities or objectives. The Agency uses fund accounting to ensure compliance with legal requirements for financial activities. As mentioned above, the Agency uses only one fund, which is categorized as a governmental fund. A *governmental fund* accounts for generally the same types of activities as *governmental activities*, with the primary difference being the measurement focus. Governmental funds focus on *current financial resources*, which include the measurement of inflows and outflows of spendable resources within a fiscal year as well as the balances of resources at the end of the fiscal year. In contrast, governmental activities in the government-wide financial statements focus on *total economic resources* during the fiscal year, encompassing a longer-term view.

Fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. The reader will notice two important components of these statements. First, the Statement of Revenues, Expenditures and Changes in Fund Balances incorporates both the original and final budgets, which are identical for the year ended June 30, 2010. The budgetary comparison at the fund level reinforces the *current financial resources* focus as described above, demonstrating actual results and variances to the annual appropriated budget as adopted by the Agency's governing body.

Second, the difference in the measurement focus of the governmental-fund financial statements and the government-wide financial statements calls for reconciliations between the two types of statements in order to fully explain the specific differences. These reconciliations between governmental funds to governmental activities illuminate the long-term impact of the Agency's short-term financial decisions.

The fund financial statements and associated reconciliations can be found on pages 5-8 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements are an essential part of a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-15 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As mentioned earlier, net assets may serve as one of the key performance measurements over time to gauge whether the financial position of the Agency is improving or deteriorating. In the case of the Agency, assets exceeded liabilities by \$4,046,483 at the close of the most recent fiscal year.

Net assets for the Agency are divided into two categories. The first category is *net assets invested in capital, net of related outstanding debt* used to acquire these assets, which accounted for 53% of total net assets. This represents investment in land, infrastructure, and construction in progress, less accumulated depreciation and debt used to purchase these capital assets. The Agency uses these assets to provide services to citizens; thus, capital assets are not available for future spending. It should also be noted that these assets do not generate revenue to service the associated debt. Thus, resources to pay the debt must come from other sources, specifically *unrestricted* net assets, which is the second category. Unrestricted net assets accounted for 47% of the total net assets for the year ended June 30, 2010. The Agency was able to maintain positive balances in both categories of net assets in both the current fiscal year and the prior fiscal year. The Agency's net assets have increased by \$1,685,175 during the current fiscal year. The primary factor for this increase is simply the degree to which revenues exceed ongoing expenses.

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### North Bend Urban Renewal Agency's Net Assets

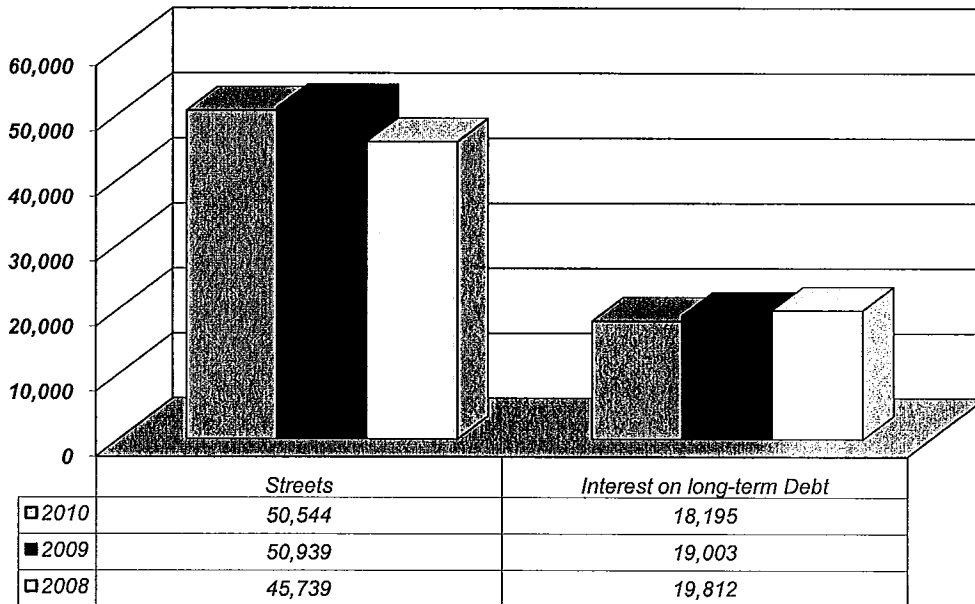
	Governmental Activities	
	2010	2009
Current and other assets	\$1,940,950	\$1,739,763
Capital assets, net of depreciation	2,490,825	1,006,828
Total assets	4,431,775	2,746,591
Other liabilities	34,686	22,832
Long-term debt	350,606	362,451
Total liabilities	385,292	385,283
Net assets:		
Invested in capital assets, net of related debt	2,128,374	633,098
Unrestricted	1,918,109	1,728,210
Total net assets	\$4,046,483	\$2,361,308

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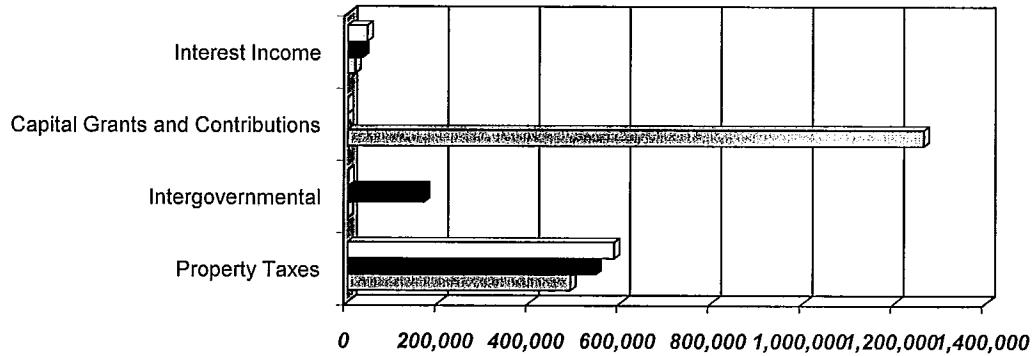
## North Bend Urban Renewal Agency's Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Property Taxes	\$473,787	\$556,700
Intergovernmental	0	167,921
State and Federal Grants and Contributions	1,264,031	0
Interest Income	16,096	32,932
Total revenues	1,753,914	757,553
Expenses:		
Streets	50,544	50,939
Interest on long-term debt	18,195	19,003
Total expenses	68,739	69,942
Increase in net assets	1,685,175	687,611
Net assets – Beginning	2,361,308	1,673,697
Net assets – Ending	\$4,046,483	\$2,361,308

### Program Expenses for Governmental Activities



## Revenues by Source for Governmental Activities



	Property Taxes	Intergovernmental	Capital Grants and Contributions	Interest Income
□ 2008	585,955	2,008	0	42,504
■ 2009	545,596	167,921	0	32,931
▣ 2010	489,809	0	1,264,031	16,096

### URBAN RENEWAL AGENCY BUDGETARY HIGHLIGHTS

The Agency had no differences between the original budget and the final budget. The significant variations between the final budget and actual amounts occurred in state and federal grants revenue line and the capital outlay expenditure line. Of the \$2,969,000 budgeted for state and federal grant, \$1,069,000 was earmarked for federal funding from the SAFETEA-LU – High Priority Projects Program. These funds represent accumulated annual allocations over the past 6 years. The Agency directed these funds into a major waterfront project that substantially completed the construction phase throughout the current fiscal year. The remaining \$1,900,000 of the state and federal grant budget was earmarked for grant funds for projects within the Agency's district. No grants money was received during the current fiscal year. There was a direct correlation between the grant revenue line item and the capital outlay line item, so the lack of non-highway grant funds resulted in significantly less expenditures in capital outlay compared to budget. Minor expenditures for the waterfront project will be incurred in the 2010-11 fiscal year. Upon conclusion of the waterfront project, the Agency does anticipate additional projects within the district.

Tax revenues for the year were budgeted at \$514,348, with actual receipts totaling \$489,809 (95% of budget).

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** - The Agency's investment in capital assets for its governmental-type activities as of June 30, 2010 amounted to \$2,490,825 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, and construction in progress. The Agency's total investment in capital assets increased 147%, primarily due to construction in progress.

**CAPITAL ASSETS AT FISCAL YEAR-END  
(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<u>2010</u>	<u>2009</u>
Land	\$177,345	\$177,345
Infrastructure	637,402	637,838
Construction in progress	<u>1,676,078</u>	<u>191,645</u>
Total	<u>\$2,490,825</u>	<u>\$1,006,828</u>

Additional information on the Agency's capital assets can be found in note 3 on page 14 of this report.

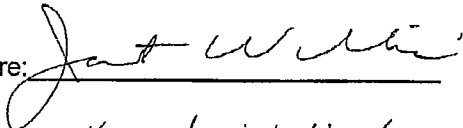
**Debt Administration** - The Agency's long-term debt as of June 30, 2010 is \$362,451. This is comprised entirely of a loan through the Oregon Economic & Community Development Department. The Agency's total long-term debt decreased by \$11,279 or 3%, due to the annual principal payment. Additional information on the Agency's long-term debt can be found in note 4 on page 14 of this report.


**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The 2010-2011 fiscal year budget continues in similar direction to the 2009-2010 fiscal year. There are no new revenue or expenditure line items. Grant revenues for streetscape improvement project are again budgeted at \$1,900,000, although this is not guaranteed income and is offset in the same amount in the capital outlay expenditures. SAFETEA-LU funds are not budgeted in 2010-2011 as the majority of the accumulated allocation was utilized on the waterfront project in 2009-2010. Due to the current fiscal year recession, construction bids on projects undertaken by the Agency have come in lower than anticipated. The Agency's financial position has improved as of June 30, 2010.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate its accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Agency's Finance department at P.O. Box B, 835 California Street, North Bend, Oregon, 97459, (541) 756-8575, or via the web at [www.northbendcity.org](http://www.northbendcity.org).

Signature:   
 Title: city administrator

Signature:   
 Title: Finance Director

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of The City of North Bend)**  
**COOS COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

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**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**STATEMENT OF NET ASSETS**  
**June 30, 2010**

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**ASSETS**

Cash and cash equivalents	\$ 1,890,428
Accounts Receivable	9,470
Property taxes receivable	41,052
Capital Assets:	
Land	177,345
Construction in Progress	1,676,078
Infrastructure, net of depreciation	<u>637,402</u>
 Total Assets	 <u>4,431,775</u>

**LIABILITIES**

Current:

Accounts Payable	11,996
Accrued Interest	10,845
Economic Development Loan - Due Within One Year	<u>11,845</u>
 Total Current Liabilities	 34,686

Long-Term:

Economic Development Loan	<u>350,606</u>
 Total Liabilities	 <u>385,292</u>

**NET ASSETS**

Invested in Capital Assets, net of related debt	2,128,374
Unrestricted	<u>1,918,109</u>
 Total Net Assets	 <u>\$ 4,046,483</u>

See accompanying notes to basic financial statements

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	
Streets	\$ 50,544	\$ -	\$ 1,264,031	\$ 1,213,487
Interest on Long-term debt	18,195	-	-	(18,195)
Total Governmental Activities	<u>\$ 68,739</u>	<u>\$ -</u>	<u>\$ 1,264,031</u>	<u>1,195,292</u>
General Revenues:				
				473,787
				16,096
				<u>489,883</u>
				1,685,175
				<u>2,361,308</u>
				<u>\$ 4,046,483</u>

See accompanying notes to basic financial statements

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**BALANCE SHEET**  
**Governmental Fund**  
**June 30, 2010**

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**ASSETS**

Cash and Investments	\$ 1,890,428
Property Taxes Receivable	41,052
Accounts Receivable	<u>9,470</u>
Total Assets	<u><u>\$ 1,940,950</u></u>

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES**

Accounts Payable	\$ 11,996
Deferred Revenue	<u>41,052</u>
Total Liabilities	<u>\$ 53,048</u>

**FUND BALANCE**

Unreserved	<u>1,887,902</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,940,950</u></u>

See accompanying notes to basic financial statements

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

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Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances	\$ 1,887,902
<p>The cost of governmental capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	2,490,825
<p>Long-term liabilities applicable to the City'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 assets.</p>	
Long-term debt	(362,451)
Interest Payable	(10,845)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Deferred Revenue	<u>41,052</u>
Total Net Assets	<u><u>\$ 4,046,483</u></u>

See accompanying notes to basic financial statements.

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**June 30, 2010**

---

**REVENUES**

Property Taxes	\$ 489,809
State and Federal Grants	1,264,031
Interest Income	<u>16,096</u>
Total Revenues	<u>1,769,936</u>

**EXPENDITURES**

Personal Services	20,000
Materials and Services	8,054
Capital Outlay	1,506,233
Debt Service	
Principal	11,279
Interest	<u>18,761</u>

Total Expenditures 1,564,327

Net Change in Fund Balance 205,609

**Beginning Fund Balance** 1,682,293

**Ending Fund Balance** \$ 1,887,902

See accompanying notes to basic financial statements

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2010**

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Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund	\$	205,609
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	1,506,233	
Depreciation Expense	<u>(22,236)</u>	1,483,997

The issuance of long-term debt provides current financial resources to the governmental fund, while repayment of long-term debt principal consumes current financial resources of the governmental fund. However, neither transaction has any effect on net assets. This amount is the net effect of these differences.

Long-Term Debt Principal Repaid		11,279
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Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund. This is the effect of the change in property taxes receivable during the year.	(16,022)
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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 the governmental fund. This is their effect during the year.

Change in Accrued Interest During the Year	<u>312</u>
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Change in Net Assets	<u><u>\$ 1,685,175</u></u>
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See accompanying notes to basic financial statements

NORTH BEND URBAN RENEWAL AGENCY  
(A Component Unit of The City of North Bend)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The North Bend Urban Renewal Agency of North Bend, Oregon (Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A. ORGANIZATION AND OPERATION**

The Agency was organized under Chapter 457 of the Oregon Revised Statutes to assist in the development and redevelopment of the City's downtown and waterfront areas, primarily through tax increment financing. The City Council of the City of North Bend is the Board of Directors of the Agency.

**B. DESCRIPTION OF THE REPORTING ENTITY**

Financial accountability is determined in accordance with criteria set forth in generally accepted accounting principles (GAAP), 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. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the Agency's reporting entity because of the significance of their operational or financial relationships with the Agency. All significant activities and organizations with which the Agency exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units. However, the Agency is a component unit of the City of North Bend. The Agency is a component unit of the City of North Bend because the North Bend City Council exercises oversight authority over the Agency as demonstrated by the designation of the Agency's Board Members and economic dependency. The Agency is included in the financial statements of the City of North Bend for the year ended June 30, 2010.

**C. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The government-wide financial statements report information irrespective of fund activity, and the fund financial statements report information using funds. The government-wide statements focus on the sustainability and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. These statements were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. General receipts are from property and related taxes, and interest. All disbursements are categorized either as program disbursements or interest on long-term debt.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. There are no program revenue. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NORTH BEND URBAN RENEWAL AGENCY  
(A Component Unit of The City of North Bend)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND FINANCIAL STATEMENTS**

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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 ("susceptible to accrual"). 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, except for property taxes which are accrued if collected within 30 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

There is one major governmental fund:

**GENERAL FUND**

This is the primary operating fund. It accounts for all of the financial operations. The principal revenue sources are property taxes and interest revenue.

**D. BUDGETS**

A budget is prepared for the governmental fund in accordance with the legal requirements set forth in the Oregon Local Budget Law. The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The budget may be amended prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30.

The expenditure budget is appropriated at the following levels:

**LEVEL OF CONTROL**

Personal Services  
Materials and Services  
Capital Outlay  
Debt Service  
Operating Contingency

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not

NORTH BEND URBAN RENEWAL AGENCY  
(A Component Unit of The City of North Bend)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGETS (CONTINUED)**

changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amounts. Expenditures were within authorized appropriations.

**E. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE**

Property taxes receivable is recorded to indicate the amount of uncollected taxes that can be expected to receive in the future. Such taxes are offset by a liability to indicate that these amounts have to been recorded as receipts. Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Taxes are billed and collected by Coos County and remittance is made at periodic intervals.

**F. 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. RECEIVABLES AND PAYABLES**

Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue is earned. The receivables for state, county and local shared revenue are recorded in accounts receivable.

Investment earnings (e.g., accrued interest receivable) are recorded as revenue is earned on investments.

**H. CAPITAL ASSETS**

Capital assets are recorded at the original or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are charged to expenditures as purchased in the governmental funds, and capitalized and depreciated in the government-wide-statements. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life equal to or greater than five years. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method and infrastructure capital assets are being depreciated over an estimated useful life of 30 years.

**I. LONG-TERM OBLIGATIONS**

Long-term obligations are reported in the government-wide financial statements as liabilities. The governmental individual fund financial statements do not report long-term obligations because they do not require the use of current financial resources.

NORTH BEND URBAN RENEWAL AGENCY  
(A Component Unit of The City of North Bend)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are no restricted assets.

Unrestricted net assets – consists of all other assets that are not included in the other categories previously mentioned.

**K. FUND EQUITY**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no designated balances.

**2. CASH AND INVESTMENTS**

State statutes govern the cash management policies. Statutes authorize investment in bankers acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

**DEPOSITS**

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there now may be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

Cash is pooled with the City of North Bend. Please refer to the City's basic financial statements, issued under separate cover, for additional information pertaining to the nature and collateralization of the City's cash and investments.

Cash at June 30, 2010 consisted of:

Pooled Cash	<u>\$ 1,890,428</u>
Total	<u>\$ 1,890,428</u>

NORTH BEND URBAN RENEWAL AGENCY  
(A Component Unit of The City of North Bend)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**2. CASH AND INVESTMENTS (CONTINUED)**

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of bank failure, the deposits may not be returned. There is no deposit policy for custodial risk. All deposits were at an approved depository. As of June 30, 2010, none of the bank balance was exposed to custodial credit risk because it was insured or collateralized.

**INVESTMENTS**

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2010 the fair value of the position in the LGIP is 99.56% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date that exceeds 18 months.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. At June 30, 2010, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

NORTH BEND URBAN RENEWAL AGENCY  
(A Component Unit of The City of North Bend)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

**3. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2010 were as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance End Of Year</u>
Capital assets not being depreciated				
Land	\$ 177,345	\$ -	\$ -	\$ 177,345
Construction in progress	191,645	1,484,433	-	1,676,078
Total capital assets not being depreciated	<u>368,990</u>	<u>1,484,433</u>	<u>-</u>	<u>1,853,423</u>
Capital assets being depreciated				
Infrastructure	725,803	21,800	-	747,603
Less accumulated depreciation	(87,965)	(22,236)	-	(110,201)
Total capital assets being depreciated, net	<u>637,838</u>	<u>(436)</u>	<u>-</u>	<u>637,402</u>
Governmental activities capital assets, net	<u>\$ 1,006,828</u>	<u>\$ 1,483,997</u>	<u>\$ -</u>	<u>\$ 2,490,825</u>

**4. LONG-TERM DEBT**

Changes in long-term obligations for the year ended June 30, 2010 are as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>	<u>Interest Matured and Paid</u>
Economic Development Loan	<u>\$ 373,730</u>	<u>\$ -</u>	<u>\$ 11,279</u>	<u>\$ 362,451</u>	<u>\$ 11,845</u>	<u>\$ 18,195</u>

During 2003-04, a loan agreement was entered into with the Oregon Economic & Community Development Department to finance improvements along Harbor Avenue on the waterfront. This loan is for the original principal amount of \$400,000. During 2003-04, loan principal advances totaling \$358,662 were received. During 2004-05, the remaining loan principal advances totaling \$41,338 were received. Deferred interest of \$4,433 was added to the loan principal balance during 2005-06. Annual payments of \$30,040 including principal and interest at 5.02% per annum are due December 1.

NORTH BEND URBAN RENEWAL AGENCY  
(A Component Unit of The City of North Bend)

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**4. LONG-TERM DEBT (CONTINUED)**

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	Principal			Future Interest
	Beginning of Fiscal Year	Matured and Paid During Year	End of Fiscal Year	
2010-11	11,845	-	11,845	18,195
2011-12	12,440	-	12,440	17,600
2012-13	13,064	-	13,064	16,976
2013-14	13,720	-	13,720	16,320
2014-15	14,409	-	14,409	15,631
2015-20	83,647	-	83,647	66,553
2020-25	106,859	-	106,859	43,341
2025-29	106,467	-	106,467	13,689
Total	<u>\$ 362,451</u>	<u>\$ -</u>	<u>\$ 362,451</u>	<u>\$ 208,305</u>

**5. RISK MANAGEMENT**

There is exposure to various risks of loss related to torts; errors and omissions; and natural disasters. The Agency is covered by The City of North Bend's commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

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**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of The City of North Bend)**  
**COOS COUNTY, OREGON**

**SUPPLEMENTARY DATA**

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**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ACTUAL AND BUDGET**  
**For the Year Ended June 30, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Property Taxes				
Current Year's Levy	\$ 500,348	\$ 500,348	\$ 460,249	\$ (40,099)
Prior Years' Levies	14,000	14,000	29,560	15,560
Total Property Taxes	514,348	514,348	489,809	(24,539)
Intergovernmental - State and Federal Grants	2,969,000	2,969,000	1,264,031	(1,704,969)
Interest Income	14,319	14,319	16,096	1,777
Total Revenues	3,497,667	3,497,667	1,769,936	(1,727,731)
<b>EXPENDITURES</b>				
Personal Services	20,000	20,000 (1)	20,000	-
Materials and Services	41,200	41,200 (1)	8,054	33,146
Capital Outlay	4,940,511	4,940,511 (1)	1,506,233	3,434,278
Debt Services				
Principal	11,279	11,279 (1)	11,279	-
Interest	18,761	18,761 (1)	18,761	-
Total Expenditures	5,031,751	5,031,751	1,564,327	3,467,424
Net Change in Fund Balance	(1,534,084)	(1,534,084)	205,609	1,739,693
Beginning Fund Balance	1,534,084	1,534,084	1,682,293	148,209
Ending Fund Balance	\$ -	\$ -	\$ 1,887,902	\$ 1,887,902

(1) Appropriation Level

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of North Bend, Oregon)**  
**COOS COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**  
**OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2010**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/09</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/10</u>
Current:						
2009-2010	\$ 504,669	\$ 12,101	\$ (17,752)	\$ 74	\$ 460,036	\$ 14,780
Prior Years:						
2008-2009	35,244	(8)	(3,828)	1,161	16,637	14,787
2007-2008	15,891	(4)	(272)	1,101	6,589	9,034
2006-2007	4,208	(5)	(233)	628	2,226	1,754
2005-2006	1,228	-	(42)	305	925	261
2004-2005 & prior	502	(1)	(5)	36	62	436
Total Prior	<u>57,073</u>	<u>(18)</u>	<u>(4,380)</u>	<u>3,231</u>	<u>26,439</u>	<u>26,272</u>
Total	<u>\$ 561,742</u>	<u>\$ 12,083</u>	<u>\$ (22,132)</u>	<u>\$ 3,305</u>	<u>\$ 486,475</u>	<u>\$ 41,052</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 486,475
Add Additional Tax Payments by County Taxes, (Adjustments) in Lieu	<u>3,334</u>
Total Revenue	<u>\$ 489,809</u>

**NORTH BEND URBAN RENEWAL AGENCY**  
**(A Component Unit of The City of North Bend)**  
**COOS COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT**  
**REQUIRED BY OREGON STATE REGULATIONS**

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

November 9, 2010

### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of North Bend Urban Renewal Agency as of and for the year ended June 30, 2010, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of North Bend Urban Renewal 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 limitation, restrictions and repayment**
- **Budgets legally required (ORS Chapter 294)**
- **Insurance and fidelity bonds in force or required by law**
- **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 City of North Bend Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 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 internal controls 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

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

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.