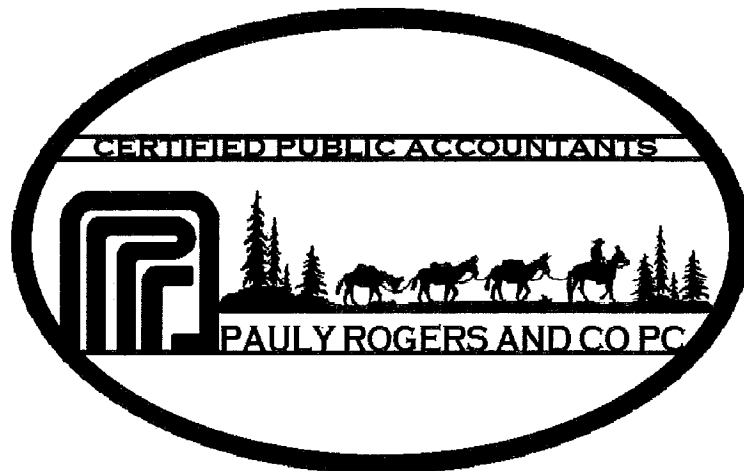


CITY OF NORTH BEND URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF NORTH BEND)
COOS COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



12700 SW 72nd 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, 2011

ANNUAL FINANCIAL REPORT

This Page Intentionally Left Blank

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

BOARD OF DIRECTORS	TERM EXPIRES
Rick Wetherell, Chair	November 2012
Larry Garboden	November 2014
Barry Hayes	November 2014
Bill Richardson	November 2014
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

This Page Intentionally Left Blank

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

TABLE OF CONTENTS

	<u>PAGE</u> <u>NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS:	
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds – Actual and Budget	7
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities	8
Notes to Basic Financial Statements	9
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Actual and Budget	17
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	18
Independent Auditors' Report Required by Oregon State Regulations	19

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

October 15, 2011

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, 2011 which collectively comprise the 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, 2011, 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.

NORTH BEND URBAN RENEWAL AGENCY
Management's Discussion and Analysis
For the fiscal year ended June 30, 2011

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, 2011. 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 9-16).

FINANCIAL HIGHLIGHTS

- The Agency's assets totaled \$4,739,135 at June 30, 2011, consisting of \$2,106,224 in unrestricted cash and cash equivalents, \$2,562,292 in capital assets, and \$70,619 in receivables. Total assets increased by \$307,360 from the previous fiscal year.
- The Agency's liabilities totaled \$361,476 at June 30, 2011, consisting of \$338,166 in noncurrent liabilities, \$10,518 in accrued interest, \$12,440 in loan payments due, and \$352 in accounts payable. Total liabilities decreased by \$23,816 from the previous fiscal year.
- The assets of the Agency exceeded its liabilities at June 30, 2011 by \$4,377,659 (net assets), consisting of \$2,165,973 in unrestricted net assets and the remainder of \$2,211,686 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 \$331,176 from the previous fiscal year. This represents an increase of \$247,864 in unrestricted net assets and in an increase of \$83,312 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 unassigned fund balance at June 30, 2011 of \$2,116,748, up by \$228,846 from the June 30, 2010 unassigned fund balance of \$1,887,902.
- The Agency's total debt decreased by \$11,845 during the year to a June 30, 2011 balance of \$350,606.

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, 2011. 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

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 an important component of these statements. 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 \$4,377,659 at the close of the most recent fiscal year.

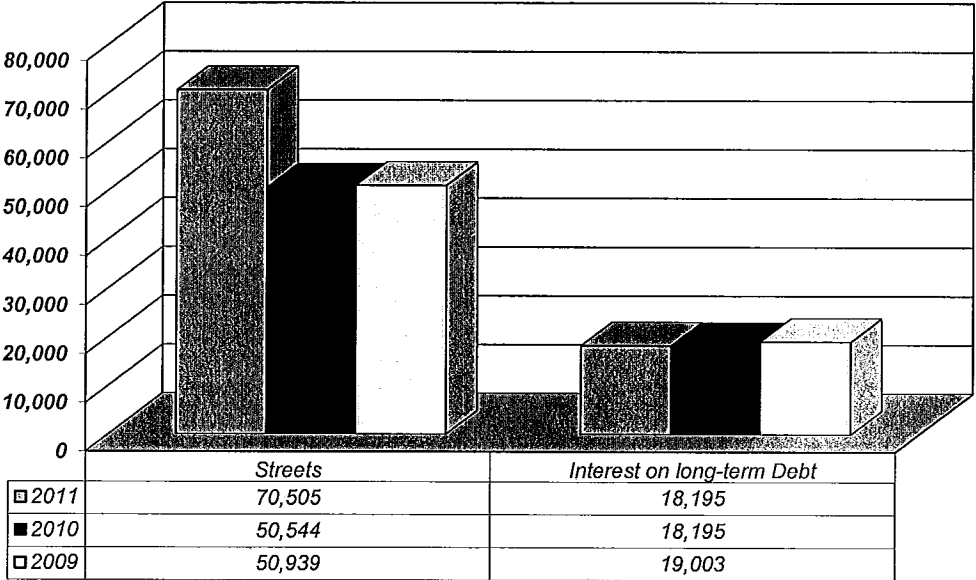
Net assets for the Agency are divided into two categories. The first category is *net assets invested in capital, net of related outstanding debt* used to acquire these assets, which accounted for 51% of total net assets. This represents investment in land, infrastructure, and construction in progress, less accumulated depreciation and debt used to purchase these capital assets. The Agency uses these assets to provide

North Bend Urban Renewal Agency's Net Assets		
	Governmental Activities	
	2011	2010
Current and other assets	\$2,176,843	\$1,940,950
Capital assets, net of depreciation	2,562,292	2,490,825
Total assets	4,739,135	4,431,775
Other liabilities	23,310	22,841
Long-term debt	338,166	362,451
Total liabilities	361,476	385,292
Net assets:		
Invested in capital assets, net of related debt	2,211,686	2,128,374
Unrestricted	2,165,973	1,918,109
Total net assets	\$4,377,659	\$4,046,483

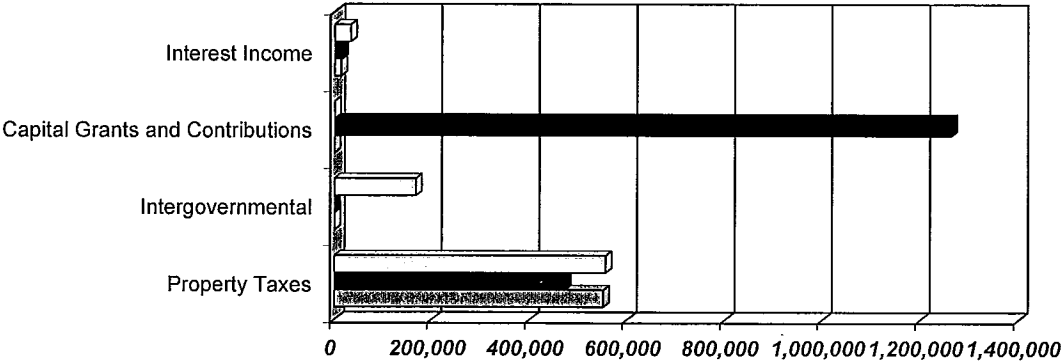
North Bend Urban Renewal Agency's Changes in Net Assets		
	Governmental Activities	
	2011	2010
Revenues:		
Property Taxes	\$551,695	\$473,787
State and Federal Grants and Contributions	0	1,264,031
Interest Income	13,483	16,096
Total revenues	565,178	1,753,914
Expenses:		
Streets	70,505	50,544
Interest on long-term debt	18,195	18,195
Total expenses	88,700	68,739
Increase in net assets	476,478	1,685,175
Net assets – Beginning of fiscal year	4,046,483	2,361,308
Prior Period Adjustment	(145,302)	0
Net assets – End of fiscal year	\$4,377,659	\$4,046,483

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 49% of the total net assets for the year ended June 30, 2011. 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 \$331,176 during the current fiscal year. The primary factor for this increase is simply the degree to which revenues exceed ongoing expenses. Net asset increase due to net operating income amounted to \$476,478. However, a prior period adjustment of \$145,302 reduced this increase to \$331,176. The prior period adjustment reflects a correction in reimbursement claimed in the prior year for the waterfront project.

Program Expenses for Governmental Activities



Revenues by Source for Governmental Activities



	Property Taxes	Intergovernmental	Capital Grants and Contributions	Interest Income
2009	556,700	167,921	0	32,931
2010	473,787	0	1,264,031	16,096
2011	551,695	0	0	13,483

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. \$500,000 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. Capital outlay of \$94,575 represented City-paid expenditures for the waterfront project, which will conclude in the 2011-12 fiscal year with a few minor expenditures. Upon conclusion of the waterfront project, the Agency does anticipate additional projects within the district.

Tax revenues for the year were budgeted at \$470,717, with actual receipts totaling \$533,004 (113% 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, 2011 amounted to \$2,562,292 (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 3%, primarily due to the major completion of the waterfront project.

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

	Governmental Activities	
	2011	2010
Land	\$177,345	\$177,345
Infrastructure	614,294	637,402
Construction in progress	1,770,653	1,676,078
Total	<u>\$2,562,292</u>	<u>\$2,490,825</u>

Additional information on the Agency's capital assets can be found in note 3 on page 15 of this report.

Debt Administration - The Agency's long-term debt as of June 30, 2011 is \$350,606. This is comprised entirely of a loan through the Oregon Economic & Community Development Department. The Agency's total long-term debt decreased by \$11,845 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 15 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2011-2012 fiscal year budget continues in similar direction to the 2010-2011 fiscal year. The Urban Renewal Agency Board is evaluating plans to address downtown parking issues with additional parking. They are also moving forward on a streetscape project along Highway 101 in the downtown corridor in partnership with the Oregon Department of Transportation. This would begin in the 2012 construction season. Grant revenues for streetscape improvement project are again budgeted at \$500,000, although this is not guaranteed income and represents 50% of the capital outlay budget. The budget also includes a loan payoff amount in the event the Board would choose to do so. The Agency's financial position has improved as of June 30, 2011.

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.

Signature: *[Handwritten Signature]* Signature: *Matthew R. Jorde*
Title: *City Administrator* Title: *Finance Director*

This Page Intentionally Left Blank

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

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

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

STATEMENT OF NET ASSETS
At June 30, 2011

ASSETS

Cash and Cash Equivalents	\$	2,106,224
Accounts Receivable		10,876
Property Taxes Receivable		59,743
Capital Assets:		
Land		177,345
Construction in Progress		1,770,653
Infrastructure, Net of Depreciation		<u>614,294</u>
Total Assets		<u>4,739,135</u>

LIABILITIES

Current:

Accounts Payable		352
Accrued Interest		10,518
Economic Development Loan - Due Within One Year		<u>12,440</u>
Total Current Liabilities		23,310

Long-Term:

Economic Development Loan		<u>338,166</u>
Total Liabilities		<u>361,476</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt		2,211,686
Unrestricted		<u>2,165,973</u>
Total Net Assets	\$	<u><u>4,377,659</u></u>

See accompanying notes to the 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, 2011

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Streets	\$ 70,505	\$ -	\$ -	\$ (70,505)
Interest on Long-term debt	18,195	-	-	(18,195)
Total Governmental Activities	\$ 88,700	\$ -	\$ -	(88,700)
General Revenues:				
				551,695
				13,483
				565,178
				476,478
				4,046,483
				(145,302)
				\$ 4,377,659

See accompanying notes to the 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
At June 30, 2011

ASSETS

Cash and Investments	\$ 2,106,224
Property Taxes Receivable	59,743
Accounts Receivable	<u>10,876</u>
Total assets	<u>\$ 2,176,843</u>

LIABILITIES AND FUND BALANCES:

LIABILITIES

Accounts Payable	\$ 352
Deferred Revenue	<u>59,743</u>
Total Liabilities	<u>60,095</u>

FUND BALANCE

Unassigned	<u>2,116,748</u>
Total Liabilities and Fund Balance	<u>\$ 2,176,843</u>

See accompanying notes to the 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
At June 30, 2011

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

Fund Balances	\$ 2,116,748
<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	2,562,292
<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	(350,606)
Interest Payable	(10,518)
<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>59,743</u>
Total Net Assets	<u><u>\$ 4,377,659</u></u>

See accompanying notes to the 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
For the Year Ended June 30, 2011

REVENUES

Property Taxes	\$ 533,004
Interest Income	<u>13,483</u>
Total Revenues	<u>546,487</u>

EXPENDITURES

Personal Services	20,000
Materials and Services	27,724
Capital Outlay	94,575
Debt Service	
Principal	11,845
Interest	<u>18,195</u>
Total Expenditures	<u>172,339</u>

Net Change in Fund Balance	374,148
Beginning Fund Balance	1,887,902
Prior Period Adjustment	<u>(145,302)</u>
Ending Fund Balance	<u><u>\$ 2,116,748</u></u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

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, 2011

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	\$	374,148
------------------------------------------------	----	---------

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	94,575	
Depreciation Expense	<u>(23,108)</u>	71,467

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		11,845
---------------------------------	--	--------

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.		18,691
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

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>327</u>

Change in Net Assets	\$	<u><u>476,478</u></u>
----------------------	----	-----------------------

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

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

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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, 2011.

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 revenues are from property and related taxes, and interest. All expenses 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

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, revenues are considered 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

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 are recorded to indicate the amount of uncollected taxes that can be expected to be received in the future. Such taxes are offset by a liability to indicate that these amounts have to be 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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

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

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Authority has been given by resolution to the City Manager and the Finance Director.

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

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no nonspendable, restricted, committed or assigned fund 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 and footnotes, issued under separate cover, for additional information pertaining to the nature and collateralization of the City's cash and investments.

Cash at June 30, 2011 consisted of:

Pooled Cash	<u>\$ 2,106,224</u>
Total	<u>\$ 2,106,224</u>

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, 2011, 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.

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

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2011 the LGIP approximated fair value. 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, 2011, 79% of total investments was in the State Treasurer's Investment Pool and 21% was in certificates of deposit. State statutes do not limit the percentage of investments in this instrument.

3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2011 were as follows:

	Balance Beginning of Year	Additions	(Deletions)	Balance End Of Year
Capital assets not being depreciated				
Land	\$ 177,345	\$ -	\$ -	\$ 177,345
Construction in progress	1,676,078	94,575	-	1,770,653
Total capital assets not being depreciated	1,853,423	94,575	-	1,947,998
Capital assets being depreciated				
Infrastructure	747,603	-	-	747,603
Less accumulated depreciation	(110,201)	(23,108)	-	(133,309)
Total capital assets being depreciated, net	637,402	(23,108)	-	614,294
Governmental activities capital assets, net	\$ 2,490,825	\$ 71,467	\$ -	\$ 2,562,292

Depreciation was allocated to Streets in the amount of \$23,108.

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

COOS COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

4. LONG-TERM DEBT

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due in Current Year	Interest Matured and Paid
Economic Development Loan	\$ 362,451	\$ -	\$ (11,845)	\$ 350,606	\$ 12,440	\$ 18,195

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.

Annual requirements to repay the loan are as follows:

Fiscal Year of Maturity	<u>Principal</u>	
	Beginning of Fiscal Year	Future Interest
2011-12	\$ 12,440	\$ 17,600
2012-13	13,064	16,976
2013-14	13,720	16,320
2014-15	14,409	15,631
2015-16	15,132	14,908
2016-21	87,846	62,354
2021-26	112,223	37,977
2026-31	81,772	8,344
Total	<u>\$ 350,606</u>	<u>\$ 190,110</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

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.

6. PRIOR PERIOD ADJUSTMENT

There is a prior period adjustment in the amount of (\$145,302) to beginning net assets and fund balance to reflect an adjustment in reimbursement claimed in the prior year for the waterfront project.

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

SUPPLEMENTARY DATA

This Page Intentionally Left Blank

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, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Property Taxes				
Current Year's Levy	\$ 455,717	\$ 455,717	\$ 497,736	\$ 42,019
Prior Years' Levies	15,000	15,000	35,268	20,268
Total Property Taxes	470,717	470,717	533,004	62,287
Intergovernmental - State and Federal Grants	500,000	500,000	-	(500,000)
Interest Income	15,000	15,000	13,483	(1,517)
Total Revenues	985,717	985,717	546,487	(439,230)
EXPENDITURES				
Personal Services	20,000	20,000 (1)	20,000	-
Materials and Services	41,200	41,200 (1)	27,724	13,476
Capital Outlay	500,000	500,000 (1)	94,575	405,425
Contingency	1,831,160	1,831,160 (1)	-	1,831,160
Debt Services				
Principal	11,845	11,845 (1)	11,845	-
Interest	18,196	18,196 (1)	18,195	1
Total Expenditures	2,422,401	2,422,401	172,339	2,250,062
Net Change in Fund Balance	(1,436,684)	(1,436,684)	374,148	1,810,832
Beginning Fund Balance	1,436,684	1,436,684	1,887,902	451,218
Prior Period Adjustment	-	-	(145,302)	(145,302)
Ending Fund Balance	\$ -	\$ -	\$ 2,116,748	\$ 2,116,748

(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, 2011

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/10</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 6/30/11</u>
Current:						
2010-2011	\$ 543,102	\$ 13,008	\$ (1,166)	\$ 430	\$ 498,470	\$ 30,888
Prior Years:						
2009-2010	14,780	(9)	14,877	1,231	16,508	14,389
2008-2009	14,787	(2)	1,648	1,463	8,227	9,673
2007-2008	9,034	(1)	(1,666)	1,579	5,239	3,709
2006-2007	1,754	(1)	(492)	452	1,281	434
2005-2006 & prior	697	-	(54)	95	88	650
Total Prior	41,052	(13)	14,313	4,820	31,343	28,855
Total	<u>\$ 584,154</u>	<u>\$ 12,995</u>	<u>\$ 13,147</u>	<u>\$ 5,250</u>	<u>\$ 529,813</u>	<u>\$ 59,743</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 529,813
Add Additional Tax Payments by County Taxes, (Adjustments) in Lieu	<u>3,191</u>
Total Revenue	<u>\$ 533,004</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**

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

October 15, 2011

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, 2011, and have issued our report thereon dated October 15, 2011. 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 limitations, 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 Council 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.