

BROOKINGS URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF CITY OF BROOKINGS)
CURRY COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



12700 SW 72nd Ave.
Tigard, OR 97223

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)
CURRY COUNTY, OREGON

For the Year Ended June 30, 2010

ANNUAL FINANCIAL REPORT

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BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)
CURRY COUNTY, OREGON

AGENCY OFFICIALS	TERM EXPIRES
Larry Anderson, Chair	January 2011
Dave Gordon	January 2013
Brent Hodges	January 2013
Jake Pieper	January 2011
Ron Hedenskog	January 2011

All directors receive mail at the address listed below.

ADMINISTRATION

Janell K. Howard, Director
Brookings Urban Renewal Agency
898 Elk Avenue
Brookings, OR 97459

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BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)
CURRY 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 22, 2010

To the Agency Board
Brookings Urban Renewal Agency
Brookings, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Brookings Urban Renewal Agency, as of and for the year ended June 30, 2010 which collectively comprise the basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Agency's 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 activity and each major fund of the Brookings Urban Renewal Agency, as of June 30, 2010, and the results of its operations for the year then ended in accordance with accounting principles 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 on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

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Brookings Urban Renewal Agency

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(541) 469-2163 Fax (541) 469-3650

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MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2010

This discussion and analysis presents the highlights of financial activities and financial position for the Brookings Urban Renewal Agency (Agency), component unit of the City of Brookings, Oregon. The analysis focuses on significant issues, major financial activities and resulting changes in financial position, budget changes, and variances from the budget, and specific issues related to funds and the economic factors affecting the Agency.

Management's Discussion and Analysis (MD&A) focuses on the current year activities and resulting changes from the prior year. Please read it in conjunction with the Agency's financial statements (beginning on page 6).

FINANCIAL HIGHLIGHTS

- The net assets of the Agency decreased by \$966,742 from \$99,080 to (\$867,662) at June 30, 2010, of which \$330,985 is restricted.
- Governmental activities revenue increased by \$81,343 (19.2%) to \$504,925, the majority of which is tax increment revenue.
- Overall Agency expenditures increased by \$906,277 to \$1,471,667. Major capital expenditures for 2009-10 included \$1,221,919 on the downtown improvement project.

REPORT LAYOUT

The Agency's annual financial report consists of several sections. Taken together they provide a comprehensive look at the Agency. The components of the report include the following:

Management's Discussion and Analysis. This section of the report provides financial highlights, overview, and economic factors affecting the Agency.

Basic Financial Statements. Includes statement of Net Assets, Statement of Activities, and Changes in Net Assets, fund financial statements, and notes to the financial statements. Statements of Net Assets and Activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Agency.

The Statement of Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the Agency owns, the liabilities it owes and the net difference. The net differences if further separated into amounts restricted for specific purposes and unrestricted amounts.

The statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on Agency revenues and expenditures, the net of which equals change in net assets.

Net financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The Agency's General Fund is one of two funds, and it is presented here along with budgetary comparisons.

The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

Other Supplementary Information. The report includes other financial information, comments, and disclosures from the independent certified public accountants, as required by Oregon statutes.

AGENCY AS A WHOLE

Government-Wide Financial Statements

**Table 1
Net Assets at Fiscal Year End
Governmental Activities**

	<u>2010</u>	<u>2009</u>
Cash and Investments	\$2,340,289	\$3,360,783
Other Assets	40,621	40,478
Total Assets	<u>2,380,910</u>	<u>3,401,261</u>
Long-Term Liabilities	3,180,000	3,290,000
Other Liabilities	68,572	12,181
Total Liabilities	<u>3,248,572</u>	<u>3,302,181</u>
Net Assets:		
Restricted	330,985	302,291
Unrestricted	<u>(1,198,647)</u>	<u>(203,211)</u>
Total Net Assets	<u>(\$867,662)</u>	<u>\$99,080</u>

Statement of Net Assets at June 30, 2010:

As of June 30, 2010, the Agency had current liabilities of \$68,572, and long-term liabilities of \$3,180,000. \$330,985 of the Agency's net assets is restricted for debt service.

Governmental Activities

The Agency's net assets decreased by \$966,742 from \$99,080 to (\$867,662) primarily due to the Agency making significant progress on the downtown improvement project. In addition, projects completed and assets purchased by the Agency become assets of the City; however,

the debt remains with the Agency. Therefore, as proceeds from the bond sale are expended, the net assets will decrease to a negative amount, approaching that of the debt outstanding.

Business-type Activities

There are no business-type activities during the year.

Statement of Activities for the Year Ended June 30, 2010:

**Table 2
Governmental Activities For Fiscal Year Ending**

	<u>2010</u>	<u>2009</u>
REVENUES		
General Revenues		
Taxes	465,303	396,252
Other	39,622	27,330
Total Revenues	<u>504,925</u>	<u>423,582</u>
EXPENSES		
Governmental Activities	<u>1,471,667</u>	<u>565,390</u>
Operating Income (loss)	(966,742)	(141,808)
Transfers	<u>0</u>	<u>0</u>
Increase (decrease) in Net Assets	(966,742)	(141,808)
Beginning Net Assets	<u>99,080</u>	<u>240,888</u>
Ending Net Assets	<u><u>(\$867,662)</u></u>	<u><u>\$99,080</u></u>

Nearly all of the governmental activities revenue (92.2%) was tax increment funding. The remaining 7.8% was interest revenue.

Governmental activity public works expenditures included \$1,221,919 on the downtown improvement project.

BUDGETARY HIGHLIGHTS

The Agency's General Fund appropriations decreased to \$2,891,583. The General Fund revenues increased by \$81,343 (19.2%). Actual expenditures in the General Fund were 57% of the final budget. This is due to Urban Renewal projects not being completed during the fiscal year; which is typical with large, multi-year projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

As of June 30, 2010, the Agency had no capital assets.

Debt Outstanding:

As of June 30, 2010, the Agency had \$3,180,000 in debt outstanding compared to none in the prior year. \$130,000 is due within one year. On July 22, 2008, the Agency sold \$3.4 million in bonds at 4.66% interest, maturing on June 1, 2020.

**Table 3
Outstanding Debt at Fiscal Year End**

	2010	2009
Governmental:		
Tax Increment Bonds	\$3,180,000	\$3,290,000
Total	<u>\$3,180,000</u>	<u>\$3,290,000</u>

ECONOMIC FACTORS

Like all municipalities in Oregon, the Agency is operating under Measure 50, the tax limitation measure approved by voters on May 20, 1997. This measure rolled back assessed values to 1995-96 levels and effectively limited increased property tax revenues the City could anticipate in future years to a maximum of 3%, with permitted allowances for increasing valuations based on new construction and annexations. No substantive changes to the basic provisions of Measure 50 have been enacted during subsequent Oregon Legislative sessions.

As an urban renewal agency, the Agency receives tax increment revenues; calculated on the assessed value over the frozen base, which was set at the time the urban renewal district was formed. When the Agency completes projects, it is actually investing in itself; as the value of property increases in the district, the tax increment revenues increases.

REQUEST FOR INFORMATON

The Agency’s financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with the general overview of the Agency’s finances and to demonstrate the Agency’s accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Janell K. Howard, Administrative Services Director
City of Brookings
898 Elk Drive
Brookings, OR 97415
(541) 469-2163
jhoward@brookings.or.us

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)
CURRY COUNTY, OREGON

COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Cash and Cash Equivalents	\$ 2,340,289
Taxes Receivable	38,273
Interest Receivable	2,348
	<hr/>
Total Assets	2,380,910
	<hr/>
LIABILITIES	
Accounts Payable	56,798
Accrued Interest Payable	11,774
Long-Term Debt	
Due within one year	130,000
Due in more than one year	3,050,000
	<hr/>
Total Liabilities	3,248,572
	<hr/>
NET ASSETS	
Restricted for	
Debt Service	330,985
Unrestricted	(1,198,647)
	<hr/>
Total Net Assets	\$ (867,662)
	<hr/> <hr/>

See accompanying notes to the basic financial statements

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

General Revenues	
Property Taxes	\$ 465,303
Interest Income	<u>39,622</u>
Total General Revenues	<u>504,925</u>
Expenses	
Public Works	<u>1,471,667</u>
Total Governmental Activities	<u>1,471,667</u>
Change in Net Assets	(966,742)
Net Assets - Beginning of the Year	<u>99,080</u>
Net Assets - End of the Year	<u><u>\$ (867,662)</u></u>

See accompanying notes to the basic financial statements

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL</u>
ASSETS			
Cash and Investments	\$ 2,009,304	\$ 330,985	\$ 2,340,289
Taxes Receivable	38,273	-	38,273
Interest Receivable	2,348	-	2,348
Total Assets	<u>\$ 2,049,925</u>	<u>\$ 330,985</u>	<u>\$ 2,380,910</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 56,798	\$ -	\$ 56,798
Deferred Revenue	35,206	-	35,206
Total Liabilities	<u>92,004</u>	<u>-</u>	<u>92,004</u>
FUND BALANCE			
Reserved for Debt Service	-	330,985	330,985
Total Fund Balance	<u>1,957,921</u>	<u>330,985</u>	<u>2,288,906</u>
Total Liabilities and Fund Balance	<u>\$ 2,049,925</u>	<u>\$ 330,985</u>	<u>\$ 2,380,910</u>

See accompanying notes to basic financial statements

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS**

June 30, 2010

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

Fund Balances	\$	2,288,906
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable		(11,774)
Bonds payable		(3,180,000)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred Revenue		<u>35,206</u>
Total Net Assets	\$	<u><u>(867,662)</u></u>

See accompanying notes to the basic financial statements

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL
REVENUES			
Investment Earnings	\$ 37,985	\$ 1,637	\$ 39,622
Taxes			
Property Taxes - Current Year	439,781	-	439,781
Property Taxes - Prior Years	17,241	-	17,241
Total Taxes	457,022	-	457,022
Total Revenues	495,007	1,637	496,644
EXPENDITURES			
General Government			
Materials and Supplies	345,025	-	345,025
Capital Outlay	973,792	-	973,792
Debt Service			
Principal	-	110,000	110,000
Interest	-	153,257	153,257
Total Expenditures	1,318,817	263,257	1,582,074
Excess (Deficiency) of Revenues Over (Under) Expenditures	(823,810)	(261,620)	(1,085,430)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	290,314	290,314
Transfers Out	(290,314)	-	(290,314)
Total Other Financing Sources (Uses)	(290,314)	290,314	-
Net Change in Fund Balance	(1,114,124)	28,694	(1,085,430)
Beginning Fund Balance	3,072,045	302,291	3,374,336
Ending Fund Balance	\$ 1,957,921	\$ 330,985	\$ 2,288,906

See accompanying notes to basic financial statements.

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY 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

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	\$ (1,085,430)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.	
Principal payments on long-term debt	110,000
Interest Payable	407
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	<u>8,281</u>
Change in Net Assets	<u><u>\$ (966,742)</u></u>

See accompanying notes to basic financial statements

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)

CURRY COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Brookings Urban Renewal Agency of Brookings, 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 formed July 2003, under the provisions of the Oregon Revised Statutes (ORS). The Agency operates under a Board-Manager form of government and provides specific projects located in the Urban Renewal District.

B. DESCRIPTION OF THE REPORTING ENTITY

The Agency is a component unit of the City of Brookings and is a municipal corporation governed by an appointed five member board. Generally accepted accounting principles, in the United States of America, require that these basic financial statements present the Agency and all component units, if any. 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. The Agency is a component unit of the City of Brookings because the Brookings City Council exercises oversight authority over the Agency as demonstrated by the designation of the Agency's Board Members and economic dependency.

C. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using funds. The government-wide statements focus on the sustainability as an entity 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 as program disbursements and 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.

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)

CURRY COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION (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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, 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.

These are the following major governmental funds:

GENERAL FUND

This fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes and interest revenue.

DEBT SERVICE

This fund accounts for transfers from the General Fund used to pay bond principal and interest payments.

D. BUDGETS

A budget is prepared for the governmental funds 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

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)

CURRY COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS (CONTINUED)

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 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 and final 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 received 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 Curry 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. 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.

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)

CURRY COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. NET ASSETS (CONTINUED)

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

I. CAPITAL ASSETS

Capital assets are reported as expenditures in capital outlay for the Agency and are capitalized for the city of Brookings.

2. BUDGET/GAAP REPORTING DIFFERENCES

Financial position, results of operations, and changes in fund balance/net assets are reported on the basis of accounting principles generally accepted in the United States of America (GAAP). The budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expensed when purchased and depreciation and amortization are not calculated, property taxes are recorded as revenue when received, inventories of supplies are budgeted as expenditures when purchased and debt is expensed as paid instead of when incurred and debt is recorded as a revenue when borrowed.

3. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

CREDIT RISK - DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. No bank deposits were exposed to custodial credit risk because they were held at an approved depository as identified by Oregon State Treasury.

Cash is pooled with the City of Brookings. Please refer to the City's financial report, 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>\$ 2,340,289</u>
Total	<u>\$ 2,340,289</u>

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)

CURRY COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS (CONTINUED)

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. The fund was in compliance with all portfolio guidelines at June 30, 2010.

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, beyond 3 months at June 30, 2010.

Credit Risk

Neither the Oregon Revised Statutes or the City's investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies. The investments in U.S. Government Agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investor Service. The State Pool is unrated.

Oregon Revised Statutes require banker's acceptances to be guaranteed by and carried on the books of a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk

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.

4. 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 Brookings commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage.

5. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)

CURRY COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. PROPERTY TAX LIMITATIONS (CONTINUED)

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

6. LONG-TERM DEBT

The changes in and balances of long-term debt is comprised of the following:

<u>Bonds Payable</u>						
<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding 7/1/09</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding 6/30/10</u>
July 22, 2008	4.66	\$ 3,400,000	\$ 3,290,000	\$ -	\$ 110,000	\$ 3,180,000
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 3,180,000</u>
		<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable		\$ 3,290,000	\$ -	\$ 110,000	\$ 3,180,000	\$ 130,000
Total Long-term Liabilities		<u>\$ 3,290,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 3,180,000</u>	<u>\$ 130,000</u>

Urban Renewal Revenue Bond Series 2008

\$3,400,000 in bond proceeds were received during 2008-09 to finance projects within the Brookings Urban Renewal Area. Interest payments are required semi-annually on December 1 and June 1 of each year, with principal payments required each June 1 until 2020.

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 278,188	\$ 130,000	\$ 148,188
2012	307,130	165,000	142,130
2013	334,441	200,000	134,441
2014	365,121	240,000	125,121
2015	403,937	290,000	113,937
2016-2020	<u>2,468,618</u>	<u>2,155,000</u>	<u>313,618</u>
Totals	<u>\$ 4,157,435</u>	<u>\$ 3,180,000</u>	<u>\$ 977,435</u>

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)
CURRY COUNTY, OREGON

SUPPLEMENTARY DATA

Individual Funds
& Other Financial Schedules

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BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

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

	<u>GENERAL FUND</u>		<u>Actual Amounts</u> <u>(budgetary basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Budgeted Amounts</u> <u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property Taxes - Current Year	\$ 344,500	\$ 344,500	\$ 439,781	\$ 95,281
Property Taxes - Prior Years	4,000	4,000	17,241	13,241
Total Taxes	<u>348,500</u>	<u>348,500</u>	<u>457,022</u>	<u>108,522</u>
Miscellaneous Income				
Grant Revenue	-	-	-	-
Investment Earnings	5,000	5,000	37,985	32,985
Total Miscellaneous Income	<u>5,000</u>	<u>5,000</u>	<u>37,985</u>	<u>32,985</u>
Total Revenues	<u>353,500</u>	<u>353,500</u>	<u>495,007</u>	<u>141,507</u>
EXPENDITURES				
General Government				
Materials and Services	50,000	413,591 (1)	345,025	68,566
Capital Outlay	3,213,186	2,899,595 (1)	973,792	1,925,803
Total Expenditures	<u>3,263,186</u>	<u>3,313,186</u>	<u>1,318,817</u>	<u>1,994,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,909,686)	(2,959,686)	(823,810)	2,135,876
OTHER FINANCING SOURCES (USES)				
Transfers Out	(340,314)	(290,314) (1)	(290,314)	-
Net Change in Fund Balance	(3,250,000)	(3,250,000)	(1,114,124)	2,135,876
FUND BALANCE, BEGINNING OF YEAR	<u>3,250,000</u>	<u>3,250,000</u>	<u>3,072,045</u>	<u>(177,955)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,957,921</u>	<u>\$ 1,957,921</u>

(1) Appropriation Level

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

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

	<u>DEBT SERVICE FUND</u>			
	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Earnings	\$ -	\$ -	\$ 1,637	\$ 1,637
Total Revenues	-	-	1,637	1,637
EXPENDITURES				
Materials and Services	2,000	2,000 (1)	-	2,000
Debt Service				
Principal	110,000	110,000 (1)	110,000	-
Interest	153,314	153,314 (1)	153,257	57
Total Expenditures	265,314	265,314	263,257	2,057
Excess (Deficiency) of Revenues Over (Under) Expenditures	(265,314)	(265,314)	(261,620)	3,694
OTHER FINANCING SOURCES (USES)				
Transfers In	340,314	340,314	290,314	(50,000)
Net Change in Fund Balance	75,000	75,000	28,694	(46,306)
FUND BALANCE, BEGINNING OF YEAR	265,000	265,000	302,291	37,291
FUND BALANCE, END OF YEAR	\$ 340,000	\$ 340,000	\$ 330,985	\$ (9,015)

(1) Appropriation Level

BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of the City of Brookings, Oregon)
CURRY COUNTY, OREGON

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

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT 07/01/09	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 06/30/10
Current						
2009-2010	\$ 456,358	\$ 10,776	\$ (631)	\$ 210	\$ 423,409	\$ 21,752
Prior Years						
2008-2009	18,375	-	(49)	642	10,061	8,907
2007-2008	6,097	(1)	(40)	366	2,279	4,145
2006-2007	3,022	(1)	(39)	352	1,312	2,024
2005-2006	1,392	-	(5)	300	922	765
2004-2005 & Prior	640	-	69	61	90	680
Total Prior	29,526	(2)	(64)	1,721	14,664	16,521
Total	<u>\$ 485,884</u>	<u>\$ 10,774</u>	<u>\$ (695)</u>	<u>\$ 1,931</u>	<u>\$ 438,073</u>	<u>\$ 38,273</u>

**Prior year numbers were different from County Summary Tax Report

Reconciliation of Turnovers to Revenue

Collections	\$ 438,073
June 30, 2009 Accrual	(2,601)
June 30, 2010 Accrual	3,067
Property Tax in Lieu	<u>18,483</u>

Total Revenue per Statement of Revenues,
Expenses and Changes in Fund Balance

\$ 457,022

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BROOKINGS URBAN RENEWAL AGENCY
(A Component Unit of The City of Brookings)
CURRY COUNTY, OREGON

Independent Auditors' Report Required by Oregon State Regulations

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
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Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Brookings Urban Renewal Agency as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 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 Brookings Urban Renewal Agencies' 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 Brookings 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.

We noted a matter involving the internal control structure and its operation that we consider to be a significant deficiency under standards established by the American Institute of Certified Public Accountants, which is noted in the management letter.

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.