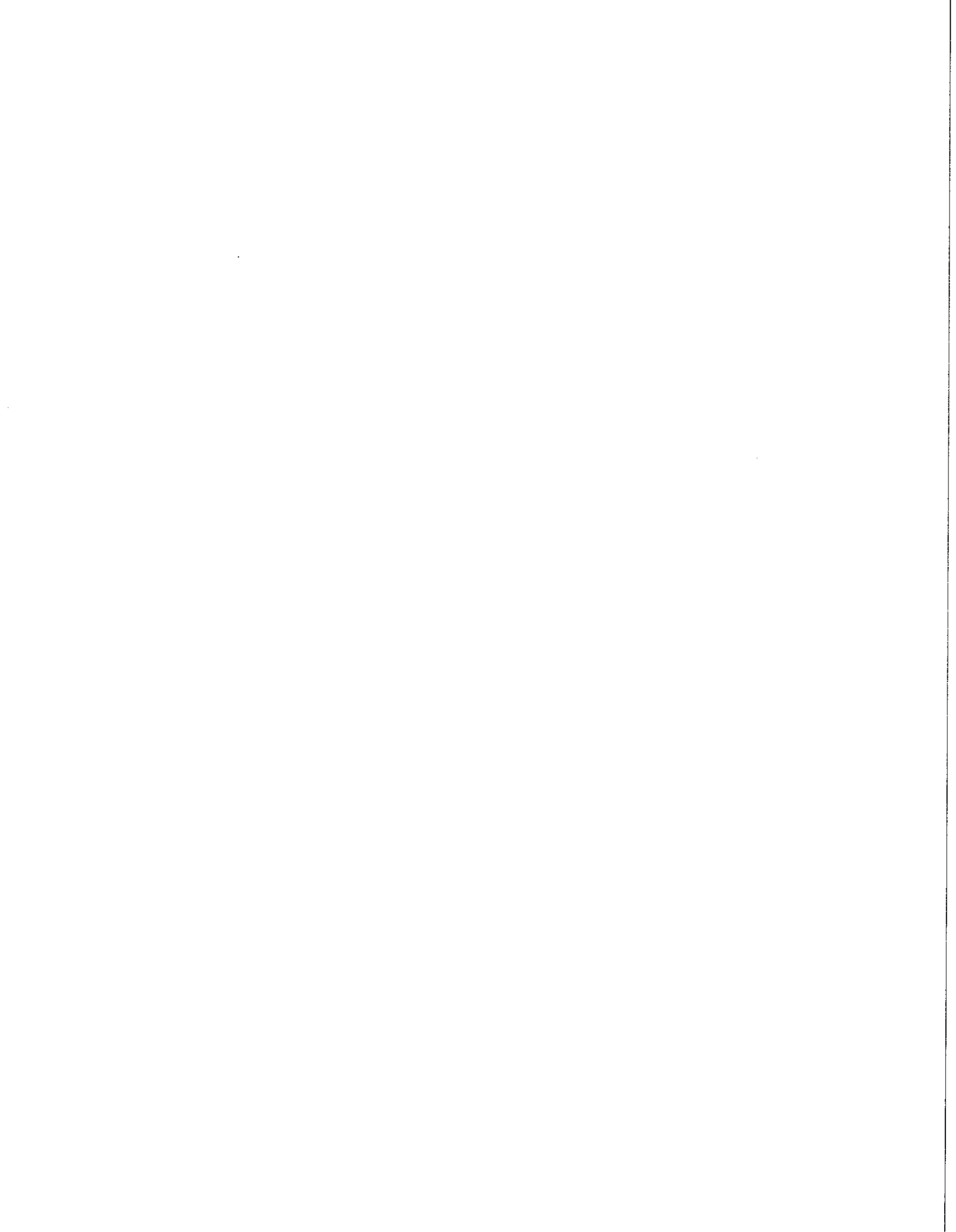


BROOKINGS URBAN RENEWAL AGENCY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012



BROOKINGS URBAN RENEWAL AGENCY
For the Year Ended June 30, 2012

Term Expires
January,

MAYOR

Ron Hedenskog
16956 Old County
Brookings OR 97415

2013

CITY COUNCIL

Dave Gordon
434 Pine
Brookings OR 97415

2013

Brent Hodges
Po Box 4970
Brookings OR 97415

2013

Jake Pieper
Po Box 7441
Brookings OR 97415

2015

Kelly McClain
867 Jodee Ln
Brookings OR 97415

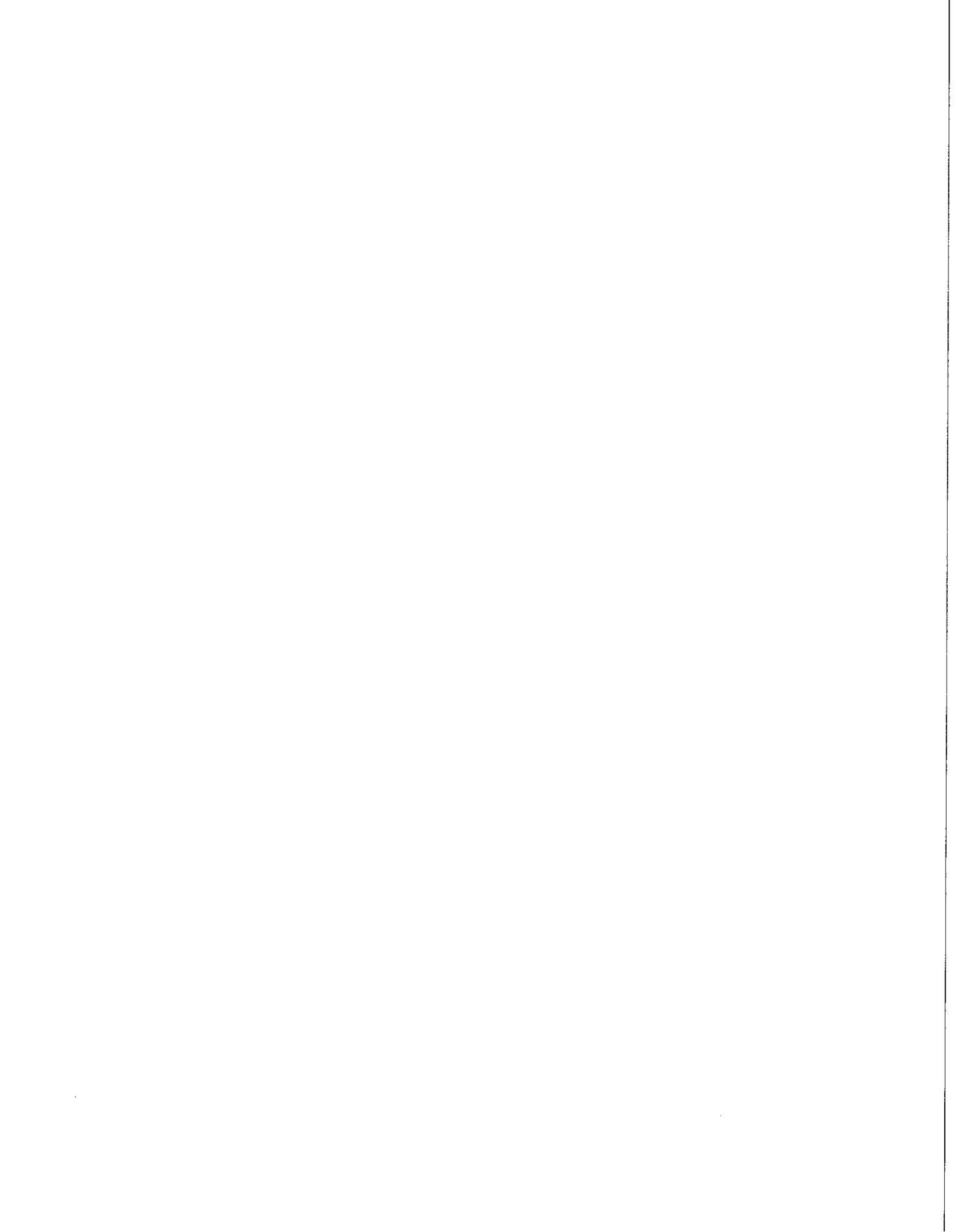
2015

CITY MANAGER

Gary Milliman

FINANCE AND HUMAN RESOURCES DIRECTOR

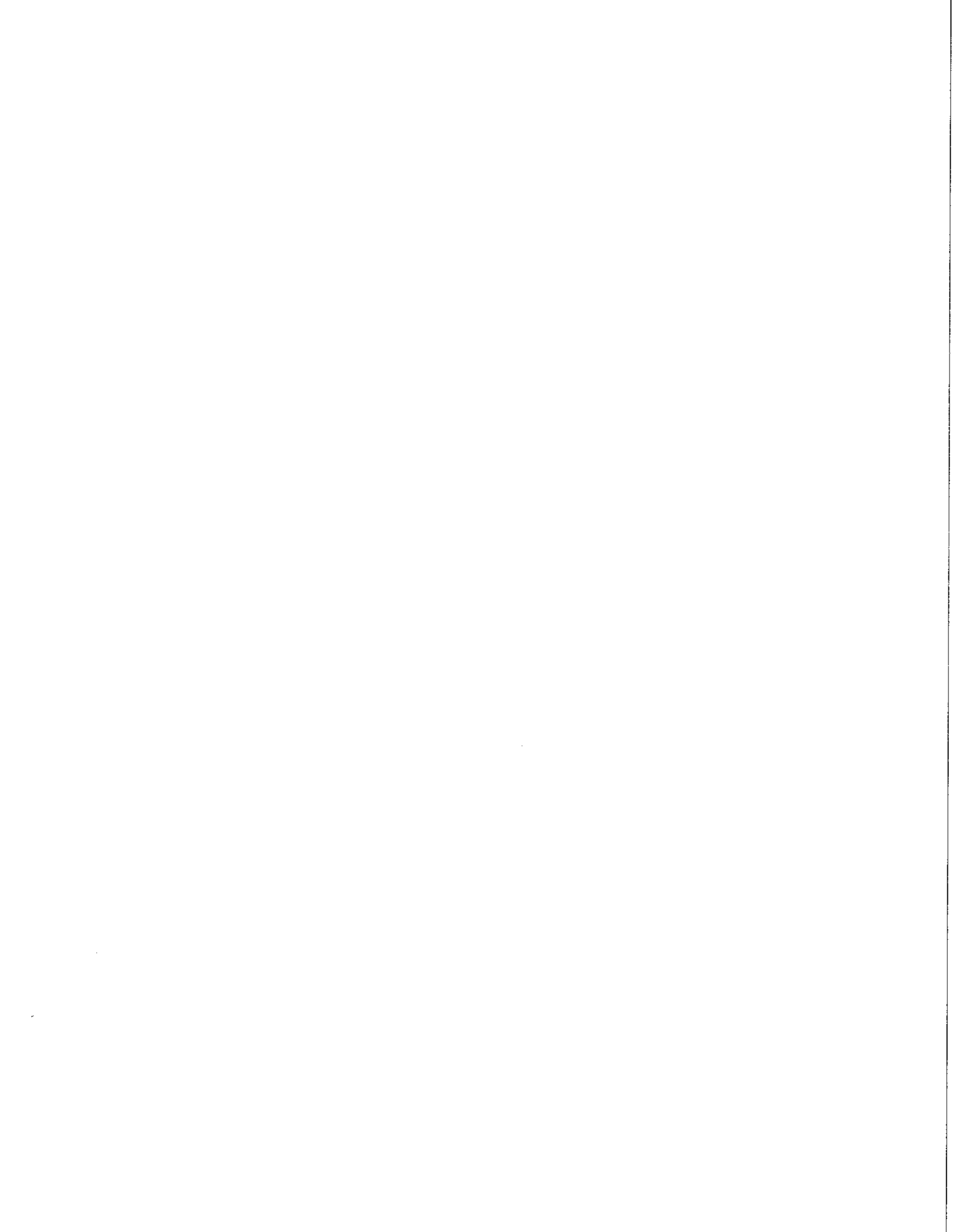
Janell Howard



BROOKINGS URBAN RENEWAL AGENCY

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INDEPENDENT AUDITOR'S REPORT

Agency Officials
BROOKINGS URBAN RENEWAL AGENCY
Brookings, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of **BROOKINGS URBAN RENEWAL AGENCY**, a component unit of the *CITY OF BROOKINGS*, as of and for the year ended June 30, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

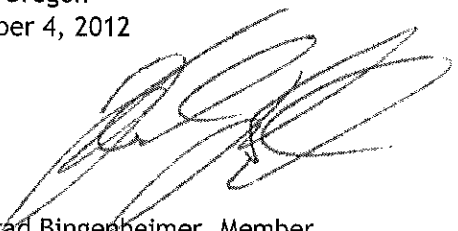
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **BROOKINGS URBAN RENEWAL AGENCY**, as of June 30, 2012, the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The individual fund schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

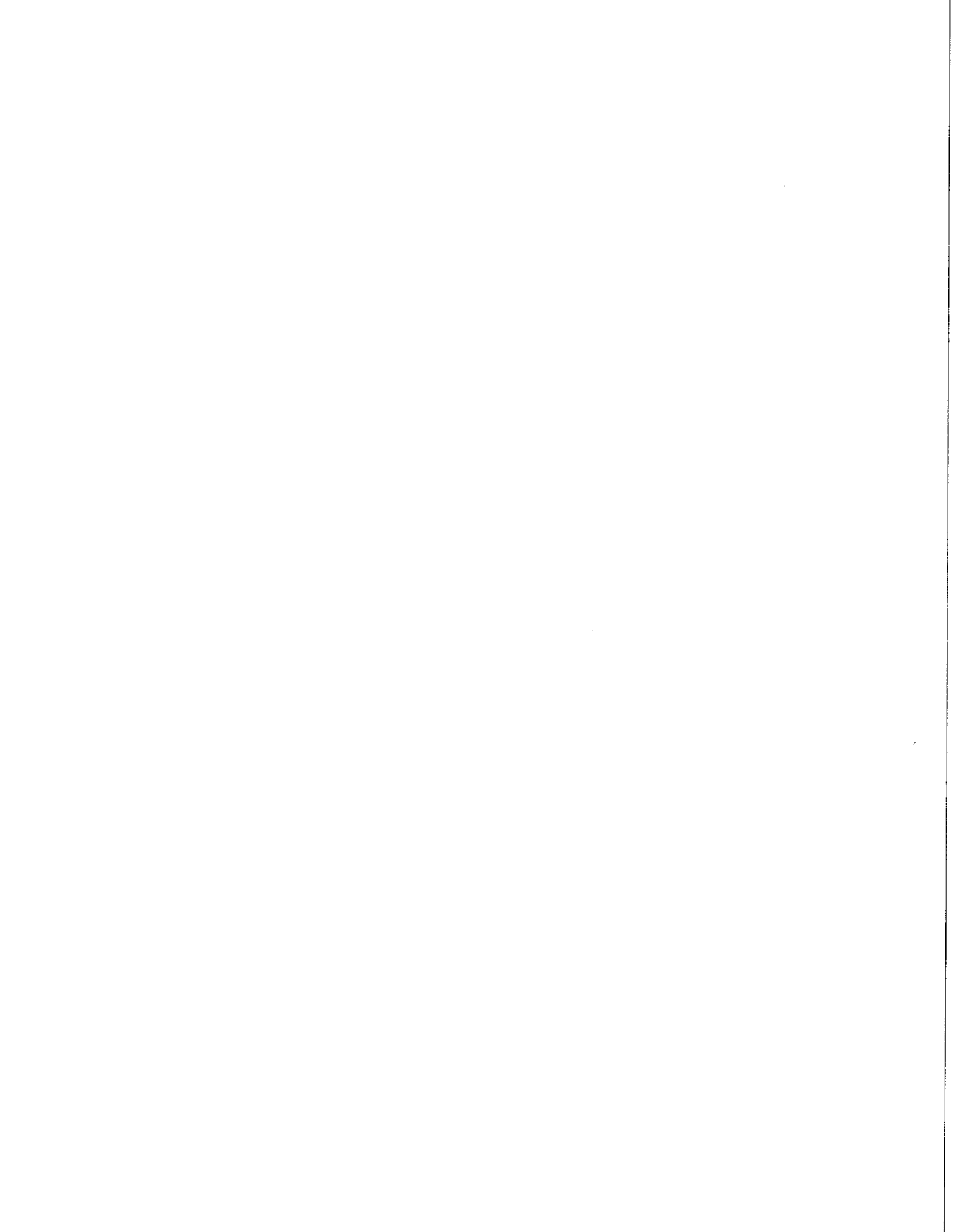
Boldt, Carlisle & Smith LLC
Certified Public Accountants
Salem, Oregon
December 4, 2012

By:



Brad Bingenheimer, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS





Brookings Urban Renewal Agency

898 Elk Drive, Brookings, OR 97415
(541) 469-2163 Fax (541) 469-3650
www.brookings.or.us

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2012

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 1).

FINANCIAL HIGHLIGHTS

- The net deficit of the Agency decreased by \$340,498 from (\$2,543,058) to (\$2,202,560) at June 30, 2012.
- Governmental activities revenue decreased by \$2,851 (.6%) to \$508,859. This is a minor change, due to a decrease in interest earnings.
- Overall, expenditures decreased by \$1,928,778 to \$168,361. The primary expenditure for 2011-12 was the interest paid on long-term debt obligations.

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 owns 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.

Fund 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 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>2012</u>	<u>2011</u>
Assets		
Cash and investments	\$ 718,954	\$ 585,649
Other assets	54,138	47,939
Total Assets	<u>773,092</u>	<u>633,588</u>
Liabilities		
Long-term liabilities	2,885,000	3,050,000
Other liabilities	90,652	126,646
Total Liabilities	<u>2,975,652</u>	<u>3,176,646</u>
Net Assets		
Unrestricted	<u>\$ (2,202,560)</u>	<u>\$ (2,543,058)</u>

Statement of Net Assets at June 30, 2012:

As of June 30, 2012, the Agency had current liabilities of \$90,652, and long-term liabilities of \$2,885,000. 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 have decreased to a negative amount, approaching that of the debt outstanding.

Governmental Activities

The Agency's net deficit decreased by \$340,498 from (\$2,543,058) to (\$2,202,560) primarily due to the Agency completing the downtown improvement project.

Statement of Activities for the Year Ended June 30, 2012:

Table 2
Governmental Activities For Fiscal Year Ending

	<u>2012</u>	<u>2011</u>
REVENUES		
General revenues		
Taxes	\$ 504,690	\$ 500,353
Investment earnings	4,169	11,357
(Loss) on sale of asset	<u>-</u>	<u>(90,000)</u>
Total revenues	508,859	421,710
EXPENSES		
Program	<u>168,361</u>	<u>2,097,139</u>
Change in net assets	340,498	(1,675,429)
Beginning net assets	<u>(2,543,058)</u>	<u>(867,629)</u>
Ending net assets	<u>\$ (2,202,560)</u>	<u>\$ (2,543,058)</u>

Nearly all of the general revenue was tax increment funding. The remainder was from investment earnings.

Program expenses included \$141,520 for interest on long term debt obligations.

BUDGETARY HIGHLIGHTS

No changes were made from the original 2011-12 adopted budget.

DEBT ADMINISTRATION

As of June 30, 2012, the Agency had \$2,885,000 of outstanding debt compared to \$3,050,000 in the prior year. \$200,000 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

	<u>2012</u>	<u>2011</u>
Governmental		
Tax increment bonds	<u>\$ 2,885,000</u>	<u>\$ 3,050,000</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.

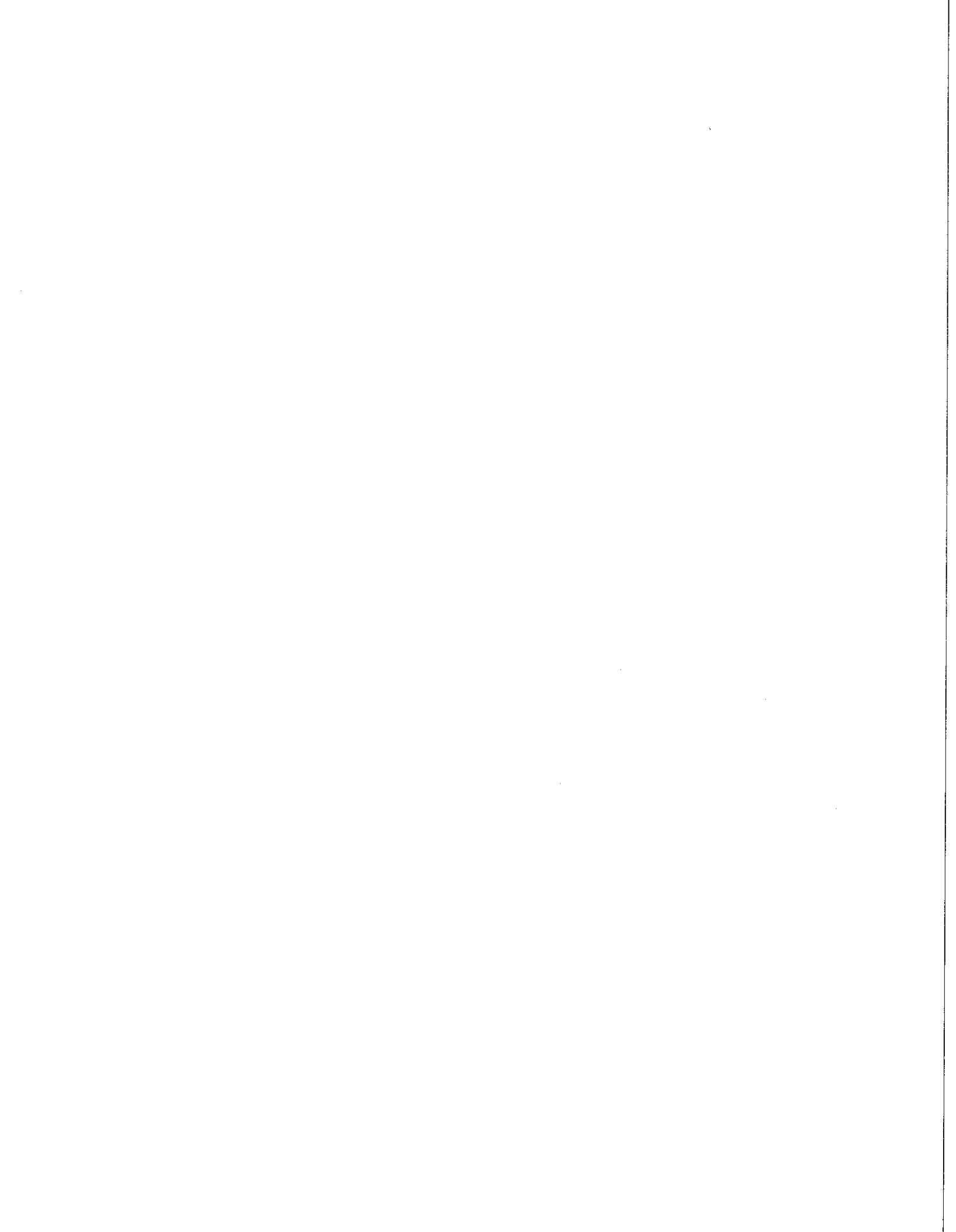
As an urban renewal agency, the Agency receives tax increment revenues; calculated on the assessed value over the frozen base, which was set at the time the urban renewal district was formed. When the Agency completes projects, it is actually investing in itself; as the value of property increases in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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



BROOKINGS URBAN RENEWAL AGENCY

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 718,954
Receivables	<u>54,138</u>
 TOTAL ASSETS	 <u>773,092</u>
<u>LIABILITIES</u>	
Accrued interest payable	10,652
Due to primary government	80,000
Long-term obligations:	
Due within one year	200,000
Due in more than one year	<u>2,685,000</u>
 TOTAL LIABILITIES	 <u>2,975,652</u>
<u>NET ASSETS (DEFICIT)</u>	
Unrestricted	<u>\$ (2,202,560)</u>

BROOKINGS URBAN RENEWAL AGENCY

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

	<u>Governmental Activities</u>
Program expenses	
General government	\$ 26,841
Interest on long-term obligations	<u>141,520</u>
TOTAL PROGRAM EXPENSES	<u>168,361</u>
General revenues	
Property taxes, levied for debt service	504,690
Unrestricted investment earnings	<u>4,169</u>
TOTAL GENERAL REVENUES	<u>508,859</u>
Change in net assets	340,498
NET ASSETS (DEFICIT) - beginning	<u>(2,543,058)</u>
NET ASSETS (DEFICIT) - ending	<u>\$ (2,202,560)</u>

BROOKINGS URBAN RENEWAL AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and investments	\$ 377,825	\$ 341,129	\$ 718,954
Receivables	<u>54,138</u>	<u>-</u>	<u>54,138</u>
TOTAL ASSETS	<u>\$ 431,963</u>	<u>\$ 341,129</u>	<u>\$ 773,092</u>
<u>LIABILITIES</u>			
Due to primary government	\$ 80,000	\$ -	\$ 80,000
Deferred revenue	<u>47,988</u>	<u>-</u>	<u>47,988</u>
TOTAL LIABILITIES	<u>127,988</u>	<u>-</u>	<u>127,988</u>
<u>FUND BALANCES</u>			
Restricted for:			
Urban renewal projects	303,975	-	303,975
Debt service	<u>-</u>	<u>341,129</u>	<u>341,129</u>
TOTAL FUND BALANCES	<u>303,975</u>	<u>341,129</u>	<u>645,104</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 431,963</u>	<u>\$ 341,129</u>	<u>\$ 773,092</u>

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

Fund Balances	\$ 645,104
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,895,652)
Long-term assets which are not available for current-period expenditures are deferred in the funds. However, such amounts are recognized as revenue in the government-wide financial statements	<u>47,988</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,202,560)</u>

BROOKINGS URBAN RENEWAL AGENCY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES			
Property taxes	\$ 497,314	\$ -	\$ 497,314
Interest	<u>2,691</u>	<u>1,478</u>	<u>4,169</u>
 TOTAL REVENUES	 <u>500,005</u>	 <u>1,478</u>	 <u>501,483</u>
 EXPENDITURES			
Current			
General government	26,841	-	26,841
Debt service	<u>-</u>	<u>307,130</u>	<u>307,130</u>
 TOTAL EXPENDITURES	 <u>26,841</u>	 <u>307,130</u>	 <u>333,971</u>
 Excess (deficiency) of revenues over expenditures	 <u>473,164</u>	 <u>(305,652)</u>	 <u>167,512</u>
 OTHER FINANCING SOURCES (USES)			
Transfer in	-	306,130	306,130
Transfer out	<u>(306,130)</u>	<u>-</u>	<u>(306,130)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(306,130)</u>	 <u>306,130</u>	 <u>-</u>
 Net change in fund balance	 167,034	 478	 167,512
Fund balance at beginning of year	<u>136,941</u>	<u>340,651</u>	<u>477,592</u>
 Fund balance at end of year	 <u>\$ 303,975</u>	 <u>\$ 341,129</u>	 <u>\$ 645,104</u>

BROOKINGS URBAN RENEWAL AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 167,512

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Taxes 7,376

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets. 165,000

Interest accrued on long-term obligations is an expense on the Statement of Activities however only amounts actually paid are expenditures in the funds 610

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 340,498

BROOKINGS URBAN RENEWAL AGENCY

**GENERAL (SPECIAL REVENUE) FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 481,345	\$ 481,345	\$ 497,314	\$ 15,969
Interest	2,000	2,000	2,691	691
TOTAL REVENUES	<u>483,345</u>	<u>483,345</u>	<u>500,005</u>	<u>16,660</u>
EXPENDITURES				
Materials and services	70,000	70,000	26,841	43,159
Capital outlay	587,215	587,215	-	587,215
TOTAL EXPENDITURES	<u>657,215</u>	<u>657,215</u>	<u>26,841</u>	<u>630,374</u>
Excess (deficiency) of revenues over expenditures	(173,870)	(173,870)	473,164	647,034
OTHER FINANCING SOURCES (USES)				
Transfers out	(306,130)	(306,130)	(306,130)	-
Net change in fund balance	(480,000)	(480,000)	167,034	647,034
Fund balance at beginning of year	480,000	480,000	136,941	(343,059)
Prior period adjustment	-	-	80,000	80,000
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>383,975</u>	<u>\$ 383,975</u>
Reconciliation to generally accepted accounting principles				
Advances to other funds			(80,000)	
Fund balances at end of year			<u>\$ 303,975</u>	

BROOKINGS URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies

A. Organization

The Agency, a component unit of the City of Brookings, was organized in July 2003 under ORS 457 and is a municipal corporation created by the City of Brookings to facilitate urban renewal within the boundaries of the City. The City Council serves as the governing body and is accountable for the fiscal matters of the Agency.

B. Urban Renewal Areas

Tax Allocation Bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The Agency (City Council) selects an urban renewal plan area and defines its boundaries.
- The County Assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance Urban Renewal Projects.
- Urban Renewal Tax Increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$15,825,000.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation, Measurement Focus, and Basis of Accounting

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Agency's fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The General Fund accounts for general administration of the Agency's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas.

The Debt Service Fund accounts for repayment of debt incurred by the Agency.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The Agency has elected to not follow FASB pronouncements issued after November 30, 1989.

In the government-wide financial statements when both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation, Measurement Focus, and Basis of Accounting (continued)

Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

D. Equity classification

In the government-wide and proprietary fund financial statements equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) requires governmental type fund balance amounts to be properly reported within one of the fund balance categories list below:

Non-spendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

D. Equity classification (continued)

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the Administrative Services Director to assign fund balance amounts.

Unassigned — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

E. Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally overexpended.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

F. Long-term Obligations

In the government-wide financial statements' long-term obligations are reported as liabilities in the governmental activities' Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Deposits

Investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits (continued)

Credit risk: Oregon statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

Interest Rate Risk: The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Custodial credit risk – Deposits: This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2012, none of the Agency's bank balances were exposed to custodial risk.

A. The Agency's deposits at June 30, 2012 are as follows:

Deposits with financial institutions	\$ <u>718,954</u>
--------------------------------------	-------------------

B. Cash by fund:

General	\$ 377,825
Debt service	<u>341,129</u>
Total deposits	\$ <u>718,954</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

A. The Agency's receivables at June 30, 2012 are shown below:

Property taxes \$ 54,138

B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15, and May 15. Curry County bills and collects property taxes for the Agency.

ii. Transactions

	Balances July 1, 2011	2011-12 Levy	Adjust- ments	Net Interest (Discounts)	Collec- tions	Balances June 30, 2012
Current	\$ -	\$ 520,010	\$ (5,615)	\$ (11,979)	\$ (475,937)	\$ 26,479
Prior	<u>47,939</u>	<u>-</u>	<u>(1,438)</u>	<u>2,535</u>	<u>(21,377)</u>	<u>27,659</u>
	<u>\$ 47,939</u>	<u>\$ 520,010</u>	<u>\$ (7,053)</u>	<u>\$ (9,444)</u>	<u>\$ (497,314)</u>	<u>\$ 54,138</u>

iii. Ensuing year's levy

The Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2012-13.

The tax rate limit of \$10 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

4. Deferred Revenue

Resources owned by the Agency, which are measurable, but not available, and therefore, deferred in the funds, consist of the following:

Property taxes \$ 47,988

5. Due to Primary Government

During 2010-11, the Agency borrowed \$80,000 from the City of Brookings in order to purchase land from the City which was subsequently sold by the Agency. This amount is to be repaid in annual installments equal to the tax increment that the City receives from the property sold at 220 Wharf Street Brookings, Oregon.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

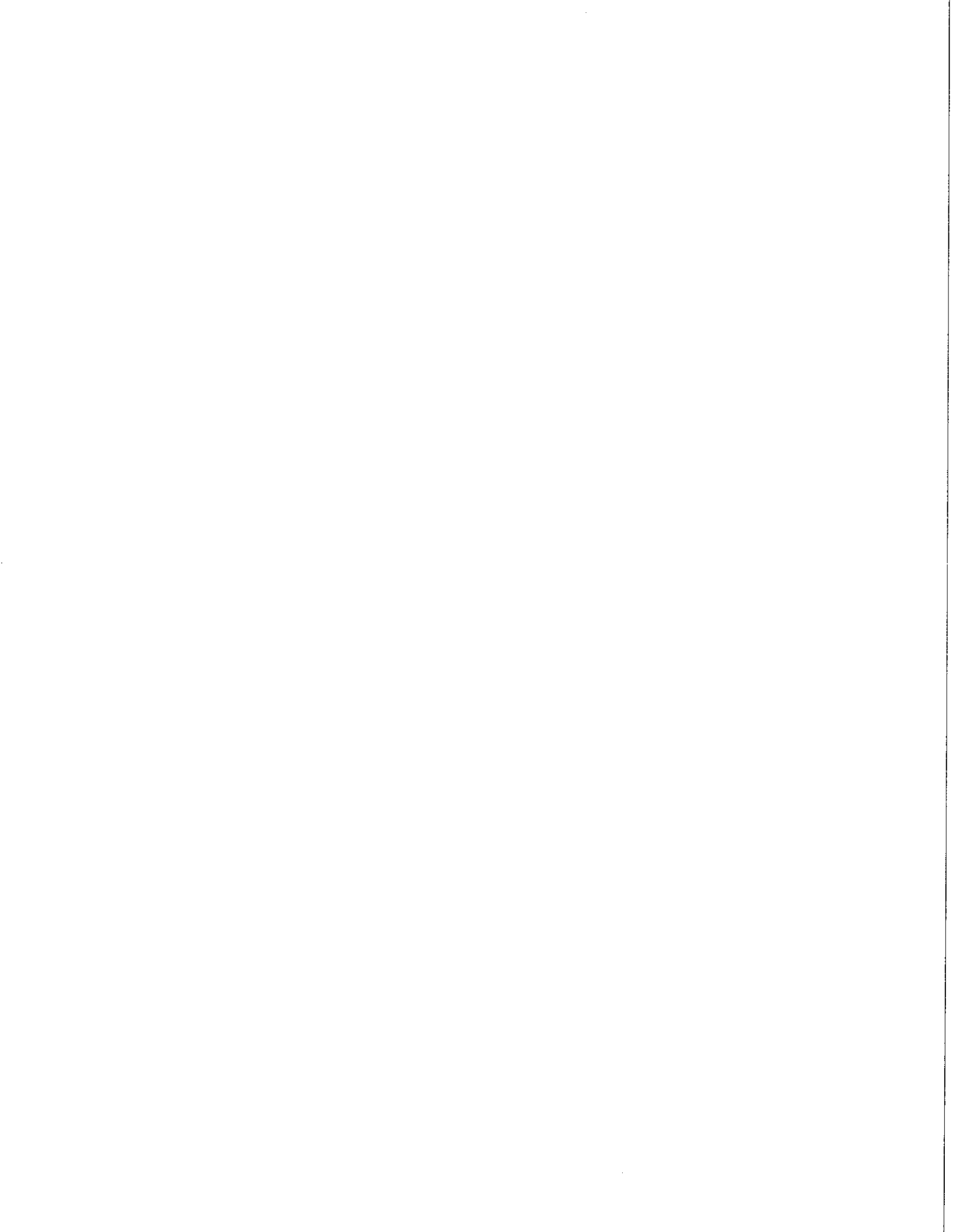
6. Long-term obligations

	Outstanding June 30, 2011	Additions	Reductions	Outstanding June 30, 2012	Balances Due Within One Year
Master Urban Renewal Tax Increment Revenue Bond Series 2008, original issue of \$3,400,000, due in annual principal payments and semi-annual interest payments of varying amounts over 12 years payable on December 1 and June 1 including interest at 4.66 percent, tax increment revenues are pledged as security					
Principal	\$ 3,050,000	\$ -	\$ 165,000	\$ 2,885,000	<u>\$ 200,000</u>
Interest	<u>11,262</u>	<u>141,520</u>	<u>142,130</u>	<u>10,652</u>	
Total governmental activities long-term obligations	<u>\$ 3,061,262</u>	<u>\$ 141,520</u>	<u>\$ 307,130</u>	<u>\$ 2,895,652</u>	

B. The future maturities of Governmental activities long-term obligations are as follows:

Fiscal Year	Master Urban Renewal Tax Increment Revenue Bond Series 2008	
	Principal	Interest
2013	\$ 200,000	\$ 744,441
2014	240,000	125,121
2015	290,000	113,937
2016	345,000	100,423
2017	400,000	84,346
2018-20	<u>1,410,000</u>	<u>128,849</u>
	<u>\$ 2,885,000</u>	<u>\$ 1,297,117</u>

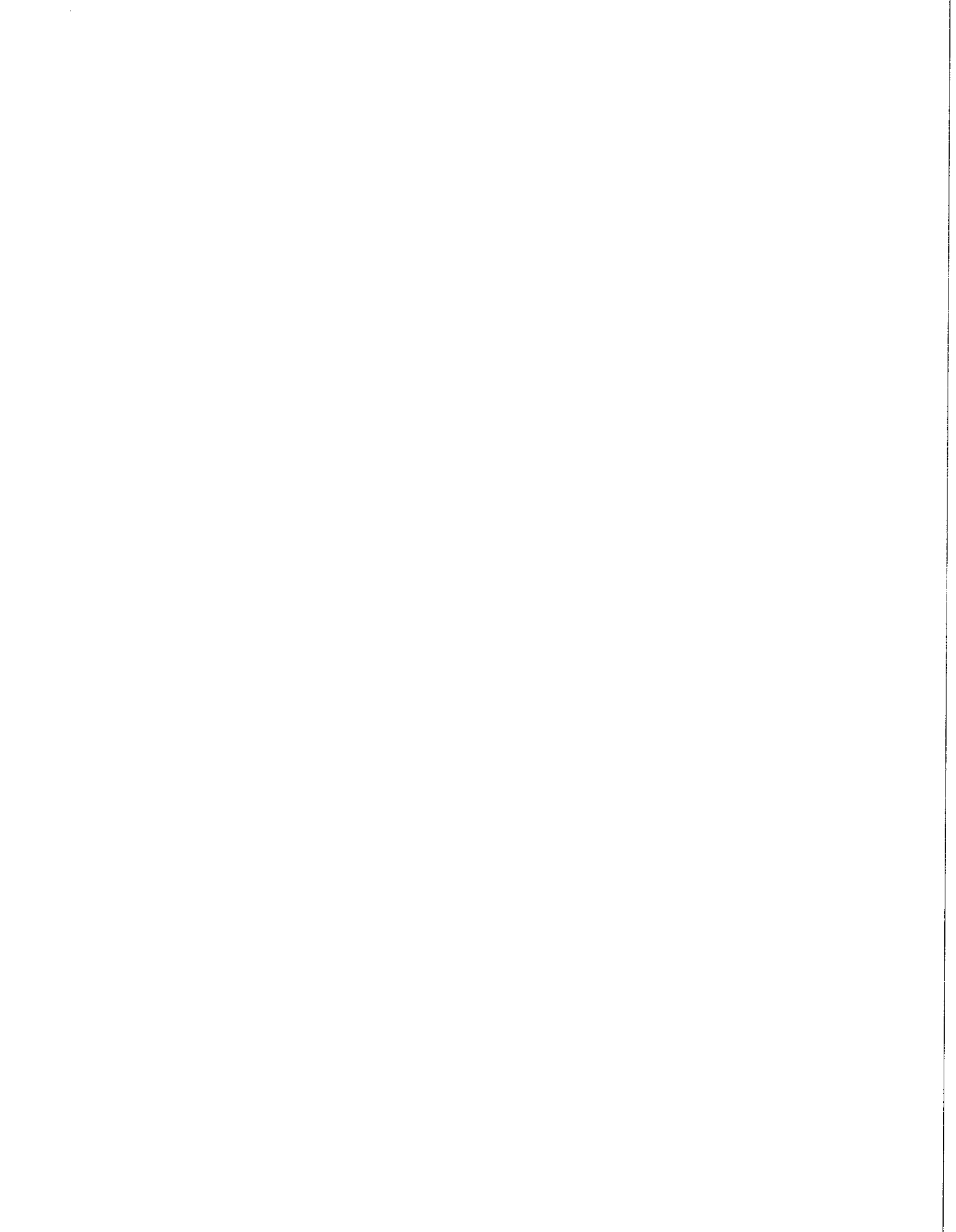
INDIVIDUAL FUND SCHEDULE



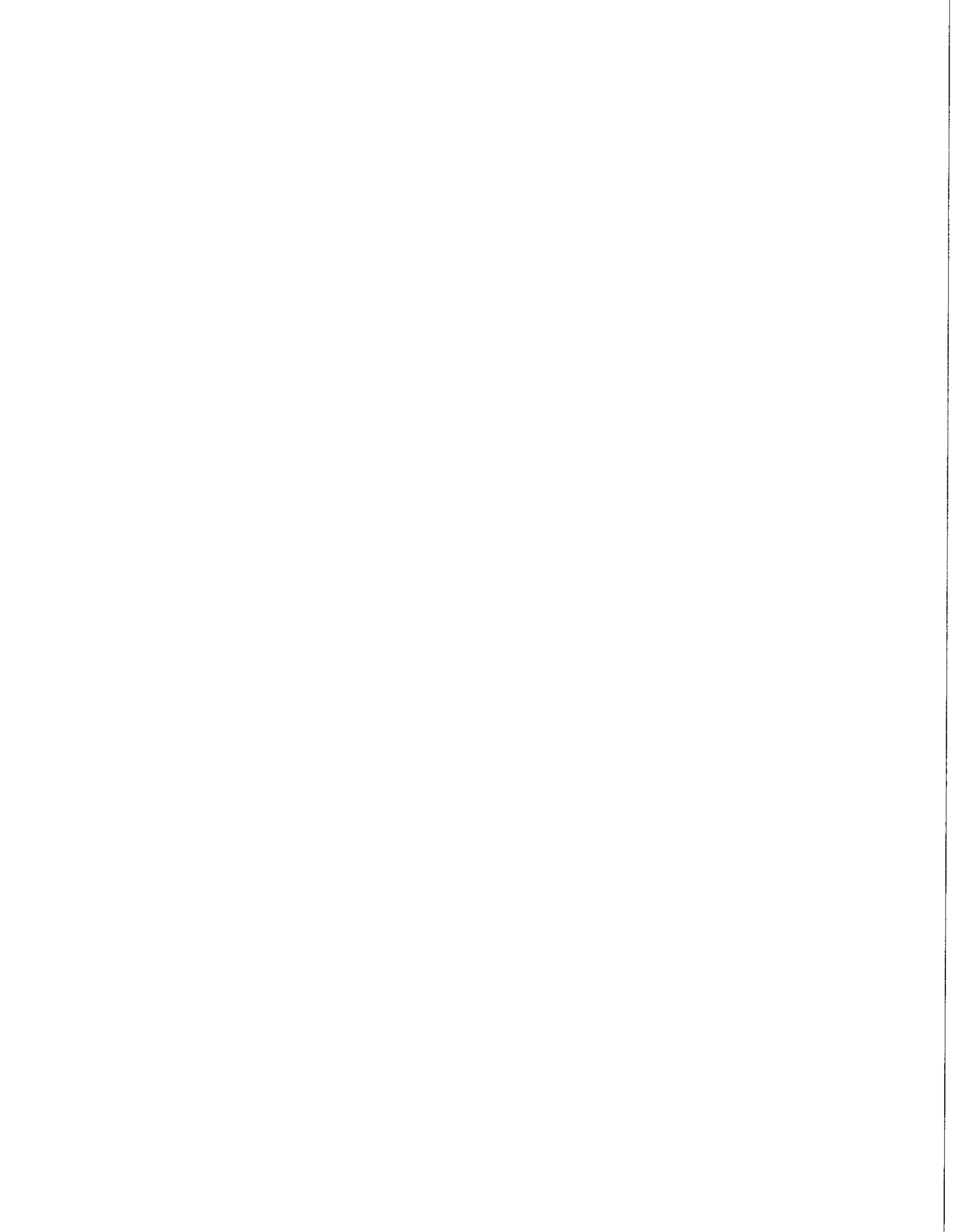
BROOKINGS URBAN RENEWAL AGENCY

**DEBT SERVICE - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended June 30, 2012**

	Original and Final Budget	Actual	Variance
REVENUES			
Interest	\$ 1,000	\$ 1,478	\$ 478
EXPENDITURES			
Debt service	<u>307,130</u>	<u>307,130</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(306,130)	(305,652)	478
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>306,130</u>	<u>306,130</u>	<u>-</u>
Net change in fund balance	-	478	478
Fund balance at beginning of year	<u>340,000</u>	<u>340,651</u>	<u>651</u>
Fund balance at end of year	<u>\$ 340,000</u>	<u>\$ 341,129</u>	<u>\$ 1,129</u>



**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS**





**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
 MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

Agency Officials
BROOKINGS URBAN RENEWAL AGENCY
 Brookings, Oregon

We have audited the basic financial statements of the BROOKINGS URBAN RENEWAL AGENCY as of and for the year ended June 30, 2012, and have issued our report thereon dated December 4, 2012. 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 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 162-10-240 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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).**

Agency Officials
BROOKINGS URBAN RENEWAL AGENCY
Brookings, Oregon

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control OAR 162-10-0230

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

This report is intended solely for the information and use of the agency officials and management of BROOKINGS URBAN RENEWAL AGENCY and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt, Carlisle & Smith

December 4, 2012