

**URBAN RENEWAL AGENCY**

**A Component Unit of the City of Eugene, Oregon**

**Annual Financial Report**



**Fiscal Year Ended  
June 30, 2011**



URBAN RENEWAL AGENCY

A Component Unit of the City of Eugene, Oregon

Annual Financial Report

Fiscal Year Ended June 30, 2011

(With Independent Auditors' Report Thereon)

Report Prepared by the City of Eugene  
Finance Division



URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Annual Financial Report

Year Ended June 30, 2011

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URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Annual Financial Report

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URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Eugene City Hall  
777 Pearl Street  
Eugene, Oregon 97401

Principal officials as of June 30, 2011

	<u>Name</u>	<u>Term Expires</u>
<b>Mayor:</b>	Kitty Piercy	January 2013
<b>Board Members:</b>	George Brown	January 2013
	Betty Taylor	January 2013
	Alan Zelenka	January 2015
	George Poling	January 2015
	Mike Clark	January 2015
	Pat Farr	January 2015
	Andrea Ortiz	January 2013
	Chris Pryor	January 2013
<b>Administrator:</b>	Jon R. Ruiz	

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## INDEPENDENT AUDITORS' REPORT



To the Honorable Mayor, Members of the Urban Renewal Agency Board and Administrator of the Urban Renewal Agency of the City of Eugene, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Eugene, Oregon ("Urban Renewal Agency") (a component unit of the City of Eugene, Oregon) as of and for the year ended June 30, 2011, which collectively comprise the Urban Renewal Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Urban Renewal 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 Urban Renewal Agency as of June 30, 2011, and the respective changes in financial position 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 (pages 5 through 9) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis 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 Urban Renewal Agency's basic financial statements. The budgetary comparison information (pages 31 through 32) and other supplementary information (pages 35 through 38) are presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

**ISLER CPA**

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

By: Gary Iskra, CPA, a member of the firm

Eugene, Oregon  
December 15, 2011

## Management's Discussion and Analysis

The management of the Urban Renewal Agency (Agency), a component unit of the City of Eugene, Oregon presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the Agency for the fiscal year ended June 30, 2011. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditors' report.

### Financial Highlights

- The net assets of the Agency (assets less liabilities) at June 30, 2011 were \$8,083,396. Of this amount, \$3,346,926 was unrestricted.
- At June 30, 2011, the Agency's governmental funds reported combined ending fund balances of \$8,135,206. Of that amount, \$6,267,974 is available for spending at the Agency's discretion.
- The General Fund's spendable fund balance was \$678,776 at the end of the current fiscal year. General Fund expenditures for the current fiscal year were \$6,284,667.

### Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Examples of such items include earned, but uncollected, property taxes.

The Agency focuses on planning and development activities within the boundaries of the two urban renewal districts in the City of Eugene. Both government-wide financial statements provide information on these activities, which is supported mainly by property taxes.

The government-wide financial statements can be found on Exhibits 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental funds. Governmental funds are used to account for activities where emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Exhibits 3 and 5 of this report.

The Agency maintains two taxing districts within the urban renewal boundary: the Downtown District and the Riverfront District. The Agency maintains five individual governmental funds to account for these two districts: a general fund, a debt service fund, and a capital projects fund for the Downtown District; and a special revenue fund and a capital projects fund for the Riverfront District. Information for each fund is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

The basic governmental fund financial statements can be found on Exhibits 3 and 4 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

Required supplementary information. The Agency adopts an annual appropriated budget for all its funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General Fund and the Riverfront Special Revenue Fund as required supplementary information.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$8,083,396 at the close of the most recent fiscal year. This compares to net assets of \$19,790,738 in the previous year.

A portion of the Agency's net assets (58.6%) reflects its investment in capital assets (land, construction in progress, improvements, and infrastructure). The Agency uses these capital assets to plan and develop designated properties within the urban renewal boundary. Consequently, these assets are not available for future spending. The remaining balance of net assets (\$3,346,926) may be used to meet the government's ongoing obligations within the urban renewal boundary.

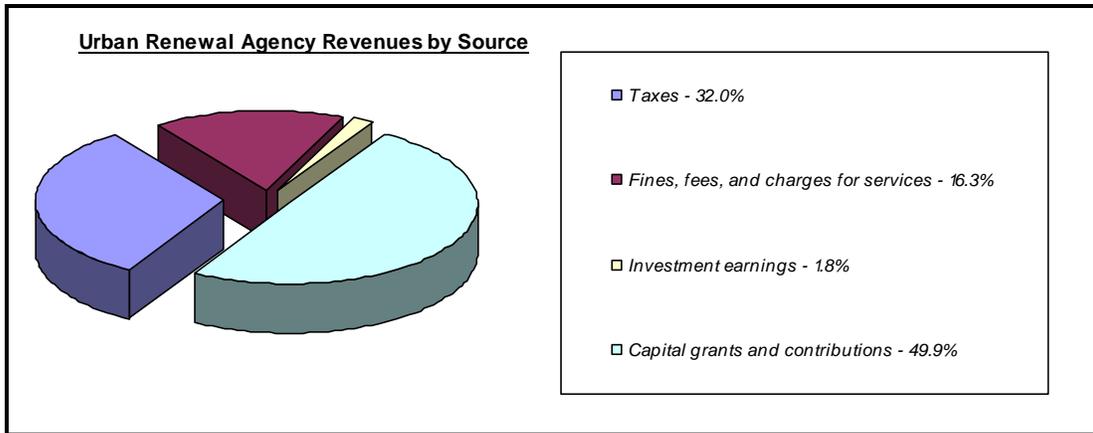
Net assets have been reduced at the close of the most recent fiscal year due to project activities undertaken pursuant to the Downtown District plan and through the Downtown Redevelopment Loan Program. The projects that were undertaken in the most recent fiscal year included:

- Support for development of Lane Community College's Downtown Campus. The Agency's participation in this project included a transfer of property to LCC, which resulted in a \$0.5 million contribution of assets held for resale. The Agency also provided an \$8.0 million grant for the campus project. This grant was funded through the issuance of tax increment bonds (\$3.5 million) plus a drawdown of Agency cash of \$4.5 million.

- Public parking and public safety improvements. The Agency issued \$4.4 million in tax increment bonds to refinance bonds sold by the City of Eugene to fund construction of the Broadway Garages.
- Redevelopment of Centre Court building. The Agency provided loans to Beam Properties Eugene LLC for redevelopment of the Centre Court building in downtown Eugene. The loans were funded through a US Housing & Urban Development Section 108 Loan and a Brownfields Economic Development Initiative Grant.
- Redevelopment of the former Woolworth Site. The Agency provided a loan to Woolworth Properties for redevelopment of a vacant lot next to the Centre Court building in Downtown Eugene.

<b>Urban Renewal Agency's Net Assets</b>		
	2011	2010
Current and other assets	\$ 11,289,222	14,796,515
Capital assets	4,736,470	5,000,946
Total assets	<u>16,025,692</u>	<u>19,797,461</u>
Noncurrent liabilities	7,183,000	0
Other liabilities	759,296	6,723
Total liabilities	<u>7,942,296</u>	<u>6,723</u>
Net assets:		
Invested in capital assets	4,736,470	5,000,946
Unrestricted	3,346,926	14,789,792
Total net assets	<u>\$ 8,083,396</u>	<u>19,790,738</u>

<b>Urban Renewal Agency's Change in Net Assets</b>		
	2011	2010
Revenues:		
Program revenues:		
Fines, fees, and charges for services	\$ 1,352,817	598,638
Capital grants and contributions	4,149,682	0
General revenues:		
Taxes	2,657,872	2,518,707
Investment earnings	149,078	201,448
Total revenues	<u>8,309,449</u>	<u>3,318,793</u>
Expenses:		
Urban renewal redevelopment	20,016,791	4,003,150
Total expenses	<u>20,016,791</u>	<u>4,003,150</u>
Increase (decrease) in net assets	(11,707,342)	(684,357)
Net assets, July 1	19,790,738	20,475,095
Net assets, June 30	<u>\$ 8,083,396</u>	<u>19,790,738</u>



### Fund-based Financial Analysis

As previously discussed, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency reported combined ending fund balances of \$8,135,206. Approximately 77% of this total amount (\$6,267,974) is available for spending at the Agency's discretion. The remainder of fund balance (\$1,867,232) is not available for new spending because it includes nonspendable assets held for resale.

The General Fund is the chief operating fund of the Agency. At the end of the current fiscal year, the total fund balance was \$678,776, all of which was available to spend.

### General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$3.1 million. This increase was funded by unspent resources from the prior year and current year resources.

### Capital Assets and Debt Administration

Capital assets. The Agency's investment in capital assets for its governmental activities as of June 30, 2011 amounted to \$4,736,470 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, improvements, and infrastructure.

Urban Renewal Agency's Capital Assets, Net of Accumulated Depreciation		
	2011	2010
Land	\$ 2,215,459	2,215,459
Improvements	1,350,587	1,513,903
Infrastructure	1,170,424	1,271,584
Total capital assets	\$ 4,736,470	5,000,946

Additional information on the Agency's capital assets can be found in note (4)(C) of this report.

Noncurrent liabilities. On May 25, 2011, the Agency issued \$7,900,000 of Downtown Urban Renewal District Tax Increment Bonds, Series 2011 A, bearing a fixed interest rate of 5.20% and maturing on June 1, 2020. The proceeds of the bonds were used to refund \$4.4 million in debt service associated with the City's Broadway Garages limited tax bonds and \$3.5 million in financial assistance to Lane Community College for construction of their new Downtown campus.

### **Next Year's Budgets and Rates**

For FY12, the following factors were taken into account when developing the urban renewal budgets:

- Property taxes are predicted to decrease in the downtown district in FY12 due to a small decrease in the estimated collection rate. Property taxes in the Riverfront District are budgeted to increase slightly due to a higher tax rate applied for the division of tax calculation.
- The property tax collection rate for both districts is estimated to be 94% in FY12. The FY11 actual was approximately 97% for both current and delinquent taxes.

The Downtown District will continue to implement redevelopment of properties in FY12. The budget includes additional construction loans to Beam Development for renovating the Centre Court building, a contribution to the Lane Community College Downtown Campus at the 10<sup>th</sup> & Charnelton site, as well as Farmers' Market improvements and downtown lighting improvements.

There are no new projects planned in the Riverfront District for FY12, although planning continues for the EWEB property.

### **Requests for Information**

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Fionan Cronin, CPA  
Assistant Finance Director  
City of Eugene  
100 West 10<sup>th</sup> Avenue, Suite 400  
Eugene, Oregon 97401

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## **BASIC FINANCIAL STATEMENTS**

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**Statement of Net Assets**

June 30, 2011

(amounts in dollars)

Assets

Equity in pooled cash and investments	6,228,511
Receivables (net of allowance)	3,174,835
Due from other governments	18,644
Assets held for resale	1,867,232
Capital assets:	
Land and construction in progress	2,215,459
Other capital assets (net of accumulated depreciation)	2,521,011
<b>Total assets</b>	<b>16,025,692</b>

Liabilities

Accounts payable and other liabilities	42,280
Due to other governments	16
Bonds payable	717,000
<b>Total current liabilities</b>	<b>759,296</b>

Noncurrent liabilities

Bonds payable	7,183,000
<b>Total noncurrent liabilities</b>	<b>7,183,000</b>
<b>Total liabilities</b>	<b>7,942,296</b>

Net assets

Invested in capital assets	4,736,470
Unrestricted	3,346,926
<b>Total net assets</b>	<b>8,083,396</b>

*The accompanying notes are an integral part of the financial statements.*

**Statement of Activities**

For the fiscal year ended June 30, 2011

(amounts in dollars)

	<u>Program Revenues</u>				Net Expense and Changes in Net Assets
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
<u>Functions/Programs</u>					
<u>Governmental activities:</u>					
Urban renewal redevelopment	20,016,791	1,352,817	0	4,149,682	(14,514,292)
Total governmental activities	20,016,791	1,352,817	0	4,149,682	(14,514,292)
<u>General revenues:</u>					
Property taxes					2,657,872
Unrestricted investment earnings					149,078
Total general revenues					2,806,950
Change in net assets					(11,707,342)
Net assets, July 1, 2010					19,790,738
Net assets, July 1, 2011					8,083,396

*The accompanying notes are an integral part of the financial statements.*

**Balance Sheet***Governmental Funds*

June 30, 2011

(amounts in dollars)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Riverfront Special Revenue</u>	<u>Riverfront Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Equity in pooled cash and investments	657,941	372,305	740,531	4,293,991	163,743	6,228,511
Receivables:						
Interest	6,782	36,743	0	8,853	0	52,378
Taxes	0	133,486	0	46,745	0	180,231
Accounts	68,715	0	0	0	0	68,715
Loans and notes	3,071,565	0	0	0	0	3,071,565
Allowance for uncollectibles	(54,602)	0	0	0	0	(54,602)
Due from other governments	0	13,947	0	4,697	0	18,644
Assets held for resale	0	0	0	0	1,867,232	1,867,232
<b>Total assets</b>	<b>3,750,401</b>	<b>556,481</b>	<b>740,531</b>	<b>4,354,286</b>	<b>2,030,975</b>	<b>11,432,674</b>
<u>Liabilities and Fund Balances</u>						
<u>Liabilities</u>						
Accounts payable	60	0	0	0	0	60
Due to other governments	0	0	0	16	0	16
Deferred revenue	3,071,565	170,229	0	55,598	0	3,297,392
<b>Total liabilities</b>	<b>3,071,625</b>	<b>170,229</b>	<b>0</b>	<b>55,614</b>	<b>0</b>	<b>3,297,468</b>
<u>Fund balances</u>						
Nonspendable	0	0	0	0	1,867,232	1,867,232
Restricted	678,776	386,252	740,531	4,298,672	163,743	6,267,974
<b>Total fund balances</b>	<b>678,776</b>	<b>386,252</b>	<b>740,531</b>	<b>4,298,672</b>	<b>2,030,975</b>	<b>8,135,206</b>
<b>Total liabilities and fund balances</b>	<b>3,750,401</b>	<b>556,481</b>	<b>740,531</b>	<b>4,354,286</b>	<b>2,030,975</b>	

Reconciliation to the Statement of Net Assets:

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.

3,153,940

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.

4,736,470

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.

(7,942,220)

Total net assets

8,083,396

*The accompanying notes are an integral part of the financial statements.*

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the fiscal year ended June 30, 2011

(amounts in dollars)

	General	Debt Service	Capital Projects	Riverfront Special Revenue	Riverfront Capital Projects	Total Governmental Funds
<b>Revenues</b>						
Taxes	0	1,859,593	0	812,557	0	2,672,150
Intergovernmental	4,149,682	0	0	0	0	4,149,682
Rental income	36,622	0	0	63,000	0	99,622
Charges for services	13,230	0	0	0	0	13,230
Repayment of revolving loans	259,022	0	0	0	0	259,022
Miscellaneous, primarily interest	14,519	41,315	2,266	36,077	1,390	95,567
<b>Total revenues</b>	<b>4,473,075</b>	<b>1,900,908</b>	<b>2,266</b>	<b>911,634</b>	<b>1,390</b>	<b>7,289,273</b>
<b>Expenditures</b>						
Current - departmental:						
Urban renewal redevelopment	5,745,738	0	0	145,493	0	5,891,231
Debt service:						
Issuance costs	0	27,851	0	0	0	27,851
Contribution of asset held for resale	538,929	0	0	0	0	538,929
Intergovernmental	0	13,252,084	0	0	0	13,252,084
<b>Total expenditures</b>	<b>6,284,667</b>	<b>13,279,935</b>	<b>0</b>	<b>145,493</b>	<b>0</b>	<b>19,710,095</b>
Excess (deficiency) of revenues over expenditures	(1,811,592)	(11,379,027)	2,266	766,141	1,390	(12,420,822)
<b>Other financing sources (uses)</b>						
Proceeds of debt issuance	0	7,900,000	0	0	0	7,900,000
Transfers in	246,411	0	500,000	0	0	746,411
Transfers out	0	(746,411)	0	0	0	(746,411)
<b>Total other financing sources (uses)</b>	<b>246,411</b>	<b>7,153,589</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>7,900,000</b>
Net change in fund balances	(1,565,181)	(4,225,438)	502,266	766,141	1,390	(4,520,822)
Fund balances, July 1, 2010	2,243,957	4,611,690	238,265	3,532,531	2,029,585	12,656,028
<b>Fund balances, June 30, 2011</b>	<b>678,776</b>	<b>386,252</b>	<b>740,531</b>	<b>4,298,672</b>	<b>2,030,975</b>	<b>8,135,206</b>

The accompanying notes are an integral part of the financial statements.

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the fiscal year ended June 30, 2011

(amounts in dollars)

Net change in fund balances - total governmental funds (4,520,822)

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

Governmental funds do not report expenditures for unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs. (42,221)

Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense. (264,476)

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. 1,020,177

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets. (7,900,000)

Change in net assets of governmental activities. (11,707,342)

*The accompanying notes are an integral part of the financial statements.*

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# URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

## Notes to Basic Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The financial statements of the Urban Renewal Agency (Agency) of the City of Eugene, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The more significant of the Agency's accounting policies are described below.

(A) The Financial Reporting Entity

The Agency's governing body is identical to the Eugene City Council, and because the services of the Agency are exclusively for the benefit of the City, the Agency has been determined under standards established by Governmental Accounting Standards Board Statement No. 14 to be a component unit of the City. As a result, the funds of the Agency are blended with those of the City by including them in the appropriate statements and schedules of the City's Comprehensive Annual Financial Report, copies of which can be obtained from the Finance Division of the City.

(B) Organization and Operation

The Urban Renewal Agency of the City of Eugene was established on July 10, 1967 as a separate political body charged with the responsibility to implement the Central Eugene Project (now known as the Downtown District) and Urban Renewal Plan. On May 24, 1982, the powers granted to the Agency under Oregon Revised Statutes Chapter 457 were transferred to the City Council of Eugene. On September 11, 1985 the Eugene City Council adopted the Riverfront Research Park Urban Renewal Plan.

The accounts of the Agency are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balances, revenues, and expenditures.

(C) Government-wide and Fund Financial Statements

The government-wide financial statements (Exhibits 1 and 2) report information on all activities of the Agency. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities (Exhibit 2) demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include 1) fines, fees, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Grants and contributions not restricted are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are also reported as general revenues.

Fund financial statements (Exhibits 3 and 4) are provided for all governmental funds.

continued

## URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

### Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is measured by a fund. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are reported in the Statement of Net Assets. The increases and decreases in those net assets are reported in the Statement of Activities. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are accounted for using a current financial resources measurement focus. The Balance Sheet generally reports only current assets and current liabilities; and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recorded when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures, other than interest on long-term obligations, are recorded when the fund liability is incurred.

Real and personal property taxes were levied as of July 1 for the fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Lane County and remitted to the Agency. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred revenues. In the government-wide financial statements, property tax revenues are fully recognized at the time of levy. Property taxes which are held at year-end by the collecting agency, Lane County, and are remitted to the City within the 60-day period are reported as "Due from other governments."

Repayment of revolving loans and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Rental income is typically received in advance and is deferred when appropriate.

#### Governmental Funds

Governmental funds finance all of the functions of the Agency. The measurement focus is upon determination of changes in current financial resources, rather than upon net income determination. The following are the Agency's Downtown District governmental funds:

##### General Fund

The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are rental income, interest on investments, principal and interest payments on outstanding loans, and transfers from the Debt Service Fund. Primary expenditures of the General Fund are made for downtown development loans and grants as well as administration costs.

continued

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental Funds, continued

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of tax increment resources and the payment of debt service on tax increment bonds, as well as intergovernmental expenditures to the City, and other expenditures within the district.

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities within the Downtown District.

The following are the Agency's Riverfront District governmental funds:

Riverfront Special Revenue Fund

The Riverfront Special Revenue Fund is used to account for the proceeds of specific revenue sources that are externally restricted to expenditures for the Riverfront District.

Riverfront Capital Projects Fund

The Riverfront Capital Projects Fund is used to account for the financial resources that are restricted to expending for acquisition or construction of major capital facilities within the Riverfront District.

(E) Equity in Pooled Cash and Investments

The Agency invests cash through the City into various investment programs. Policies adopted by the Investment Advisory Board and the Eugene City Council authorize the City to invest in obligations of the U.S. Treasury and its agencies, time certificates of deposit, bankers' acceptances, municipal bonds, corporate bonds, commercial paper, repurchase agreements, reverse repurchase agreements, and the Oregon Local Government Investment Pool (LGIP).

It is the City's policy to report at amortized cost all short-term, highly-liquid money market investments (including corporate bonds, commercial paper, bankers' acceptances, municipal bonds, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts with a remaining maturity at time of purchase of one year or less. Such investments are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method. Callable investments purchased at a discount are amortized to the maturity date, and callable investments purchased at a premium are amortized to the first call date. Investments with a remaining maturity at time of purchase of more than one year are valued at fair value.

The City maintains a common cash and investments pool for all City funds, including funds of the Agency. Interest earned on the pooled cash and investments is allocated quarterly based on each fund's average cash and investments balance as a proportion of the City's total pooled cash and investments. The City considers "cash" to include the pooled cash and investments, since the pool has the general characteristics of a demand deposit account, in that any participating fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(F) Receivables

All receivables are shown net of an allowance for uncollectibles in the Statement of Net Assets and the Governmental Funds Balance Sheet.

(G) Capital Assets

Capital assets are defined as tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The capitalization threshold for capital assets is \$5,000. Tangible assets include land, right-of-way (included with land), improvements, and infrastructure. Intangible assets include copyrights, trademarks, and computer software.

Except for infrastructure placed in service prior to July 1, 1980, all capital assets have been capitalized in the government-wide financial statements. In accordance with the current financial resources measurement focus, capital assets are not capitalized in the governmental fund financial statements.

All purchased capital assets are valued at historical cost. Historical cost is measured by the cash or cash equivalent price of obtaining an asset, including ancillary charges necessary to place the asset into its intended location and condition for use. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Amounts expended for maintenance and repairs are charged to expenditures in the appropriate funds as incurred and are not capitalized.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land). Depreciation is an accounting process used to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of the capital asset. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets net of accumulated depreciation intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Infrastructure assets are depreciated using a composite depreciation method. All other categories of assets are depreciated on the straight-line basis of accounting. The estimated useful lives of the various categories of assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>
Improvements	20 years
Infrastructure	25 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

Capital assets are reported net of accumulated depreciation in the Statement of Net Assets, and depreciation expense is reported in the Statement of Activities in the urban renewal redevelopment function.

(H) Fund Balances

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies, continued

(H) Fund Balances, continued

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

(I) Indirect Expenses

The Agency's Statement of Revenues, Expenditures, and Changes in Fund Balances include reimbursement to the City's Central Services department for general services provided to the Agency by the City's General Fund. The charge for general service costs is based on an approved overhead rate applied to direct costs. The indirect cost reimbursement has been included in program expenses in the Statement of Activities.

(2) Reconciliation of Government-wide and Fund Financial Statements

(A) Explanation of Certain Differences Between the Government-wide Statement of Net Assets and the Governmental Fund Balance Sheet

The Balance Sheet for governmental funds (Exhibit 3) includes a reconciliation between total fund balances and total net assets in the Statement of Net Assets (Exhibit 1). The following are selected elements of that reconciliation:

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds. The details of this \$3,153,940 difference are as follows:

Receivables:	
Interest	\$ 45,597
Taxes	180,231
Loans and notes	<u>3,071,565</u>
Subtotal	3,297,393
Allowance for uncollectibles	<u>(143,453)</u>
Net adjustment	<u><u>\$ 3,153,940</u></u>

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value. The details of this \$4,736,470 difference are as follows:

Capital assets (net of accumulated depreciation) reported in the Statement of Net Assets:	
Land and construction in progress	\$ 2,215,459
Other capital assets (net of accumulated depreciation)	<u>2,521,011</u>
Net adjustment	<u><u>\$ 4,736,470</u></u>

continued

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(2) Reconciliation of Government-wide and Fund Financial Statements, continued

(A) Explanation of Certain Differences Between the Government-wide Statement of Net Assets and the Governmental Fund Balance Sheet, continued

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds. The details of this \$7,942,220 difference are as follows:

Bonds payable	(7,900,000)
Accrued interest payable	<u>(42,220)</u>
Net adjustment	<u>\$ (7,942,220)</u>

(B) Explanation of Certain Differences Between the Government-wide Statement of Activities and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities is provided at Exhibit 5. The following are selected elements of that reconciliation:

Governmental funds do not report expenditures for unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs. The details of this \$42,221 difference are as follows:

Accrued interest	<u>\$ (42,221)</u>
------------------	--------------------

Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense. The details of this \$264,476 difference are as follows:

Depreciation expense	<u>\$ (264,476)</u>
----------------------	---------------------

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenue at their net realizable value when earned, regardless of when collected. The details of this \$1,020,177 difference are as follows:

Change in deferred revenue from the following sources:	
Property taxes receivable	\$ (13,252)
Notes receivable	<u>1,087,064</u>
Subtotal	1,073,812
Change in the allowance for doubtful receivables	<u>(53,635)</u>
Net adjustment	<u>\$ 1,020,177</u>

continued

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(2) Reconciliation of Government-wide and Fund Financial Statements, continued

(B) Explanation of Certain Differences Between the Government-wide Statement of Activities and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances, continued

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets. The details of this \$7,900,000 difference are as follows:

Debt issued:	
Issuance of tax increment bonds	\$ <u>(7,900,000)</u>

(3) Stewardship, Compliance, and Accountability

(A) Budgetary Information

The City of Eugene submits to the City Council of Eugene (acting as the Urban Renewal Agency Board under provisions of Oregon Revised Statute 457.460) a proposed operating and capital budget a sufficient length of time in advance to allow adoption of the budget prior to July 1.

Prior to July 1, the Agency legally adopts its annual budget for all funds through passage of a resolution. The resolution authorizes fund appropriations as current annual departmental requirements, debt service, capital outlay, interfund transfers, interfund loans, intergovernmental, and miscellaneous fiscal transactions. Expenditures cannot legally exceed appropriations at these control levels. Appropriations which have not been spent at year-end lapse, although an amending resolution passed in the subsequent year specifically provides for the reappropriation of prior-year lapsed encumbrances.

Unexpected additional resources, or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the Agency. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by passing an Agency resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 294.565 (Oregon Budget Law). The net effect of amending resolutions passed during the fiscal year was an appropriation increase of \$3.1 million.

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds

(A) Equity in Pooled Cash and Investments

The City maintains a common cash and investments pool that is available for use by all funds, including the Agency. The Agency's portion of this pool is displayed in the Statement of Net Assets and the Balance Sheet as "Equity in pooled cash and investments." Cash and investments are comprised of the following at June 30, 2011:

Deposits with banks	\$	277,617
Investments		<u>5,950,894</u>
	\$	<u><u>6,228,511</u></u>

Detailed information for the Agency's pooled cash and investments can be found in the City of Eugene's FY11 Comprehensive Annual Financial Report (Notes to Basic Financial Statements).

(B) Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, and for resources that have been received but not yet earned. At June 30, 2011, the deferred revenue reported in the Balance Sheet for governmental funds consist of the following:

		<u>Total</u>
Property taxes receivable:		
Debt Service	\$	133,486
Riverfront Special Revenue		46,745
Notes receivable:		
General		3,071,565
Other:		
Debt Service		36,743
Riverfront Special Revenue		<u>8,853</u>
Total deferred revenue	\$	<u><u>3,297,392</u></u>

continued

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(C) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 2,215,459	0	0	2,215,459
Total capital assets, not being depreciated	2,215,459	0	0	2,215,459
Capital assets, being depreciated				
Improvements	3,747,984	0	0	3,747,984
Infrastructure	2,645,718	0	0	2,645,718
Total capital assets being depreciated	6,393,702	0	0	6,393,702
Less accumulated depreciation for:				
Improvements	(2,234,081)	(163,316)	0	(2,397,397)
Infrastructure	(1,374,134)	(101,160)	0	(1,475,294)
Total accumulated depreciation	(3,608,215)	(264,476)	0	(3,872,691)
Total capital assets, being depreciated, net	2,785,487	(264,476)	0	2,521,011
Governmental activities capital assets, net	\$ 5,000,946	(264,476)	0	4,736,470

(D) Noncurrent Liabilities

The Urban Renewal Agency issues tax increment bonds to finance major construction projects within its districts. These bonds are serviced by property tax increment revenues. When an urban renewal district is first created, the assessed property value within the district boundaries is established as a "frozen base". The urban renewal agency receives property taxes related to the incremental increase in the property value that is in excess of the "frozen base".

On May 25, 2011, the Agency issued \$7,900,000 of Downtown Urban Renewal District Tax Increment Bonds, Series 2011 A, bearing a fixed interest rate of 5.20% and maturing on June 1, 2020. The proceeds of the bonds were used to refund \$4.4 million in debt service associated with the City's Broadway Garages limited tax bonds and \$3.5 million in financial assistance to Lane Community College for construction of their new Downtown campus.

The refunding of the City's Broadway Garages Limited Tax Bonds resulted in an economic gain despite the net cost from refunding. The economic gain realized in this refunding was \$84,000 and the net cost resulting from the refunding was as follows:

Cash flow requirements to service old debt	\$	5,574,191
Less: Cash flow requirements for new debt		(5,600,976)
Net cash from refunding	\$	(26,785)

continued

URBAN RENEWAL AGENCY OF THE CITY OF EUGENE, OREGON

Notes to Basic Financial Statements

(4) Detailed Notes on All Funds, continued

(D) Noncurrent Liabilities, continued

Annual debt service requirements to maturity for the tax increment bonds are as follows:

Fiscal year ending June 30	Principal	Interest
2012 \$	717,000	410,800
2013	754,000	373,516
2014	794,000	334,308
2015	835,000	293,020
2016	878,000	249,600
2017-2020	<u>3,922,000</u>	<u>517,348</u>
	<u>\$ 7,900,000</u>	<u>2,178,592</u>

(5) Other Information

(A) Risk Management

The Agency is a participant in the City's Risk and Benefits Internal Service Fund which accounts for and finances its risks of loss. The Risk and Benefits Fund has a self-insured liability program which covers personal injury, public official errors and omissions, automobile, and employer's liability, with a maximum self-insured retention of \$2,000,000 per occurrence. In addition, the Risk and Benefits Fund has a self-insured workers' compensation program which covers employees' work related illnesses and injuries, including employer's liability, with a maximum self-insured retention of \$1,000,000 per occurrence.

The Agency, as a participant in the Risk and Benefits Fund, retains a portion of the risk of loss for general liability. Coverage for workers' compensation, general liability, and employees' medical claims in excess of the self-insurance retention limit is purchased from commercial insurers. The Risk and Benefits Fund also purchases all-risk property insurance coverage from a commercial insurer. The property insurance policy has a basic \$25,000 deductible, with earthquake and flood insurance coverage subject to the following deductibles: flood - \$250,000 deductible per occurrence; earthquake - 2% of the combined value of the property at the location, subject to a minimum deductible of \$100,000 per location and the deductible applies separately to each location.

(B) Commitments

In September 2010, the City and the Agency entered into an intergovernmental agreement whereby a portion of the Agency's tax increment revenues are to be used to provide resources to cover debt service associated with the limited tax bonds issued by the City to finance construction of the Broadway Garages. During the current fiscal year, the Agency's Debt Service Fund recorded intergovernmental expenditures of \$740,506 to pay the annual principal and interest payments on the debt.

On May 25, 2011, the Agency issued Tax Increment Bonds to refund the remaining \$4.4 million debt. See note (4)(D) for additional information on the Tax Increment debt.

(C) Outstanding Encumbrances

At June 30, 2011, the Agency intends to honor \$56 in outstanding encumbrances in the Riverfront Capital Projects Fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**General Fund***Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2011

(amounts in dollars)

	Budget		Actual		GAAP basis
	Original	Final	Budget basis	Adjustment	
<b>Revenues</b>					
Intergovernmental	6,504,000	6,504,000	4,149,682	0	4,149,682
Rental income	0	0	36,622	0	36,622
Charges for services	2,000	2,000	13,230	0	13,230
Repayment of revolving loans	0	0	0	259,022	259,022
Miscellaneous	46,000	46,000	17,384	(2,865)	14,519
<b>Total revenues</b>	<b>6,552,000</b>	<b>6,552,000</b>	<b>4,216,918</b>	<b>256,157</b>	<b>4,473,075</b>
<b>Expenditures</b>					
Urban renewal redevelopment	530,000	530,000	251,541	5,494,197	5,745,738
Loans granted	8,499,967	8,302,558	5,494,197	(5,494,197)	0
Contribution of asset held for resale	0	0	0	538,929	538,929
<b>Total expenditures</b>	<b>9,029,967</b>	<b>8,832,558</b>	<b>5,745,738</b>	<b>538,929</b>	<b>6,284,667</b>
Excess (deficiency) of revenues over expenditures	(2,477,967)	(2,280,558)	(1,528,820)	(282,772)	(1,811,592)
<b>Other financing sources (uses)</b>					
Principal payments received	50,000	50,000	259,022	(259,022)	0
Transfers in	530,000	530,000	246,411	0	246,411
<b>Total other financing sources (uses)</b>	<b>580,000</b>	<b>580,000</b>	<b>505,433</b>	<b>(259,022)</b>	<b>246,411</b>
Net change in fund balance	(1,897,967)	(1,700,558)	(1,023,387)	(541,794)	(1,565,181)
Fund balance, July 1, 2010	1,947,967	1,700,558	1,700,558	543,399	2,243,957
Fund balance, June 30, 2011	50,000	0	677,171	1,605	678,776

**Riverfront Special Revenue Fund**

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2011

(amounts in dollars)

	Budget		Actual		GAAP basis
	Original	Final	Budget basis	Adjustment	
<u>Revenues</u>					
Taxes	685,000	780,000	812,557	0	812,557
Rental income	25,000	0	63,000	0	63,000
Miscellaneous	26,000	25,000	37,958	(1,881)	36,077
<b>Total revenues</b>	<b>736,000</b>	<b>805,000</b>	<b>913,515</b>	<b>(1,881)</b>	<b>911,634</b>
<u>Expenditures</u>					
Urban renewal redevelopment	288,000	267,500	145,493	0	145,493
<b>Total expenditures</b>	<b>288,000</b>	<b>267,500</b>	<b>145,493</b>	<b>0</b>	<b>145,493</b>
Excess (deficiency) of revenues over expenditures	448,000	537,500	768,022	(1,881)	766,141
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net change in fund balance	448,000	537,500	768,022	(1,881)	766,141
Fund balance, July 1, 2010	2,631,487	3,524,486	3,524,486	8,045	3,532,531
<b>Fund balance, June 30, 2011</b>	<b>3,079,487</b>	<b>4,061,986</b>	<b>4,292,508</b>	<b>6,164</b>	<b>4,298,672</b>

## **OTHER SUPPLEMENTARY INFORMATION**

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**Debt Service Fund***Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2011

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>basis</u>
		<u>Budget</u> <u>basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Taxes	1,920,000	1,859,593	0	1,859,593
Miscellaneous	25,000	46,409	(5,094)	41,315
<b>Total revenues</b>	<b>1,945,000</b>	<b>1,906,002</b>	<b>(5,094)</b>	<b>1,900,908</b>
<u>Expenditures</u>				
Debt service	150,000	27,851	0	27,851
Intergovernmental	13,261,000	13,252,084	0	13,252,084
<b>Total expenditures</b>	<b>13,411,000</b>	<b>13,279,935</b>	<b>0</b>	<b>13,279,935</b>
Excess (deficiency) of revenues over expenditures	(11,466,000)	(11,373,933)	(5,094)	(11,379,027)
<u>Other financing sources (uses)</u>				
Proceeds of debt issuance	7,900,000	7,900,000	0	7,900,000
Transfers out	(1,030,000)	(746,411)	0	(746,411)
<b>Total other financing sources (uses)</b>	<b>6,870,000</b>	<b>7,153,589</b>	<b>0</b>	<b>7,153,589</b>
Net change in fund balance	(4,596,000)	(4,220,344)	(5,094)	(4,225,438)
Fund balance, July 1, 2010	4,599,060	4,599,060	12,630	4,611,690
<b>Fund balance, June 30, 2011</b>	<b>3,060</b>	<b>378,716</b>	<b>7,536</b>	<b>386,252</b>

**Capital Projects Fund**

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2011

(amounts in dollars)

		Actual		
	Budget	Budget basis	Adjustment	GAAP basis
<u>Revenues</u>				
Miscellaneous	1,000	2,249	17	2,266
<b>Total revenues</b>	<b>1,000</b>	<b>2,249</b>	<b>17</b>	<b>2,266</b>
<u>Expenditures</u>				
Capital outlay	734,593	0	0	0
<b>Total expenditures</b>	<b>734,593</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess (deficiency) of revenues over expenditures	(733,593)	2,249	17	2,266
<u>Other financing sources (uses)</u>				
Transfers in	500,000	500,000	0	500,000
<b>Total other financing sources (uses)</b>	<b>500,000</b>	<b>500,000</b>	<b>0</b>	<b>500,000</b>
Net change in fund balance	(233,593)	502,249	17	502,266
Fund balance, July 1, 2010	237,918	237,918	347	238,265
<b>Fund balance, June 30, 2011</b>	<b>4,325</b>	<b>740,167</b>	<b>364</b>	<b>740,531</b>

**Riverfront Capital Projects Fund**

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*

For the fiscal year ended June 30, 2011

(amounts in dollars)

	<u>Budget</u>	<u>Actual</u>		<u>GAAP basis</u>
		<u>Budget basis</u>	<u>Adjustment</u>	
<u>Revenues</u>				
Miscellaneous	1,000	1,530	(140)	1,390
<b>Total revenues</b>	<b>1,000</b>	<b>1,530</b>	<b>(140)</b>	<b>1,390</b>
<u>Expenditures</u>				
Capital outlay	141,500	0	0	0
<b>Total expenditures</b>	<b>141,500</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess (deficiency) of revenues over expenditures	(140,500)	1,530	(140)	1,390
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net change in fund balance	(140,500)	1,530	(140)	1,390
Fund balance, July 1, 2010	161,965	161,965	1,867,620	2,029,585
<b>Fund balance, June 30, 2011</b>	<b>21,465</b>	<b>163,495</b>	<b>1,867,480</b>	<b>2,030,975</b>

Urban Renewal Agency of the City of Eugene, Oregon  
**Schedule of Property Tax Transactions**

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For the fiscal year ended June 30, 2011  
(amounts in dollars)

<u>Fiscal year</u>	<u>Uncollected balances July 1, 2010</u>	<u>Current year's levy</u>	<u>Adjustments, interest, and discounts</u>	<u>Collections</u>	<u>Uncollected balances June 30, 2011</u>
1965-04	25,820	0	586	(1,263)	25,143
2005	3,948	0	(118)	(324)	3,506
2006	3,939	0	(339)	(312)	3,288
2007	8,659	0	(462)	(3,643)	4,554
2008	31,711	0	3,881	(23,803)	11,789
2009	37,832	0	(285)	(17,299)	20,248
2010	82,273	0	(1,375)	(42,337)	38,561
2011	0	2,742,241	(86,806)	(2,582,293)	73,142
<b>Totals</b>	<b>194,182</b>	<b>2,742,241</b>	<b>(84,918)</b>	<b>(2,671,274)</b>	<b>180,231</b>

Summary by fund type

Special Revenue Fund	(812,248)	46,745
Debt Service Fund	(1,859,026)	133,486
<b>Totals</b>	<b>(2,671,274)</b>	<b>180,231</b>

## **AUDIT COMMENTS**

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**AUDIT COMMENTS**  
**(Comments and Disclosures Required by State Regulators)**

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Oregon Administrative Rules 162-10-000 through 162-10-320, of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth following.

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INDEPENDENT AUDITORS' REPORT  
REQUIRED BY OREGON STATE REGULATIONS



To the Honorable Mayor, Members of the Urban  
Renewal Agency Board and the Administrator  
City of Eugene, Oregon

We have audited the basic financial statements of the Urban Renewal Agency (Agency) of the City of Eugene, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

**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 provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on 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.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

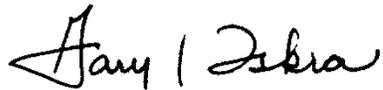
In connection with our testing nothing came to our attention that caused us to believe City of Eugene was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 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 City of Eugene'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 City of Eugene's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City internal control over financial reporting.

This report is intended solely for the information and use of the Honorable Mayor, members of the Urban Renewal Agency Board, the Administrator and management of the Urban Renewal Agency of the City of Eugene, Oregon and the Secretary of State, Audits Division, of the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.

ISLER CPA

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

By: Gary Iskra, CPA, a member of the firm

Eugene, Oregon  
December 15, 2011