

**HARRISBURG REDEVELOPMENT AGENCY-
THE URBAN RENEWAL AGENCY OF THE
CITY OF HARRISBURG**

(A Component Unit of the City of Harrisburg)

HARRISBURG, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

HARRISBURG REDEVELOPMENT AGENCY –
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
(A Component Unit of the City of Harrisburg)

120 Smith Street
P.O. Box 378
Harrisburg, Oregon 97446
(541) 995-6655

AGENCY OFFICIALS

ROBERT DUNCAN	Chairman
P.O. Box 224, Harrisburg, Oregon 97446	
BEVERLY ROBERTS	Member
755 N 8 th Street, Harrisburg, Oregon 97446	
ROGER RAVEN	Member
905 Priceboro Road, Harrisburg, Oregon 97446	
KIM DOWNEY	Member
P.O. Box 651, Harrisburg, Oregon 97446	
DON SHIPLEY	Member
P.O. Box 185, Harrisburg, Oregon 97446	
MATT RIOPELLE.	Member
345 S. 9 th Street, Harrisburg, Oregon 97446	
ROBERT BOESE	Member
460 North 7 th Street, Harrisburg, Oregon 97446	

AGENCY ADMINISTRATION

BRUCE CLEETON	Director
-------------------------	----------

HARRISBURG REDEVELOPMENT AGENCY –
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
 (A Component Unit of the City of Harrisburg)
ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.	2 - 5
BASIC FINANCIAL STATEMENTS:	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Assets	6
Statement of Activities	7
<u>Fund Financial Statements:</u>	
Balance Sheet - Government Funds	8
Reconciliation of Government Funds Balance Sheet to Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	11
<u>Notes to the Basic Financial Statements</u>	12 - 19
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Urban Renewal – General Fund.	20
OTHER SUPPLEMENTARY INFORMATION AND SCHEDULES:	
Schedule of Property Tax Transactions	21
AUDITOR’S COMMENTS AND DISCLOSURES	22 - 23



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Harrisburg, Oregon

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Harrisburg, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Harrisburg, Oregon's management. My responsibility is to express opinions on these financial statements based on my audit.

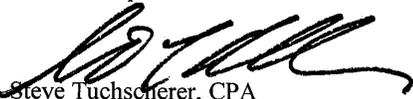
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrisburg, Oregon, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 28, 2012, on my consideration of the City of Harrisburg, Oregon's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 34 through 37 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. I 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisburg, Oregon's financial statements as a whole. The combining and individual non-major and major fund financial statements and additional supporting schedules included in the Other Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major and major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual non-major and major fund financial statements, and additional supporting schedules included in the Other Supplementary Information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.


Steve Tuchscherer, CPA
December 28, 2012

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2012

Unaudited

The management of the Harrisburg Redevelopment Agency (HRA) of the City of Harrisburg, Oregon, a component unit of the City of Harrisburg, 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 ending June 30, 2012. 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 auditor's report.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2012 are as follows:

- The Agency's total assets at June 30, 2012 were \$77,990, a decrease of \$14,438 or 15.62 percent from the prior year.
- The Agency's total liabilities at June 30, 2012 were \$357,418, a decrease of \$52,780 or 12.87 percent from the prior year.
- The Agency's net assets at June 30, 2012 were \$(279,428). This deficit is the result of a loan that will be liquidated in 2015 by property tax revenues.
- At June 30, 2012 the Agency reported a combined ending fund balance of \$59,153. The entire balance is restricted for Urban Renewal Projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Assets*. This is the Agency-wide statement of position presenting information that includes all of the Agency's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall economic health of the Agency would extend to other non-financial factors such as the condition of buildings, and water and sewer systems facilities.

The second government-wide statement is the *Statement of Activities* which reports how the Agency's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the Agency's distinct activities or functions of the Agency that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2012

Unaudited

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the Agency's most significant funds rather than the Agency as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The Agency has one fund which is considered a governmental type fund.

Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund. This statement and schedule demonstrate compliance with the Agency's adopted and final revised budget.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund. The required supplementary information immediately follows the notes to the financial statements.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Agency as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Agency's net assets at fiscal year-end are \$(279,428) this is a decrease of \$38,342 or 12.07%.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2012
Unaudited

The following table provides a summary of the Agency's net assets for the current and prior year.

Summary of Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 77,990	\$ 92,428
Total Assets	77,990	92,428
Liabilities		
Current Liabilities	76,073	65,783
Long-Term Liabilities	281,345	344,415
Total Liabilities	357,418	410,198
Net Assets		
Invested in Capital Assets		
Unrestricted	(279,428)	(317,770)
Total Net Assets	\$ (279,428)	\$ (317,770)

Changes in net assets - The Agency's total revenues for the fiscal year ended June 30, 2012 were \$247,197. The total cost of all programs and services was \$63,855. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net assets.

Summary of Changes in Net Assets

	Governmental Activities	
	2011-12	2010-11
Revenues		
Taxes and Assessments	\$ 246,491	\$ 240,106
Interest & Investment Earnings	706	887
Total Revenues	247,197	240,993
Program Expenses		
General Government	40,010	57,954
Interest on Long-Term Debt	23,845	26,804
Total Expenses	63,855	84,758
Transfers	(145,000)	(170,000)
Change in Net Assets	\$ 38,342	\$ (13,765)

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2012

Unaudited

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As noted earlier, 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 short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Agency's net resources available for spending at the end of the fiscal year.

Governmental Funds

As the Agency completed the year, its governmental funds reported a combined fund balance of \$59,153, a decrease of \$13,919. The fund balance constitutes restricted amounts. Of the current fund balance the entire amount is restricted for urban renewal projects.

Budgetary Highlights

General Fund revenues were budgeted and anticipated to be collected in the amount of \$274,706 during the fiscal year. Actual resources of \$247,716 were available, \$26,990 less than budgeted. General Fund expenditures budget was under-spent by \$108,758.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Agency does not have any capital assets or infrastructure.

Long-Term Debt

At June 30, 2012 the Agency had total long-term debt outstanding of \$344,415. Existing debt was reduced by \$50,828. Interest paid on the debt amounted to \$25,697.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the Harrisburg Redevelopment Agency. The following are the major assumptions used in developing the 2012-13 budget:

- Interest rates on investments will continue to be low and projected to possibly be less than 1.0%.
- Very cautious optimism for a modest economic recovery.
- Property tax revenue will remain stable with very little increased activity in residential construction.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

If you have any questions about this report or need additional information, contact the City of Harrisburg at (541) 995-6655. The office is located inside City Hall at 120 Smith Street, Harrisburg, Oregon 97446.

BASIC FINANCIAL
STATEMENTS

Government -Wide

Financial Statements

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
 (A Component Unit of the City of Harrisburg)

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
<u>ASSETS:</u>	
Current Assets:	
Cash and Investments	\$ 57,204
Property Taxes Receivable	20,786
Total Assets	\$ 77,990
<u>LIABILITIES:</u>	
Current Liabilities:	
Interest Payable	\$ 13,003
Current Portion of Long-Term Liabilities:	
Note Payable	63,070
Total Current Liabilities	76,073
Long-Term Liabilities:	
Noncurrent Portion of Long-Term Liabilities:	
Note Payable	281,345
Total Long-Term Liabilities	281,345
Total Liabilities	\$ 357,418
<u>NET ASSETS:</u>	
Unrestricted	(279,428)
Total Net Assets	\$ (279,428)

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2012

<u>Functions / Programs</u>	<u>(Expenses)</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>GOVERNMENTAL ACTIVITIES:</u>					
General Government	\$ 40,010	\$ -	\$ -	\$ -	\$ (40,010)
Interest on Long-Term Debt	23,845	-	-	-	(23,845)
Total Governmental Activities	\$ 63,855	\$ -	\$ -	\$ -	\$ (63,855)
 <u>GENERAL REVENUES:</u>					
Taxes					
Property Taxes, Levied for Debt Service					246,491
Interest and Investment Earnings					706
Transfer to Primary Government					(145,000)
Subtotal - General Revenues					102,197
Change in Net Assets					38,342
Net Assets, July 1, 2011					(317,770)
Net Assets, June 30, 2012					\$ (279,428)

The accompanying notes to the basic financial statements are an integral part of this statement.

Fund Financial Statements

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	Urban Renewal General Fund
<u>ASSETS:</u>	
Cash and Investments	\$ 57,204
Property Taxes Receivable	20,786
Total Assets	\$ 77,990
 <u>LIABILITIES AND FUND BALANCES:</u>	
Liabilities:	
Deferred Revenue	\$ 18,837
Total Liabilities	18,837
Fund Balances:	
Restricted for Urban Renewal Projects	59,153
Total Fund Balances	59,153
Total Liabilities & Fund Balances	\$ 77,990

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
(A Component Unit of the City of Harrisburg)
RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total Fund Balances - Governmental Funds	\$ 59,153
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Property taxes receivables not collected within 60 days of the current period ending date are deferred in the governmental funds.	18,837
Interest payable that is not recognized in the governmental fund is accrued in the Statement of Net Assets.	(13,003)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(344,415)
Net Assets of Governmental Activities	\$ (279,428)

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

**STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE**

GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2012

	Urban Renewal General Fund
	<hr/>
<u>REVENUES:</u>	
Taxes and Assessments	\$ 247,010
Interest and Investment Earnings	706
Total Revenues	<hr/> 247,716
<u>EXPENDITURES:</u>	
Current Operating	
General Government	19,458
Debt Service	
Principal	50,928
Interest	25,697
Capital Outlay	20,552
Total Expenditures	<hr/> 116,635
Excess (Deficiency) of Revenues Over Expenditures	131,081
<u>OTHER FINANCING SOURCES (USES):</u>	
Interfund Transfers (Out)	(145,000)
Total Other Financing sources (uses)	<hr/> (145,000)
Net Change in Fund Balances	(13,919)
FUND BALANCES, July 1, 2011	<hr/> 73,072
FUND BALANCES, June 30, 2012	<hr/> \$ 59,153 <hr/>

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
(A Component Unit of the City of Harrisburg)

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

Net changes in fund balances - total governmental funds **\$ (13,919)**

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

Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.

The changes in amounts deferred are as follows:

Property Taxes (519)

Expense accruals in the governmental funds do not include all accrued interest expense payable.

The change in payables from prior to current year is reconciled here: 1,852

Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Assets.

Retirement of debt principal is as follows:

General Obligations Bonds 50,928

Changes in net assets of governmental assets	\$ 38,342
---	------------------

Notes to the Basic
Financial Statements

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The Urban Renewal Agency of the City of Harrisburg, Oregon (Agency) was established on November 10, 1992. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. The governing body is comprised of the Mayor and the City Council of the City of Harrisburg.

The Agency is a separate legal entity, governed by the City of Harrisburg. The City Council has the ability to impose its will over the Agency as determined on the basis of budget adoption, taxing authority and funding for the Agency. Therefore, under the criteria set by the Governmental Accounting Standards Board, the Agency is considered a component unit of the City of Harrisburg and the Agency's financial activities are included as a blended component unit in the basic financial statements of the City of Harrisburg.

Although a component unit of the City of Harrisburg, the Agency exists and operates separately from the City of Harrisburg. Accordingly, the Agency's financial statements will also be included in the financial statements of the City of Harrisburg.

The Agency has no potential component units.

B. Basis of Presentation

The financial statements of the Urban Renewal Agency (Agency) of the City of Harrisburg have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as 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 GASB pronouncements.

Basic financial statements are presented at both the government-wide and fund financial level. The Agency's activities are governmental and are normally supported by taxes and intergovernmental revenues.

Government-wide financial statements display information about the reporting government as a whole. The effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. The Agency has only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

The financial transactions of the Agency are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Agency has elected to report its only fund, the General Fund, as a major fund in order to assist in compiling a complete and accurate picture of the financial position of the Agency.

General Fund - The General Fund is the general operating fund of the Agency. It is used to account for all the financial resources. The principal sources of revenue are tax increment revenues and interest on investments. Primary expenditures of the General Fund were made for the City's debt services.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The Government-Wide Financial Statements are presented on a *full accrual* basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resource measurement focus is directly connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the timing of related cash flows takes place.

Governmental Funds Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenues susceptible to accrual in this manner are property taxes and intergovernmental revenues received within the 60-day period following the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* deferred revenue consists primarily of uncollected property taxes and outstanding loans receivable not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the Agency receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

C. Measurement Focus/Basis of Accounting (Cont.)

Similar to the way revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Agency's practice to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The Agency has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the Agency to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The Agency's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The Agency's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the Agency's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

E. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds."

G. Capital Assets

All capital assets which include property and infrastructure assets (e.g. roads, bridges, sidewalks, etc.) become City of Harrisburg (primary government) capital assets and therefore are not reported on the Agency's Statement of Net Assets. The Agency's negative net assets are a result of this reporting.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 treated as period costs in the year of issue and are shown as other financing uses.

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.

I. Equity Classifications

Government-Wide Statements - Equity is classified as net assets, which represents the difference between assets and liabilities. Net assets are displayed in three components:

1. 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

J. Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 -Local Budget Law). The Agency is required to budget all funds. The budget is prepared for each fund on the modified accrual basis of accounting. For all fund types, inter-fund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document. The process under which the budget is adopted is described in the following paragraphs.

In early spring a preliminary budget calendar, budget preparation manual and budget worksheets are distributed to appropriate department directors. The City Administrator (Agency Director) and the Finance Director develop a proposed budget, after which the Agency Director publishes two notices of Budget Committee meetings. No less than five days, or more than thirty days after the notices are published, the Budget Committee (consisting of the Agency Board and an equal number of citizens of the City of Harrisburg) meets to consider the proposed budget. The Budget Message is delivered, explaining the proposed budget and any significant changes in the Agency's financial position.

The Budget Committee conducts public meetings for the purpose of obtaining citizens' comments, deliberates on, and subsequently approves the proposed budget, which includes any additions or deletions from the one presented by the Agency Director originally. The Budget Committee then submits the approved budget to the Agency Board for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the board without returning to the Budget Committee for a second approval. After the board adopts the budget and certifies the total of ad valorem taxes to be levied, as approved by the budget committee, no additional tax levy may be made for that fiscal year.

The Agency Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is the object group level (i.e. personal services, materials and services, capital outlay, and other expenditures). Appropriations lapse at the end of the year.

The Agency Board may change the budget throughout the year by resolution and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources 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 board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year.

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

3. CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Note 1.E.

The Agency follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

Investments, including amounts held in pool cash and 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 prices, 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.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk.

As of June 30, 2012, the reported amount of the Agency's deposits was \$3,317 and the bank balance was \$3,317. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

Investments - Oregon statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The Agency has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2012, the Agency's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2012, the Agency's investments in financial institutions are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	\$ 53,887	N/A
Total Investments	<u>\$ 53,887</u>	

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

3. CASH AND INVESTMENTS (CONT.):

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The Agency places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Agency's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the Agency's total investments.

4. LONG TERM DEBT:

In February 1996 the Agency entered into a debt arrangement with the Oregon Economic Development Department and borrowed \$432,000. Proceeds were used to finance the costs of various urban renewal projects within the Harrisburg Urban Renewal District. This debt will be repaid serially through December 1, 2015 and carries an interest rate of 6.5%.

The following is a summary of the Agency's long-term debt transactions for the year ended June 30, 2012:

	<u>Outstanding Balance July 1, 2011</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2012</u>	<u>Due within One Year</u>
Note Payable to Oregon Economic Development Department for various Urban Renewal Projects					
Original Balance - \$432,000 plus					
Dated - February 13, 1996					
Interest Rate - 6.5%					
Principal	\$ 395,343	\$ -	\$ 50,928	\$ 344,415	\$ 63,070
Interest	-	25,697	25,697	-	22,387
Totals	\$ 395,343	\$ 25,697	\$ 76,625	\$ 344,415	\$ 85,457

The annual future requirements to amortize debt at June 30, 2012, including principal and interest are as follows:

	<u>Fiscal Year Ended June 30,</u>	<u>Total Payment</u>	<u>Principal</u>	<u>Interest</u>
Urban Renewal Bonds, Series 2001 issued to finance various urban renewal projects - Original Balance \$3,360,000	2013	85,457	63,070	22,387
	2014	95,308	77,021	18,287
	2015	106,294	93,013	13,281
	2016	118,546	111,311	7,235

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

5. RISK MANAGEMENT:

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance. There has been no significant reduction in insurance coverage from the prior years and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years. The Agency's insurance is provided in combination with the City of Harrisburg.

6. TRANSFERS:

The Agency transferred \$170,000 to the primary government, the City of Harrisburg. \$125,000 was transferred to the City's Community and Economic Development Fund for City Hall acquisition and \$20,000 was transferred to the City's Sewer Fund for debt retirement.

REQUIRED

SUPPLEMENTARY

INFORMATION

THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

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

URBAN RENEWAL GENERAL FUND

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<u>REVENUES:</u>				
Taxes and Assessments	\$ 274,606	\$ 274,606	\$ 247,010	\$ (27,596)
Investment Revenue	100	100	706	606
Total Revenues	274,706	274,706	247,716	(26,990)
<u>EXPENDITURES:</u>				
Materials and supplies	48,350	48,350	19,458	(28,892)
Capital Outlay	100,000	100,000	20,552	(79,448)
Debt Service				
Principal	50,928	50,928	50,928	-
Interest	25,697	25,697	25,697	-
Contingency	418	418	-	(418)
Total Expenditures	225,393	225,393	116,635	(108,758)
Excess (Deficiency) of Revenues Over Expenditures	49,313	49,313	131,081	81,768
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer (Out)	(145,000)	(145,000)	(145,000)	-
Total Other Financing Sources (Uses)	(145,000)	(145,000)	(145,000)	-
Net Change In Fund Balance	(95,687)	(95,687)	(13,919)	81,768
Fund Balance - July 1, 2011	95,687	95,687	73,072	(22,615)
Fund Balance - June 30, 2012	\$ -	\$ -	\$ 59,153	\$ 59,153

The accompanying notes to the basic financial statements are an integral part of this statement.

OTHER
SUPPLEMENTARY
INFORMATION
AND
SCHEDULES

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

SCHEDULE OF PROPERTY TAXES

For the Fiscal Year Ended June 30, 2012

	<u>Urban Renewal Special Levy</u>
Assessed Valuation Redevelopment, 2011-12 Tax Roll	\$174,361,303
Urban Renewal Special Levy	<u>0.0003154</u>
Amount Levy Rates Will Raise	54,994
Loss Due to District's Compression	(1)
Net Tax Levy Imposed	<u><u>\$ 54,993</u></u>

	<u>Uncollected Balance July 1, 2011</u>	<u>Adjustment & Discounts Increase (Decrease)</u>	<u>Collections During the Year</u>	<u>Uncollected Balance June 30, 2012</u>
2011-12	\$ 54,993	\$ 189,294	\$ 235,180	\$ 9,106
2010-11	9,829	210	4,623	5,416
2009-10	5,011	296	2,162	3,145
2008-09	3,658	708	2,019	2,347
2007-08	1,300	468	1,397	371
2006-07	350	39	222	167
2005-06 & Prior	393	484	644	233
Total Property Taxes	<u><u>\$ 75,534</u></u>	<u><u>\$ 191,499</u></u>	<u><u>\$ 246,247</u></u>	<u><u>\$ 20,786</u></u>

Less Accrued Revenue - June 30, 2011	(1,186)
Add Accrued Revenue - June 30, 2012	<u>1,949</u>
Total Property Tax Revenue	<u><u>\$ 247,010</u></u>

Current Year Collections:	<u>Current</u>	<u>Prior</u>	<u>Total</u>
Harrisburg Redevelopment Agency Fu	<u>\$ 235,226</u>	<u>\$ 11,784</u>	<u>\$ 247,010</u>
TOTALS	<u><u>\$ 235,226</u></u>	<u><u>\$ 11,784</u></u>	<u><u>\$ 247,010</u></u>

INDEPENDENT

AUDITOR'S

COMMENTS

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

AUDIT COMMENTS AND DISCLOSURES **REQUIRED BY STATE REGULATION (CONTINUED)**

As of June 30, 2012

To the Governing Body of the Urban Renewal Agency of the City of Harrisburg
Harrisburg, Oregon

Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon Municipal corporations. That financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements, notes to the financial statements, and supplementary information as listed in the table of contents, provide that information.

Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the Agency's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which may have included samples of transactions, to obtain sufficient audit evidence to support the comments that follow:

ACCOUNTING RECORDS AND INTERNAL CONTROL:

The Agency's accounting records were in satisfactory condition for audit purposes.

As part of my examination of the financial statements, I obtained an understanding of the accounting system and the internal controls incorporated into that system. The purpose of understanding the accounting system and its controls is to assist in planning the nature and scope of my examination. The process involved in obtaining an understanding of the system is more limited than a study and evaluation necessary to express an opinion on the internal control system as a whole. Accordingly, I do not express an opinion on the system of internal control.

As part of my audit of the basic financial statements, and as required by *Governmental Auditing Standards*, I tested on a limited basis internal controls of the City and adjusted the nature and extent of other auditing procedures as deemed necessary. Although the City's system of internal control is somewhat limited by the number of administrative personnel available, my study did not disclose any conditions which I considered to be a deficiency in the internal controls.

Management has been provided with a separate letter containing certain items I noted during the audit.

COLLATERAL:

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the Agency currently deposits public funds.

The Agency has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

INDEBTEDNESS:

The Agency has not exceeded its legal debt limitation as provided by ORS 328.245. The Agency was in compliance with all debt covenants and all payments were made on a timely basis.

URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

AUDIT COMMENTS AND DISCLOSURES **REQUIRED BY STATE REGULATION (CONTINUED)**

As of June 30, 2012

BUDGET:

Minutes, ordinances and resolutions of the Agency were reviewed for compliance of Oregon Budget Law in preparation, adoption and execution of the current year's budget and preparation and adoption of the ensuing year's budget. I found no instances of non-compliance of Oregon Budget Law by the Agency for the 2011-12 fiscal year or in preparation and adoption of the 2012-13 budget.

INVESTMENTS:

The Agency is in compliance with legal requirements of ORS 294 pertaining to investment of public funds.

INSURANCE AND FIDELITY BONDS:

I have examined the Agency's fidelity bonds and insurance coverage's at June 30, 2012 and ascertained that such policies appeared to be in force as of that date and appeared to comply with the legal requirements. I recommend periodic review of insurance by qualified individuals, as I do not possess expertise in this area.

PUBLIC CONTRACTING:

The Agency complied with the requirements of ORS 279 by making every effort to construct public improvements at the least cost to the public agency. Adequate bids and quotes were obtained for all required contracts and purchases.

STATEMENT OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS:

This statement is not applicable to the Agency.

This report is intended solely for the information of the State of Oregon, Secretary of State, Division of Audits and other state agencies and is not intended and should not be used by anyone other than these specified parties.

Steven L. Tuchscherer, CPA
Steve Tuchscherer, CPA, PC

Roseburg, Oregon
December 28, 2012