

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**For the Year Ended June 30, 2012**

**COMPONENT UNIT**

**ANNUAL FINANCIAL REPORT**

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**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**BOARD OF DIRECTORS**

Don Hurd, Chair

Carolyn Decker, Vice Chair

Dave Schrom

Lynda Casey

Alene Allen

John Sandusky

Cheryl Davy

All Commissioners receive mail at the address below.

**AGENCY ADMINISTRATION**

Paul Wyntergreen, City Administrator  
Debbi Reeves, Executive Assistant

210 Laurel Ave.  
Tillamook, Oregon 97141

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**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

December 7, 2012

To the Board of Directors  
Tillamook Urban Renewal Agency  
Tillamook, Oregon

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tillamook Urban Renewal Agency (a component unit of the City of Tillamook, OR) as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Tillamook Urban Renewal Agency prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

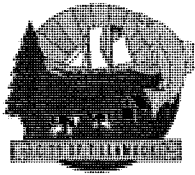
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Tillamook Urban Renewal Agency as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with basis of accounting described in Note 1.



Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, 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, as listed in the table of contents, 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 Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*Pauly, Rogers and Co., P.C.*  
PAULY, ROGERS AND CO., P.C.



**Tillamook Urban Renewal Agency  
210 Laurel Avenue  
Tillamook, Oregon 97141**

**Phone: 503-842-2472**

**Fax: 503-842-3445**

## **Management's Discussion and Analysis 2011-2012**

The management of the Tillamook Urban Renewal Agency (TURA) offers readers of the Tillamook Urban Renewal Agency's financial statements this narrative overview and analysis of the financial activities of TURA for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

### **Financial Highlights**

The net liabilities of the TURA exceeded its assets at the close of the most recent fiscal year by \$665,857. In 2012 the agency took out a 12 year \$1.5 million loan for a major road improvement project and consolidation of existing debt. As of the close of the fiscal year, TURA's governmental funds reported combined ending fund balances of \$394,790. For FY 2011-2012 TURA continued to utilize the modified cash basis of accounting.

### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to TURA's basic financial statements. The statements are comprised of government-wide financial statements, fund financial statements, notes to the basic financial statements, and other pertinent financial information.

### **Government-wide financial statements:**

The government-wide financial statements are designed to provide readers with a broad overview of TURA's finances.

The statement of net assets presents information on all of TURA'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 the financial position of TURA.

The statement of activities presents information showing how the agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, receipts and disbursements are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

## **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. TURA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of TURA are categorized as governmental funds.

### **Governmental funds:**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 financial 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 Agency's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of receipts, disbursements, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

TURA maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of receipts, disbursements, and changes in fund balances for the General fund and the Debt Service fund also known as the Tax Increment Fund. The details of the funds are presented in the Required Supplementary Data section of these financial statements.

**Notes to the Basic Financial Statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

Net liabilities may serve over time as a useful indicator of a government’s financial position. In the case of TURA, liabilities exceed assets by \$665,857 at the close of the most recent fiscal year.

The following summary is a comparison between the Agency’s net assets at the end of this fiscal year as compared to the end of the last fiscal year:

| <b>SUMMARY OF NET ASSETS</b>                    |                |                  |
|---|----------------|------------------|
|   | <b>2011</b>    | <b>2012</b>      |
| Cash and Cash Equivalents                       | 186,795        | 394,790          |
| Notes Receivable                                |                | 31,839           |
| Other assets                                    | 342,851        | 410,493          |
| <b>Total Assets</b>                             | <b>529,646</b> | <b>837,122</b>   |
| Other liabilities                               | 512,094        | 1,502,979        |
| <b>Total liabilities</b>                        | <b>512,094</b> | <b>1,502,979</b> |
| <b>Net assets:</b>                              |                |                  |
| Invested in capital assets, net of related debt | 288,131        | 410,493          |
| Unrestricted                                    | (270,579)      | (1,076,350)      |
| <b>Total net assets</b>                         | <b>17,552</b>  | <b>(665,857)</b> |

Since urban renewal agencies are a debt-based structure to begin with this is actually an expected phenomenon in the first half of an agency’s life.

**Governmental activities:**

There were several governmental activities that affected TURA’s net assets this year. The agency funded several projects in Tillamook for approximately \$933,926. The agency teamed with Tillamook County and City of Tillamook to begin major improvements to a portion of 3<sup>rd</sup> Street which is an integral road in the city limits. TURA’s costs for the improvements for 2011-2012 were \$806,996. The cost for the completion of the 1<sup>st</sup> Street Parking Lot was \$68,731. There were several other small projects completed done which included façade grants and beautification.

The agency incurred a \$1,500,000 long term loan to finance the major road improvement project and to consolidate all other existing debt.

| <b>Governmental Activities</b>   |             |             |
|----------------------------------|-------------|-------------|
|                                  | <b>2011</b> | <b>2012</b> |
| <b>RECEIPTS</b>                  |             |             |
| General Revenue                  |             |             |
| Taxes                            | 213,518     | 238,728     |
| Interest and Investment Earnings | 956         | 1,046       |
| Total Receipts                   | 214,474     | 239,774     |
|                                  |             |             |
| <b>DISBURSEMENTS</b>             |             |             |
| Programs                         | 338,335     | 981,248     |
| Total Disbursements              | 338,335     | 981,248     |
|                                  |             |             |
| Change in Net Assets             | (123,861)   | (741,474)   |
|                                  |             |             |
| Beginning Net Assets             | 141,413     | 17,552      |
|                                  |             |             |
| Prior Period Adjustment          | -           | 58,065      |
|                                  |             |             |
| Ending Net Assets                | 17,552      | (665,857)   |
|                                  |             |             |

## **Financial Analysis of the Agency's Funds**

### **Governmental funds:**

The focus of the Tillamook Urban Renewal 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 Tillamook Urban Renewal Agency's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Tillamook Urban Renewal Agency's governmental funds reported combined ending fund balances of \$394,790. Approximately 58% percent of this total amount, \$229,663 constitutes the General Fund balance. The remainder of the fund balance constitutes the Debt Service Fund balance.

### **Budgetary Highlights**

The Agency Board approved one (1) Supplemental Budgets for Fiscal Year 2011-2012. The Supplemental Budget was done on April 11, 2012 to offset additional monetary requirements due to the long term loan. The General Fund Resource and Requirements were revised to \$2,033,000 and the Tax Increment Fund Resources and Requirements were revised to \$839,045 for debt consolidation payments.

### **Capital Asset and Debt Administration**

#### **Capital assets:**

The Tillamook Urban Renewal Agency's did not have any capital asset purchases in 2011-2012. The Tillamook Urban Renewal Agency owns one property which is the parking lot located on 1<sup>st</sup> Street in Tillamook, Oregon.

On June 18, 2012 TURA completed a substantial amendment to the Plan. The Report on the Plan explained and justified the substantial amendment which increased the maximum indebtedness of the agency extending the life of the Plan by one year to FY 2032, changed the district boundary by removing and adding parcels to increase the total acreage to 276.15 acres, and revising the proposed project list.

The governmental activities of TURA include proposed projects described in the following table:

| Projects                                   | Project Estimate    |
|--|---------------------|
| 3rd Street Project Phase I                 | \$1,000,000         |
| Administration                             | \$1,250,000         |
| Technical, Architectural, Zoning           | \$100,000           |
| Facades and Signs                          | \$600,000           |
| City Shops                                 | \$300,000           |
| Town Center Improvements                   | \$400,000           |
| Alley Improvements                         | \$50,000            |
| Visitor Sign and Parking Area Signs        | \$100,000           |
| Property Acquisition                       | \$500,000           |
| Public Parking                             | \$400,000           |
| Goodspeed Park RR                          | \$300,000           |
| Streetscapes                               | \$250,000           |
| Janac/IOOF Bldg. 2nd Floor                 | \$300,000           |
| City Hall Improvements                     | \$200,000           |
| 3rd Street Phase II                        | \$400,000           |
| Safeway Site                               | \$200,000           |
| Sue H Elmore Park                          | \$200,000           |
| Goodspeed Park                             | \$300,000           |
| Hoquarton Trail Park                       | \$100,000           |
| Liberty School Sidewalks                   | \$200,000           |
| Meadow Area Sidewalks                      | \$200,000           |
| Street/Sidewalk Main & Pacific 4th to 12th | \$200,000           |
| Street/Sidewalk 1st to 5th                 | \$200,000           |
| Street/Sidewalk 3rd to Trask River Bridge  | \$200,000           |
| Stormwater Upgrades                        | \$300,000           |
| City CIP Water Line                        | \$385,000           |
| City CIP Wastewater Line                   | \$400,000           |
| 12th St Sewer Line Extension               | \$500,000           |
| Holden Creek                               | \$200,000           |
| City Gateway and Entrance                  | \$200,000           |
| Assistance Utilities and Infrastructure    | \$150,000           |
| Financing Costs                            | \$10,000            |
| <b>Total</b>                               | <b>\$10,095,000</b> |

**Short/Long-term debt:**

At the end of the fiscal year, the Tillamook Urban Renewal Agency had total long term debt outstanding of \$1,500,000.

**Economic Factors:**

The work of the TURA in investing in significant capital outlay such as 3<sup>rd</sup> Street arterial are staging the city's commercial and industrial areas to be in the best position to succeed in the changing economic circumstances now that the recession has ended.

## **Next year's Budgets and Rates:**

The following information is taken from the 2012-2013 TURA budget packet of May 15, 2012:

### **Tillamook Urban Renewal Agency 2012-2013 Budget Message**

*For fiscal year 2012-2013, we have trended the prior year's revenues in order to project in the anticipated tax revenue for this budget cycle. We are holding on a conservative level, though prior year's tax collection have been 90% plus.*


*With the consolidated payoff of all loans with TLC Credit Union earlier this year, the lines in the TIF account have been zeroed and the one remaining debt payment will be on the new loan with Columbia State Bank.*

*The General Fund is showing a considerable carry-over balance as this fund holds on deposit approximately \$200,000 from the recent loan with Columbia State Bank. There may also be a return from ODOT on the 3<sup>rd</sup> Street Enhancement Project for an over-payment on the initial match, should the project costs come in lower than expected. This is also reflected in the General Fund Resources.*

*Materials and Services are in alignment with city IGA costs and without the consulting fees that were included last year for the Plan Amendment. The Plan Amendment is now in the final stages and the balance of those costs should be paid out before July 1, 2012 and are subtracted from the carry-over balance figure. Financial Service has been increased to reflect the accounting services for the full year. Outside accounting services are costing the agency approximately \$9,000 per year. The balance in that line is for audit costs.*

*The General Fund Unappropriated Ending Fund Balance has been set at 10%.*

**Requests for information.** This financial report is designed to provide a general overview of the Tillamook Urban Renewal Agency's financial condition. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Tillamook Urban Renewal Agency, attention Don Hurd, Chairman or Debbi Reeves, Executive Assistant or Paul Wyntergreen, City Manager at: 210 Laurel Avenue, Tillamook, Oregon 97141.

  
Prepared by Debbi Reeves  
Tillamook Urban Renewal Agency  
Executive Assistant



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**TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

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TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

STATEMENT OF NET ASSETS (Modified Cash Basis)  
June 30, 2012

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|   |                     |
|---|---------------------|
| ASSETS  |                     |
| Cash and cash equivalents                       | \$ 394,790          |
| Notes receivable                                | 31,839              |
| Capital Assets, net of accumulated depreciation | <u>410,493</u>      |
| Total Assets                                    | <u>837,122</u>      |
| LIABILITIES:                                    |                     |
| Accrued Interest                                | 2,979               |
| Noncurrent Liabilities                          |                     |
| Due within one year                             | 87,428              |
| Due in more than one year                       | <u>1,412,572</u>    |
| Total Liabilities                               | <u>1,502,979</u>    |
| NET ASSETS:                                     |                     |
| Invested in capital assets, net of related debt | 410,493             |
| Unrestricted                                    | <u>(1,076,350)</u>  |
| Total Net Assets                                | <u>\$ (665,857)</u> |

See accompanying notes to basic financial statements

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

STATEMENT OF ACTIVITIES (Modified Cash Basis)  
 For the Year Ended June 30, 2012

| <u>FUNCTIONS</u>              | <u>DISBURSEMENTS</u> | <u>FUNCTION RECEIPTS</u>            |   | <u>NET<br/>(DISBURSEMENT)<br/>RECEIPT AND<br/>CHANGES IN NET<br/>ASSETS</u> |
|-------------------------------|----------------------|-------------------------------------|---|---|
|                               |                      | <u>CHARGES<br/>FOR<br/>SERVICES</u> | <u>OPERATING<br/>GRANTS AND<br/>CONTRIBUTIONS</u> |   |
| Governmental activities       |                      |                                     |   |   |
| Support Services              | \$ 934,977           | \$ -                                | \$ -  | \$ (934,977)  |
| Interest on Long-Term Debt    | 46,271               | -                                   | -   | (46,271)  |
| Total Governmental Activities | <u>\$ 981,248</u>    | <u>\$ -</u>                         | <u>\$ -</u>                                       | <u>(981,248)</u>  |
| General Receipts              |                      |                                     |   |   |
| Property Taxes                |                      |                                     |   | 238,728   |
| Investment earnings           |                      |                                     |   | 1,046   |
| Total General Receipts        |                      |                                     |   | <u>239,774</u>  |
| Changes in Net Assets         |                      |                                     |   | (741,474)   |
| Net Assets - Beginning        |                      |                                     |   | 17,552  |
| Prior Period Adjustment       |                      |                                     |   | 58,065  |
| Net Assets - Ending           |                      |                                     |   | <u>\$ (665,857)</u>   |

See accompanying notes to basic financial statements

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS (Modified Cash Basis)  
 June 30, 2012

|  | GENERAL<br>FUND   | DEBT<br>SERVICE<br>FUND | TOTAL<br>GOVERNMENTAL |
|--|-------------------|-------------------------|-----------------------|
| <b>ASSETS:</b>                             |                   |                         |                       |
| Cash & cash equivalents                    | \$ 261,699        | \$ 133,091              | \$ 394,790            |
| Interfund Receivables                      | -                 | 32,036                  | 32,036                |
|  | \$ 261,699        | \$ 165,127              | \$ 426,826            |
| <b>LIABILITIES AND FUND BALANCES:</b>      |                   |                         |                       |
| <b>Liabilities:</b>                        |                   |                         |                       |
| Interfund Payables                         | \$ 32,036         | \$ -                    | \$ 32,036             |
|  | 32,036            | -                       | 32,036                |
| <b>Fund Balances:</b>                      |                   |                         |                       |
| Assigned                                   | -                 | 165,127                 | 165,127               |
| Unassigned                                 | 229,663           | -                       | 229,663               |
|  | 229,663           | 165,127                 | 394,790               |
| <b>Total Fund Balances</b>                 | <b>\$ 261,699</b> | <b>\$ 165,127</b>       | <b>\$ 426,826</b>     |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 261,699</b> | <b>\$ 165,127</b>       | <b>\$ 426,826</b>     |

See accompanying notes to basic financial statements

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
JUNE 30, 2012

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|  |    |                |                    |
|--|----|----------------|--------------------|
| Total Fund Balances - Governmental Funds   |    | \$             | 394,790            |
| Note Receivable used in governmental activities are not financial resources and, therefore, are not reported in the funds  |    |                |                    |
| Note receivable  |    |                | 31,839             |
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds   |    |                |                    |
| Land & Land Improvements   |    |                | 410,493            |
| Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. |    |                |                    |
| Loans Payable  | \$ | (1,500,000)    |                    |
| Accrued interest   |    | <u>(2,979)</u> | <u>(1,502,979)</u> |
| Total Net Assets   |    | \$             | <u>(665,857)</u>   |

See accompanying notes to basic financial statements

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS (Modified Cash Basis)  
 For the Year Ended June 30, 2012

|  | GENERAL<br>FUND   | DEBT<br>SERVICE<br>FUND | TOTAL<br>GOVERNMENTAL |
|--|-------------------|-------------------------|-----------------------|
| <b>RECEIPTS:</b>                               |                   |                         |                       |
| Taxes  | \$ -              | \$ 238,728              | \$ 238,728            |
| Loan Repayments                                | 22,881            | -                       | 22,881                |
| Interest on Investments                        | 502               | 544                     | 1,046                 |
| <b>Total Receipts</b>                          | <b>23,383</b>     | <b>239,272</b>          | <b>262,655</b>        |
| <b>DISBURSEMENTS:</b>                          |                   |                         |                       |
| Materials and Services                         | 69,954            | -                       | 69,954                |
| Debt service                                   | -                 | 684,635                 | 684,635               |
| Capital Outlay                                 | 933,926           | -                       | 933,926               |
| <b>Total Disbursements</b>                     | <b>1,003,880</b>  | <b>684,635</b>          | <b>1,688,515</b>      |
| Excess of Receipts, Over (Under) Disbursements | (980,497)         | (445,363)               | (1,425,860)           |
| <b>Other Financing Sources, (Uses)</b>         |                   |                         |                       |
| Transfers In                                   | -                 | 561,545                 | 561,545               |
| Transfers Out                                  | (561,545)         | -                       | (561,545)             |
| Loan Proceeds                                  | 1,633,855         | -                       | 1,633,855             |
| <b>Total Other Financing Sources (Uses)</b>    | <b>1,072,310</b>  | <b>561,545</b>          | <b>1,633,855</b>      |
| Net Change in Fund Balance                     | 91,813            | 116,182                 | 207,995               |
| Beginning Fund Balance                         | 137,850           | 48,945                  | 186,795               |
| Ending Fund Balance                            | <u>\$ 229,663</u> | <u>\$ 165,127</u>       | <u>\$ 394,790</u>     |

See accompanying notes to basic financial statements



TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

RECONCILIATION OF STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

|  |    |                         |
|--|----|-------------------------|
| Total Net Changes in Fund Balances - Governmental Funds  | \$ | 207,995                 |
| <p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>  |    |                         |
| Land & Land Improvement Additions  | \$ | 68,731                  |
| Depreciation Expense   |    | <u>(4,434)</u>          |
|  |    | 64,297                  |
| <p>Note Receivable used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>   |    |                         |
| Note   |    | (22,881)                |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while repayment of long-term debt principal consumes current financial resources of governmental funds. However, neither transaction has any effect on net assets. This amount is the net effect of these differences.</p>                     |    |                         |
| Long-term debt principal repaid  | \$ | 634,909                 |
| Loan Proceeds  |    | <u>(1,629,249)</u>      |
|  |    | (994,340)               |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment combines the net changes in deferred taxes between years.</p>  |    |                         |
| Property Taxes   |    |                         |
| <p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p> |    |                         |
|  |    | <u>3,455</u>            |
| Change in Net Assets   | \$ | <u><u>(741,474)</u></u> |

See accompanying notes to basic financial statements

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared in using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Agency considers the use of this basis to be an appropriate reflection of the Agency's financial status and results of operations. The more significant accounting policies are described below.

**A. DESCRIPTION OF THE REPORTING ENTITY**

The Tillamook Urban Renewal Agency (Agency) was formed July 2006, under the provisions of the Oregon Revised Statutes (ORS). The Board consists of seven members appointed by the Mayor with the approval of the majority of the City Council.

Financial accountability is determined in accordance with criteria set forth in generally accepted accounting principles (GAAP), primarily on the basis of authority to appoint a voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the Agency's reporting entity because of the significance of their operational or financial relationships with the Agency. All significant activities and organizations with which the Agency exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units. The Agency is a component unit of the City of Tillamook and, as such, is included in the financial statements of the City of Tillamook for the year ended June 30, 2012.

**B. BASIS OF PRESENTATION**

The cash basis of accounting is followed with certain modifications. Under the cash basis receipts are recorded when received and disbursements are recorded as paid. The following are the modifications to cash basis of accounting: notes receivable are included in the fund statements as receipts when received and in the government-wide statements as a reduction to notes receivable and an increase in cash when received, capital assets are expensed when acquired in the fund statements, but accounted for as an asset in the government-wide statements, debt proceeds are included in the fund statements as receipts and payments are recorded as disbursements, but are accounted for as increases and decreases to debt in the government-wide statements, and interest is accrued in the government-wide statements. Accordingly, there are reconciling statements between the government-wide and governmental statements.

This basis of accounting is not equivalent to accounting principles generally accepted in the United States of America (GAAP) under which revenues are recorded when they become susceptible to accrual (i.e. when they become measurable and available) and expenses are recorded as goods and services when received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets are capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded as incurred. Management believes the modified cash basis of accounting is preferable due to its size and the necessity of assessing available cash resources. The modified cash basis of accounting is allowed under Oregon Local Budget Law.

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using all funds. There are two funds which are considered “major funds” in accordance with GASB 34.

General receipts are from property and related taxes, and interest. All disbursements are categorized as program disbursements and interest on long-term debt.

**FUND ACCOUNTING**

Governmental funds are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. Under the modified cash basis, receipts are recorded when received and disbursements are recorded as paid.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as receipts of the current period. All other receipt items are considered to be measurable and available only when cash is received.

There are the following major governmental funds:

**General Fund**

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

**Debt Service Fund**

This fund accounts for the payments on the debt obligations arising from the projects.

**C. BUDGETS**

A budget is prepared for the governmental funds in accordance with the legal requirements set forth in the Oregon Local Budget Law. The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The budget may be amended prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30. The budgetary statements are presented on the cash basis of accounting.

The expenditure budgets are appropriated at the following levels:

**LEVEL OF CONTROL**

Materials and Services  
Capital Outlay  
Debt Service

Operating Contingency  
Transfers Out

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BUDGETS (CONTINUED)**

Disbursements cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements and required supplementary data, reflect the final budget amounts. Disbursements in all funds were within authorized appropriations.

**D. PROPERTY TAXES**

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15, and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

**E. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

**F. RECEIVABLES AND PAYABLES**

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to \ from other funds".

**G. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating receipts, disbursements and contributions of capital. Net assets are classified in the following three categories:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. FUND EQUITY**

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

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portion of ending fund balance as Assigned is granted to the City Manager and the manager's assistant.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

At June 30, 2012, there were no nonspendable, restricted or committed fund balances.

The following is the order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned, or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order is committed, assigned, and unassigned.

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS**

State statutes govern the cash management policies. Statutes authorize investment in bankers acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments.

Cash and Investments (recorded at cost) consisted of:

Deposits With Financial Institutions:

|                 |           |                |
|-----------------|-----------|----------------|
| Demand Deposits | \$        | 245,822        |
| Investments     |           | 148,968        |
|                 | <u>\$</u> | <u>394,790</u> |

**DEPOSITS**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$247,443, all of which was covered by federal depository insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

**INVESTMENTS**

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The fair value of the investment Pool at June 30, 2012 was approximate of the value of the shares in the pools reported value. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Investments on June 30, 2012 consist of the following:

| Investment Type                   | Fair Value        | Investment Maturities (in months) |             |             |
|-----------------------------------|-------------------|-----------------------------------|-------------|-------------|
|                                   |                   | Less than 3                       | 3-17        | 18-59       |
| State Treasurer's Investment Pool | \$ 148,968        | \$ 148,968                        | \$ -        | \$ -        |
| Total                             | <u>\$ 148,968</u> | <u>\$ 148,968</u>                 | <u>\$ -</u> | <u>\$ -</u> |

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

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**2. CASH AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (CONTINUED)**

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2012, none of the bank balance of \$247,443 was exposed to custodial credit risk because it was fully insured.

Credit Risk – Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2012, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in State Treasurer's Investment Pool.

**3. RISK MANAGEMENT**

There is exposure to various risks of loss related to torts; errors and omissions; and natural disasters. The Agency is covered by The City of Tillamook's commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for and of the past three fiscal years.

**4. PROPERTY TAX LIMITATIONS**

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

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

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

**5. LONG-TERM DEBT**

In 2010, a combination of five loans totaling \$406,414, with stated interest rates between 3.5-5.5%, were received from TLC Federal Credit Union for the purpose of financing costs of urban renewal projects within the area. In 2011, three of the loans were refinanced into a single loan and two loans were received, with stated interest rates of 4.5% and 4.8%. All of the loans and lines of credit that were held at TLC Credit Union were paid off in March, when the URA received a \$1.5M loan from Columbia State Bank with an interest rate of 3.75%. The Columbia State bank loan was received for the purpose of financing costs of urban renewal projects with in the area.

|                              | Interest<br>Rates | Balance<br>07/1/11 | Additions           | Reductions        | Balance<br>06/30/12 | Due Within<br>One Year |
|------------------------------|-------------------|--------------------|---------------------|-------------------|---------------------|------------------------|
| Loan Series 2012             | 3.75%             | -                  | 1,500,000           | -                 | 1,500,000           | 87,428                 |
| TLC TURA Loan #145           | 5.5%              | 110,791            | 822                 | 111,613           | -                   |                        |
| TLC TURA Loan #148           | 4.8%              | 197,467            | 84,562              | 282,029           | -                   |                        |
| TLC TURA Loan #149           | 4.5%              | 164,532            | 1,117               | 165,649           | -                   |                        |
| TLC TURA Loan #151           | 4.5%              | 32,870             | 42,747              | 75,617            | -                   |                        |
| Total Short-term Liabilities |                   | <u>\$ 505,660</u>  | <u>\$ 1,629,248</u> | <u>\$ 634,908</u> | <u>\$ 1,500,000</u> | <u>\$ 87,428</u>       |

Annual debt service requirements to maturity for long-term debt are as follows:

| Fiscal Year<br>Ending June 30, | Principal           | Interest          |
|--------------------------------|---------------------|-------------------|
| 2013                           | \$ 87,428           | \$ 72,500         |
| 2014                           | 295,707             | 49,128            |
| 2015                           | 94,109              | 41,882            |
| 2016                           | 97,638              | 38,353            |
| 2017                           | 101,299             | 34,692            |
| 2018-2022                      | 566,406             | 113,549           |
| 2023-2024                      | 257,413             | 14,568            |
|                                | <u>\$ 1,500,000</u> | <u>\$ 364,672</u> |

**6. NOTES RECEIVABLE**

The note receivable is due from the owner of Superior Standard Construction, Inc. for the revitalization of a building located on the corner of 2<sup>nd</sup> and Main in Tillamook. The original amount of this loan was \$58,720. The full amount of this loan is deemed collectible by management, thus no allowance for uncollectible accounts has been established. The loan has an interest rate of 5.50% and payments of principal and interest are due every month. As of June 30, 2012 the total amount the of note receivable was \$31,839. The following is a schedule of the loan receivable:

|                      |                  |
|----------------------|------------------|
| Note Receivable #147 | <u>\$ 31,839</u> |
|                      | <u>\$ 31,839</u> |



**TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON**

**NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

**7. CAPITAL ASSETS**

The changes in capital assets for the fiscal year ended June 30, 2012 are as follows:

|                                       | Governmental<br>Capital Assets<br>7/1/2011 | Adjustments   | Additions     | Deletions | Governmental<br>Capital Assets<br>6/30/2012 |
|---------------------------------------|--|---------------|---------------|-----------|---|
| Capital assets                        |  |               |               |           |   |
| Non depreciable:                      |  |               |               |           |   |
| Land                                  | \$ 288,131                                 | \$ 15,951     | \$ -          | \$ -      | \$ 304,082                                  |
| Total                                 | <u>288,131</u>                             | <u>15,951</u> | <u>-</u>      | <u>-</u>  | <u>304,082</u>                              |
| Depreciable:                          |  |               |               |           |   |
| Improvements other than buildings     | -  | 42,114        | 68,731        | -         | 110,845                                     |
| Total                                 | <u>-</u>                                   | <u>42,114</u> | <u>68,731</u> | <u>-</u>  | <u>110,845</u>                              |
| Less: Accumulated Depreciation        | <u>-</u>                                   | <u>-</u>      | <u>4,434</u>  | <u>-</u>  | <u>4,434</u>                                |
| Total depreciable capital assets, net | <u>-</u>                                   |               |               |           | <u>106,411</u>                              |
| Total capital assets, net             | <u>\$ 288,131</u>                          |               |               |           | <u>\$ 410,493</u>                           |

Current year capital outlay of \$933,926 included \$68,731 incurred to construct the 1<sup>st</sup> Street parking lot. The remainder was not capitalized as these expenditures do not reflect purchases of capital assets that the Tillamook City Urban Renewal District retains an ownership interest in. These expenditures are matching grants for property owners and business owners to assist with restoration or remodeling of their property which is consistent with the mission of the Tillamook City Urban Renewal District.

**8. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$58,065 was necessary in order to correctly capitalize capital costs for the purpose of the government wide statements that were incorrectly expensed in prior years.

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

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TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
 ACTUAL AND BUDGET  
 For the Year Ended June 30, 2012

|  | <u>GENERAL FUND</u>        |                         |                   | VARIANCE<br>WITH FINAL<br>BUDGET<br>POSITIVE<br>(NEGATIVE) |
|--|----------------------------|-------------------------|-------------------|--|
|  | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>     |  |
| <b>RECEIPTS:</b>                               |                            |                         |                   |  |
| Interest on investments                        | \$ 500                     | \$ 500                  | \$ 502            | \$ 2   |
| Loan Repayment                                 | 12,000                     | 12,000                  | 22,881            | 10,881   |
| Late Charges and Fees                          | 1,500                      | 1,500                   | -                 | (1,500)  |
| Total Receipts                                 | <u>14,000</u>              | <u>14,000</u>           | <u>23,383</u>     | <u>9,383</u>   |
| <b>DISBURSEMENTS:</b>                          |                            |                         |                   |  |
| Materials & services                           | 88,395                     | 183,065 (1)             | 69,954            | 113,111  |
| Capital Outlay                                 | 539,000                    | 1,885,180 (1)           | 933,926           | 951,254  |
| Contingencies                                  | 30,605                     | 30,605 (1)              | -                 | 30,605   |
| Total Disbursements                            | <u>658,000</u>             | <u>2,098,850</u>        | <u>1,003,880</u>  | <u>1,094,970</u>   |
| Excess of Receipts, Over (Under) Disbursements | (644,000)                  | (2,084,850)             | (980,497)         | 1,104,353  |
| <b>Other Financing Sources, (Uses)</b>         |                            |                         |                   |  |
| Transfers out                                  | -                          | (561,545) (1)           | (561,545)         | -  |
| Future Loan Proceeds                           | 125,000                    | 1,625,000               | -                 | (1,625,000)  |
| Loan Proceeds                                  | 379,000                    | 379,000                 | 1,633,855         | 1,254,855  |
| Net Change in Fund Balance                     | (140,000)                  | (642,395)               | 91,813            | - 734,208  |
| Beginning Fund Balance                         | <u>140,000</u>             | <u>140,000</u>          | <u>137,850</u>    | <u>(2,150)</u>   |
| Ending Fund Balance                            | <u>\$ -</u>                | <u>\$ (502,395)</u>     | <u>\$ 229,663</u> | <u>\$ 732,058</u>  |

(1) Appropriation Level

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**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

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TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
 ACTUAL AND BUDGET  
 For the Year Ended June 30, 2012

| <u>DEBT SERVICE FUND</u>                      |                            |                         |                   | VARIANCE<br>WITH FINAL<br>BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---|----------------------------|-------------------------|-------------------|--|
|   | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>     |  |
| <b>RECEIPTS:</b>                              |                            |                         |                   |  |
| Property Taxes                                | \$ -                       | \$ -                    | \$ 238,728        | \$ 238,728   |
| Interest Earned                               | -                          | -                       | 544               | 544  |
| Total Receipts                                | <u>-</u>                   | <u>-</u>                | <u>239,272</u>    | <u>239,272</u>   |
| <b>DISBURSEMENTS:</b>                         |                            |                         |                   |  |
| Debt Service                                  | -                          | 803,095 (1)             | 684,635           | 118,460  |
| Total Disbursements                           | <u>-</u>                   | <u>803,095 (1)</u>      | <u>684,635</u>    | <u>118,460</u>   |
| Excess of Revenues Over, (Under) Expenditures | -                          | (803,095)               | (445,363)         | 357,732  |
| <b>Other Financing Sources, (Uses)</b>        |                            |                         |                   |  |
| Transfer In                                   | -                          | 561,545                 | 561,545           | -  |
| Total Other Financing Sources, (Uses)         | <u>-</u>                   | <u>561,545</u>          | <u>561,545</u>    | <u>-</u>   |
| Net Change in Fund Balance                    | -                          | (241,550)               | 116,182           | 357,732  |
| Beginning Fund Balance                        | <u>-</u>                   | <u>-</u>                | <u>48,945</u>     | <u>48,945</u>  |
| Ending Fund Balance                           | <u>\$ -</u>                | <u>\$ (241,550)</u>     | <u>\$ 165,127</u> | <u>\$ 406,677</u>  |

(1) Appropriation Level



TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2012

| <u>TAX YEAR</u> | <u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/11</u> | <u>DEDUCT DISCOUNTS</u> | <u>ADJUSTMENTS TO ROLLS</u> | <u>INTEREST</u> | <u>CASH COLLECTIONS BY COUNTY TREASURER</u> | <u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12</u> |
|-----------------|--|-------------------------|-----------------------------|-----------------|---|---|
| Current:        |  |                         |                             |                 |   |   |
| 2011-2012       | \$ 245,552   | \$ 5,815                | \$ (324)                    | \$ 193          | \$ 229,113                                  | \$ 10,493   |
| Prior Years:    |  |                         |                             |                 |   |   |
| 2010-2011       | 10,335   | (0)                     | (479)                       | 469             | 5,432                                       | 4,894   |
| 2009-2010       | 4,785  | (0)                     | (393)                       | 388             | 1,854                                       | 2,926   |
| 2008-2009       | 2,183  | (0)                     | (464)                       | 460             | 1,389                                       | 790   |
| 2007-2008       | 396  | 0                       | (118)                       | 117             | 297   | 97  |
| Total Prior     | <u>17,699</u>                                      | <u>(0)</u>              | <u>(1,454)</u>              | <u>1,435</u>    | <u>8,972</u>                                | <u>7,273</u>  |
| Total           | <u>\$ 263,251</u>                                  | <u>\$ 5,815</u>         | <u>\$ (1,778)</u>           | <u>\$ 1,628</u> | <u>\$ 238,086</u>                           | <u>\$ 19,200</u>                                      |

RECONCILIATION OF REVENUE:

|   | <u>Revenue</u>    |
|---|-------------------|
| Cash Collection by County Treasurer Above       | 238,086           |
| Taxes in Lieu                                   | 642               |
| Total Fund Collections per Financial Statements | <u>\$ 238,728</u> |

**TILLAMOOK URBAN RENEWAL AGENCY**  
**TILLAMOOK COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY**  
**OREGON STATE REGULATIONS**

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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December 7, 2012

## Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the Tillamook Urban Renewal Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the Tillamook Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Authorized investment of surplus funds (ORS Chapter 294).**

In connection with our testing nothing came to our attention that caused us to believe the Tillamook Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

1. Both the General Fund and the Debt Services Fund were budgeted for a negative ending fund balance.

**OAR 162-10-0230 Internal Control**

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

This report is intended solely for the information and use of the Board Members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*Pauly, Rogers and Co., P.C.*  
PAULY, ROGERS AND CO., P.C.