

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

**FOR THE YEAR ENDED JUNE 30, 2009**



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

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

**For the Year Ended June 30, 2009**

**COMPONENT UNIT**

**ANNUAL FINANCIAL REPORT**

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

**LIST OF COMMISSIONERS**

Don Hurd, Chair

Sally Clay, Vice Chair

Carolyn Decker

Sean Lambert

Suzanne Weber

Aaron Zimmerman

All Commissioners receive mail at the address below.

**AGENCY ADMINISTRATION**

Mark Gervasi, City Manager  
Debbi Reeves, Administrative 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**

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

December 31, 2009

To the Agency Board  
Tillamook Urban Renewal Agency  
Tillamook, Oregon

ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of the governmental activities of each major fund of Tillamook Urban Renewal Agency, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Tillamook Urban Renewal Agency.

A review consists principally of inquiries of Agency personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

The financial statements for the year ended June 30, 2008, were audited by us as part of the City of Tillamook's audit, and we expressed an unqualified opinion on them in our report dated April 1, 2009. We have not performed any auditing procedures since that date.

The management's discussion and analysis, as listed on the table of contents, is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Pauly, Rogers and Co., P.C.*

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

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## **Management's Discussion and Analysis**

The management of the Tillamook Urban Renewal Agency offers readers of the Tillamook Urban Renewal Agency's financial statements this narrative overview and analysis of the financial activities of the Tillamook Urban Renewal Agency for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

### **Financial Highlights**

**Net Assets** - The assets of the Tillamook Urban Renewal Agency exceeded its liabilities at the close of the most recent fiscal year by \$234,278.

**Change in Net Assets** – The Agency's total net assets increased by \$150,773 due to an increase in tax increment revenue beyond the revenue projections outlined in Table 4 of the Tillamook Report on the Urban Renewal Plan dated October 11, 2006, page 10.

**Governmental Funds** - As of the close of the fiscal year, the Tillamook Urban Renewal Agency's governmental funds reported combined ending fund balances of \$402,251.

The Tillamook Urban Renewal Agency's total debt increased by \$175,000 during the fiscal year. The increase is attributable to a \$175,000 debt issue in June of 2009.

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

This discussion and analysis is intended to serve as an introduction to the Tillamook Urban Renewal Agency's basic financial statements. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The report also contains other supplementary information in addition to the basic financial statements.

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

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

The statement of activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). The governmental activities of the Tillamook Urban Renewal Agency include activities described in the following table:

<b>Tillamook Urban Renewal Area</b>	
<b>Table XYZ- Allocation of 25 Year Revenue to Project Activites (Detailed)</b>	
<b>Project Activity</b>	<b>Cost Allocation</b>
<b>Public Parks and Open Spaces</b>	
Hoquarten Trail project	\$125,000
A Public plaza or Town Square as part of a civic center in downtown Tillamook	\$625,000
Mini parks in the renewal area	\$200,000
Improvements to Marine Park	\$500,000
Help improve Carlich House	\$200,000
Improvements to Goodspeed and Carnahan parks (need boundary change)	\$200,000
<b>Street, Curb, and Sidewalk Improvements</b>	
U.S. 101 (Pacific Avenue and Main Avenue) and 2nd Street	\$250,000
On Main and Pacific Avenues, between 1st and 12th Street	\$250,000
From 1st Street to 5th Street - Reconstruct/repair existing sidewalks	\$250,000
Couplet feasibility along First Street and Netarts Highway (3rd Street) between Stillwell Avenue and US 101	\$200,000
Construct sidewalks on Highway 131 from Pacific, west to Trask River Bridge	\$375,000
<b>Public Utilities</b>	
Stormwater upgrades in renewal area	\$750,000
Wastewater improvements on 3rd st/ Wilson river loop road and Schild Road to Highway 6	\$500,000
Supplement city water CIP by contributing to upsizing water lines in core area.	\$800,000
Supplement city wastewater CIP by contributing to upsizing wastewater lines in core area.	\$800,000
Contribute to Wi-Fi program for City	\$250,000
<b>Streetscape and Neighborhood Beautification Projects</b>	
Streetscaping with priority on the Town Center District, Front to 5th, and Madrona to Grover.	\$375,000
Streetscaping Main and Pacific from 1st to 12th Street	\$250,000
Streetscaping 3rd from Pacific to Trask River bridge	\$250,000
Making Alley improvements between 1st and 3rd Streets	\$125,000
Building Gateways at keylocations, including Hwy101 and 6th Street, Hwy 101 and 3rd Street and on W. 3rd Street	\$125,000
<b>Pedestrian, Bicycle, and Transit and Parking Improvements</b>	
Contribute to transit facility at City Hall	\$250,000
<b>Implement parking recommendations from the Tillamook Refinement Plan, including:</b>	
Provide convenient parking for recreational vehicles	\$125,000
Acquire property immediately east of Stillwell Avenue on Second Street to expand employec and visitor parking	\$250,000
Construction of one or more surface parking areas on parcels currently vacant, for use by visitors, employees	\$250,000
Add signage to guide visitors to parking areas off the state highway	\$125,000
<b>Public Safety Improvements</b>	
Contribute to traffic signal at 3rd & Stillwell	\$125,000
<b>Public Buildings and Facilities</b>	
City Hall	\$750,000
Tillamook Muscum	\$750,000
<b>Development and Redevelopment</b>	
Below market interest rate loans.	\$200,000
Write down of land acquisition costs.	\$200,000
Provision of public parking to assist development.	\$200,000
Assistance in providing utilities and other infrastructure.	\$200,000
Technical assistance, including architectural assistance, and zoning change work.	\$200,000
Transfer of assembled sites at fair reuse valuc.	\$200,000
<b>Plan Administration</b>	<b>\$1,250,000</b>
<b>Total</b>	<b>\$12,475,000</b>

**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. The Tillamook Urban Renewal Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Tillamook Urban Renewal Agency 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 revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Tillamook Urban Renewal Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and the Debt Service 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**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Tillamook Urban Renewal Agency, assets exceeded liabilities by \$234,278 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>Table 1</b>		
<b>SUMMARY OF NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2009</b>
Cash and investments	\$ 83,505	\$ 400,401
Other assets	-	8,877
Total Assets	83,505	409,278
Other liabilities	-	175,000
Total liabilities	-	175,000
Net assets:		
Restricted:		
Debt service	-	162,488
Unrestricted	83,505	71,790
Total net assets	\$ 83,505	\$ 234,278

Tillamook Urban Renewal Agency's net assets represent resources that are restricted for debt service. The remaining balance, \$71,790 is unrestricted and may be used to meet the Agency's ongoing obligations to citizens and creditors.

**Governmental activities.** There were no significant changes in governmental activity that affected the Urban Renewal Agency's net assets this year.

**Table 2**  
**Governmental Activities**

	2008	2009
<b>REVENUES</b>		
General Revenue		
Taxes	84,448	151,901
Interest and Investment Earnings	2,082	2,939
Other Revenue	-	325
Total Revenues	<u>86,530</u>	<u>155,165</u>
<b>EXPENSES</b>		
Programs	<u>3,025</u>	<u>4,392</u>
Change in Net Assets	83,505	150,773
Beginning Net Assets	<u>-</u>	<u>83,505</u>
Ending Net Assets	<u>\$ 83,505</u>	<u>\$ 234,278</u>

**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 \$402,251. Approximately 59% percent of this total amount (\$239,763) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

**Budgetary Highlights**

The Agency Board approved no changes to the adopted budget during the year.

**Capital Asset and Debt Administration**

**Capital assets.** The Tillamook Urban Renewal Agency's had no investment in capital assets for its governmental activities as of June 30, 2009.

**Long-term debt.** At the end of the fiscal year, the Tillamook Urban Renewal Agency had total long-term debt outstanding of \$175,000.

## 2009 - 2010 BUDGET MESSAGE

To the Citizens of the City of Tillamook Urban Renewal Agency:

The 2009-2010 annual budget represents a combined effort of the City of Tillamook Urban Renewal Agency Board Members, and appointed citizens of the Budget Committee that currently serve the City of Tillamook. This will be the third year of tax deferred income and authorized expenditures for the City of Tillamook Urban Renewal Agency.

The 2009-2010 proposed budget contains two funds, the General Fund, and the Tax Increment-Bond Fund.

The major highlights in the 2009-2010 annual budgets are outlined below:

### General Fund Expenses

**I. \$3,000 IGA Services (City of Tillamook)**

The Urban Renewal Agency signed an Intergovernmental Agency Agreement (IGA) with the City of Tillamook for administrative services. The City of Tillamook is currently providing staff hours to administer Urban Renewal Agency activity and provide monthly reports and administrative guidance as necessary. Note: The (IGA) expires on July 1, 2009 and the City and Agency will have ongoing discussions regarding continuing IGA services with the city.

**II. \$5,000 Consulting and financial Fees**

Funds have been set aside for any consulting services the Agency wishes to have regarding future Agency projects such as services and or advice to help with structuring loans, and grants and documents associated with them and to pay for Baertlein and Phegley, CPA services.

**III. \$5,000 Office supplies/ Rent**

The Agency may look to renting space away from Tillamook City Hall to house its activities. Based on discussions with the Agency, this may or may not happen between the City and the Agency. Office supplies will be purchased out of this line item.

**IV. \$10,000 Streetscape and Neighborhood Beautification Projects**

As the Agency begins the third year of existence funding has been set aside for possible streetscape and beautification projects the Agency may undertake.

**V. \$279,092 Land Purchase**

Funds have been set aside for any land purchases the Agency wishes to make. ORS 457.230 (1) allows an agency to make land available for redevelopment at its fair reuse value "which represents the value, whether expressed in terms of rent or capital price, at which the urban renewal agency in its discretion determines such land should be made available in order that it may be developed, redeveloped, cleared, conserved or rehabilitated for the purposes specified in the plan".

**General Fund Revenue**

**I. \$5,000 Grants & Donations**

This line item is in anticipation of potential grant funding or private donations that may be procured throughout the third fiscal year. Expenditures from the General Fund are reduced in the event these funds are not received.

**II. \$271, 000 Short Term Loan**

These funds are borrowed in anticipation of the Tax Increment Funding the Agency will receive from property taxes. The loan amount is based on

projected funding the Agency will receive from future tax increment revenues as outlined in the Report on the Urban Renewal Plan – Table 4 Tillamook URA Project Resources and requirements. Security for this loan is the tax increment funding received in future years.

### **Tax Increment-Bond Fund Revenue**

#### ***I. \$154,170 Cash on Hand***

The Agency will retain a balance in the LGIP Tax Increment Bond account to maintain legal requirements for bonding and account activity. The Agency will authorize debt to incur prior to the end of fiscal year 2009-2010 in the amount of the projected cash on hand.

#### ***II. \$175,000 Taxes Estimated to Be Received***

This is the projected revenue from property taxes as outlined in the “City of Tillamook Report On The Urban Renewal Plan” for fiscal year 2009-2010. **Note:** In discussions with the Assessor’s office’s Chief Deputy, she anticipates the Agency can expect at least \$175,000 for this upcoming fiscal year.

### **Tax Increment-Bond Fund Expenses**

#### ***III. \$271,000 Short Term Loan Repayment***

Tax Increment Funds (Property Taxes) can only be used to repay indebtedness. These funds are transferred to the General Fund to repay the short term loan that is appropriated in the General Fund.

**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, Administrative Assistant or Mark Gervasi, City Manager at: 210 Laurel Avenue, Tillamook, Oregon 97141.



Signature, Budget Officer

February 17<sup>th</sup>, 2010

**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

June 30, 2009

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ASSETS

Cash and cash equivalents	\$	400,401
Receivables, net		<u>8,877</u>
Total Assets		<u>409,278</u>

LIABILITIES:

Noncurrent Liabilities		
Due within one year		<u>175,000</u>
Total Liabilities		<u>175,000</u>

NET ASSETS:

Restricted for Debt Service		162,488
Unrestricted		<u>71,790</u>
Total Net Assets	\$	<u><u>234,278</u></u>

See accompanying notes to basic financial statements and accountants' report

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
Support Services	\$ 4,392	\$ -	\$ -	\$ (4,392)
Total Governmental Activities	<u>\$ 4,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,392)</u>
General Revenues				
Property Taxes				151,901
Investment earnings				2,939
Other Revenue				<u>325</u>
Total General Revenues				<u>155,165</u>
Changes in Net Assets				150,773
Net Assets - Beginning				<u>83,505</u>
Net Assets - Ending				<u>\$ 234,278</u>

See accompanying notes to basic financial statements and accountants' report

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL</u>
<b>ASSETS:</b>			
Cash & cash equivalents	\$ 239,763	\$ 160,638	\$ 400,401
Property taxes receivable	-	8,877	8,877
	<u>239,763</u>	<u>169,515</u>	<u>409,278</u>
Total Assets	<u>\$ 239,763</u>	<u>\$ 169,515</u>	<u>\$ 409,278</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Deferred Revenue	\$ -	\$ 7,027	\$ 7,027
	<u>-</u>	<u>7,027</u>	<u>7,027</u>
Total Liabilities	<u>-</u>	<u>7,027</u>	<u>7,027</u>
Fund Balances:			
Reserved for Debt Service	-	162,488	162,488
Unreserved	239,763	-	239,763
	<u>239,763</u>	<u>162,488</u>	<u>402,251</u>
Total Fund Balances	<u>239,763</u>	<u>162,488</u>	<u>402,251</u>
	<u>\$ 239,763</u>	<u>\$ 169,515</u>	<u>\$ 409,278</u>
Total Liabilities and Fund Balances	<u>\$ 239,763</u>	<u>\$ 169,515</u>	<u>\$ 409,278</u>

See accompanying notes to basic financial statements and accountants' report

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
JUNE 30, 2009

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Total Fund Balances - Governmental Funds	\$	402,251
Long-term liabilities applicable to the City'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		(175,000)
Deferred revenue related to property taxes		<u>7,027</u>
Total Net Assets	\$	<u><u>234,278</u></u>

See accompanying notes to basic financial statements and accountants' report

## TILLAMOOK URBAN RENEWAL AGENCY

## TILLAMOOK COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL
REVENUES:			
Taxes	\$ -	\$ 144,874	\$ 144,874
Interest on Investments	1,351	1,588	2,939
Other revenues	-	325	325
Total Revenues	1,351	146,787	148,138
EXPENDITURES:			
Materials and Services	4,266	-	4,266
Debt service	-	126	126
Total Expenditures	4,266	126	4,392
Excess of Revenues, Over (Under) Expenditures	(2,915)	146,661	143,746
Other Financing Sources, (Uses)			
Loan Proceeds	175,000	-	175,000
Total Other Financing Sources (Uses)	175,000	-	175,000
Net Change in Fund Balance	172,085	146,661	318,746
Beginning Fund Balance	67,678	15,827	83,505
Ending Fund Balance	\$ 239,763	\$ 162,488	\$ 402,251

See accompanying notes to basic financial statements and accountants' report

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

For the year ended June 30, 2009

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Total Net Changes in Fund Balances - Governmental Funds	\$	318,746
Additions to loan principal is an expense for the Statement of Net Assets but not the governmental funds.		
Loan Proceeds		(175,000)
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.		
Property Taxes		<u>7,027</u>
Change in Net Assets	\$	<u><u>150,773</u></u>

See accompanying notes to basic financial statements and accountants' report

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A. 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 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, 2009.

**B. BASIS OF PRESENTATION**

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

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using funds. The government-wide statements focus on the sustainability and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. These statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

**FUND FINANCIAL STATEMENTS**

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes which are accrued if collected within 30 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue 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 resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes and interest revenue.

**Debt Service Fund**

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

**C. BUDGETS**

A budget is prepared for the governmental fund 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.

While financial position, results of operations, and changes in fund balance/net assets are reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is substantially the same as accounting principles generally accepted in the United States of America basis, except capital outlay expenditures, including items below the capitalization level, are budgeted by major function in governmental fund types and expensed when purchased, debt is expensed when paid, and depreciation is not recorded. Taxes receivable are not recorded as revenue until collected and inventories are budgeted as expenditures when purchased.

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

Materials and Services  
Capital Outlay  
Debt Service  
Operating Contingency

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

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

**D. PROPERTY TAXES AND PROPERTY TAXES RECEIVABLE**

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables. Uncollected taxes are deemed to be substantially collectible or recoverable through liens. All property taxes receivable are due from property owners within the City of Tillamook boundaries. 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 certain reported amounts and disclosures. Accordingly, 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". Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county and local shared revenue are recorded in accounts receivable.

Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as earned on investments.

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

**G. NET ASSETS**

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

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.

**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	\$	175,073
Investments		225,328
	\$	<u>400,401</u>

**DEPOSITS**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$175,310, 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.

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)**

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, 2009 was 99.11% 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, 2009 consist of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer’s Investment Pool	\$ 225,328	\$ 225,328	\$ -	\$ -
Total	<u>\$ 225,328</u>	<u>\$ 225,328</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2009, none of the bank balance of \$175,310 was exposed to custodial credit risk because it was fully insured.

Credit Risk – Investments

Oregon Revised Statutes does 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, 2009, 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.

**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.

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**4. PROPERTY TAX LIMITATIONS (CONTINUED)**

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

**5. LONG-TERM DEBT**

On June 29, 2009 a loan of \$175,000, with no stated interest rate, was received from TLC Federal Credit Union for the purpose of financing costs of urban renewal projects within the area.

	<u>Interest Rates</u>	<u>Original Issue Date</u>	<u>Balance 07/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/09</u>	<u>Due Within One Year</u>
Promissory Note	0%	June 29, 2009	-	175,000	-	175,000	175,000
Total Short-term Liabilities			<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 175,000</u>

**6. SUBSEQUENT EVENTS**

On October 22, 2009 a \$95,000 line of credit was received from TLC Federal Credit Union with an interest rate of 3.5%. The line of credit was received to provide a loan for the renovations of the Janac Building. As of December 2, 2009 \$54,976 had been drawn down on the line of credit.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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## TILLAMOOK URBAN RENEWAL AGENCY

## TILLAMOOK COUNTY, OREGON

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## ACTUAL AND BUDGET

For the Year Ended June 30, 2009

	<u>GENERAL FUND</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Interest on investments	\$ 3,000	\$ 3,000	\$ 1,351	\$ (1,649)
Grants and Donations	5,000	5,000	-	(5,000)
Total Revenues	<u>8,000</u>	<u>8,000</u>	<u>1,351</u>	<u>(6,649)</u>
EXPENDITURES:				
Materials & services	114,500	114,500 (1)	4,266	110,234
Capital Outlay	<u>10,000</u>	<u>10,000 (1)</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>124,500</u>	<u>124,500</u>	<u>4,266</u>	<u>120,234</u>
Excess of Revenues, Over (Under) Expenditures	(116,500)	(116,500)	(2,915)	113,585
Other Financing Sources, (Uses)				
Loan Proceeds	<u>113,000</u>	<u>113,000</u>	<u>175,000</u>	<u>62,000</u>
Net Change in Fund Balance	(3,500)	(3,500)	172,085	175,585
Beginning Fund Balance	<u>70,000</u>	<u>70,000</u>	<u>67,678</u>	<u>(2,322)</u>
Ending Fund Balance	<u>\$ 66,500</u>	<u>\$ 66,500</u>	<u>\$ 239,763</u>	<u>\$ 173,263</u>

(1) Appropriation Level

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

**SUPPLEMENTARY DATA**

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TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2009

	<u>DEBT SERVICE FUND</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Property Taxes	\$ 111,000	\$ 111,000	\$ 144,874	\$ 33,874
Interest on Investments	2,000	2,000	1,588	(412)
Other Revenues	-	-	325	325
Total Revenues	<u>113,000</u>	<u>113,000</u>	<u>146,787</u>	<u>33,787</u>
EXPENDITURES:				
Debt Service	<u>113,000</u>	<u>113,000 (1)</u>	<u>126</u>	<u>112,874</u>
Total Expenditures	<u>113,000</u>	<u>113,000</u>	<u>126</u>	<u>112,874</u>
Net Change in Fund Balance	-	-	146,661	146,661
Beginning Fund Balance	<u>12,000</u>	<u>12,000</u>	<u>15,827</u>	<u>3,827</u>
Ending Fund Balance	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 162,488</u>	<u>\$ 150,488</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, 2009

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/08</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 6/30/09</u>
Current:						
2008-2009	\$ 152,736	\$ -	\$ (3,691)	\$ 99	\$ 142,001	\$ 7,143
Prior Years:						
2007-2008	3,448	-	(21)	117	1,810	1,734
2006-2007	-	-	-	-	-	-
2005-2006	-	-	-	-	-	-
2004-2005	-	-	-	-	-	-
2003-2004 & Prior	-	-	-	-	-	-
Total Prior	3,448	-	(21)	117	1,810	1,617
Total	<u>\$ 156,184</u>	<u>\$ -</u>	<u>\$ (3,712)</u>	<u>\$ 216</u>	<u>\$ 143,811</u>	<u>\$ 8,877</u>

RECONCILIATION TO REVENUE:

	<u>REVENUE</u>
Cash Collections by County Treasurer Above	\$ 143,811
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2008	(788)
June 30, 2009	1,851
Total Revenue	<u>\$ 144,874</u>

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

**2008-09 ACCOUNTANTS' COMMENTS AND DISCLOSURES**

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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 31, 2009

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## 2008-2009 ACCOUNTANTS' COMMENTS AND DISCLOSURES

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### REVIEW REPORT REQUIREMENTS

Oregon Administrative Rules 162-40-000 through 162-40-160 of the *Minimum Standards for Review of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in review reports. The required schedules, comments and disclosures not included in the preceding section of this report are set forth as follows:

### COLLATERAL

Deposits appeared to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury throughout the year based upon our review. Deposits in the State Local Government Investment Pool are not required to be collateralized.

### DEBT LIMITATION

The debt outstanding was within the legal limits as defined in the Oregon Revised Statutes.

### 2008-2009 AND 2009-2010 BUDGETS

The budgets adopted for the current and ensuing fiscal year were examined during our review. Our testing noted three instances where the budget preparation and adoption procedures were not in compliance with the Oregon Local Budget Law. This included two instances where the notice for the budget committee meetings were not published five to thirty days before the meeting as required by statute and one instance where a budget hearing notice was not published between five and thirty days before the budget meeting.

### BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriations for the year.

### INSURANCE AND FIDELITY BONDS

We are not aware of any failure to comply with legal requirements relating to insurance and fidelity bonds, however, we are not competent by training and experience to comment on the adequacy of insurance coverage.

### ACCOUNTING RECORDS

The accounting records were adequate for review.

TILLAMOOK URBAN RENEWAL AGENCY  
TILLAMOOK COUNTY, OREGON

2008-2009 ACCOUNTANTS' COMMENT AND DISCLOSURES

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PUBLIC CONTRACTS AND PURCHASING

Based on our review, we are not aware of any failure to comply with ORS 279.

INVESTMENTS

The investments for the year ending June 30, 2009, were reviewed and based upon our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

Based on our review, we are not aware of any failure to comply with appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies. Since less than \$500,000 in federal financial awards was expended for the year ended June 30, 2009, it was not necessary to perform, nor did we perform, tests in accordance with the Federal Single Audit Act, as amended (U.S. Office of Management and Budget Circular A-133).

STATE HIGHWAY FUNDS

No state highway funds were received during the fiscal year 2008-2009.

ACCOUNTABILITY OF ELECTED OFFICIALS

No elected officials collected or received funds on behalf of the Agency.

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