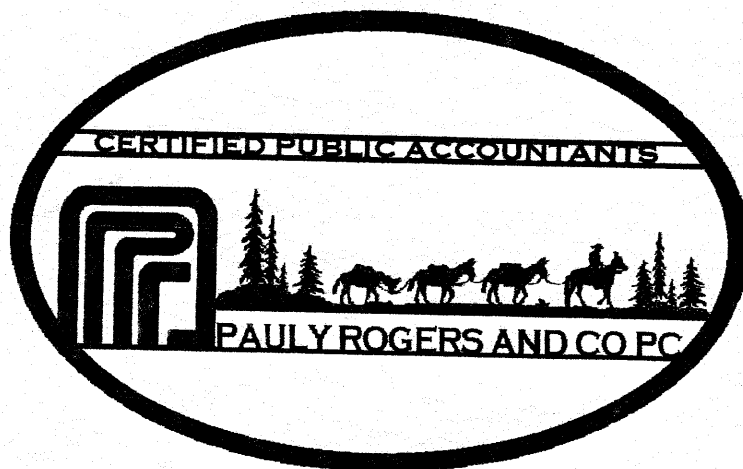


TILLAMOOK URBAN RENEWAL AGENCY
TILLAMOOK COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



12700 SW 72nd Ave.
Tigard, OR 97223

TILLAMOOK URBAN RENEWAL AGENCY
TILLAMOOK COUNTY, OREGON

For the Year Ended June 30, 2010

COMPONENT UNIT

ANNUAL FINANCIAL REPORT

TILLAMOOK URBAN RENEWAL AGENCY
TILLAMOOK COUNTY, OREGON

BOARD OF DIRECTORS

Don Hurd, Chair

Suzanne Weber, Vice Chair

Joe Martin

Tony Faulkner

Carolyn Decker

Sean Lambert

Alene Allen

All Commissioners receive mail at the address below.

AGENCY ADMINISTRATION

Robert Drake, Interim City Manager
Debbi Reeves, Administrative Assistant

210 Laurel Ave.
Tillamook, Oregon 97141

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

November 15, 2010

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, 2010, which collectively comprise the basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data of individual fund statements and other financial schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Tillamook Urban Renewal Agency as of June 30, 2010, and the results of its operations for the year then ended, in conformity with generally accepted accounting principals in the United States of America.

The Management's Discussion and Analysis, as listed on the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Management's Discussion and Analysis

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 the Tillamook Urban Renewal Agency for the fiscal year ended June 30, 2010. 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 \$154,953.

Change in Net Assets – The Agency's total net assets decreased by \$79,326 due to the agency purchasing property, granting funds and loaning funds for agency projects.

Governmental Funds - As of the close of the fiscal year, the Tillamook Urban Renewal Agency's governmental funds reported combined ending fund balances of \$211,144.

The Tillamook Urban Renewal Agency's total debt increased by \$231,414 during the fiscal year. The increase is attributable to \$406,414 debt issued periodically in FY 2009-2010.

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:

Tillamook Urban Renewal Area	
Table XYZ- Allocation of 25 Year Revenue to Project Activities (Detailed)	
Project Activity	Cost Allocation
Public Parks and Open Spaces	
Hogarten 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
Street, Curb, and Sidewalk Improvements	
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
Public Utilities	
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
Streetscape and Neighborhood Beautification Projects	
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
Pedestrian, Bicycle, and Transit and Parking Improvements	
Contribute to transit facility at City Hall	\$250,000
Implement parking recommendations from the Tillamook Refinement Plan, including:	
Provide convenient parking for recreational vehicles	\$125,000
Acquire property immediately east of Stillwell Avenue on Second Street to expand employee 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
Public Safety Improvements	
Contribute to traffic signal at 3rd & Stillwell	\$125,000
Public Buildings and Facilities	
City Hall	\$750,000
Tillamook Museum	\$750,000
Development and Redevelopment	
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 value.	\$200,000
Plan Administration	\$1,250,000
Total	\$12,475,000

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, liabilities exceed assets by \$154,953 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.

SUMMARY OF NET ASSETS		
	Governmental Activities	
	2009	2010
Cash and investments	\$ 400,401	\$ 208,461
Other assets	8,877	360,391
Total Assets	409,278	568,852
Other liabilities	175,000	413,899
Total liabilities	175,000	413,899
Net assets:		
Invested in capital assets, net of related debt		288,131
Restricted:		
Debt service	162,488	39,460
Unrestricted	71,790	(172,638)
Total net assets	\$ 234,278	\$ 154,953

Tillamook Urban Renewal Agency's net assets represent resources that are restricted for debt service. The remaining balance, (\$172,638) is unrestricted.

Governmental activities. There were several governmental activities that affected the Urban Renewal Agency's net assets this year. The agency granted and loaned funds in the amount of \$305,890 on the restoration of a key building in downtown Tillamook which assisted in the opening of a Public Market business that now houses approximately 15 vendors. The agency also purchased two parcels of property for a total of \$280,000 that will become a public parking lot within 2 blocks of the Public Market building.

Table 2
Governmental Activities

	2009	2010
REVENUES		
General Revenue		
Taxes	151,901	184,930
Interest and Investment Earnings	2,939	1,493
Other Revenue	325	
Total Revenues	155,165	186,423
EXPENSES		
Programs		
Total	4,392	265,749
Change in Net Assets	150,773	(79,326)
Beginning Net Assets	83,505	234,279
Ending Net Assets	\$ 234,278	\$ 154,953

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 \$211,144. Approximately 80% percent of this total amount \$171,684 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 a Supplemental Budget on June 24, 2010 to offset increased spending on agency projects, property purchases and general expenditures. The General Fund Resource Balance Beginning Fund was increased to \$176,766. The General Fund Expenditures were increased as follows: Materials and Services \$31,200; Capital Outlay \$309,092 and Special Payments \$167,370. The Total Agency General Fund was increased to \$657,626.

Capital Asset and Debt Administration

Capital assets. The Tillamook Urban Renewal Agency's has purchased 2 parcels within the Urban Renewal District with the intentions of constructing a public parking lot. Construction on the parking lot should begin in 2011. These parcels have a capital asset value of approximately \$288,131.

Short/Long-term debt. At the end of the fiscal year, the Tillamook Urban Renewal Agency had total short and long term debt outstanding of \$406,414.

Economic Factors and next year's Budgets and Rates: The following information is taken from the 2010-2011 TURA budget packet of May 19, 2010.

2010 - 2011 BUDGET MESSAGE

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

Tillamook Urban Renewal Mission Statement

The mission of the Tillamook Urban Renewal District is to stabilize and improve property values, thus improving the quality of life for those who live, work, and visit within the area. Elimination of existing blight in commercial, industrial, and/or residential properties will aid in providing positive results.

The 2010-2011 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 fourth (4th) year of tax deferred income and authorized expenditures for the City of Tillamook Urban Renewal Agency.

The 2010-2011 proposed budget contains two funds, the General Fund, and the Tax Increment-Bond Fund.

The major highlights in the 2010-2011 annual budgets are outlined below:

General Fund Expenses

- 1. Intergovernmental Agreement – Services \$15,000 (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 through the City Manager & Administrative Assistant to assist the Urban Renewal Agency in its activities and to provide monthly reports and administrative guidance as necessary. Note: The IGA expires on July 1, 2012.
- 2. Legal Services \$5,000.**
For legal support to the Agency if needed such as contract preparation and legal advice, etc.
- 3. Office supplies/Rent \$1,500**
The Agency uses space in Tillamook City Hall to house its activities and hold its meetings. Office supplies will be purchased out of this line item. There is no rent charged to the Agency.
- 4. Consulting Fees \$2,500**
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 Agency initiated development projects that promote private investment and help in structuring loans, and grants.

5. **Financial Bookkeeping/Audit Services \$10,000**
This line item is to pay for financial services such as the monthly financial schedule of cash receipts and disbursements - budget and actual, the annual audit, to prepare documents and make presentations by Baertlein and Phegley, CPA and Pauly Rogers CPA's that will perform the Agency's annual audit which is a state requirement.
6. **Engineering /Architect Services \$5,000**
This line is to pay for these services as need by the Agency.
7. **Design/Environmental Studies \$5,000**
This line is to pay for studies of future Agency initiated projects.
8. **Appraisals and inspections \$5,000**
Line item to be used for land appraisals and inspections of property and structures as part of an Agency/private investment project.
9. **Façade Loan & Grants \$50,000**
This line item is to support the Agency's façade loan and grant program within the district.
10. **Streetscape & Neighborhood Beautification Projects \$50,000**
This line item is for streetscape and beautification projects that will help meet the Goals and Objectives in the Urban Renewal Plan.
11. **Land/Property Purchase/Development \$50,000**
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".
12. **Reserved Agency Approved Project \$120,000**
Funds to be used for Agency activities/projects outline in the Urban Renewal Plan.
13. **Special Payments – Loans, Grants, Assessed Value producing projects \$80,000**
Funds set aside to make payments on loans secured to purchase the Kimmel and Cameron lots located on the south side of First between Ivy and Stillwell Avenues.

General Fund Revenue

1. **Available cash on hand \$95,000**
Cash available to the Agency to start the 2010-2011 fiscal year.
2. **Grants & Donations \$5,000**
This line item is in anticipation of potential grant funding or private donations that may be procured throughout the fourth fiscal year. Expenditures from the General Fund are reduced in the event these funds are not received.
3. **Short Term Loan \$140,000**
These funds will be used to fund the Agency's proposed east Third Street improvements in the area of the Community College and Wilson River Loop and to fund the First Street parking lot purchase (former Cameron and Kimmel's lots).
4. **Transfer in from the TIF account \$166,350**
The Agency will use these funds to support activities detailed in the plan.

Tax Increment-Bond Fund Revenue

1. **Cash on Hand \$90,000**
The Agency will retain a balance in the LGIP Tax Increment Bond account to maintain legal requirements for bonding and account activity. The Agency may authorize debt to incur prior to the end of fiscal year 2010-2011.

2. *\$210,000 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 2010-2011 with an additional 26% added to it. I believe this revenue forecast is fairly accurate in light of past years collections which have exceed the revenue collections outlined in the Report on the Urban Renewal Plan - page 10, dated October 11, 2006.

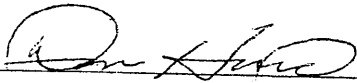
Tax Increment-Bond Fund Expenses

1. *\$140,000 Short Term Loan Repayment*

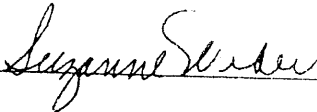
Tax Increment Funds (Property Taxes) can only be used to repay indebtedness. These funds are transferred to the General Fund to repay the short term loans that are appropriated in the General Fund.

The 2010-2011 proposed budgets will balance by utilizing full taxing authority for tax-increment funding.

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 Paul Wyntergreen, City Manager at: 210 Laurel Avenue, Tillamook, Oregon 97141.

Signature: 

Title: Chairman

Signature: 

Title: Vice Chairman

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

BASIC FINANCIAL STATEMENTS

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS

Cash and cash equivalents	\$	208,461
Property taxes receivable		13,540
Notes receivable		58,720
Capital Assets, net of accumulated depreciation		<u>288,131</u>
Total Assets	\$	<u>568,852</u>

LIABILITIES:

Accrued Interest		7,485
Noncurrent Liabilities		
Due within one year		265,142
Due in more than one year		<u>141,272</u>
Total Liabilities		<u>413,899</u>

NET ASSETS:

Invested in capital assets, net of related debt		288,131
Restricted for Debt Service		39,460
Unrestricted		<u>(172,638)</u>
Total Net Assets	\$	<u><u>154,953</u></u>

See accompanying notes to basic financial statements

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
Support Services	\$ 265,749	\$ -	\$ -	\$ (265,749)
Total Governmental Activities	<u>\$ 265,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(265,749)</u>
	General Revenues			
	Property Taxes			184,930
	Investment earnings			1,493
	Other Revenue			<u>-</u>
	Total General Revenues			<u>186,423</u>
	Changes in Net Assets			(79,326)
	Net Assets - Beginning			<u>234,279</u>
	Net Assets - Ending			<u>\$ 154,953</u>

See accompanying notes to basic financial statements

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL
ASSETS:			
Cash & cash equivalents	\$ 171,684	\$ 36,777	\$ 208,461
Property taxes receivable	-	13,540	13,540
Total Assets	\$ 171,684	\$ 50,317	\$ 222,001
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Deferred Revenue	\$ -	\$ 10,857	\$ 10,857
Total Liabilities	-	10,857	10,857
Fund Balances:			
Reserved for Debt Service	-	39,460	39,460
Unreserved	171,684	-	171,684
Total Fund Balances	171,684	39,460	211,144
Total Liabilities and Fund Balances	\$ 171,684	\$ 50,317	\$ 222,001

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, 2010

Total Fund Balances - Governmental Funds	\$ 211,144
Loan Receivables used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Loan receivables	58,720
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Land	288,131
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	(406,414)
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Accrued interest	(7,485)
Deferred revenue related to property taxes	<u>10,857</u>
Total Net Assets	<u>\$ 154,953</u>

See accompanying notes to basic financial statements

TILLAMOOK URBAN RENEWAL AGENCY

TILLAMOOK COUNTY, OREGON

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

For the Year Ended June 30, 2010

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL
REVENUES:			
Taxes	\$ -	\$ 182,024	\$ 182,024
Interest on Investments	520	973	1,493
Other revenues	-	-	-
Total Revenues	520	182,997	183,517
EXPENDITURES:			
Materials and Services	26,571	125	26,696
Debt service	-	230,900	230,900
Capital Outlay	296,581	-	296,581
Total Expenditures	323,152	231,025	554,177
Excess of Revenues, Over (Under) Expenditures	(322,632)	(48,028)	(370,660)
Other Financing Sources, (Uses)			
Transfers In	75,000	-	75,000
Transfers Out	-	(75,000)	(75,000)
Special Payments	(281,837)	-	(281,837)
Loan Proceeds	461,390	-	461,390
Total Other Financing Sources (Uses)	254,553	(75,000)	179,553
Net Change in Fund Balance	(68,079)	(123,028)	(191,107)
Beginning Fund Balance	239,763	162,488	402,251
Ending Fund Balance	<u>\$ 171,684</u>	<u>\$ 39,460</u>	<u>\$ 211,144</u>

See accompanying notes to basic financial statements

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, 2010

Total Net Changes in Fund Balances - Governmental Funds		\$	(191,107)
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Land			288,131
Loan Receivables used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Loan			58,720
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.			
Long-term debt principal repaid		175,000	
Loan Proceeds		<u>(406,414)</u>	(231,414)
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			3,829
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Accrued interest			<u>(7,485)</u>
Change in Net Assets		\$	<u><u>(79,326)</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 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 Chairman and the Board of Directors.

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, 2010.

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

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 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.

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 are 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

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
Transfers Out

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 except for Special Payments in the General Fund which was over expended by \$114,467.

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 by management 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:

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.

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	\$	6,619
Investments		201,842
	\$	<u>208,461</u>

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$6,696, 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.

TILLAMOOK URBAN RENEWAL AGENCY
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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.

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, 2010 was 99.56% 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, 2010 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	\$ 201,842	\$ 201,842	\$ -	\$ -
Total	<u>\$ 201,842</u>	<u>\$ 201,842</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, 2010, none of the bank balance of \$6,696 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, 2010, 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.

TILLAMOOK URBAN RENEWAL AGENCY
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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.

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. 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.

	Interest Rates	Balance 07/1/09	Additions	Reductions	Balance 06/30/10	Due Within One Year
TLC TURA Loan #142	0%	175,000	-	175,000	-	-
TLC TURA Loan #143	3.5%	-	92,156	-	92,156	92,156
TLC TURA Loan #144	5.5%	-	67,000	-	67,000	32,603
TLC TURA Loan #145	5.5%	-	144,000	-	144,000	37,125
TLC TURA Loan #146	5.5%	-	44,538	-	44,538	44,538
TLC TURA Loan #147	5.5%	-	58,720	-	58,720	58,720
Total Short-term Liabilities		<u>\$ 175,000</u>	<u>\$ 406,414</u>	<u>\$ 175,000</u>	<u>\$ 406,414</u>	<u>\$ 265,142</u>

TILLAMOOK URBAN RENEWAL AGENCY
TILLAMOOK COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

5. LOANS RECEIVABLE

The loan receivable is due from John W. Janac owner of Superior Standard Construction, Inc. for the revitalization of a building located on the corner of 2nd and Main in Tillamook. The full amount of this loans 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, 2010 the total amount of the loan receivable was \$58,720. Interest revenue during the year was \$876. The following is a schedule of the loan receivable:

Loan Receivable #147	\$	<u>58,720</u>
	\$	<u><u>58,720</u></u>

5. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2010 are as follows:

	<u>Governmental Capital Assets 7/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Capital Assets 6/30/2010</u>
Capital assets not being depreciated:				
Land	\$ -	\$ 288,131	\$ -	\$ 288,131
Total capital assets not being depreciated	<u>-</u>	<u>288,131</u>	<u>-</u>	<u>288,131</u>
Less: Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>-</u>			<u>-</u>
Total capital assets, net	<u><u>\$ -</u></u>			<u><u>\$ 288,131</u></u>

TILLAMOOK URBAN RENEWAL AGENCY
TILLAMOOK COUNTY, OREGON

SUPPLEMENTARY DATA

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, 2010

	<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	\$ 1,300	\$ 1,300	\$ 520	\$ (780)
Grants and Donations	5,000	5,000	-	(5,000)
Total Revenues	<u>6,300</u>	<u>6,300</u>	<u>520</u>	<u>(5,780)</u>
EXPENDITURES:				
Materials & services	16,200	31,200 (1)	26,571	4,629
Capital Outlay	289,092	309,092 (1)	296,581	12,511
Contingencies	10,000	- (1)	-	-
Total Expenditures	<u>315,292</u>	<u>340,292</u>	<u>323,152</u>	<u>17,140</u>
Excess of Revenues, Over (Under) Expenditures	(308,992)	(333,992)	(322,632)	11,360
Other Financing Sources, (Uses)				
Transfers in	75,000	75,000	75,000	-
Special Payments	(87,370)	(167,370) (1)	(281,837)	(114,467)
Loan Proceeds	258,370	258,370	461,390	203,020
Net Change in Fund Balance	(62,992)	(167,992)	(68,079)	99,913
Beginning Fund Balance	<u>62,992</u>	<u>176,766</u>	<u>239,763</u>	<u>62,997</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ 8,774</u>	<u>\$ 171,684</u>	<u>\$ 162,910</u>

(1) Appropriation Level

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, 2010

<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	\$ 178,000	\$ 178,000	\$ 182,024	\$ 4,024
Interest on Investments	1,400	1,400	973	(427)
Total Revenues	<u>179,400</u>	<u>179,400</u>	<u>182,997</u>	<u>3,597</u>
EXPENDITURES:				
Debt Service	258,370	258,370 (1)	230,900	27,470
Materials and Services	200	200 (1)	125	75
Total Expenditures	<u>258,570</u>	<u>258,570</u>	<u>231,025</u>	<u>27,545</u>
Excess of Revenues, Over (Under) Expenditures	(79,170)	(79,170)	(48,028)	31,142
Other Financing Sources, (Uses)				
Transfers out	(75,000)	(75,000) (1)	(75,000)	-
Net Change in Fund Balance	(154,170)	(154,170)	(123,028)	31,142
Beginning Fund Balance	<u>154,170</u>	<u>154,170</u>	<u>162,488</u>	<u>8,318</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,460</u>	<u>\$ 39,460</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, 2010

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/09</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 6/30/10</u>
Current:						
2009-2010	\$ 190,456	\$ -	\$ (4,945)	\$ 138	\$ 176,650	\$ 8,999
Prior Years:						
2008-2009	7,143	-	(169)	256	3,738	3,491
2007-2008	1,735	-	(3)	121	804	1,049
2006-2007	-	-	-	-	-	-
2005-2006	-	-	-	-	-	-
2004-2005	-	-	-	-	-	-
2003-2004 & Prior	-	-	-	-	-	-
Total Prior	8,878	-	(172)	377	4,542	4,164
Total	<u>\$ 199,334</u>	<u>\$ -</u>	<u>\$ (5,117)</u>	<u>\$ 515</u>	<u>\$ 181,192</u>	<u>\$ 13,540</u>

RECONCILIATION TO REVENUE:

	<u>REVENUE</u>
Cash Collections by County Treasurer Above	\$ 181,192
Add Additional Tax Payments by County	
Accrual of Receivables:	
June 30, 2009	(1,851)
June 30, 2010	2,683
Total Revenue	<u>\$ 182,024</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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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, 2010, and have issued our report thereon dated November 15, 2010. 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 as follows:

1. A supplemental budget was adopted for which the resolution appropriating funds did not agree with the supplemental budget document and requirement amounts were not properly totaled on the resolution.
2. Expenditures of the various funds were within authorized appropriations, except as noted on page 10.

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, Rogerson Co. P.C.
PAULY, ROGERS AND CO., P.C.