

**TILLAMOOK URBAN
RENEWAL AGENCY**

TILLAMOOK, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

TILLAMOOK URBAN RENEWAL AGENCY
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INTRODUCTORY SECTION

BOARD MEMBERS

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Tom Connaughton, Vice Chair

Cheryl Davy

Carolyn Decker

Doug Henson

Ruth LaFrance

Suzanne Weber

AGENCY ADMINISTRATION

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FINANCIAL SECTION

PARTNERS

KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tillamook Urban Renewal Agency
Tillamook, Oregon

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of the Tillamook Urban Renewal Agency, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Tillamook Urban Renewal Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Tillamook Urban Renewal Agency's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in the summary of significant accounting policies note; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of the Tillamook Urban Renewal Agency, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows

thereof, for the year then ended in accordance with the cash basis of accounting as described in the summary of significant accounting policies note.

Basis of Accounting

We draw attention to the summary of significant accounting policies note, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tillamook Urban Renewal Agency's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 2, 2018, on our consideration of the Tillamook Urban Renewal Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Merina & Company, LLP
West Linn, Oregon
January 2, 2018

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TILLAMOOK URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION (CASH BASIS)
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	<u>\$ 540,704</u>
Total assets	<u><u>\$ 540,704</u></u>
NET POSITION	
Restricted for:	
Urban Renewal	\$ 415,575
Unrestricted	<u>125,129</u>
Total net position	<u><u>\$ 540,704</u></u>

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

TILLAMOOK URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES (CASH BASIS)
For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Charges for Program Receipts</u>	<u>Net Receipt (Disbursement) and Change in Net Position</u>
Governmental activities:			
General government	\$ 958,241	\$ 102,537	\$ (855,704)
Principal and interest on indebtedness	204,862	-	(204,862)
Total government	<u>\$ 1,163,103</u>	<u>\$ 102,537</u>	<u>(1,060,566)</u>
General Receipts:			
Taxes:			
Property taxes			286,642
Interest and investment earnings			7,359
Loan proceeds			425,348
Total general receipts			<u>719,401</u>
Change in net position			(341,165)
Net position - beginning			<u>881,869</u>
Net position - ending			<u>\$ 540,704</u>

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

FUND FINANCIAL STATEMENTS

Major Governmental Funds

Urban Renewal General Fund

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

Urban Renewal Tax Increment Fund

This fund accounts for payments on debt obligations arising from Urban Renewal projects. Property tax receipts are recorded in the TIF fund.

TILLAMOOK URBAN RENEWAL AGENCY
BALANCE SHEET (CASH BASIS)
June 30, 2017

	Urban Renewal General Fund	Urban Renewal Tax Increment Fund	Total Governmental
ASSETS			
Cash and cash equivalents	\$ 415,575	\$ 125,129	\$ 540,704
Total assets	\$ 415,575	\$ 125,129	\$ 540,704
FUND BALANCES			
Restricted:			
Urban Renewal	\$ 415,575	\$ -	\$ 415,575
Assigned:			
Debt service	-	125,129	125,129
Total fund balance	\$ 415,575	\$ 125,129	\$ 540,704
Total liabilities and fund balance	\$ 415,575	\$ 125,129	\$ 540,704

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

TILLAMOOK URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CASH BASIS)
For the Fiscal Year Ended June 30, 2017

	Urban Renewal General Fund	Urban Renewal Tax Increment Fund	Total Governmental
REVENUES			
Property taxes	\$ -	\$ 286,642	\$ 286,642
Fines and forfeitures	300	-	300
Special assessments	102,237	-	102,237
Investment income	7,359	-	7,359
Miscellaneous	52	-	52
	<u>109,948</u>	<u>286,642</u>	<u>396,590</u>
Total receipts			
EXPENDITURES			
Current:			
General government	55,883	128	56,011
Capital outlay	902,230	-	902,230
Debt service:			
Principal	-	171,796	171,796
Total disbursements	<u>958,113</u>	<u>204,990</u>	<u>1,163,103</u>
Receipts over (under) disbursements	(848,165)	81,652	(766,513)
OTHER FINANCING SOURCES (USES)			
Transfers in	284,000	-	284,000
Transfers out	-	(284,000)	(284,000)
Loan proceeds	<u>425,348</u>	<u>-</u>	<u>425,348</u>
Total other financing sources (uses)	<u>709,348</u>	<u>(284,000)</u>	<u>425,348</u>
Net changes in cash basis fund balances	(138,817)	(202,348)	(341,165)
CASH BASIS FUND BALANCES, BEGINNING	<u>554,392</u>	<u>327,477</u>	<u>881,869</u>
CASH BASIS FUND BALANCES, ENDING	<u>\$ 415,575</u>	<u>\$ 125,129</u>	<u>\$ 540,704</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Tillamook Urban Renewal Agency was created in July 2006, under the Oregon Revised Statutes, to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal areas. The Agency is governed by a seven-member board of directors, including two representatives from the City Council, which are appointed by the Mayor.

B. Basis of Accounting

These financial statements are reported on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB), but is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation. The cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues and expenditures reported in the period in which they occurred.

The cash basis of accounting differs from GAAP primarily because cash revenues are recognized when received in cash rather than when earned and susceptible to accrual, and cash expenditures are recognized when paid rather than when incurred or subject to accrual.

C. Basis of Presentation

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

D. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues. All expenditures are categorized as program expenditures and interest on long term debt.

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

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the Agency has governmental (general and debt service). The reporting model sets forth minimum criteria (percentage of the assets, revenues or expenditures of either fund category or the government and enterprise combined) for the determination of major funds.

TILLAMOOK URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

The Agency reports the following major governmental funds:

Urban Renewal General Fund

This fund accounts for all financial revenues and expenditures, except those required to be accounted for in another fund. The principal sources of receipt are loan principal and interest repayments.

Urban Renewal Tax Increment Fund

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

E. Fund Balance

In the fund financial statements, Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the five fund balance components listed below:

Nonspendable

This component is reported when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact.

Restricted

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

Committed

This component consists of amounts that can only be used for the specific purposes determined by a formal action of the Agency's highest level of decision-making authority, which includes resolutions. Those committed amounts cannot be used for any other purpose unless the Agency removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned

Resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as an assigned fund balance. The authority for assigning fund balance is expressed by the Board of Directors during the adoption of the annual budget.

Unassigned

This is the residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as needed. When components of unrestricted fund balance can be used for the same purpose, it is the Agency's policy to use committed resources first, followed assigned and unassigned as needed.

F. Budgetary Information

Annual budgets are adopted in accordance with the cash basis of accounting and legal requirements set forth in the Oregon Local Budget Law. Oregon Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The Agency begins its budget process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally

TILLAMOOK URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

published in May or June and the hearing is held in June. The Board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The Board then adopts the budget, appropriations are made, and the tax levy is declared no later than June 30. Appropriations may not be legally over expended, except in the case of grant revenues and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the personnel services, materials and services, capital outlay, operating contingency, interfund transfers, and debt services.

Unexpected additional resources may be added to the budget and appropriated for disbursement through the use of a supplemental budget. The supplemental budget process requires publication in the newspaper and approval by the Board of Directors, and, if it is over 10% of the operating budget of the affected fund, a hearing before the public is also required. Oregon Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain Board authorization for all appropriation transfers and supplementary budgetary appropriations.

Appropriations are limited to a single fiscal year; therefore, all spending authority of the Agency lapses as of year-end.

G. Property Taxes

Ad valorem property taxes are levied on all taxable property as of July 1 of the beginning of each fiscal year. Property taxes become an enforceable lien on that date for real property and for personal property. Collection dates are November 15, February 15, and May 25. Discounts are allowed if the amount due is received by November 15. Uncollected taxes, including delinquent amounts, are considered by management substantially collectible or recoverable through liens.

H. Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain revenues and expenditures as of, and for the year ended, June 30, 2017. Actual results may differ from such estimates.

I. Cash and Cash Equivalents

For the purposes of the statement of cash flows the Agency considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents. The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and savings accounts of three months or less. Oregon Revised Statutes and the Agency's investment policy authorize the Agency to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon Municipalities and the State Treasurer's Local Government Investment Pool, among others. Investments in the Local Government Investment Pool are stated at cost, which approximates fair value.

TILLAMOOK URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

J. Capital Assets

Acquisitions of capital assets, which include property, plant, equipment, infrastructure and intangibles, (items costing more than \$5,000 and lasting more than one year) are usually reported in the government-wide financial statements. In the fund statements capital assets are charged as expenditures as they are purchase. However, under the cash basis of accounting, the cost of capital assets of the Agency are not required to be displayed in the financial statements. Instead, they are included as cash expenditures based on cash outlays. The costs of significant betterments to capital assets are similarly recorded as expenditures and not capitalized. Depreciation is not recorded. When assets are donated, the estimated value is used to increase the balances of the capital assets. No revenues or expenditures are recorded since no cash was received or used when assets are donated. Normal repairs and maintenance are charged to expenditures as capital outlay or as materials and services. When property is retired or sold, any related proceeds are recorded in a governmental or proprietary fund.

Although the cash basis does not require that capital assets be displayed, the Agency believes that presentation of this information is important. Accordingly, the original cost of such assets has been estimated or tracked and is recorded by the Agency. Capital asset details are presented in these notes to the financial statements, based on the following estimated useful lives:

General Improvements	25 years
Equipment	5-15 years

K. Long-Term Debt

Although the cash basis of accounting does not require that debt be displayed, the Agency believes that presentation of this information is important. Accordingly, the details of debt are presented in these notes to the financial statements.

2. CASH AND CASH EQUIVALENTS

At June 30, 2017 are as follows:

Deposits with financial institutions	\$	30,109
Investments		<u>510,595</u>
Total cash and investments	\$	<u><u>540,704</u></u>

A. Deposits

Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

B. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Urban Renewal's deposits may not be returned. The Urban Renewal does not have a deposit policy for custodial credit risk. The Federal Depositary Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the Urban Renewal's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2017, the book value of the Urban Renewal's deposits was \$30,109 and the bank

TILLAMOOK URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

balance was \$31,647. None of the Urban Renewal's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

C. Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2017, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

D. Interest Rate Risk

In accordance with its investment policy, the Agency manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

E. Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the Agency will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The Agency's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

F. Concentration of Credit Risk

As of June 30, 2017, 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
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

3. CAPITAL ASSETS

Although not required under the cash basis, the Tillamook Urban Renewal Agency has tracked the original historical cost of assets, and the changes in capital assets each year. As of June 30, 2017, the governmental activities were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, non-depreciable:					
Land	\$ 304,082	\$ -	\$ -	\$ -	\$ 304,082
Total capital assets, non-depreciable	<u>304,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,082</u>
Capital assets, depreciable:					
Improvements other than buildings	<u>110,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,845</u>
Total capital assets, depreciable	<u>110,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,845</u>
Less accumulated depreciation for:					
Improvements other than buildings	<u>(22,170)</u>	<u>(4,434)</u>	<u>-</u>	<u>-</u>	<u>(26,604)</u>
Total accumulated depreciation	<u>(22,170)</u>	<u>(4,434)</u>	<u>-</u>	<u>-</u>	<u>(26,604)</u>
Net depreciable capital assets	<u>88,675</u>	<u>(4,434)</u>	<u>-</u>	<u>-</u>	<u>84,241</u>
Net capital assets	<u>\$ 392,757</u>	<u>\$ (4,434)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,323</u>

4. INTERFUND TRANSFERS

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	<u>Transfer In</u>	<u>Transfer Out</u>
Urban Renewal General Fund	\$ 284,000	\$ -
Urban Renewal Tax Increment Fund	<u>-</u>	<u>284,000</u>
Total	<u>\$ 284,000</u>	<u>\$ 284,000</u>

TILLAMOOK URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

5. LONG-TERM DEBT

The Tillamook Urban Renewal Agency's long-term debt for the year ending June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Urban Renewal Loans					
TLC Loan 161	\$ 50,000	\$ -	\$ 4,183	\$ 45,817	\$ 3,556
TLC Loan 160	300,000	-	25,100	274,900	21,336
TLC Loan 159	90,998	-	7,063	83,935	7,283
TLC Loan 158	64,283	-	8,369	55,914	8,623
Oregon Coast Bank - Line of Credit	78,430	425,348	26,323	477,455	-
Oregon Coast Bank	1,418,746	-	95,759	1,322,987	75,471
	<u>\$ 2,002,457</u>	<u>\$ 425,348</u>	<u>\$ 166,797</u>	<u>\$ 2,261,008</u>	<u>\$ 116,269</u>

*Drawing down on loan, no required principal payments due within one year

Estimated annual debt service payments as of June 30, 2017 are as follows:

TLC Loan 158			TLC Loan 159		TLC Loan 160	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 8,623	\$ 1,748	\$ 7,283	\$ 2,624	\$ 21,336	\$ 8,595
2019	8,892	1,479	7,510	2,396	22,003	7,928
2020	9,170	1,201	7,745	2,162	22,690	7,240
2021	9,457	915	7,987	1,920	23,399	6,531
2022	9,752	619	8,237	1,670	24,130	5,800
2023-2027	10,020	347	45,173	4,360	132,445	17,205
2028-2032	-	-	-	-	28,897	1,036
	<u>\$ 55,914</u>	<u>\$ 6,309</u>	<u>\$ 83,935</u>	<u>\$ 15,132</u>	<u>\$ 274,900</u>	<u>\$ 54,335</u>

TLC Loan 161		Oregon Coast Bank		Loan Total Governmental		
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 3,556	\$ 1,432	\$ 75,471	\$ 44,655	\$ 116,269	\$ 59,054
2019	3,667	1,321	78,019	42,107	120,091	55,231
2020	3,782	1,207	80,653	39,473	124,040	51,283
2021	3,900	1,089	83,275	36,851	128,018	47,306
2022	4,022	967	86,187	33,939	132,328	42,995
2023-2027	22,075	2,868	476,529	124,103	686,242	148,883
2028-2032	4,815	172	442,853	37,981	476,565	39,189
	<u>\$ 45,817</u>	<u>\$ 9,056</u>	<u>\$ 1,322,987</u>	<u>\$ 359,109</u>	<u>\$ 1,783,553</u>	<u>\$ 443,941</u>

6. RELATED PARTY TRANSACTIONS

There was a related party transaction with Ms. Carolyn Decker, a Board of Director for the Agency. A grant in the amount of \$11,750 for rehabilitation of an existing property for Carolyn Decker Real Estate was approved by the Board; Ms. Decker recused herself from the Board during the approval process.

7. COMMITMENT AND CONTINGENCIES

The Agency purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 2, 2018, the date on which the financial statements were issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedules
 - Urban Renewal General Fund
 - Urban Renewal Tax Increment Fund

TILLAMOOK URBAN RENEWAL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - CASH BASIS
BUDGET AND ACTUAL - URBAN RENEWAL GENERAL FUND
For the Fiscal Year Ended June 30, 2017

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Grants	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Fines and forfeitures	1,000	1,000	300	(700)
Special assessments	163,600	163,600	102,237	(61,363)
Investment income	2,000	2,000	7,359	5,359
Miscellaneous	-	-	52	52
Total receipts	186,600	186,600	109,948	(76,652)
EXPENDITURES				
Materials and service	90,000	90,000	55,883	34,117
Capital outlay	1,825,100	1,825,100	902,230	922,870
Total disbursements	1,915,100	1,915,100	958,113	956,987
Receipts over (under) disbursements	(1,728,500)	(1,728,500)	(848,165)	880,335
OTHER FINANCING SOURCES (USES)				
Transfers in	287,300	287,300	284,000	(3,300)
Loan proceeds	1,045,000	1,045,000	425,348	(619,652)
Total other financing sources (uses)	1,332,300	1,332,300	709,348	(622,952)
Net changes in cash basis fund balances	(396,200)	(396,200)	(138,817)	257,383
BEGINNING FUND BALANCE	611,200	611,200	554,392	(56,808)
ENDING FUND BALANCE	<u>\$ 215,000</u>	<u>\$ 215,000</u>	<u>\$ 415,575</u>	<u>\$ 200,575</u>

TILLAMOOK URBAN RENEWAL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - CASH BASIS
BUDGET AND ACTUAL - URBAN RENEWAL TAX INCREMENT FUND
For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 285,000	\$ 285,000	\$ 286,642	\$ 1,642
Total receipts	285,000	285,000	286,642	1,642
EXPENDITURES				
Materials and service	200	200	128	72 ¹
Debt service:				
Principal	174,434	174,434	171,796	2,638 ^{1,2}
Interest	33,066	33,066	33,066	- ^{1,2}
Contingency	100,000	100,000	-	100,000
Total disbursements	307,700	307,700	204,990	102,710
Receipt over (under) disbursements	(22,700)	(22,700)	81,652	104,352
OTHER FINANCING SOURCES (USES)				
Transfers out	(287,300)	(287,300)	(284,000)	3,300 ¹
Total other financing sources (uses)	(287,300)	(287,300)	(284,000)	3,300
Net changes in cash basis fund balances	(310,000)	(310,000)	(202,348)	107,652
BEGINNING FUND BALANCE	310,000	310,000	327,477	17,477
ENDING FUND BALANCE	\$ -	\$ -	\$ 125,129	\$ 125,129

¹ Appropriation level for Oregon Budget Law

² Exception to Oregon Budget Law

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *OREGON STATE REGULATION***

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATION**

The Board of Directors
Tillamook Urban Renewal Agency
Tillamook, Oregon

We have audited the basic financial statements of Tillamook Urban Renewal Agency, Oregon, as of and for the year ended June 30, 2017 and have issued our report thereon dated January 2, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether 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 the Oregon Administrative Rules 162 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 statement amounts:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Tillamook Urban Renewal Agency did not receive any highway revenues.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Tillamook Urban Renewal Agency does not have any elected officials collecting or receiving money.

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. 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 the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Tillamook Urban Renewal Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for

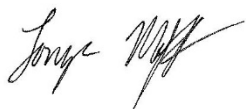
the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tillamook Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tillamook Urban Renewal Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP
West Linn, Oregon
January 2, 2018