



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

November 14, 2019

The Board of Directors  
Tillamook Urban Renewal Agency  
2211 3<sup>rd</sup> St Suite A  
Tillamook, Oregon 97141

We have audited the financial statements of the Tillamook Urban Renewal Agency (the Agency) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 14, 2019. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 26, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 Agency's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our letter dated July 26, 2019.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in the notes to the financial statements.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The financial statement disclosures are neutral, consistent, and clear.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no identified misstatements.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 14, 2019.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions

affecting the Agency, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

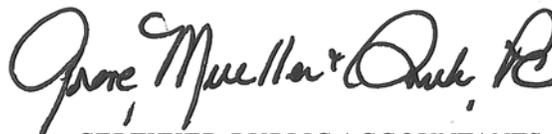
We were engaged to report on supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the management's discussion and analysis, which accompanies the financial statements but is not RSI. Such information 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.

### **Restriction on Use**

This report is intended solely for the information and use of the Agency Council and management of the Tillamook Urban Renewal Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



*James Mueller & David R.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 14, 2019

Grove, Mueller & Swank, P.C.  
475 Cottage Street NE, Suite 200  
Salem, OR 97301

This representation letter is provided in connection with your audit of the financial statements of Tillamook Urban Renewal Agency (the Agency) as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the Agency in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 31, 2019, the following representations made to you during your audit.

#### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 26, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with the cash basis of accounting and for preparation of the supplementary information in accordance with the applicable criteria.
- The financial statements referred to above are fairly presented in conformity with the cash basis of accounting and include all properly classified funds and other financial information of the primary government required by the cash basis of accounting to be included in the financial reporting entity.
- We acknowledge our responsibility 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.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the cash basis of accounting.
- All events subsequent to the date of the financial statements that would require adjustment or disclosure have been properly made.
- All funds and activities are properly classified.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- We acknowledge our responsibility for the supplementary information (SI). The SI is measured and presented within prescribed guidelines and the methods of

measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SI.

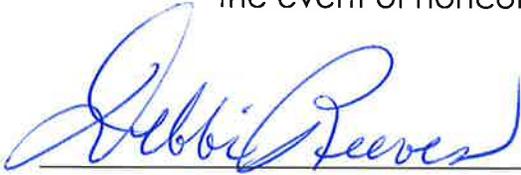
- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the Agency of the supplementary information and the auditor's report thereon.
- With respect to the Combining Balance Sheets; Combining Statements of Revenues, Expenditures and Changes in Fund Balances; and Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.
  - o We acknowledge our responsibility for presenting the Combining Balance Sheets; Combining Statements of Revenues, Expenditures and Changes in Fund Balances; and Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual in accordance with the cash basis of accounting, and we believe the Combining Balance Sheets; Combining Statements of Revenues, Expenditures and Changes in Fund Balances; and Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, including its form and content, is fairly presented in accordance with the modified cash basis of accounting. The methods of measurement and presentation of the Combining Balance Sheets; Combining Statements of Revenues, Expenditures and Changes in Fund Balances; and Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - o If the Balance Sheets; Combining Statements of Revenues, Expenditures and Changes in Fund Balances; and Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information and the auditor's report thereon.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you all guarantees, whether written or oral, under which the Agency is contingently liable.
- As part of your audit, you assisted with the preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably

within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

#### Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence; and
  - Minutes of the board meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Agency and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Agency's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We have disclosed to you the identity of the Agency's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no violations or possible violations of budget ordinances, laws, and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



Debbi Reeves, Executive Assistant



Paul Wyntergreen, TURA Administrator

***TILLAMOOK URBAN RENEWAL AGENCY  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2019***

***BOARD MEMBERS***

Ruth LaFrance

Lonnie Jenck

Cheryl Davy

Suzanne Weber

Tom Connaughton

***COUNCILOR'S***

Doug Henson

Brian Reynolds

***ADMINISTRATION***

Paul Wyntergreen, City Administrator

Debbi Reeves, Executive Assistant

210 Laurel Avenue  
Tillamook, Oregon 97141

**TILLAMOOK URBAN RENEWAL AGENCY**  
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***FINANCIAL SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT***

The Board of Directors  
Tillamook Urban Renewal Agency  
210 Laurel Avenue  
Tillamook, Oregon 97141

#### ***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, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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 notes to the financial statements. 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 cash basis 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 Agency'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 Agency'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 financial position of the governmental activities and each major of the Tillamook Urban Renewal Agency as of June 30, 2019, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

***Basis of Accounting***

We draw attention to the notes of the financial statements that 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***

***Report on Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Agency's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in the notes to the financial statements.

***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 issued our report dated November 14, 2019, on our consideration of the 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.

GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

By:   
Ryan T. Pasquarella, Shareholder  
November 14, 2019

***BASIC FINANCIAL STATEMENTS***

**TILLAMOOK URBAN RENEWAL AGENCY**

**STATEMENT OF NET POSITION (CASH BASIS) – GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2019**

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**ASSETS**

Cash and cash equivalents \$ 751,553

**LIABILITIES**

Total Liabilities -

**NET POSITION**

Unrestricted 751,553

Total Net Position \$ 751,553

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

**TILLAMOOK URBAN RENEWAL AGENCY**  
**STATEMENT OF ACTIVITIES (CASH BASIS) – GOVERNMENTAL ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

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<b>FUNCTIONS/PROGRAMS</b>	<u><b>Disbursements</b></u>	<u><b>Charges for Program Receipts</b></u>	<u><b>Net Receipt (Disbursement) and Change in Net Position</b></u>
<b>Governmental activities</b>			
General government	\$ 1,179,414	\$ 339,840	\$ (839,574)
Principal and interest on indebtedness	321,760	-	(321,760)
<i>Total Governmental Activities</i>	<u>\$ 1,501,174</u>	<u>\$ 339,840</u>	<u>(1,161,334)</u>
<b>General Revenues</b>			
Property taxes			434,516
Interest and investment earnings			21,794
Other receipts			150
Proceeds from the issuance of debt			766,286
<i>Total General Revenues</i>			<u>1,222,746</u>
<b>Change in net position</b>			61,412
<b>Net Position - beginning of year</b>			690,141
<b>Net Position - end of year</b>			<u>\$ 751,553</u>

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

**TILLAMOOK URBAN RENEWAL AGENCY**  
**BALANCE SHEET (CASH BASIS) – GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<u>General Fund</u>	<u>Tax Increment Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 587,802	\$ 163,751	\$ 751,553
<b>LIABILITIES AND FUND BALANCE</b>			
<i>Total Liabilities</i>	\$ -	\$ -	\$ -
<b>Fund Balance</b>			
Assigned for:			
Debt service	-	163,751	163,751
Unassigned	587,802	-	587,802
<i>Total Fund Balance</i>	587,802	163,751	751,553
<i>Total Liabilities and Fund Balance</i>	\$ 587,802	\$ 163,751	\$ 751,553

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

**TILLAMOOK URBAN RENEWAL AGENCY****STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES (CASH BASIS) -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Tax Increment Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Taxes and assessments	\$ -	\$ 434,516	\$ 434,516
Special assessments	339,840	-	339,840
Investment income	21,794	-	21,794
Miscellaneous	150	-	150
<i>Total Revenues</i>	361,784	434,516	796,300
<b>EXPENDITURES</b>			
Administration	60,599	1	60,600
Debt service			
Principal	-	233,592	233,592
Interest	-	88,168	88,168
Capital acquisitions	1,118,814	-	1,118,814
<i>Total Expenditures</i>	1,179,413	321,761	1,501,174
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(817,629)	112,755	(704,874)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	96,300	-	96,300
Transfers out	-	(96,300)	(96,300)
Proceeds from issuance of debt	766,286	-	766,286
<i>Total Other Financing Sources (Uses)</i>	862,586	(96,300)	766,286
<b>NET CHANGE IN FUND BALANCE</b>	44,957	16,455	61,412
<b>FUND BALANCE, beginning of year</b>	542,845	147,296	690,141
<b>FUND BALANCE, end of year</b>	\$ 587,802	\$ 163,751	\$ 751,553

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

***NOTES TO THE BASIC FINANCIAL STATEMENTS***

**TILLAMOOK URBAN RENEWAL AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*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 Agency's designated urban renewal areas. The Agency is governed by a seven-member board of directors, including two representatives from the Board, which are appointed by the Mayor.

*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.

*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.

*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 either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities.

*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 Net Position (Cash Basis) presents all the assets and liabilities of the Agency. Net position, representing assets less liabilities, is shown in three components, investment in capital assets, restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing Agency activities.

**TILLAMOOK URBAN RENEWAL AGENCY**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2019*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basic Financial Statements (Continued)*

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

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental and proprietary. Currently, the Agency has governmental (general and special revenue) type funds. Major individual funds are reported as separate columns in the fund financial statements.

*Basis of Presentation*

The reporting model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures of either fund category or the government and enterprise combined) for the determination of major funds.

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.

*Fund Balance*

In governmental funds, the Agency's policy is to first apply the expenditures toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted 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.

Fund balance is reported as committed when the Board of Directors takes formal action that places specific constraints on how the resources may be used. The Board of Directors can modify or rescind the commitment at any time through taking a similar formal action.

**TILLAMOOK URBAN RENEWAL AGENCY**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2019*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Balance (Continued)*

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 assigned fund balance. Intent is expressed when the Board of Directors approves which resources should be "reserved" during the adoption of the annual budget. The Agency's Finance Officer uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the Agency's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

*Definitions of Governmental Fund Types*

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

*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, 2019. Actual results may differ from such estimates.

*Cash*

Oregon Revised Statutes 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.

*Property Taxes*

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The Agency's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

**TILLAMOOK URBAN RENEWAL AGENCY**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2019*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets*

Capital assets (items costing more than \$5,000 and lasting more than one year) are reported in the notes to the financial statements. In the fund statements, capital assets are charged as expenditures / expenses as purchased.

Capital assets are recorded at cost or estimated historical cost where records are available. Donated assets are not recorded. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

General improvements	25 years
Equipment	5 - 15 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts.

*Long-Term Debt*

Long-term debt is presented in the notes to the financial statements. In the fund financial statements, payments of principal and interest are recorded as expenditures / expenses when paid.

*Budgets and Budgetary Accounting*

The Agency adopts the budget on an object (personal services, materials and services, capital outlay, debt service) basis, therefore, expenditures of a specific object may not legally exceed that object's appropriation. The Agency Board of Directors may amend the budget to expend unforeseen revenues by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The Agency does not use encumbrance accounting.

*Use of Restricted Assets*

When expenditures are paid for purposes in which both net position - restricted and net position - unrestricted are available, the Agency deems net position - restricted to be spent first.

**TILLAMOOK URBAN RENEWAL AGENCY**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2019*

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**CASH AND CASH EQUIVALENTS**

Cash is reflected on the Statement of Net Position (Cash Basis) at June 30, 2019 as follows:

<b>Cash</b>	
Cash in checking	\$ 40,447
<b>Investments</b>	
Local Government Investment Pool	711,106
	<hr/>
	\$ 751,553
	<hr/> <hr/>

*Deposits*

The book balance of the Agency's bank deposits (checking accounts) and the bank balance equaled \$40,447 at year end. There were no transactions in process as of June 30, 2019. 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.

*Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected.

Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2019, all the City's bank balances were covered by FDIC insurance.

*Local Government Investment Pool*

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, 2019, 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.

**TILLAMOOK URBAN RENEWAL AGENCY**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2019*

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**CASH AND CASH EQUIVALENTS (Continued)**

*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.

*Custodial Risk – Local Government Investment Pool*

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.

**TILLAMOOK URBAN RENEWAL AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2019**

**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, 2019, the governmental activities were as follows:

The changes in the capital assets for governmental activities for the year were as follows:

	<i>Balances July 1, 2018</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2019</i>
<b>NON-DEPRECIABLE</b>				
Land	\$ 304,082	\$ -	\$ -	\$ 304,082
<b>DEPRECIABLE</b>				
Improvements other than buildings	110,845	-	-	110,845
<b>ACCUMULATED DEPRECIATION</b>				
Improvements other than buildings	(31,038)	(4,434)	-	(35,472)
Net Depreciable Capital Assets	79,807	(4,434)	-	75,373
<i>Governmental activities capital assets, net</i>	<u>\$ 383,889</u>	<u>\$ (4,434)</u>	<u>\$ -</u>	<u>\$ 379,455</u>

**LONG-TERM DEBT**

Long-term debt transactions for governmental activities for the year were as follows:

	<i>Outstanding July 1, 2018</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2019</i>	<i>Due Within One Year</i>
<i>Loans from Direct Borrowings</i>					
TLC Loan 161	\$ 42,256	\$ -	\$ 3,667	\$ 38,589	\$ 3,782
TLC Loan 160	253,538	-	22,003	231,535	22,690
TLC Loan 159	76,644	-	7,510	69,134	7,745
TLC Loan 158	47,284	-	8,892	38,392	9,170
Oregon Coast Bank - Line of Credit #9405	742,019	-	47,448	694,571	47,906
Oregon Coast Bank - Line of Credit #10055284	-	766,286	65,845	700,441	46,174
Oregon Coast Bank	1,247,776	-	78,228	1,169,548	80,836
<i>Total Loans from Direct Borrowings</i>	<u>\$ 2,409,517</u>	<u>\$ 766,286</u>	<u>\$ 233,593</u>	<u>\$ 2,942,210</u>	<u>\$ 218,303</u>

All loans shown above are unsecured and are immediately due and payable in the event of default.

**TILLAMOOK URBAN RENEWAL AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2019**

**LONG-TERM DEBT (Continued)**

<i>Fiscal Year Ending June 30,</i>	<i>TLC 158</i>		<i>TLC 159</i>		<i>TLC 160</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
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	10,013	364	8,494	1,413	24,884	5,046
2024	-	-	8,759	1,147	25,662	4,268
2025-2029	-	-	27,912	1,765	110,770	8,797
2030-2034	-	-	-	-	-	-
Total	<u>\$ 38,392</u>	<u>\$ 3,099</u>	<u>\$ 69,134</u>	<u>\$ 10,077</u>	<u>\$ 231,535</u>	<u>\$ 37,682</u>

<i>Fiscal Year Ending June 30,</i>	<i>TLC 161</i>		<i>OCB #9405</i>		<i>OCB #10055284</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2020	\$ 3,782	\$ 1,207	\$ 47,906	\$ 23,472	\$ 46,174	\$ 29,216
2021	3,900	1,089	49,465	21,913	48,025	27,365
2022	4,022	967	51,197	20,181	50,103	25,287
2023	4,147	841	52,927	18,451	52,193	23,197
2024	4,277	711	54,715	16,662	54,370	21,020
2025-2029	18,461	1,467	302,527	54,360	307,734	69,216
2030-2034	-	-	135,834	6,923	141,842	8,936
Total	<u>\$ 38,589</u>	<u>\$ 6,282</u>	<u>\$ 694,571</u>	<u>\$ 161,962</u>	<u>\$ 700,441</u>	<u>\$ 204,237</u>

<i>Fiscal Year Ending June 30,</i>	<i>OCB Loan</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2020	\$ 80,836	\$ 38,960	\$ 218,303	\$ 103,458
2021	83,431	36,365	225,664	96,098
2022	86,311	33,485	233,752	88,009
2023	89,188	30,608	241,846	79,920
2024	92,160	27,636	239,943	71,444
2025-2029	508,869	90,111	1,276,273	225,716
2030-2034	228,753	11,467	506,429	27,326
Total	<u>\$1,169,548</u>	<u>\$ 268,632</u>	<u>\$2,942,210</u>	<u>\$ 691,971</u>

**TILLAMOOK URBAN RENEWAL AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2019**

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**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
Urban Renewal General Fund	\$ 96,300	\$ -
Urban Renewal Tax Increment Fund	-	96,300
	<u>\$ 96,300</u>	<u>\$ 96,300</u>

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

**COMMITMENTS 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.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 14, 2019, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

***SUPPLEMENTAL INFORMATION***

**TILLAMOOK URBAN RENEWAL AGENCY****SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES – CASH BASIS****BUDGET TO ACTUAL – GENERAL FUND****YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Special assessments	\$ 180,000	\$ 180,000	\$ 339,840	\$ 159,840
Investment income	8,000	8,000	21,794	13,794
Grants	20,000	20,000	-	(20,000)
Miscellaneous	200	200	150	(50)
<i>Total Revenues</i>	208,200	208,200	361,784	153,584
<b>EXPENDITURES</b>				
Materials and services	96,300	96,300	60,599	35,701
Capital outlay	2,158,200	2,158,200	1,118,814	1,039,386
<i>Total Expenditures</i>	2,254,500	2,254,500	1,179,413	1,075,087
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(2,046,300)	(2,046,300)	(817,629)	1,228,671
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	96,300	96,300	96,300	-
Proceeds from issuance of debt	1,600,000	1,600,000	766,286	(833,714)
<i>Total Other Financing Sources (Uses)</i>	1,696,300	1,696,300	862,586	(833,714)
<b>NET CHANGE IN FUND BALANCE</b>	(350,000)	(350,000)	44,957	394,957
<b>FUND BALANCE, beginning of year</b>	550,000	550,000	542,845	(7,155)
<b>FUND BALANCE, end of year</b>	\$ 200,000	\$ 200,000	\$ 587,802	\$ 387,802

**TILLAMOOK URBAN RENEWAL AGENCY****SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES – CASH BASIS****BUDGET TO ACTUAL – TAX INCREMENT FUND****YEAR ENDED JUNE 30, 2019**

	<i>Budget Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 415,000	\$ 415,000	\$ 434,516	\$ 19,516
<b>EXPENDITURES</b>				
Materials and services	19,000	19,000	1	18,999
Debt service				
Principal	290,863	290,863	233,592	57,271
Interest	88,837	88,837	88,168	669
<i>Total Expenditures</i>	<u>398,700</u>	<u>398,700</u>	<u>321,761</u>	<u>(612,521)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	16,300	16,300	112,755	(593,005)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(96,300)</u>	<u>(96,300)</u>	<u>(96,300)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(80,000)	(80,000)	16,455	(593,005)
<b>FUND BALANCE, beginning of year</b>	<u>140,000</u>	<u>140,000</u>	<u>147,296</u>	<u>7,296</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 163,751</u>	<u>\$ (585,709)</u>

***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

Board of Directors  
Tillamook Urban Renewal Agency  
210 Laurel Avenue  
Tillamook, Oregon 97141

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Tillamook Urban Renewal Agency, Oregon (the Agency) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 14, 2019.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the 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.

***Internal Control Over Financial Reporting***

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

***Restrictions on Use***

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

*GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS*

By:   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
November 14, 2019