

**CITY OF TILLAMOOK, OREGON
URBAN RENEWAL**

**ANNUAL FINANCIAL REPORT
(With Supplemental Information)**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
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INTRODUCTORY SECTION

**CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
AGENCY OFFICIALS
June 30, 2013**

BOARD MEMBERS

Carolyn Decker, Chair

Dave Schrom, Vice Chair

Ruth LaFrance

Alene Allen

Steven Forster

Cheryl Davy

AGENCY ADMINISTRATION

Paul Wyntergreen, City Manager

Debbi Reeves, Executive Assistant

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210 Laurel Ave
Tillamook, OR 97141
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
City Tillamook Urban Renewal Agency
Tillamook, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of The City of Tillamook Urban Renewal Agency, a component unit of the City of Tillamook, Oregon (the Agency), as of and for the year ended June 30, 2013, 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 described in Note 1 B. 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 City'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 Agency, as of June 30, 2013, and the respective changes in cash basis financial position, thereof for the year then ended in conformity with basis of accounting described in Note 1 B.

Report on Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements as a whole that collectively comprise the Agency's basic financial statements. The introductory section, and other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other 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 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 State 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 Note 1 B.

The introductory section as listed in the table of contents, 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 such information.

Basis of Accounting

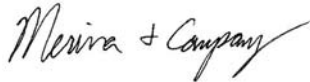
We draw attention to Note 1 B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, the Agency changed from the modified cash basis of accounting to the cash basis of accounting. Our opinion is not modified with respect to this matter.

Other Reporting Required by Oregon Revised Statutes

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 30, 2013, on our consideration of the Agency's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
December 30, 2013

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.

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
STATEMENT OF NET POSITION (CASH BASIS)
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	<u>\$ 384,362</u>
Total assets	<u><u>\$ 384,362</u></u>
NET POSITION	
Unrestricted	<u>384,362</u>
Total net position	<u><u>\$ 384,362</u></u>

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

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
STATEMENT OF ACTIVITIES (CASH BASIS)
For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Net Receipt (Disbursement) and Change in Net Position</u>
Governmental activities:		
General government	\$ 221,906	\$ (221,906)
Principal and interest on indebtedness	<u>1,597,969</u>	<u>(1,597,969)</u>
Total government	<u>\$ 1,819,875</u>	<u>(1,819,875)</u>
General Receipts:		
Taxes:		
Property taxes		244,997
Interest and investment earnings		11,637
Loan proceeds		<u>1,552,813</u>
Total general receipts and transfers		<u>1,809,447</u>
Change in net position		(10,428)
Modified cash basis net position - beginning		(665,857)
Prior period adjustment		<u>1,060,647</u>
Net position - ending		<u>\$ 384,362</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 property taxes and interest payments.

Urban Renewal Tax Increment Fund

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

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
BALANCE SHEET (CASH BASIS)
June 30, 2013

	Urban Renewal General Fund	Urban Renewal Tax Increment Fund	Total Governmental
ASSETS			
Cash and cash equivalents	\$ 112,131	\$ 272,231	\$ 384,362
Total assets	<u>\$ 112,131</u>	<u>\$ 272,231</u>	<u>\$ 384,362</u>
FUND BALANCES			
Assigned:			
Debt service	\$ -	\$ 272,231	\$ 272,231
Unassigned	<u>112,131</u>	<u>-</u>	<u>112,131</u>
Total fund balance	<u>\$ 112,131</u>	<u>\$ 272,231</u>	<u>\$ 384,362</u>

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

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
For the Fiscal Year Ended June 30, 2013

	Urban Renewal General Fund	Urban Renewal Tax Increment Fund	Total Governmental
RECEIPTS			
Property taxes	\$ -	\$ 244,997	\$ 244,997
Investment income	10,491	1,146	11,637
Total receipts	<u>10,491</u>	<u>246,143</u>	<u>256,634</u>
DISBURSEMENTS			
Current:			
General government	75,871	125	75,996
Capital outlay	145,910	-	145,910
Debt service:			
Principal	1,500,000	-	1,500,000
Interest	67,969	-	67,969
Loan fees	30,000	-	30,000
Total disbursements	<u>1,819,750</u>	<u>125</u>	<u>1,819,875</u>
Receipts over (under) disbursements	(1,809,259)	246,018	(1,563,241)
Transfers in	107,000	-	107,000
Transfers out	-	(107,000)	(107,000)
Loan proceeds	1,552,813	-	1,552,813
Total other financing sources (uses)	<u>1,659,813</u>	<u>(107,000)</u>	<u>1,552,813</u>
Net changes in cash basis fund balances	(149,446)	139,018	(10,428)
MODIFIED CASH BASIS FUND BALANCES, BEGINNING	229,663	165,127	394,790
PRIOR PERIOD ADJUSTMENT	<u>31,914</u>	<u>(31,914)</u>	<u>-</u>
CASH BASIS FUND BALANCES, ENDING	<u>\$ 112,131</u>	<u>\$ 272,231</u>	<u>\$ 384,362</u>

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

**CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

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, that are appointed by the Mayor. The Agency is included as a discreetly presented component unit in the City's financial statements.

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 receipts and disbursements reported in the period in which they occurred.

The cash basis of accounting differs from GAAP primarily because cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements 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, receipts and disbursements. 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 receipts. All disbursements are categorized as program disbursements 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 disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* 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 receipts are reported instead as *general receipts*.

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,

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

receipts or disbursements 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 receipts and disbursements, except those required to be accounted for in another fund. The principal sources of receipt are property taxes and interest receipts.

Urban Renewal Debt Service 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.

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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 published in May or June and the hearing is held in June. The Board may amend the budget prior to adoption; however, budgeted disbursements 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 receipts 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 disbursements cannot legally exceed appropriations. The level of budgetary control is established at the personal 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.

During the fiscal year ended June 30, 2013, a supplemental budget was adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Agency lapses as of year-end.

Disbursements in the following fund exceeded appropriations for the year ended June 30, 2013:

<u>Fund</u>	<u>Budgetary Category</u>	<u>Amount Over Disbursed</u>
Tax Increment Fund	Transfers out	\$26,345

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 receipts and disbursements as of, and for the year ended, June 30, 2013. 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.

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Oregon Revised Statutes and the Agency' 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.

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 disbursements 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 disbursements based on cash outlays. The costs of significant betterments to capital assets are similarly recorded as disbursements and not capitalized. Depreciations is not recorded. When assets are donated, the estimated value is used to increase the balances of the capital assets. No receipts or disbursement are recorded since no cash was received or used when assets are donated. Normal repairs and maintenance are charged to disbursements 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, 2013 are as follows:

Deposits with financial institutions	\$ 46,130
Investments	<u>338,232</u>
Total cash and investments	<u>\$ 384,362</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 Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. Deposits in excess of FDIC coverage with institutions

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2013, none of the Agency's bank balances were exposed to custodial credit risk.

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, 2013, 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, 2013, 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.

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013, 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	110,845	-	-	-	110,845
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	(4,434)	(4,434)	-	-	(8,868)
Total accumulated depreciation	<u>(4,434)</u>	<u>(4,434)</u>	<u>-</u>	<u>-</u>	<u>(8,868)</u>
Net depreciable capital assets	<u>106,411</u>	<u>(4,434)</u>	<u>-</u>	<u>-</u>	<u>101,977</u>
Net capital assets	<u>\$ 410,493</u>	<u>\$ (4,434)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,059</u>

4. LONG-TERM DEBT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Urban Renewal Loans					
Loan Series 2012	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ -
TLC Loan 153	-	1,552,813	-	1,552,813	108,640
	<u>\$ 1,500,000</u>	<u>\$ 1,552,813</u>	<u>\$ 1,500,000</u>	<u>\$ 1,552,813</u>	<u>\$ 108,640</u>

During 2013, the Tillamook Urban Renewal Agency entered into a refinancing with TLC Federal Credit Union, extinguishing debt of \$1,500,000 with a stated interest rate of 3.75% and entering into a new agreement with TLC for \$1,552,813 to be repaid over a 12-year period beginning in 2014, and including interest at 3.125% per annum.

**CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

Estimated annual debt service payments as of June 30, 2013 are as follows:

TLC Loan 153		
	Principal	Interest
2014	\$ 108,640	\$ 48,907
2015	112,035	45,512
2016	115,536	42,011
2017	119,146	38,401
2018	122,870	34,678
2019-2023	674,399	113,336
2024-2028	<u>300,187</u>	<u>14,908</u>
Total	<u>\$ 1,552,813</u>	<u>\$ 337,753</u>

5. INTERFUND TRANSFERS

Interfund transfers are used to provide operational resources between the funds.

	<u>Transfer In</u>	<u>Transfer Out</u>
Urban Renewal General Fund	\$ 107,000	\$ -
Urban Renewal Tax Increment Fund	<u>-</u>	<u>107,000</u>
Total	<u>\$ 107,000</u>	<u>\$ 107,000</u>

6. 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.

7. CHANGE IN ACCOUNTING PRINCIPLE

The Agency changed the basis of accounting from modified cash basis to cash basis. As a result of this change, the beginning fund balances were adjusted for the government-wide statements to account for the removal of capital assets, notes receivable, accrued interest, and long-term debt.

8. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was necessary in order to restate beginning fund balances and net position due to the change in accounting basis. A prior period adjustment in the amount of \$31,914 affected the General Fund and the Tax Increment fund and a change of \$1,060,647 on the government-wide financial statements.

OTHER INFORMATION

OTHER INFORMATION

Other 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

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - URBAN RENEWAL GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
RECEIPTS				
Fines and forfeitures	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Investment income	13,800	13,800	10,491	(3,309)
Miscellaneous	226,000	226,000	-	(226,000)
Total receipts	241,300	241,300	10,491	(230,809)
DISBURSEMENTS				
Materials and service	80,655	80,655	75,871	4,784
Capital outlay	105,000	255,000	145,910	109,090
Debt service:				
Principal	251,758	2,073,733	1,500,000	573,733
Interest	93,184	241,209	67,969	173,240
Loan fees	-	30,000	30,000	-
Total disbursements	530,597	2,680,597	1,819,750	860,847
Receipts over (under) disbursements	(289,297)	(2,439,297)	(1,809,259)	630,038
OTHER FINANCING SOURCES (USES)				
Transfers in	80,655	80,655	107,000	26,345
Loan proceeds	-	2,150,000	1,552,813	(597,187)
Total other financing sources (uses)	80,655	2,230,655	1,659,813	(570,842)
Net changes in cash basis fund balances	(208,642)	(208,642)	(149,446)	59,196
MODIFIED CASH BASIS FUND BALANCES, BEGINNING	248,642	248,642	229,663	(18,979)
PRIOR PERIOD ADJUSTMENT	-	-	31,914	31,914
CASH BASIS FUND BALANCES, ENDING	\$ 40,000	\$ 40,000	\$ 112,131	\$ 72,131

CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - URBAN RENEWAL TAX INCREMENT FUND
For the Fiscal Year Ended June 30, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
RECEIPTS				
Property taxes	\$ 240,000	\$ 240,000	\$ 244,997	\$ 4,997
Investment income	500	500	1,146	646
Total receipts	240,500	240,500	246,143	5,643
DISBURSEMENTS				
Materials and service	1,500	1,500	125	1,375
Debt service:				
Principal	10,000	10,000	-	10,000
Total disbursements	11,500	11,500	125	11,375
Receipt over (under) disbursements	229,000	229,000	246,018	17,018
OTHER FINANCING SOURCES (USES)				
Transfers out	(80,655)	(80,655)	(107,000)	(26,345)
Total other financing sources (uses)	(80,655)	(80,655)	(107,000)	(26,345)
Net changes in cash basis fund balances	148,345	148,345	139,018	(9,327)
MODIFIED CASH BASIS FUND BALANCES, BEGINNING	130,000	130,000	165,127	35,127
PRIOR PERIOD ADJUSTMENT	-	-	(31,914)	(31,914)
CASH BASIS FUND BALANCES, ENDING	<u>\$ 278,345</u>	<u>\$ 278,345</u>	<u>\$ 272,231</u>	<u>\$ (6,114)</u>

**CITY OF TILLAMOOK URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF TILLAMOOK, OREGON)
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Fiscal Year Ended June 30, 2013**

<u>Tax Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>2012-2013 Levy</u>	<u>Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 250,148	\$ (249)	\$ (231,767)	\$ 18,132
2011-2012	10,493		(44)	(7,230)	3,219
2010-2011	4,894		(36)	(3,372)	1,486
2009-2010	2,926		(39)	(2,016)	871
2008-2009	790		(37)	(544)	209
2007-2008	97		(16)	(68)	13
Total	<u>\$ 19,200</u>	<u>\$ 250,148</u>	<u>\$ (421)</u>	<u>\$ (244,997)</u>	<u>\$ 23,930</u>

**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tillamook Urban Renewal Agency, Oregon, as of and for the year ended June 30, 2013 and have issued our report thereon dated December 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether The Tillamook Urban Renewal Agency, Oregon'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 162-10-000 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 statement 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:

- 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 Agency does not receive highway funds.

- 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 Agency does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the Tillamook Urban Renewal Agency, Oregon 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 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

1. Expenditures exceeded appropriations in the following fund.

a. Urban Renewal Tax Increment Fund	Transfers Out	\$26,345
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2. During the 2013-2014 budget process, public notices were not published according to ORS 294.426.
3. In the adopted 2013-2014 Budget, first preceding year actual receipts and disbursements did not agree to the audited financial statements as required per ORS 294.358.

OAR 162-10-0230 Internal Control

Management of Tillamook Urban Renewal Agency, Oregon is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tillamook Urban Renewal Agency, Oregon’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 Tillamook Urban Renewal Agency, Oregon’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tillamook Urban Renewal Agency, Oregon’s internal control over financial reporting.

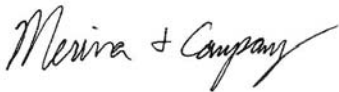
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

We have communicated suggestions for improvements of the Tillamook Urban Renewal Agency, Oregon's processes in a separate letter to management dated December 30, 2013.

This report is intended solely for the information and use of the City Council, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
December 30, 2013