
URBAN RENEWAL AGENCY

A COMPONENT UNIT OF
THE CITY OF ASTORIA

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

Prepared by:

City of Astoria
Finance Department

**URBAN RENEWAL AGENCY – A COMPONENT UNIT OF
THE CITY OF ASTORIA, OREGON**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Agency Officials i

FINANCIAL SECTION

Independent Auditor’s Report 1

Management Discussion and Analysis 3

BASIC FINANCIAL STATEMENT

Statement of Net Assets 7

Statement of Activities 8

FUND FINANCIAL STATEMENTS

Balance Sheet 9

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds 10

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities 11

Notes to Basic Financial Statements 12

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Astor East Urban Renewal District (URD) Bond Fund #114 18
Astor East URD General Fund #126 19
Astor West URD General Fund #127 20

OTHER SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Astor East URD Bond Reserve Fund #115 21

OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions 22

REQUIRED COMMENTS AND DISCLOSURES

Audit Comments and Disclosures Required by Oregon Revised Statutes 23

(This page intentionally left blank.)

INTRODUCTORY SECTION

URBAN RENEWAL AGENCY – A COMPONENT UNIT OF
THE CITY OF ASTORIA
AGENCY OFFICIALS

Chairman

Willis L. Van Dusen

Commissioners

Arline LaMear

Peter Roscoe

Blair Henningsgaard

Russ Warr

Registered Agent

John J. Snyder, CPA

(This page intentionally left blank.)

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Astoria Development Commission
Astoria, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Astoria Development Commission, a component unit of the City of Astoria, Oregon (the Commission), as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 fund of the Commission, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of the financial activities and financial position for the City of Astoria Urban Renewal Agency (Agency). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes, and issues related to funds and the economic factors affecting the Agency.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the Agency's financial statements.

REPORT LAYOUT

The Agency's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the Agency. The components of the report include the following:

Management's Discussion and Analysis. This section of the report provides financial highlights, overview and economic factors affecting the Agency.

Basic Financial Statements. These include Statement of Net Assets, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Agency.

The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the Agency owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

The Statement of Activities focuses on gross and net costs of Agency programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Fund financial statements focus separately on the Agency's governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The Agency's governmental funds are presented in their own column and are combined into a column titled "Total Governmental Funds." The budgetary statements for the governmental funds are located in the Required Supplementary Information section.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

Reports by independent certified public accountants. Supplemental communication on Agency compliance and internal controls as required by Oregon statutes.

AGENCY-WIDE STATEMENTS

Statement of Net Assets

The Statement of Net Assets provides a focus on the unrestricted assets related to the Agency's governmental activities. The statements reflect the long-term liabilities of the Agency.

**TABLE 1
STATEMENT OF NET ASSETS**

	Governmental Activities 2009	Governmental Activities 2010
Cash and investments	\$ 2,598,656	\$ 2,816,816
Due from Other Governments		65,017
Accounts Receivable, Net		430,116
Property Tax receivable	107,265	127,042
Total Assets	\$ 2,705,921	\$ 3,438,991
Other	\$ 250	\$ 7,070
Long-term Liabilities Outstanding	720,000	615,000
Total Liabilities	720,250	622,070
Net Assets:		
Reserved for Debt Service	143,424	144,376
Unreserved	1,842,247	2,672,545
Total net assets	1,985,671	2,816,921
Total liabilities and net Assets	\$ 2,705,921	\$ 3,438,991

Fixed assets are recorded in the financial statements of the City of Astoria, since the Agency is a component unit of the City.

Long-term debt declined from the prior year due to regularly scheduled principal payments on the one outstanding bond. The bond has a payment due for the fiscal year ended June 30, 2011 in the amount of \$145,228, including interest of \$35,228.

Statement of Activities

The Statement of Activities focuses on the program costs and their matching resources. To the extent a program's cost is not recovered by grants and direct charges, it is paid from general taxes and other resources. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

TABLE 2
STATEMENT OF ACTIVITIES

	Net Revenue (Expenses) and Changes in Net Assets 2009	Net Revenue (Expenses) and Changes in Net Assets 2010
EXPENSES		
General Government	\$ (469,862)	\$ (278,221)
Interest	(46,269)	(41,001)
Total program expenses	(516,131)	(319,222)
GENERAL REVENUES		
Property Taxes	964,998	1,116,674
Interest	51,430	20,570
Other Revenues	29,517	13,228
Total general revenues	1,045,945	1,150,472
Change in net assets	529,814	831,250
NET ASSETS, BEGINNING	1,455,857	1,985,671
NET ASSETS, ENDING	\$ 1,985,671	\$ 2,816,921

The Agency's tax levy totaled \$1,074,937 and is restricted to repayment of debt. The debt has been used to finance the improvements identified in the urban renewal plan.

FUND FINANCIAL STATEMENTS

Fund Statements

Following the agency-wide statements is a section containing fund financial statements. The Agency presents all funds as major funds. A Budgetary Comparison Statement is presented for each fund.

Budgetary Highlights

The budget was based upon an effort by management to continue with projects identified in the urban renewal plan and with other projects as opportunities arise.

Capital Assets and Debt Administration

The Agency incurred a variety of small capital outlay expenditures that were not capitalized. If they were capitalized the related assets would be presented in the financial statements for the Agency of Astoria and would not appear as assets of the Agency.

As of year-end, the Agency had \$615,000 in debt outstanding compared to \$720,000 last year. The \$105,000 decrease results from normal payment on long-term debt. For more detailed information on the Agency's debt and amortization terms refer to the Notes to the Basic Financial Statements.

NOTES AND SUPPLEMENTAL INFORMATION

Economic Factors

The Urban Renewal Agency continues to be an important partner in economic development within the City of Astoria, providing necessary infrastructure improvements to support continued growth and quality of service to those within the Agency's boundaries. Increasing property values within the boundaries of the Agency translate into increasing tax increment available. That tax increment is then used to pay debt service on bonds issued to fund projects and improvements.

Next Year's Budgets and Rates

The Agency's budget for fiscal year 2010-11 is highlighted by the anticipation of continuing with the remaining projects in the urban renewal plan.

Financial Contact

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, you should contact the Agency's Finance Director at 1095 Duane Street, Astoria, Oregon 97103.

BASIC FINANCIAL STATEMENTS

ASTORIA DEVELOPMENT COMMISSION, OREGON
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,816,816
Due from other governments	65,017
Notes receivable	430,116
Property taxes receivable	<u>127,042</u>
Total current assets	<u>3,438,991</u>
Total assets	<u><u>\$ 3,438,991</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 7,070
Current portion of long-term debt	<u>110,000</u>
Total current liabilities	<u>117,070</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>505,000</u>
Total noncurrent liabilities	<u>505,000</u>
Total liabilities	<u>622,070</u>
NET ASSETS	
Restricted for:	
Debt Service	144,376
Unrestricted	<u>2,672,545</u>
Total net assets	<u>2,816,921</u>
Total liabilities and net assets	<u><u>\$ 3,438,991</u></u>

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

ASTORIA DEVELOPMENT COMMISSION, OREGON
 STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net Expense Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Total Governmental Activities
Governmental activities:				
General government	\$ 278,221	\$ -	\$ -	\$ -
Interest on long-term debt	41,001	-	-	-
Total government	<u>\$ 319,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes				1,116,674
Interest and investment earnings				20,570
Other revenues				7,123
Gain on sale of capital assets				6,105
Total general revenues and transfers				<u>1,150,472</u>
Change in net assets				<u>831,250</u>
Net assets - beginning				<u>1,985,671</u>
Net assets - ending				<u>\$ 2,816,921</u>

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

FUND FINANCIAL STATEMENTS

Governmental Funds

ASTORIA DEVELOPMENT COMMISSION, OREGON
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2010

	Astor East #126	Astor West #127	URD Bond Reserve Fund #115	Urban Renewal District Bond Fund #114	Total Governmental
ASSETS					
Cash and cash equivalents	\$ 1,340,349	\$ 1,331,931	\$ 144,376	\$ 160	\$ 2,816,816
Due from other governments	28,490	36,527	-	-	65,017
Notes receivable	240,116	190,000	-	-	430,116
Property taxes receivable	56,612	70,430	-	-	127,042
Total assets	<u>\$ 1,665,567</u>	<u>\$ 1,628,888</u>	<u>\$ 144,376</u>	<u>\$ 160</u>	<u>\$ 3,438,991</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and other current liabilities	\$ 1,284	\$ 5,786	\$ -	\$ -	\$ 7,070
Deferred revenue	284,624	244,980	-	-	529,604
Total liabilities	<u>285,908</u>	<u>250,766</u>	<u>-</u>	<u>-</u>	<u>536,674</u>
FUND BALANCES:					
Reserved for:					
Debt service	-	-	-	160	160
Unreserved, reported in:					
Culture-recreation	1,379,659	1,378,122	144,376	-	2,902,157
Total fund equity	<u>1,379,659</u>	<u>1,378,122</u>	<u>144,376</u>	<u>160</u>	<u>2,902,317</u>
Total liabilities and fund equity	<u>\$ 1,665,567</u>	<u>\$ 1,628,888</u>	<u>\$ 144,376</u>	<u>\$ 160</u>	

Amounts reported in

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 529,604

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (615,000)

Net Assets \$ 2,816,921

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

ASTORIA DEVELOPMENT COMMISSION, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	Astor East #126	Astor West #127	URD Bond Reserve Fund #115	Urban Renewal District Bond Fund #114	Total Governmental
REVENUES:					
Taxes	\$ 284,354	\$ 575,135	\$ -	\$ 146,001	\$ 1,005,490
Sale of city property	2,652	3,453	-	-	6,105
Interest earnings	10,107	9,511	952	-	20,570
Miscellaneous	7,123	-	-	-	7,123
Delinquent ad valorem taxes	42,919	51,786	-	-	94,705
Total revenues	<u>347,155</u>	<u>639,885</u>	<u>952</u>	<u>146,001</u>	<u>1,133,993</u>
EXPENDITURES:					
General government	117,638	119,910	-	-	237,548
Capital outlay	241,145	229,643	-	-	470,788
Debt service:					
Principal	-	-	-	105,000	105,000
Interest	-	-	-	41,001	41,001
Total expenditures	<u>358,783</u>	<u>349,553</u>	<u>-</u>	<u>146,001</u>	<u>854,337</u>
Revenues over (under) expenditures	(11,628)	290,332	952	-	279,656
OTHER FINANCING SOURCES (USES):					
Other	-	-	-	-	-
Interfund loan payments	-	-	-	-	-
Interfund loan proceeds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(11,628)	290,332	952	-	279,656
FUND BALANCES, BEGINNING	<u>1,391,287</u>	<u>1,087,790</u>	<u>143,424</u>	<u>160</u>	<u>2,622,661</u>
FUND BALANCES, ENDING	<u>\$ 1,379,659</u>	<u>\$ 1,378,122</u>	<u>\$ 144,376</u>	<u>\$ 160</u>	<u>\$ 2,902,317</u>

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

**ASTORIA DEVELOPMENT COMMISSION, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Amounts reported in the statement of activities are different because:

Net change in fund balances	\$ 279,656
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	446,594
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which proceeds exceed ed repayments.	<u>105,000</u>
Change in net assets of governmental activities	<u><u>\$ 831,250</u></u>

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

(This page intentionally left blank.)

NOTES TO
BASIC FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The financial statements of the Agency have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

A. Description of Reporting Entity

The Urban Renewal Agency of the City of Astoria was established June 18, 1979, under the provisions of the Oregon Revised Statutes, Section 457. The City Council of the City of Astoria is the governing body of the Agency wherein any act of the Council in its capacity as the Agency shall be considered the act of the Agency only and not the City of Astoria. The Agency through the Astoria Development Commission outlined a plan for the rehabilitation, conservation, development or redevelopment of the Urban Renewal Area. This area was determined to be a blighted and deteriorated area which was detrimental to the safety, health and welfare of the inhabitants and users and which impaired the economic values and tax revenues, had harmful effects on rehabilitation, conservation, development and redevelopment of the area as a whole.

The Agency is a legally separate entity governed by the City Council. The Agency Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a component unit of the City of Astoria and, as such is included in the financial statements of the City of Astoria for the year ended June 30, 2010.

The Agency has no component units.

B. Basic Financial Statements

The Agency's financial operations are presented at both the agency-wide and fund financial levels. All activities of the Agency are categorized as governmental.

Agency-wide financial statements

The statement of net assets and the statement of activities display information about the Agency as a whole. All activities of the Agency are categorized as governmental activities.

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These 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 or proprietary. Currently the Agency has only governmental fund types.

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, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, all funds are presented as major funds.

Astor East and Astor West- These funds are considered the General Funds. The General Funds are used to record expenditures related to capital improvements projects. Major sources of revenue and other financing sources are bond proceeds and interest earnings.

Special Revenue Fund- The Bond Reserve Fund is used as a set-aside for 10% of the proceeds of the Liberty Theatre loan in accordance with the terms of the bond indenture for this loan.

Debt Service Fund- The Debt Service Fund is used to retire urban renewal bond principal and interest from property tax revenues.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The Agency-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the agency-wide statements, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the agency-wide presentation.

E. Cash and Investments

The Agency considers cash equivalents as all highly liquid investments with maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

F. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Real and personal property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Clatsop County and remitted to the Agency. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established.

G. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financial uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financial sources while discounts on debt proceeds received are reported as debt service expenditures.

H. Fund Equity

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund-level financial statements. Planned expenditures primarily include future capital projects and debt service.

I. Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Internal activity is eliminated in the agency-wide Statement of Activities.

(2) Budgetary Information

On or before June 30 of each year, the Agency enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Agency Board of Directors for budget hearings prior to enactment of the resolution. The Agency budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information

for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency's Commission. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Council. Management may not amend the budget without seeking the approval of the Commission. Appropriations lapse as of year-end.

(3) Cash and Investments

At June 30, 2010 investments included in cash and cash equivalents consist of the following:

	Weighted Average Maturity (Years)	Fair Value
	<u> </u>	<u> </u>
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 2,816,816
	<u> </u>	<u> </u>
Total cash equivalents	0.00	\$ 2,816,816
	<u> </u>	<u> </u>

Interest rate risk

In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio to less than six months. The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

State statutes authorize the City to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

The City does not currently have an investment policy for concentration of credit risk.

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 up to \$250,000 each for aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2010, none of the City's bank balances were exposed to credit risk.

Custodial credit risk – investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency did not have investments of this type during fiscal year 2009-10 nor did it have any investments of this type at June 30, 2010. The Agency maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and cash equivalents."

(4) Interfund Receivables, Payables and Transfers

Interfund transfers are reported as net transfers in the Statement of Activities. Details of interfund transactions are as follows:

<u>Governmental Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Astor East Urban Renewal District	\$0	\$0
Astor West Urban Renewal District		
Urban Renewal Bond Reserve Fund	<u>0</u>	<u>0</u>
Total Interfund Transfers	<u>\$0</u>	<u>\$0</u>

(5) Due from Other Governments

The City of Astoria entered into an intergovernmental agreement for payment of a potential tax refund with Clatsop County on August 17, 2009. The intergovernmental agreement was entered into based on a property tax appeal by Georgia-Pacific Consumer Products, owner of Wauna Mill. If Georgia-Pacific Consumer Products prevails in this appeal, Clatsop County proposes to sell bonds to meet the obligation. Estimates of a bond amount indicate that future tax disbursements may be withheld of which the City's share, including the component unit Urban Renewal Districts, is approximately \$220,000 per year.

During FYE June 30, 2010 based on the adopted intergovernmental agreement Clatsop County refunded property taxes withheld from taxing districts. The Astor East and Astor West Urban Renewal District share of that refund is \$28,490 and \$36,527, respectively.

(6) Notes Receivable

As economic development activities, the Astor East (AEURD) and Astor West (AWURD) Urban Renewal Districts have entered into agreements to loan two entities amounts to upgrade their facilities. AEURD has loaned \$240,115 to Astor Hotel, Inc. for improvements to the John Jacob Astor Hotel. AWURD has loaned \$190,000 to Union Fish, LLC for improvements to the facility referred to as the "Red Building". The loans are administered for the districts by Shorebank Enterprise Cascadia.

(7) Long-term Debt

Changes in General Long-term Liabilities

During the year ended June 30, 2010, long-term liability activity was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds payable	\$ 720,000	\$ -	(105,000)	615,000	\$110,000
Total long-term liabilities	<u>\$ 720,000</u>	<u>\$ -</u>	<u>\$(105,000)</u>	<u>\$615,000</u>	<u>\$110,000</u>

Bonds Payable

During 1999-00 the Agency issued \$1,455,000 of Urban Renewal bonds, Series 2000, with interest rates ranging from 4.90% to 5.850%, to finance urban renewal construction projects. The series 2000 bonds are being retired from property taxes levied by the Agency. The bonds mature on June 15, 2015. Bond principal of \$100,000 was paid during the year. Interest payments totaled \$46,269 during 2008-09.

General obligation bonded debt requirements are summarized below:

Governmental Activities

<u>Fiscal Year End</u>	Principal	Interest	Total
June 2011	110,000.00	35,228	145,228
June 2012	115,000.00	29,123	144,123
June 2013	125,000.00	22,625	147,625
June 2014	130,000.00	15,438	145,438
June 2015	135,000.00	7,898	142,898
Total	<u>\$615,000</u>	<u>\$110,312</u>	<u>\$725,312</u>

(8) Deferred Revenue

Deferred revenue as of June 30, 2010 consists of uncollected property taxes not deemed available to finance operations of the current period and the amounts outstanding for the loans to Astor Hotel, Inc. and Union Fish, LLC.

(9) Risk Management

The Agency is exposed to various risks of loss and insurance coverage is provided by the Agency of Astoria, which carries commercial insurance. Settled claims resulting from risks of loss have not exceeded commercial insurance coverage in any of the past three years.

(10) Subsequent Event

Subsequent to June 30, 2010 Astor East Urban Renewal District entered into a second loan agreement to Fort George Brewery in the amount of \$350,000 for improvements to the old Ocean Crest auto sales building to expand Fort George Brewery's capability to produce and market its product. The loan is administered by Shorebank Enterprise Cascadia.

REQUIRED SUPPLEMENTARY INFORMATION

**ASTORIA DEVELOPMENT COMMISSION, OREGON
 URBAN RENEWAL DISTRICT BOND FUND #114
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2010**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 147,250	\$ 147,250	\$ 146,001	\$ (1,249)
Interest earnings	100	100	-	(100)
Total revenues	<u>147,350</u>	<u>147,350</u>	<u>146,001</u>	<u>(1,349)</u>
EXPENDITURES:				
Debt service:				
Principal	105,000	105,000	105,000	-
Interest	42,500	42,500	41,001	1,499
Total expenditures	<u>147,500</u>	<u>147,500</u>	<u>146,001</u>	<u>1,499</u>
Revenues over (under) expenditures	<u>(150)</u>	<u>(150)</u>	<u>-</u>	<u>150</u>
Net changes in fund balances	(150)	(150)	-	150
FUND BALANCES, BEGINNING	<u>150</u>	<u>150</u>	<u>160</u>	<u>10</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 160</u>

ASTORIA DEVELOPMENT COMMISSION, OREGON
ASTOR EAST #126
SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 382,270	\$ 382,270	\$ 284,354	\$ (97,916)
Sale of city property	-	-	2,652	2,652
Interest earnings	10,000	10,000	10,107	107
Miscellaneous	-	-	7,123	7,123
Delinquent ad valorem taxes	20,000	20,000	42,919	22,919
Total revenues	412,270	412,270	347,155	(65,115)
EXPENDITURES:				
Materials and service	153,410	153,410	117,638	35,772
Capital outlay	1,250,000	1,250,000	241,145	1,008,855
Contingency	210,510	210,510	-	210,510
Total expenditures	1,613,920	1,613,920	358,783	1,255,137
Revenues over (under) expenditures	(1,201,650)	(1,201,650)	(11,628)	1,190,022
Net changes in fund balances	(1,201,650)	(1,201,650)	(11,628)	1,190,022
FUND BALANCE, BEGINNING	1,388,500	1,388,500	1,391,287	2,787
FUND BALANCE, ENDING	\$ 186,850	\$ 186,850	\$ 1,379,659	\$ 1,192,809

**ASTORIA DEVELOPMENT COMMISSION, OREGON
 ASTOR WEST #127
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2010**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 560,530	\$ 560,530	\$ 575,135	\$ 14,605
Sale of city property	-	-	3,453	3,453
Interest earnings	5,000	5,000	9,511	4,511
Delinquent ad valorem taxes	-	-	51,786	51,786
Total revenues	565,530	565,530	639,885	74,355
EXPENDITURES:				
Materials and service	92,280	92,280	119,910	(27,630)
Capital outlay	990,000	990,000	229,643	760,357
Contingency	160,340	160,340	-	160,340
Total expenditures	1,242,620	1,242,620	349,553	893,067
Revenues over (under) expenditures	(677,090)	(677,090)	290,332	967,422
Net changes in fund balances	(677,090)	(677,090)	290,332	967,422
FUND BALANCES, BEGINNING	1,019,560	1,019,560	1,087,790	68,230
FUND BALANCES, ENDING	\$ 342,470	\$ 342,470	\$ 1,378,122	\$ 1,035,652

(This page intentionally left blank.)

OTHER SUPPLEMENTARY INFORMATION

ASTORIA DEVELOPMENT COMMISSION, OREGON
URD BOND RESERVE FUND #115
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest earnings	\$ 3,600	\$ 3,600	\$ 952	\$ (2,648)
Total revenues	<u>3,600</u>	<u>3,600</u>	<u>952</u>	<u>(2,648)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(9,000)	(9,000)	-	9,000
Total other financing sources (uses)	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>	<u>9,000</u>
Net changes in fund balances	(5,400)	(5,400)	952	6,352
FUND BALANCES, BEGINNING	<u>143,950</u>	<u>143,950</u>	<u>143,424</u>	<u>(526)</u>
FUND BALANCES, ENDING	<u>\$ 138,550</u>	<u>\$ 138,550</u>	<u>\$ 144,376</u>	<u>\$ 5,826</u>

(This page intentionally left blank.)

OTHER FINANCIAL SCHEDULES

City of Astoria, Oregon, Urban Renewal Districts
 Schedule of Tax Transactions
 Year Ended June 30, 2010

	Tax Year	Taxes Receivable 6/30/08	Tax Levy	Tax Collected	Rebate	Sheriff's Assessment	Cancellations & Other	Taxes Receivable 6/30/09	Interest Received
Urban Renewal Agency of the City of Astoria (Component Unit)	2009-10		1,074,946	(985,854)	(25,184)	149	(2,476)	61,582	881
	2008-09	52,729	0	(29,650)	(0)	0	(836)	22,242	1,885
	2007-08	20,244	0	(8,865)	0	1	(222)	11,158	1,486
	2006-07	6,944	0	(3,721)	0	(2)	(183)	3,038	1,019
	2005-06	1,988	0	(1,237)	0	0	(120)	631	421
	2004-05	375	0	(12)	0	0	(77)	286	0
	2003-04	163	0	(4)	0	0	(52)	115	27
	Prior Years	565	0	(26)	0	0	(103)	437	31
Total Urban Renewal Agency		83,010	1,074,946	(1,029,361)	(25,184)	148	(4,070)	99,489	5,751

(This page intentionally left blank.)

REPORTS OF
INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS
REQUIRED BY OREGON REVISED
STATUTES

ASTORIA DEVELOPMENT COMMISSION, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Introduction

Oregon Administrative Rules 162-10-000 through 162-10-330 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding section of this report. Required comments and disclosures related to our audit of such statements and schedules are contained in this section.

Internal Accounting Control

We have audited the financial statements of the Astoria Development Commission, a component unit of the City of Astoria, Oregon (the Commission) for the year ended June 30, 2010 and have issued our report thereon dated December 29, 2010.

The management of the Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 significant deficiency is a deficiency, or combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 Commission's financial statements will not be prevented, or detected and corrected, on a timely basis.

ASTORIA DEVELOPMENT COMMISSION, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

In connection with our audit:

Accounting Records

We found the accounting records of the Commission to be adequate for audit purposes considering the size and complexity of the municipal corporation.

Collateral

The Commission was in compliance with ORS Chapter 295 regarding collateral securing deposits for fiscal year ended June 30, 2010.

Indebtedness

During our audit, nothing came to our attention that caused us to believe the Commission was not in compliance with limitations and provisions of bond indentures and other agreements.

Budgets

We reviewed budgets adopted by the Commission for the current and ensuing fiscal year. Budget preparation and adoption procedures followed by the Commission appear to be in compliance with Oregon Local Budget Law (ORS Chapter 294.305 to 294.520).

Insurance and Fidelity Bonds

We reviewed policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering Commission-owned property in force at June 30, 2010 are adequate.

Programs Funded from Outside Sources

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. The Commission appeared to have appropriate procedures for making expenditures on behalf of, and reporting for, such programs.

Highway Funds

The Commission does not receive Highway Funds.

ASTORIA DEVELOPMENT COMMISSION, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Investments

The Commission's investments for the year ended June 30, 2010 were tested and appear to be in compliance with Oregon Revised Statutes Chapter 295 with regard to legal restrictions pertaining to the investment of public funds.

Public Contracts and Purchasing

We reviewed and tested the Commission's procedures for awarding public contracts. The Commission appears to be in compliance with the cost accounting guidelines developed by the State of Oregon Executive Department with regard to the Commission's construction projects and ORS Chapter 279 in the awarding of public contracts and the construction of public improvements.

Independently Elected Officials

The Independently Elected Officials of the Commission do not receive and disburse funds. Accordingly a Schedule of Accountability for Independently Elected Officials is not included.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 29, 2010