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URBAN RENEWAL AGENCY

A COMPONENT UNIT OF

THE CITY OF ASTORIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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Prepared by:

City of Astoria  
Finance Department

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

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

Chairman

Willis L. Van Dusen

Commissioners

Arline LaMear

Peter Roscoe

Karen Mellin

Russ Warr

Registered Agent

Mark Carlson, CPA

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# **FINANCIAL SECTION**







**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

December 19, 2012

To the City Council  
City of Astoria Urban Renewal Agency  
Clatsop, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Astoria Urban Renewal Agency (a component unit of the City of Astoria) as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements as of June 30, 2011, were audited by other auditors whose report dated December 22, 2011, issued an unqualified opinion on those statements.

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 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 City of Astoria Urban Renewal Agency, as of June 30, 2012, 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 the 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 Management's Discussion and Analysis, as listed in the table of contents, 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 Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The list of Agency officials, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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.

*Pauly, Rogers and Co., P.C.*  
PAULY, ROGERS AND CO., P.C.

## 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 2011	Governmental Activities 2012
Cash and investments	\$ 2,859,301	\$ 2,701,865
Due from Other Governments	65,018	65,018
Accounts Receivable, Net	729,454	723,702
Property Tax receivable	109,675	94,322
<b>Total Assets</b>	<b>\$ 3,763,448</b>	<b>\$ 3,584,907</b>
Other	\$ 57,548	\$ 133,527
Long-term Liabilities Outstanding	505,000	500,000
<b>Total Liabilities</b>	<b>562,548</b>	<b>633,527</b>
<b>Net Assets:</b>		
Restricted for:		
Debt Service	145,615	-
Urban Renewal Improvements- expendable	2,739,943	2,758,356
Unrestricted	315,342	193,024
<b>Total net assets</b>	<b>3,200,900</b>	<b>2,951,380</b>
<b>Total liabilities and net Assets</b>	<b>\$ 3,763,448</b>	<b>\$ 3,584,907</b>

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

Astor East Urban Renewal District (AEURD) paid off the Liberty Theatre bonds in the amount of \$505,000 during the year ended June 30, 2012. On June 27, 2012 AEURD borrowed \$625,000 from Columbia State Bank. The AEURD footnotes show the impact of these transactions.

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 2011	Net Revenue (Expenses) and Changes in Net Assets 2012
<b>EXPENSES</b>		
General Government	\$ (490,382)	\$ (1,094,259)
Interest	(35,228)	(29,877)
Total program expenses	(525,610)	(1,124,136)
<b>GENERAL REVENUES</b>		
Property Taxes	862,490	842,957
Interest	12,962	17,868
Other Revenues	34,501	13,791
Total general revenues	909,953	874,616
Change in net assets	384,343	(249,520)
<b>NET ASSETS, BEGINNING</b>	2,816,921	3,200,900
<b>PRIOR PERIOD ADJUSTMENT</b>	(364)	-
<b>NET ASSETS, ENDING</b>	\$ 3,200,900	\$ 2,951,380

The Agency's tax levy totaled \$869,668 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. The budget for the year ended June 30, 2012 was adjusted for the payoff of the Liberty Theatre bonds.

### 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 City of Astoria and would not appear as assets of the Agency.

As of year-end, the Agency had \$625,000 in debt outstanding compared to \$505,000 last year. The change results from paying off the Liberty Theatre bonds and borrowing \$625,000 from Columbia State Bank. 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 2012-13 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, 2012**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,701,865
Due from other governments	65,018
Notes receivable	723,702
Property taxes receivable	<u>94,322</u>
Total current assets	<u>3,584,907</u>
Total assets	<u><u>\$ 3,584,907</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 8,527
Current portion of long-term debt	<u>116,784</u>
Total current liabilities	<u>125,311</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>508,216</u>
Total noncurrent liabilities	<u>508,216</u>
Total liabilities	<u>633,527</u>
<b>NET ASSETS</b>	
Restricted for:	
Urban renewal improvements - expendable	2,758,356
Unrestricted	<u>193,024</u>
Total net assets	<u>2,951,380</u>
Total liabilities and net assets	<u><u>\$ 3,584,907</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, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Expense Revenue and</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Change in Net Asset</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Total</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government	\$ 1,094,259	\$ -	\$ -	\$ -	\$ (1,094,259)
Interest on long-term debt	29,877	-	-	-	(29,877)
Total government	<u>\$ 1,124,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,124,136)</u>
General revenues:					
Taxes:					
Property taxes					842,957
Interest and investment earnings					17,868
Other revenues					13,791
Total general revenues and transfers					<u>874,616</u>
Change in net assets					(249,520)
Net assets - beginning					3,200,900
Prior period adjustment					-
Net assets - ending					<u>\$ 2,951,380</u>

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

## **FUND FINANCIAL STATEMENTS**

### **Major Governmental Funds**

#### **Astor East #126**

This fund is used to record expenditures related to capital improvement projects. Major sources of revenue and other financing sources are bond proceeds and interest earnings.

#### **Astor West #127**

This fund is used to record expenditures related to capital improvement projects. Major sources of revenue and other financing sources are bond proceeds and interest earnings.

#### **URD Bond Reserve Fund #115**

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.

#### **Urban Renewal District Bond Fund #114**

Accounts for debt service requirements of a bond issue made for loan to the Liberty Theatre Restoration Group to purchase and restore this historic building.

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**ASTORIA DEVELOPMENT COMMISSION, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2012**

	<u>Astor East #126</u>	<u>Astor West #127</u>	<u>URD Bond Reserve Fund #115</u>	<u>Urban Renewal District Bond Fund #114</u>	<u>Total Governmental</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 859,439	\$ 1,842,426	\$ -	-	\$ 2,701,865
Due from other governments	28,491	36,527	-	-	65,018
Notes receivable	381,522	342,180	-	-	723,702
Property taxes receivable	32,873	61,449	-	-	94,322
<b>Total assets</b>	<b><u>\$ 1,302,325</u></b>	<b><u>\$ 2,282,582</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,584,907</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Accounts payable and other current liabilities	\$ 7,873	\$ 654	\$ -	\$ -	\$ 8,527
Deferred revenue	414,395	403,629	-	-	818,024
<b>Total liabilities</b>	<b><u>422,268</u></b>	<b><u>404,283</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>826,551</u></b>
<b><u>FUND BALANCES:</u></b>					
Restricted for:					
Urban renewal improvements	880,057	1,878,299	-	-	2,758,356
Debt service	-	-	-	-	-
<b>Total fund equity</b>	<b><u>880,057</u></b>	<b><u>1,878,299</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,758,356</u></b>
<b>Total liabilities and fund equity</b>	<b><u>\$ 1,302,325</u></b>	<b><u>\$ 2,282,582</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	

Amounts reported in the statement of net assets are different because:

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 818,024

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (625,000)

Net Assets **\$ 2,951,380**

*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, 2012

	Astor East #126	Astor West #127	URD Bond Reserve Fund #115	Urban Renewal District Bond Fund #114	Total Governmental
<b>REVENUES:</b>					
Taxes	\$ 109,939	\$ 554,889	\$ -	\$ 144,000	\$ 808,828
Sale of city property	-	-	-	-	-
Interest earnings	4,369	12,441	718	340	17,868
Miscellaneous	13,791	-	-	-	13,791
Delinquent ad valorem taxes	13,391	23,056	-	-	36,447
Total revenues	141,490	590,386	718	144,340	876,934
<b>EXPENDITURES:</b>					
General government	83,701	83,353	-	-	167,054
Capital outlay	667,775	259,430	-	-	927,205
Debt service:					
Principal	390,000	-	-	115,000	505,000
Interest	754	-	-	29,123	29,877
Total expenditures	1,142,230	342,783	-	144,123	1,629,136
Revenues over (under) expenditures	(1,000,740)	247,603	718	217	(752,202)
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan Proceeds	625,000	-	-	-	625,000
Interfund loan payments	-	-	-	-	-
Interfund loan proceeds	-	-	-	-	-
Transfers in	146,550	-	-	-	146,550
Transfers out	-	-	(145,731)	(819)	(146,550)
Total other financing sources (uses)	771,550	-	(145,731)	(819)	625,000
Net changes in fund balances	(229,190)	247,603	(145,013)	(602)	(127,202)
<b>FUND BALANCES, BEGINNING</b>	1,109,247	1,630,696	145,013	602	2,885,558
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-	-
<b>FUND BALANCES, ENDING</b>	\$ 880,057	\$ 1,878,299	\$ -	\$ -	\$ 2,758,356

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, 2012**

Amounts reported in the statement of activities are different because:

Net change in fund balances	\$ (127,202)
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(2,318)
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 exceeded repayments.	<u>(120,000)</u>
Change in net assets of governmental activities	<u><u>\$ (249,520)</u></u>

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

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**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, 2012.

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 Agency 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 by management.

## 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 included as a deferred charge.

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

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

- Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- Committed – Includes items committed by the Agency Board, by formal board action. Commitments of fund balance must be made prior to the end of the fiscal year.
- Assigned – Includes items assigned for specific uses, authorized by the Agency. Assignments of fund balance can be done at any time, including after the fiscal year end date.
- Unassigned – This is the residual classification used for those balances not assigned to another category.

## I. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the Agency's policy to use committed resources first, then assigned, and then unassigned as they are needed.

J. 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.

K. 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.

Budget amounts shown in the required supplementary information and supplementary information reflect the final budget amounts. Disbursements in all funds were within authorized appropriations, except for the Urban Renewal District Bond Fund #114, transfers out were over expensed by \$819.

(3) Cash and Investments

At June 30, 2012 investments included in cash and cash equivalents consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	<u>0.00</u>	<u>\$ 2,684,640</u>
Total cash equivalents	<u>0.00</u>	<u>\$ 2,684,640</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 Agency 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 Agency 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 Agency has no investment policy that would further limit its investment choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The State Treasurer's Oregon Local Government Investment Pool is not registered with the SEC as an investment company and is unrated.

**Concentration of credit risk**

The Agency 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 Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency'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, 2012, none of the Agency'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 Agency 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 2011-12 nor did it have any investments of this type at June 30, 2012. 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) 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. The County reached a \$2,500,000 settlement with Wauna Mill in Spring 2012. This payment will be paid off with a 10-year loan with an interest rate of 3.4%. The City of Astoria share is estimated at \$250,000. This indicates that future tax disbursements may be withheld of which the City's share, including the component unit Urban Renewal Districts, is approximately \$25,000 per year.

During FYE June 30, 2011 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 \$28,491 and \$36,527, respectively. During the FY 2013 the City will make refund payments to Astor East and Astor West Urban Renewal District.

**(5) Notes Receivable**

As economic development activities, the Astor East (AEURD) and Astor West (AWURD) Urban Renewal Districts have entered into agreements to loan three entities amounts to upgrade their facilities. AEURD has loans receivable of: 1- \$282,280 to Astor Hotel, Inc. for improvements to the John Jacob Astor Hotel; and 2- \$99,242 to Fort George Brewery to rehab the old Lovell Auto building as a brewery. AWURD has a loan receivable of \$342,180 to Union Fish, LLC for improvements to the facility referred to as the "Red Building". The loans are administered for the districts by Enterprise Cascadia. Loan payments are current.

(6) Long-term Debt

Changes in General Long-term Liabilities: During the year ended June 30, 2012, long-term liability activity was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds payable	\$505,000	\$ -	\$(505,000)	\$0	\$0
Loan Payable	0	625,000		625,000	116,784
Total long-term liabilities	<u>\$505,000</u>	<u>\$625,000</u>	<u>\$(505,000)</u>	<u>\$625,000</u>	<u>\$116,784</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. These bonds were paid off during the year ended June 30, 2012. Bond principal of \$505,000 was paid during the year. Interest payments totaled \$29,877 during 2011-12.

On June 27, 2012 Astor East Urban Renewal District borrowed \$625,000 from Columbia State Bank.

Loan requirements are summarized below:

Governmental Activities			
Fiscal Year End	Principal	Interest	Total
June 2013	\$116,784	\$18,615	\$135,399
June 2014	120,755	15,227	135,982
June 2015	124,860	11,051	135,911
June 2016	129,106	6,734	135,840
June 2017	133,495	2,269	135,764
Total	<u>\$625,000</u>	<u>\$53,896</u>	<u>\$678,896</u>

(7) Deferred Revenue

Deferred revenue as of June 30, 2012 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.



(8) Interfund Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
Astor East #126	\$ 146,550	\$ -
Urban Renewal District Bond Fund #115	-	145,731
Urban Renewal District Bond Fund #114	-	819
	<u>\$ 146,550</u>	<u>\$ 146,550</u>

Transfers were made from two Liberty Theater bond related funds in support of paying the Liberty bonds off in June 2012.

(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) Property Tax Limitations

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

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**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, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 144,000	\$ 144,000	\$ 144,000	\$ -
Interest earnings	20	20	340	320
<b>Total revenues</b>	<u>144,020</u>	<u>144,020</u>	<u>144,340</u>	<u>320</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	115,000	115,000	115,000	-
Interest	29,470	29,470	29,123	347
<b>Total expenditures</b>	<u>144,470</u>	<u>144,470 (1)</u>	<u>144,123</u>	<u>347</u>
Revenues over (under) expenditures	(450)	(450)	217	667
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	(819)	(819)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>- (1)</u>	<u>(819)</u>	<u>(819)</u>
Net changes in fund balances	(450)	(450)	(602)	(152)
<b>FUND BALANCES, BEGINNING</b>	<u>450</u>	<u>450</u>	<u>602</u>	<u>152</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation level

**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, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 109,250	\$ 109,250	\$ 109,939	\$ 689
Sale of city property		-		-
Interest earnings	7,500	7,500	4,369	(3,131)
Miscellaneous		-	13,791	13,791
Delinquent ad valorem taxes	20,000	20,000	13,391	(6,609)
<b>Total revenues</b>	<b>136,750</b>	<b>136,750</b>	<b>141,490</b>	<b>4,740</b>
<b>EXPENDITURES:</b>				
Materials and service	156,410	156,410 (1)	83,701	72,709
Capital outlay	750,000	1,130,000 (1)	667,775	462,225
Debt service:				-
Principal		391,000 (1)	390,000	1,000
Interest		-	754	(754)
Contingency	50,000	50,000 (1)	-	50,000
<b>Total expenditures</b>	<b>956,410</b>	<b>1,727,410 -</b>	<b>1,142,230</b>	<b>585,180</b>
Revenues over (under) expenditures	(819,660)	(1,590,660)	(1,000,740)	589,920
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan Proceeds	-	625,000	625,000	-
Transfers in	-	146,000	146,550	550
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>771,000</b>	<b>771,550</b>	<b>550</b>
Net changes in fund balances	(819,660)	(819,660)	(229,190)	590,470
<b>FUND BALANCE, BEGINNING</b>	<b>933,750</b>	<b>933,750</b>	<b>1,109,247</b>	<b>175,497</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, ENDING</b>	<b>\$ 114,090</b>	<b>\$ 114,090</b>	<b>\$ 880,057</b>	<b>\$ 765,967</b>

(1) Appropriation level

**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, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 572,200	\$ 572,200	\$ 554,889	\$ (17,311)
Sale of city property		-		-
Interest earnings	7,500	7,500	12,441	4,941
Delinquent ad valorem taxes	20,000	20,000	23,056	3,056
<b>Total revenues</b>	<b>599,700</b>	<b>599,700</b>	<b>590,386</b>	<b>(9,314)</b>
<b>EXPENDITURES:</b>				
Materials and service	192,280	192,280 (1)	83,353	108,927
Capital outlay	1,500,000	1,500,000 (1)	259,430	1,240,570
Contingency	238,500	238,500 (1)	-	238,500
<b>Total expenditures</b>	<b>1,930,780</b>	<b>1,930,780</b>	<b>342,783</b>	<b>1,587,997</b>
<b>Revenues over (under) expenditures</b>	<b>(1,331,080)</b>	<b>(1,331,080)</b>	<b>247,603</b>	<b>1,578,683</b>
<b>Net changes in fund balances</b>	<b>(1,331,080)</b>	<b>(1,331,080)</b>	<b>247,603</b>	<b>1,578,683</b>
<b>FUND BALANCES, BEGINNING</b>	<b>1,665,500</b>	<b>1,665,500</b>	<b>1,630,696</b>	<b>(34,804)</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 334,420</b>	<b>\$ 334,420</b>	<b>\$ 1,878,299</b>	<b>\$ 1,543,879</b>

(1) Appropriation level

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**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, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest earnings	\$ 500	\$ 500	\$ 718	\$ 218
Total revenues	500	500	718	218
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(146,000) (1)	(145,731)	269
Total other financing sources (uses)	-	(146,000)	(145,731)	269
Net changes in fund balances	500	(145,500)	(145,013)	487
<b>FUND BALANCES, BEGINNING</b>	145,000	145,500	145,013	(487)
<b>FUND BALANCES, ENDING</b>	<u>\$ 145,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation level

City of Astoria, Oregon, Urban Renewal Districts  
Schedule of Tax Transactions  
Year Ended June 30, 2012

	Tax Year	Taxes Receivable 6/30/11	Tax Levy	Tax Collected	Rebate	Net Paid	Sheriffs Assessment	Cancellations & Other	Taxes Receivable 6/30/12	Interest
Urban Renewal Agency of the City of Astoria (Component Unit)	2011-12		869,668	802,043	(21,100)	781,600	51	2,482	44,094	657
	2010-11	47,543	0	20,190	0	21,984	0	2,739	24,613	1,794
	2009-10	25,898	0	8,011	0	10,084	0	587	17,299	2,073
	2008-09	11,880	0	5,869	0	7,322	0	41	5,970	1,454
	2007-08	4,087	0	2,988	0	4,916	0	45	1,055	1,928
	2006-07	533	0	100	0	944	0	30	402	845
	2005-06	248	0	27	0	70	0	19	202	42
	Prior Years	699	0	7	0	13	0	6	686	6
<b>Total Urban Renewal Agency</b>		<b>90,888</b>	<b>869,668</b>	<b>839,235</b>	<b>(21,100)</b>	<b>826,934</b>	<b>51</b>	<b>5,950</b>	<b>94,322</b>	<b>8,799</b>

RECONCILIATION OF REVENUE

	Revenue
Cash Collected by County Treasurer Above	839,235
Accrued in Prior Year	(18,787)
Accrued in Current Year	17,225
Taxes in Lieu	5,283
<b>Total Property Tax Revenue per Financial Statements</b>	<b>\$ 842,957</b>

**REPORTS ON LEGAL AND  
OTHER REGULATORY REQUIREMENTS**





**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223  
• (503) 620-2632 • FAX (503) 684-7523

December 19, 2012

**Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Astoria Urban Renewal Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. 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 City of Astoria Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Authorized investment of surplus funds.**

In connection with our testing nothing came to our attention that caused us to believe the City of Astoria Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. Only one notice of the budget committee meeting was published for the 2012-2013 budget process whereas two are required.
2. Expenditures exceeded appropriations as noted on footnote number 2 of this report.

**OAR 162-10-0230 Internal Control**

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated December 19, 2012.

This report is intended solely for the information and use of the council members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.



