

**CITY OF ASTORIA
URBAN RENEWAL AGENCY
CLATSOP COUNTY, OREGON**

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**



12700 SW 72nd Ave.
Tigard, OR 97223

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**CITY OF ASTORIA
URBAN RENEWAL AGENCY
CLATSOP COUNTY, OREGON**

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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**ASTORIA DEVELOPMENT COMMISSION – A COMPONENT UNIT OF
THE CITY OF ASTORIA, OREGON**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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INTRODUCTORY SECTION

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ASTORIA DEVELOPMENT COMMISSION, OREGON

Year Ending June 30, 2015

ELECTED OFFICIALS

Arline LaMear	Mayor	Term Expires 12/31/18
Zetty Nemlowill	Councilor Ward 1	Term Expires 12/31/18
Drew Herzig	Councilor Ward 2	Term Expires 12/31/16
Cindy Price	Councilor Ward 3	Term Expires 12/31/18
Russ Warr	Councilor Ward 4	Term Expires 12/31/16

ADMINISTRATIVE STAFF

Brett Estes	City Manager
Blair Henningsgaard	City Attorney
Kristopher A. Kaino	Municipal Judge
Susan Brooks	Finance Director
Kevin Cronin	Community Development Director
Brad Johnston	Police Chief
Ted Ames	Fire Chief
Angela Cosby	Parks & Community Services Director
Jane Tucker	Library Director
Ken Cook	Public Works Director

Mailing Address:
1095 Duane Street
Astoria, Oregon 97103

www.astoria.or.us

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FINANCIAL SECTION

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(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

January 25, 2016

INDEPENDENT AUDITORS' REPORT

To the City Council
Astoria Development Commission
Clatsop County, Oregon

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Astoria Development Agency (Agency) (a component unit of the City of Astoria) as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Astoria Development Commission, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Agency adopted the provisions of GASB Statement No. 68, Accounting and Reporting for Pensions, as well as the provisions of GASB Statement No. 71, Pensions Transition for Contributions Made Subsequent to the Measurement Date, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

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 Management's Discussion and Analysis 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

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 purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of elected officials containing their term expiration dates, located in 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.

Report on Legal and Other Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 25, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive, flowing style.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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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 Position, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Position 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 Position 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 Position

The Statement of Net Position 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 POSITION**

	Governmental Activities 2014	Governmental Activities 2015
Assets:		
Cash and investments	\$ 2,861,390	\$ 3,617,763
Notes receivable	646,181	550,468
Property tax receivable	100,518	92,286
Total Assets	\$ 3,608,089	\$ 4,260,517
Liabilities:		
Other	\$ 124,868	\$ 134,213
Long-term Liabilities Outstanding	262,601	133,495
Total Liabilities	387,469	267,708
Net Position:		
Restricted for:		
Urban Renewal Improvements- expendable	3,528,181	4,183,422
Unrestricted	(307,561)	(190,613)
Total net position	3,220,620	3,992,809
Total liabilities and net position	\$ 3,608,089	\$ 4,260,517

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

On June 27, 2012 the Astoria Urban Renewal Agency borrowed \$625,000 from Columbia State Bank. The Astoria Urban Renewal Agency 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 Position	Net Revenue (Expenses) and Changes in Net Position
	2014	2015
EXPENSES		
General Government	\$ (451,500)	\$ (172,689)
Interest	(15,467)	(11,211)
Contribution to City	-	-
Total program expenses	(466,967)	(183,900)
GENERAL REVENUES		
Property Taxes	861,112	927,152
Interest	3,543	14,168
Other Revenues	15,240	14,769
Total general revenues	879,895	956,089
Change in net position	412,928	772,189
Prior Period Adjustment	685,193	-
NET POSITION, BEGINNING	2,122,499	3,220,620
NET POSITION, ENDING	\$ 3,220,620	\$ 3,992,809

The Agency's tax levy totaled \$ 953,029 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 City of Astoria and would not appear as assets of the Agency.

As of year-end, the Agency had \$ 262,601 in debt outstanding compared to \$ 387,461 last year. 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 2015-16 was developed with continuance of 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

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ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)

CLATSOP COUNTY, OREGON
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,617,763
Notes receivable	550,468
Property taxes receivable	<u>92,286</u>
Total assets	<u>\$ 4,260,517</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 5,107
Current portion of long-term debt	<u>129,106</u>
Total current liabilities	<u>134,213</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>133,495</u>
Total liabilities	<u>267,708</u>
NET POSITION	
Restricted for:	
Urban renewal improvements - expendable	4,183,422
Unrestricted	<u>(190,613)</u>
Total net position	<u>3,992,809</u>
Total liabilities and net position	<u>\$ 4,260,517</u>

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)

CLATSOP COUNTY, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Expense (Revenue) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 172,689	\$ -	\$ -	\$ -	\$ (172,689)
Interest on long-term debt	11,211	-	-	-	(11,211)
Total government	\$ 183,900	\$ -	\$ -	\$ -	(183,900)
General revenues:					
Property taxes					927,152
Interest and investment earnings					14,168
Other revenues					14,769
Total general revenues					956,089
Change in net position					772,189
Net position - beginning					3,220,620
Net position - ending					\$ 3,992,809

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)

CLATSOP COUNTY, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	Astor East #126	Astor West #127	Total Governmental
ASSETS			
Cash and cash equivalents	\$ 548,802	\$ 3,068,961	\$ 3,617,763
Notes receivable	238,987	311,481	550,468
Property taxes receivable	32,760	59,526	92,286
Total assets	\$ 820,549	\$ 3,439,968	\$ 4,260,517
 LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 2,982	\$ 2,125	\$ 5,107
Deferred inflows of resources:			
Unavailable revenue-property taxes	25,698	46,290	71,988
Fund balances:			
Restricted for:			
Urban renewal improvements	791,869	3,391,553	4,183,422
Total liabilities, deferred inflows of resources and fund balances	\$ 820,549	\$ 3,439,968	\$ 4,260,517

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

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

Total fund balances	\$ 4,183,422
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Unavailable revenue-property taxes	71,988
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(262,601)
Net position	\$ 3,992,809

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	<u>Astor East #126</u>	<u>Astor West #127</u>	<u>Total Governmental</u>
REVENUES:			
Taxes	\$ 313,689	\$ 582,538	\$ 896,227
Interest earnings	2,061	12,107	14,168
Miscellaneous	9,758	5,011	14,769
Delinquent ad valorem taxes	13,540	25,297	38,837
	<u>339,048</u>	<u>624,953</u>	<u>964,001</u>
EXPENDITURES:			
General government	68,245	50,520	118,765
Capital outlay	22,728	31,196	53,924
Debt service:			
Principal	124,860	-	124,860
Interest	11,211	-	11,211
	<u>227,044</u>	<u>81,716</u>	<u>308,760</u>
Revenues over (under) expenditures	112,004	543,237	655,241
OTHER FINANCING SOURCES (USES):			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	112,004	543,237	655,241
FUND BALANCES, BEGINNING	<u>679,865</u>	<u>2,848,316</u>	<u>3,528,181</u>
FUND BALANCES, ENDING	<u>\$ 791,869</u>	<u>\$ 3,391,553</u>	<u>\$ 4,183,422</u>

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, 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, 2015

Amounts reported in the Statement of Activities are different because:

Net change in fund balances	\$	655,241
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<p>Property tax in the Statement of Activities differs from the amount reported on the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes an unavailable revenue for all property taxes levied but not available to satisfy current obligations; however, in the Statement of Activities, there is no unavailable revenue and the full property tax receivable is accrued.</p>		(7,912)
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<p>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 position. This is the amount of payments which are not an expense on the government-wide statements.</p>		<u>124,860</u>
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Change in net position of governmental activities	\$	<u><u>772,189</u></u>
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NOTES TO
BASIC FINANCIAL STATEMENTS

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ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The basic financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

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, 2015. 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 Position 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.

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 balances, 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.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within 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, 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 unavailable 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 Position. 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.

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

G. Long-term Debt (Cont.)

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. Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. There are no deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of item which qualifies for reporting in this category, unavailable revenue for property taxes of \$71,988. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

I. Net Position

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There is net position restricted for debt service, school nutrition, and fee supported funds.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

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.

J. Fund Balance

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 – nonspendable, restricted, committed, assigned and unassigned.

- *Nonspendable* – 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.

There were no nonspendable, committed, assigned or unassigned fund balances at June 30, 2015.

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

K. 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.

L. Use of Estimates

In preparing the Agency's basic 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.

M. 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 financial statements reflect original and final budget amounts. Expenditures in all funds were within authorized appropriations except in the Astor East Fund #126 – Debt Service by \$141.

(3) Cash and Investments

Cash and investments are comingled with the City of Astoria. At June 30, 2015 investments included in cash and cash equivalents consist of the following:

	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 3,617,763	\$ 3,617,763	\$ -	\$ -
Total	<u>\$ 3,617,763</u>	<u>\$ 3,617,763</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

In accordance with its investment policy, the Agency 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.

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

(3) Cash and Investments (Cont.)

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, 2015, 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 2014-15 nor did it have any investments of this type at June 30, 2015. 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) 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: \$238,987 from Astor Hotel, Inc. for improvements to the John Jacob Astor Hotel. AWURD has a loan receivable of \$311,481 from Union Fish, LLC for improvements to the facility referred to as the "Red Building". The loans are administered for the districts by Craft 3, formerly known as Enterprise Cascadia.

(5) Long-term Debt

Changes in General Long-term Liabilities: During the year ended June 30, 2015, long-term liability activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans Payable	\$ 387,461	\$ -	\$ 124,860	\$ 262,601	\$ 129,106
Total Loans Payable	<u>\$ 387,461</u>	<u>\$ -</u>	<u>\$ 124,860</u>	<u>\$ 262,601</u>	<u>\$ 129,106</u>

On June 27, 2012 Astor East Urban Renewal District borrowed \$625,000 from Columbia State Bank at 3.4% interest from June 2012 due December 2016.

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

(5) Long-term Debt (Cont.)

Future debt requirements are summarized below:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 129,106	\$ 6,734	\$ 135,840
2017	133,495	2,270	135,765
Total	<u>\$ 262,601</u>	<u>\$ 9,004</u>	<u>\$ 271,605</u>

(6) Risk Management

The Agency is exposed to various risks of loss and insurance coverage is provided by the City 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.

(7) Property Tax Limitations

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for non-school 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 voters 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.

(8) Other Information

The City of Astoria invoices the Urban Renewal Agency (URA) for services provided. This includes amounts associated with personnel costs in support of URA activities.

REQUIRED SUPPLEMENTARY INFORMATION

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ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON
ASTOR EAST #126
SCHEDULE OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance To Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 279,880	\$ 279,880	\$ 313,689	\$ 33,809
Interest earnings	1,440	1,440	2,061	621
Miscellaneous	49,840	49,840	9,758	(40,082)
Delinquent ad valorem taxes	15,000	15,000	13,540	(1,460)
Total revenues	<u>346,160</u>	<u>346,160</u>	<u>339,048</u>	<u>(7,112)</u>
EXPENDITURES:				
Materials and services	103,410	103,410 (1)	68,245	35,165
Capital outlay	250,000	250,000 (1)	22,728	227,272
Debt service:				
Principal	124,870	124,870	124,860	10
Interest	11,060	11,060	11,211	(151)
Total debt service	<u>135,930</u>	<u>135,930 (1)</u>	<u>136,071</u>	<u>(141)</u>
Contingency	65,900	65,900 (1)	-	65,900
Total expenditures	<u>555,240</u>	<u>555,240</u>	<u>227,044</u>	<u>328,196</u>
Net change in fund balance	(209,080)	(209,080)	112,004	321,084
FUND BALANCE, BEGINNING	<u>331,600</u>	<u>331,600</u>	<u>679,865</u>	<u>348,265</u>
FUND BALANCE, ENDING	<u>\$ 122,520</u>	<u>\$ 122,520</u>	<u>\$ 791,869</u>	<u>\$ 669,349</u>

(1) Appropriation level

ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)
CLATSOP COUNTY, OREGON
ASTOR WEST #127
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance To Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 514,280	\$ 514,280	\$ 582,538	\$ 68,258
Interest earnings	9,300	9,300	12,107	2,807
Miscellaneous	13,500	13,500	5,011	(8,489)
Delinquent ad valorem taxes	20,000	20,000	25,297	5,297
Total revenues	<u>557,080</u>	<u>557,080</u>	<u>624,953</u>	<u>67,873</u>
EXPENDITURES:				
Materials and services	193,660	193,660 (1)	50,520	143,140
Capital outlay	1,500,000	1,500,000 (1)	31,196	1,468,804
Contingency	254,000	254,000 (1)	-	254,000
Total expenditures	<u>1,947,660</u>	<u>1,947,660</u>	<u>81,716</u>	<u>1,865,944</u>
Net change in fund balance	(1,390,580)	(1,390,580)	543,237	1,933,817
FUND BALANCES, BEGINNING	<u>2,485,360</u>	<u>2,485,360</u>	<u>2,848,316</u>	<u>362,956</u>
FUND BALANCES, ENDING	<u>\$ 1,094,780</u>	<u>\$ 1,094,780</u>	<u>\$ 3,391,553</u>	<u>\$ 2,296,773</u>

(1) Appropriation level

SUPPLEMENTARY INFORMATION

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ASTORIA DEVELOPMENT COMMISSION
(a component unit of the City of Astoria)

CLATSOP COUNTY, OREGON
Schedule of Property Tax Transactions
Year Ended June 30, 2014

Tax Year	Taxes Receivable 6/30/2013	Tax Levy	Less Discounts	Tax Collected	Sheriff's Assessment	Adjustment to Rolls	Add Interest	Taxes Receivable 6/30/2014
Current								
2014-15	\$ -	\$ 953,029	\$ 24,009	\$ 891,696	\$ 195	\$ (3,184)	\$ 704	\$ 35,039
Prior:								
2013-14	35,313	-	-	18,852	5	(1,583)	1,430	16,313
2012-13	22,574	-	-	10,436	-	(2,133)	2,005	12,010
2011-12	13,322	-	-	8,621	-	(2,654)	2,573	4,620
2010-11	4,468	-	-	3,036	-	(1,090)	993	1,335
2009-10	1,657	-	-	359	-	(379)	148	1,067
2008-09	1,313	-	-	268	-	(545)	305	805
Prior Years	1,253	-	-	124	-	(453)	134	810
Total	\$ 79,900	\$ 953,029	\$ 24,009	\$ 933,392	\$ 200	\$ (12,021)	\$ 8,292	71,999
							Cash w/ County	20,287
								<u>\$ 92,286</u>

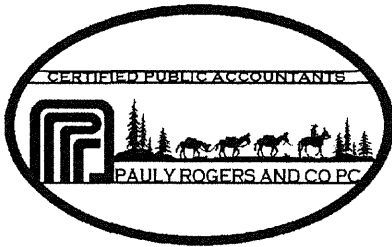
RECONCILIATION TO REVENUE:

Cash Collected by County Treasurer	\$ 933,392
Accrued in prior year	(20,618)
Accrued in current year	20,298
Taxes in lieu	<u>1,992</u>
Tax revenue per financial statements	<u><u>\$ 935,064</u></u>

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REPORT ON LEGAL AND OTHER REGULATORY REQUIREMENTS

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January 25, 2016

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Astoria Development Commission (a component unit of the City of Astoria) as of and for the year ended June 30, 2015, and have issued our report thereon dated January 25, 2016. 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 basic financial statements are free of material misstatement, we performed tests of 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 the basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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 noted on page 16 of the 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 basic 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.

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.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" in the middle.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.