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URBAN RENEWAL AGENCY

A COMPONENT UNIT OF  
THE CITY OF ASTORIA

FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

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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, 2011**

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# **INTRODUCTORY SECTION**

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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**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Astoria Development Commission  
Astoria, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Astoria Development Commission, a component unit of the City of Astoria, Oregon (the Commission), as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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



We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The required supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Merina & Company*

Merina & Company, LLP  
West Linn, Oregon  
December 22, 2011

## 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 2010	Governmental Activities 2011
Cash and investments	\$ 2,816,816	\$ 2,859,301
Due from Other Governments	65,017	65,018
Accounts Receivable, Net	430,116	729,454
Property Tax receivable	127,042	109,675
<b>Total Assets</b>	<b>\$ 3,438,991</b>	<b>\$ 3,763,448</b>
Other	\$ 7,070	\$ 57,548
Long-term Liabilities Outstanding	615,000	505,000
<b>Total Liabilities</b>	<b>622,070</b>	<b>562,548</b>
<b>Net Assets:</b>		
Restricted for Debt Service	144,376	145,615
Unrestricted	2,672,545	3,055,285
<b>Total net assets</b>	<b>2,816,921</b>	<b>3,200,900</b>
<b>Total liabilities and net Assets</b>	<b>\$ 3,438,991</b>	<b>\$ 3,763,448</b>

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

Long-term debt declined from the prior year due to regularly scheduled principal payments on the one outstanding bond. The bond has a payment due for the fiscal year ended June 30, 2012 in the amount of \$144,123, including interest of \$29,123.

### 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 2010	Net Revenue (Expenses) and Changes in Net Assets 2011
<b>EXPENSES</b>		
General Government	\$ (278,221)	\$ (490,382)
Interest	(41,001)	(35,228)
Total program expenses	(319,222)	(525,610)
<b>GENERAL REVENUES</b>		
Property Taxes	1,116,674	862,490
Interest	20,570	12,962
Other Revenues	13,228	34,501
Total general revenues	1,150,472	909,953
Change in net assets	831,250	384,343
<b>NET ASSETS, BEGINNING</b>	1,985,671	2,816,921
<b>PRIOR PERIOD ADJUSTMENT</b>	0	(364)
<b>NET ASSETS, ENDING</b>	\$ 2,816,921	\$ 3,200,900

The Agency's tax levy totaled \$885,665 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 \$505,000 in debt outstanding compared to \$615,000 last year. The \$110,000 decrease results from normal payment on long-term debt. For more detailed information on the Agency's debt and amortization terms refer to the Notes to the Basic Financial Statements.

## **NOTES AND SUPPLEMENTAL INFORMATION**

### Economic Factors

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

### Next Year's Budgets and Rates

The Agency's budget for fiscal year 2011-12 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, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,859,301
Due from other governments	65,018
Notes receivable	729,454
Property taxes receivable	<u>109,675</u>
Total current assets	<u>3,763,448</u>
Total assets	<u><u>\$ 3,763,448</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 57,548
Current portion of long-term debt	<u>115,000</u>
Total current liabilities	<u>172,548</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>390,000</u>
Total noncurrent liabilities	<u>390,000</u>
Total liabilities	<u>562,548</u>
<b>NET ASSETS</b>	
Restricted for:	
Urban renewal improvements - expendable	2,739,943
Debt service - expendable	145,615
Unrestricted	<u>315,342</u>
Total net assets	<u>3,200,900</u>
Total liabilities and net assets	<u><u>\$ 3,763,448</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, 2011

Functions/Programs	Expenses	Program Revenues			Net Expense Revenue and Change in Net Asset
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 490,382	\$ -	\$ -	\$ -	\$ (490,382)
Interest on long-term debt	35,228	-	-	-	(35,228)
Total government	<u>\$ 525,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (525,610)</u>
General revenues:					
Taxes:					
Property taxes					862,490
Interest and investment earnings					12,962
Other revenues					33,009
Gain on sale of capital assets					<u>1,492</u>
Total general revenues and transfers					<u>909,953</u>
Change in net assets					384,343
Net assets - beginning					2,816,921
Prior period adjustment					<u>(364)</u>
Net assets - ending					<u>\$ 3,200,900</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**

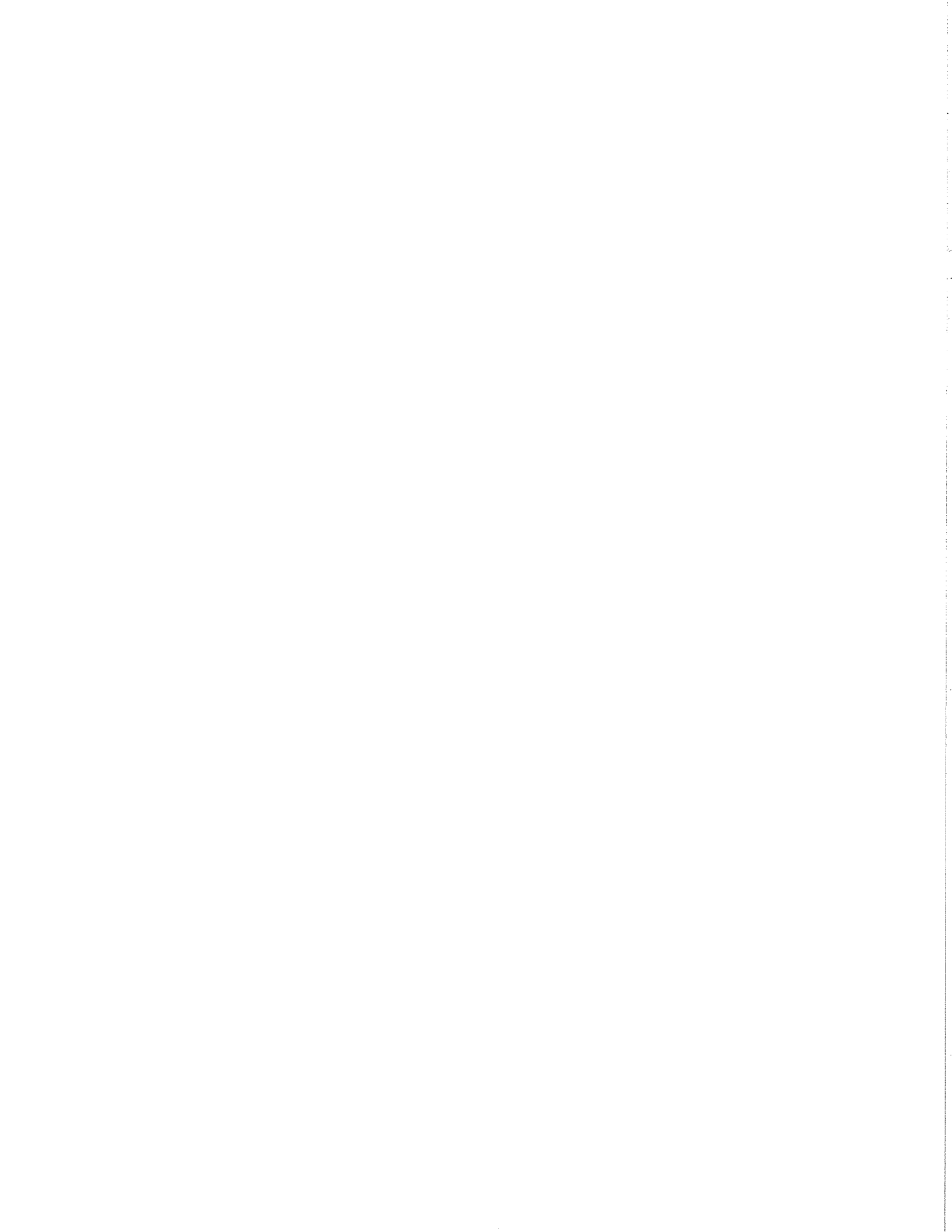
This fund is used to record expenditures related to capital improvement projects. Major sources of revenue and other financing sources are bond proceeds and interest earnings.

**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.



**ASTORIA DEVELOPMENT COMMISSION, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 June 30, 2011

	<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>ASSETS</b>					
Cash and cash equivalents	\$ 1,089,533	\$ 1,624,153	\$ 145,013	\$ 602	\$ 2,859,301
Due from other governments	28,491	36,527	-	-	65,018
Notes receivable	404,257	325,197	-	-	729,454
Property taxes receivable	40,575	69,100	-	-	109,675
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,562,856</u>	<u>\$ 2,054,977</u>	<u>\$ 145,013</u>	<u>\$ 602</u>	<u>\$ 3,763,448</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable and other current liabilities	\$ 15,400	\$ 42,148	\$ -	\$ -	\$ 57,548
Deferred revenue	438,209	382,133	-	-	820,342
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>453,609</u>	<u>424,281</u>	<u>-</u>	<u>-</u>	<u>877,890</u>
<b>FUND BALANCES:</b>					
Restricted for:					
Urban renewal improvements	1,109,247	1,630,696	-	-	2,739,943
Debt service	-	-	145,013	602	145,615
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund equity	<u>1,109,247</u>	<u>1,630,696</u>	<u>145,013</u>	<u>602</u>	<u>2,885,558</u>
Total liabilities and fund equity	<u>\$ 1,562,856</u>	<u>\$ 2,054,977</u>	<u>\$ 145,013</u>	<u>\$ 602</u>	

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. 820,342

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (505,000)

Net Assets \$ 3,200,900

ASTORIA DEVELOPMENT COMMISSION, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2011

	Astor East #126	Astor West #127	URD Bond Reserve Fund #115	Urban Renewal District Bond Fund #114	Total Governmental
<b>REVENUES:</b>					
Taxes	\$ 105,019	\$ 569,488	\$ -	\$ 145,500	\$ 820,007
Sale of city property	458	1,034	-	-	1,492
Interest earnings	5,325	6,830	637	170	12,962
Miscellaneous	33,009	-	-	-	33,009
Delinquent ad valorem taxes	22,896	28,188	-	-	51,084
Total revenues	<u>166,707</u>	<u>605,540</u>	<u>637</u>	<u>145,670</u>	<u>918,554</u>
<b>EXPENDITURES:</b>					
General government	102,183	-	-	-	102,183
Capital outlay	334,572	352,966	-	-	687,538
Debt service:					
Principal	-	-	-	110,000	110,000
Interest	-	-	-	35,228	35,228
Total expenditures	<u>436,755</u>	<u>352,966</u>	<u>-</u>	<u>145,228</u>	<u>934,949</u>
Net changes in fund balances	(270,048)	252,574	637	442	(16,395)
FUND BALANCES, BEGINNING	1,379,659	1,378,122	144,376	160	2,902,317
PRIOR PERIOD ADJUSTMENT	(364)	-	-	-	(364)
FUND BALANCES, ENDING	<u>\$ 1,109,247</u>	<u>\$ 1,630,696</u>	<u>\$ 145,013</u>	<u>\$ 602</u>	<u>\$ 2,885,558</u>

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

**ASTORIA DEVELOPMENT COMMISSION, OREGON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011**

Amounts reported in the statement of activities are different because:

Net change in fund balances	\$ (16,395)
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	290,738
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>110,000</u>
Change in net assets of governmental activities	<u>\$ 384,343</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, 2011.

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.

#### G. Long-term Debt

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

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

#### H. Fund Equity

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.

(3) Cash and Investments

At June 30, 2011 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>\$ 2,859,301</u>
Total cash equivalents	<u>0.00</u>	<u>\$ 2,859,301</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, 2011, 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 2010-11 nor did it have any investments of this type at June 30, 2011. 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. If Georgia-Pacific Consumer Products prevails in this appeal, Clatsop County proposes to sell bonds to meet the obligation. Estimates of a bond amount indicate that future tax disbursements may be withheld of which the City's share, including the component unit Urban Renewal Districts, is approximately \$220,000 per year.

During FYE June 30, 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.

**(5) Notes Receivable**

As economic development activities, the Astor East (AEURD) and Astor West (AWURD) Urban Renewal Districts have entered into agreements to loan two entities amounts to upgrade their facilities. AEURD has loaned \$404,257 to Astor Hotel, Inc. for improvements to the John Jacob Astor Hotel. AWURD has loaned \$325,197 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.

**(6) Long-term Debt****Changes in General Long-term Liabilities**

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds payable	\$ 615,000	\$ -	\$ (110,000)	\$ 505,000	\$ 115,000
Total long-term liabilities	\$ 615,000	\$ -	\$ (110,000)	\$ 505,000	\$ 115,000

### Bonds Payable

During 1999-00 the Agency issued \$1,455,000 of Urban Renewal bonds, Series 2000, with interest rates ranging from 4.90% to 5.850%, to finance urban renewal construction projects. The series 2000 bonds are being retired from property taxes levied by the Agency. The bonds mature on June 15, 2015. Bond principal of \$110,000 was paid during the year. Interest payments totaled \$35,228 during 2010-11.

General obligation bonded debt requirements are summarized below:

Governmental Activities			
<u>Fiscal Year End</u>	Principal	Interest	Total
June 2012	\$ 115,000	\$ 29,123	\$ 144,123
June 2013	125,000	22,625	147,625
June 2014	130,000	15,438	145,438
June 2015	135,000	7,898	142,898
Total	<u>\$ 505,000</u>	<u>\$ 75,084</u>	<u>\$ 580,084</u>

(7) Deferred Revenue

Deferred revenue as of June 30, 2011 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) 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.

(9) New Accounting Pronouncement – GASB Statement No. 54

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Agency implemented GASB 54 in the year ending June 30, 2011.

**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, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 144,550	\$ 144,550	\$ 145,500	\$ 950
Interest earnings	50	50	170	120
Total revenues	<u>144,600</u>	<u>144,600</u>	<u>145,670</u>	<u>1,070</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	110,000	110,000	110,000	-
Interest	36,000	36,000	35,228	772
Total expenditures	<u>146,000</u>	<u>146,000</u>	<u>145,228</u>	<u>772</u>
Revenues over (under) expenditures	<u>(1,400)</u>	<u>(1,400)</u>	<u>442</u>	<u>1,842</u>
Net changes in fund balances	(1,400)	(1,400)	442	1,842
<b>FUND BALANCES, BEGINNING</b>	<u>1,400</u>	<u>1,400</u>	<u>160</u>	<u>(1,240)</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602</u>	<u>\$ 602</u>

**ASTORIA DEVELOPMENT COMMISSION, OREGON**  
**ASTOR EAST #126**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 121,200	\$ 121,200	\$ 105,019	\$ (16,181)
Sale of city property	-	-	458	458
Interest earnings	7,500	7,500	5,325	(2,175)
Miscellaneous	-	-	33,009	33,009
Delinquent ad valorem taxes	20,000	20,000	22,896	2,896
	<u>148,700</u>	<u>148,700</u>	<u>166,707</u>	<u>18,007</u>
<b>EXPENDITURES:</b>				
Materials and service	153,410	153,410	102,183	51,227
Capital outlay	1,250,000	1,250,000	334,572	915,428
Contingency	210,600	210,600	-	210,600
	<u>1,614,010</u>	<u>1,614,010</u>	<u>436,755</u>	<u>1,177,255</u>
Revenues over (under) expenditures	(1,465,310)	(1,465,310)	(270,048)	1,195,262
Net changes in fund balances	(1,465,310)	(1,465,310)	(270,048)	1,195,262
<b>FUND BALANCE, BEGINNING</b>	1,529,200	1,529,200	1,379,659	(149,541)
<b>PRIOR PERIOD ADJUSTMENTS</b>	-	-	(364)	(364)
<b>FUND BALANCE, ENDING</b>	<u>\$ 63,890</u>	<u>\$ 63,890</u>	<u>\$ 1,109,247</u>	<u>\$ 1,045,357</u>



**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, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 583,300	\$ 583,300	\$ 569,488	\$ (13,812)
Sale of city property	-	-	1,034	1,034
Interest earnings	7,500	7,500	6,830	(670)
Delinquent ad valorem taxes	20,000	20,000	28,188	8,188
<b>Total revenues</b>	<b>610,800</b>	<b>610,800</b>	<b>605,540</b>	<b>(5,260)</b>
<b>EXPENDITURES:</b>				
Materials and service	192,280	192,280	-	192,280
Capital outlay	1,500,000	1,500,000	352,966	1,147,034
Contingency	238,500	238,500	-	238,500
<b>Total expenditures</b>	<b>1,930,780</b>	<b>1,930,780</b>	<b>352,966</b>	<b>1,577,814</b>
Revenues over (under) expenditures	(1,319,980)	(1,319,980)	252,574	1,572,554
Net changes in fund balances	(1,319,980)	(1,319,980)	252,574	1,572,554
<b>FUND BALANCES, BEGINNING</b>	<b>1,594,930</b>	<b>1,594,930</b>	<b>1,378,122</b>	<b>(216,808)</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 274,950</b>	<b>\$ 274,950</b>	<b>\$ 1,630,696</b>	<b>\$ 1,355,746</b>

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## **OTHER SUPPLEMENTARY DATA**

**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, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest earnings	\$ 1,100	\$ 1,100	\$ 637	\$ (463)
Net changes in fund balances	1,100	1,100	637	(463)
<b>FUND BALANCES, BEGINNING</b>	<u>144,400</u>	<u>144,400</u>	<u>144,376</u>	<u>(24)</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 145,500</u>	<u>\$ 145,500</u>	<u>\$ 145,013</u>	<u>\$ (487)</u>

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## **OTHER FINANCIAL SCHEDULES**

City of Astoria, Oregon, Urban Renewal Districts  
 Schedule of Tax Transactions  
 Year Ended June 30, 2011

	Tax Year	Taxes Receivable 6/30/10	Tax Levy	Tax Collected	Rebate	Sheriff's Assessment	Cancellations & Other	Taxes Receivable 6/30/11	Interest Received
Urban Renewal Agency of the City of Astoria (Component Unit)	2010-11		885,725	(815,117)	(21,205)	77	(1,936)	47,543	690
	2009-10	61,583	0	(34,597)	0	0	(1,088)	25,898	2,172
	2008-09	22,242	0	(9,814)	0	0	(548)	11,880	1,707
	2007-08	11,158	0	(6,705)	0	0	(366)	4,087	1,787
	2006-07	3,038	0	(2,216)	0	0	(289)	533	711
	2005-06	631	0	(212)	0	0	(172)	248	88
	2004-05	286	0	(99)	0	0	(20)	166	113
	Prior Years	551	0	(4)	0	0	(15)	533	3
<b>Total Urban Renewal Agency</b>		<b>99,489</b>	<b>885,725</b>	<b>(868,764)</b>	<b>(21,205)</b>	<b>77</b>	<b>(4,433)</b>	<b>90,888</b>	<b>7,272</b>

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

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

We have audited the basic financial statements of the Astoria Development Commission, a component unit of the City of Astoria (the Commission), as of and for the year ended June 30, 2011 and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness, limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The Commission does not receive highway funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).

- Accountability for collecting or receiving money by elected officials. The Commission does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, included the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-000 through 162-010-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

#### OAR 162-10-0230 Internal Control

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

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



Merina & Company, LLP  
West Linn, Oregon  
December 22, 2011