

REEDSPORT URBAN RENEWAL AGENCY
(Component Unit of the City of Reedsport)
DOUGLAS COUNTY, OREGON

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019



12700 SW 72nd Ave.
Tigard, OR 97223

**REEDSPORT URBAN RENEWAL AGENCY
(Component Unit of the City of Reedsport)**

FINANCIAL REPORT

**WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

This Page Intentionally Left Blank

REEDSPORT URBAN RENEWAL AGENCY
DOUGLAS COUNTY, OREGON

Board of Directors

June 30, 2019

<u>Director</u>	<u>Term Expiration</u>
Linda McCollum	2020
Ellen Anderson	2020
DeeDee Murphy	2020
Leslee Collier	2020
Mark Bedard	2022
Rich Patten	2022
Debby Turner	2018

All board members will receive mail at the following address:

Registered Agent
Linda McCollum
451 Winchester Ave.
Reedsport, OR 97567

This Page Intentionally Left Blank

REEDSPORT URBAN RENEWAL AGENCY
DOUGLAS COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u> <u>NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	a-h
FINANCIAL STATEMENTS AND SCHEDULES:	
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	2
Statement of Activities	3
Balance Sheet - Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	5
Notes to Basic Financial Statements	6
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
Governmental Funds:	
General Fund	12
Main Street Program Fund	13
INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	14

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcpcpas.com

February 26, 2020

To the Agency Board of Directors
Reedsport Urban Renewal Agency
Reedsport, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of the Reedsport Urban Renewal Agency as of and for the year ended June 30, 2019, and the related notes to the 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Reedsport Urban Renewal Agency at June 30, 2019 and the results of its operations for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

The listing of Board members containing their term expiration dates, located before the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 26, 2020 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, appearing to read "Ken Allen", is positioned above the printed name and title.

Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

Management's Discussion and Analysis

As management of the Urban Renewal Agency of Reedsport ("Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2019.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$176,829 all unreserved.
- The Agency's total position increased by \$25,811.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad view of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused time off).

Both of the government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the Agency include only general government. The Agency had no proprietary funds or business-type activity.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency has only governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the funds.

The Agency adopts an annual appropriated budget for its general fund and the Main Street fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Agency's assets exceeded liabilities by \$176,829 dollars at the close of the most recent fiscal year.

Urban Renewal Agency Net Position, in dollars

	2019	2018	Variance
Assets			
Current and other assets	187,032	155,048	31,984
Total assets	187,032	155,048	31,984
Liabilities			
Current and Other liabilities	10,203	4,000	6,203
Net Position			
Unrestricted	176,829	151,018	25,811
Total liabilities and net position	187,032	155,048	31,984

The Agency's net position increased by \$25,811 during the current fiscal year.

Governmental activities. Governmental activities increased the Agency's net position by \$25,811 in the current year. Key elements of this are as follows:

Change in Net Position at Fiscal Year End

	2019	2018	Variance
Revenues:			
Program			
Capital grants and contributions	41,240	129,819	(88,579)
General			
Property taxes	84,463	90,544	(6,081)
Investment Income	3,290	2,337	953
Other revenue	-	338	(338)
Total revenues	<u>130,104</u>	<u>223,038</u>	<u>(92,934)</u>
Expenses:			
Program			
Community Development	103,182	229,844	(126,662)
Total expenses	<u>103,182</u>	<u>229,844</u>	<u>(126,662)</u>
Change in Net position	25,811	(6,806)	19,005
Net Position – July 1	<u>141,848</u>	<u>157,824</u>	<u>(15,976)</u>
Net Position – June 30	<u><u>176,829</u></u>	<u><u>151,018</u></u>	<u><u>25,811</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported ending fund balances of \$168,770. The total amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Agency. The fund balance of the Agency's general fund increased by \$6,613 during the current fiscal year. At the end of the current fiscal year, total fund balance reached \$168,770 all of which is unassigned.

The Main Street fund total fund balance reached \$72,847 at the end of the current fiscal year. This is the fifth year of the Main Street Fund.

General Fund Budgetary Highlights

Revenues came in lower than anticipated in the 2018/19 FY due to a lower than anticipated revenue collection. This provided an offset to property tax revenues, which came in under-budget.

Due to the fact that expenses exceeded \$150,000 in both the 2017/18 and 2018/19 fiscal years the Urban Renewal District was required to have an Independent Accountant's Review report, rather than the Compilation report that has been completed in years past. This increased costs associated with Professional and Technical Services, requiring a budget amendment during the year.

One of the contributing factors to these increased expenses in the 2016/17 FY was a major transfer to the Stormwater Capital fund to be used towards the continued efforts of levee recertification. Recertification provides benefit to a large majority of property owners within the Urban Renewal District (URD) who would otherwise be mandated to carry flood insurance. That Stormwater Capital transfer did not occur in 2017/18 due other project priorities and depleted funds. The Urban Renewal District's matching obligation to the ODOT STIP project was paid off in 2017/18 and improvements to the Highway 38 & 101 corridors are currently underway, with completion expected in 2019. This project will provide greater connection to businesses along the Highway 38 corridor with hopes of stimulating business activity and a more lively downtown.

Main Street Budgetary Highlights

The Main Street Program was started in 2014 and the Urban Renewal Agency acts as the umbrella agency for the program. The mission of the program is to cultivate a more active, vibrant and sustainable downtown. To date, many projects supported by Main Street have improved the aesthetic of the downtown and Highway 101 corridor, such as murals, banners, and a bicycle stop.

Revenues in the Main Street fund, similar to the general fund, exceeded the budget figures in 2017/18. Contributing factors were a higher than anticipated beginning fund balance due to mural donations that were not expended as anticipated before the end of the 2016/17 FY, additional donations received throughout the year for façade improvement grants, and a significant donation towards the intern position to be carried forward and utilized in the 2018/19 FY.

In the 2017/18 FY one of the largest expenses was related to a Main Street Revitalization grant. This was a \$100,000 grant from the Oregon Parks & Recreation Department, in which the Main Street Program was the pass-through entity. Grant expenses were paid on behalf of the building owner and reimbursed by the State. The façade improvement program was expanded to provide business owners with more money to make substantial improvements to their businesses, such as structural repairs. The result of this increased expenditures for that line item compared to prior years. Other expenses included the final costs associated with the mural project in Rainbow Plaza, on-going street banner improvements, the annual tree lighting ceremony, and intern position costs.

Capital Assets and Debt Administration

Capital assets. The Agency does not have an investment in capital assets for its governmental activities as of June 30, 2018.

Economic Factors and Next Year's Budgets and Rates.

Like all municipalities in Oregon, the Agency is indirectly operating under Measure 50, the ad valorem tax limitation measure approved by voters on May 20, 1997. This measure rolled back assessed values to 1995-96 levels and effectively limited increased property tax revenues in future years to a maximum of 3 percent, with permitted allowances for increasing valuations based on new construction. No substantive changes to the basic provision of Measure 50 have been enacted during subsequent Oregon Legislative sessions. However, as an urban renewal agency, the agency receives tax increment revenues; calculated on the assessed value over the frozen base, which was set at the time the urban renewal district was formed.

While property tax compression within the City of Reedsport seems to be improving overall, many properties within the Urban Renewal District have actually moved into compression in recent years. For this reason, and in addition to an inflated figure on 2016 tax projection reports (used for budget forecasting), property taxes in the 2017/18 FY were nearly 18% less than budgeted. With this new information, the 2018/19 FY budget has been adopted to reflect a more conservative figure for this resource.

It is anticipated that with improvements to downtown infrastructure, business development grants provided by the Main Street Program, and the continued efforts of levee certification, Urban Renewal District property tax revenues will start trending in an upward fashion more consistent with that of the City's property tax collections. To further support the concept of upward trending, the Agency recognizes that new businesses are beginning to relocate to the area. Two new industrial-type businesses have already added jobs in the Urban Renewal District area in the 2018/19 FY.

Moreover, City management continues to support the overall economic improvement of Reedsport and the Urban Renewal District through planning efforts. In the 2017/18 FY code amendments, to allow for more uses in the downtown that promote a live-work lifestyle, were adopted. Recent trail planning projects, providing connectivity to services, as well as, outlying communities have been publicly vetted. And City staff is optimistic that the 2019/20 FY budget could identify a new affordable housing project within the Urban Renewal District area, which would provide new units downtown, concurrent with anticipated new jobs.

City management and the Agency see great promise in the future of the Urban Renewal District.

Request for Information

This financial report is designed to provide a general overview of the Agency of Reedsport's finances for all or those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Agency Manager at City of Reedsport, 451 Winchester Avenue, Reedsport, Oregon 97467.

This Page Intentionally Left Blank

REEDSPORT URBAN RENEWAL AGENCY
DOUGLAS COUNTY, OREGON
BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

URBAN RENEWAL AGENCY OF THE CITY OF REEDSPORT
(A Component Unit of the City of Reedsport, Oregon)
DOUGLAS COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2019

ASSETS:

Cash and Cash Equivalents	\$ 177,600
Taxes Receivable	<u>9,432</u>
Total Assets	<u>187,032</u>

LIABILITIES:

Accounts Payable	<u>10,203</u>
Total Liabilities	<u>10,203</u>

NET POSITION:

Unrestricted	<u><u>\$ 176,829</u></u>
--------------	--------------------------

See accompanying notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF REEDSPORT
(A Component Unit of the City of Reedsport, Oregon)
DOUGLAS COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	
Economic and Physical Development	\$ 95,772	\$ -	\$ 41,240	\$ (54,532)
Interest Expense on Long-Term Debt	7,410	-	-	(7,410)
Total Governmental Activities	<u>\$ 103,182</u>	<u>\$ -</u>	<u>\$ 41,240</u>	<u>(61,942)</u>
General Revenues:				
Property Taxes				84,463
Income Not Restricted to Specific Programs:				
Investment earnings				<u>3,290</u>
Total General Revenues				<u>87,753</u>
Change in Net Position				25,811
Net Position - Beginning				<u>151,018</u>
Net Position - Ending				<u>\$ 176,829</u>

See accompanying notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF REEDSPORT
(A Component Unit of the City of Reedsport, Oregon)
DOUGLAS COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	GENERAL FUND	MAIN STREET PROGRAM FUND	TOTAL GOVERNMENTAL
ASSETS:			
Cash and Cash Equivalents	\$ 104,910	\$ 72,690	\$ 177,600
Taxes Receivable	9,432	-	9,432
Total Assets	<u>\$ 114,342</u>	<u>\$ 72,690</u>	<u>\$ 187,032</u>
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 10,000	\$ 203	\$ 10,203
Total Liabilities	<u>10,000</u>	<u>203</u>	<u>10,203</u>
Deferred Outflows of Resources:			
Unavailable Revenue - Taxes	<u>8,059</u>	<u>-</u>	<u>8,059</u>
Total Deferred Outflows of Resources	<u>8,059</u>	<u>-</u>	<u>8,059</u>
Fund Balance:			
Unrestricted	<u>96,283</u>	<u>72,487</u>	<u>168,770</u>
Total Fund Balance	<u>96,283</u>	<u>72,487</u>	<u>168,770</u>
Total Liabilities, Deferred Outflows of Resources, and Fund Equity	<u>\$ 114,342</u>	<u>\$ 72,690</u>	<u>\$ 187,032</u>

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION:**

Deferred property tax are collected in subsequent periods and are not available for current year's operation. However, on a full accrual basis of accounting, they are reported as revenues

	<u>8,059</u>
Total Net Position	<u>\$ 176,829</u>

See accompanying notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF REEDSPORT
(A Component Unit of the City of Reedsport, Oregon)
DOUGLAS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	GENERAL FUND	MAIN STREET PROGRAM FUND	TOTAL GOVERNMENTAL
REVENUES:			
Taxes	\$ 85,574	\$ -	\$ 85,574
Grants and Contributions	-	29,070	29,070
Interest	1,987	1,303	3,290
Miscellaneous	4,827	7,343	12,170
Total Revenues	92,388	37,716	130,104
EXPENDITURES:			
Materials and Services	5,543	24,816	30,359
Capital Outlay	49,822	15,591	65,413
Debt Service	7,410	-	7,410
Total Expenditures	62,775	40,407	103,182
Excess of Revenues, Over (Under) Expenditures	29,613	(2,691)	26,922
OTHER FINANCING SOURCES (USES):			
Transfers In	-	23,000	23,000
Transfers Out	(23,000)	-	(23,000)
Total Other Financing Sources (Uses)	(23,000)	23,000	-
Net Change in Fund Balance	6,613	20,309	26,922
Beginning Fund Balance	89,670	52,178	141,848
Ending Fund Balance	\$ 96,283	\$ 72,487	\$ 168,770

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**

Deferred property tax revenues are collected in subsequent periods and are not available for current year's operation. However, on a full accrual basis of accounting, they are reported as revenues

(1,111)

Change in net position of governmental activities

\$ 25,811

See accompanying notes to basic financial statements

REEDSPORT URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION (REPORTING ENTITY)

The Agency was established by the City of Reedsport (Agency) per Ordinance 2007-107 4. The Board consists of seven members who serve on the Urban Renewal Agency governing body. Although the majority of this Agency Board and the City Council are made up of the same members, each is a legally separate entity and conducts all business as such. Based on GASB No. 61, the Agency is considered a component unit of the City as it is accountable to the City. Accordingly, the financial statements of the Agency are included in the City's basic financial statements.

The accompanying financial statements present all activities, funds, and component units for which the Agency is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the Agency is a primary government with no includable component units.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statements of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the Government-wide financial statements.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions".

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Agency's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Agency's general revenues.

The Agency reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified.

FUND FINANCIAL STATEMENTS

The accounts of the Agency are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

REEDSPORT URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for the Agency's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences and claims and judgments which are recognized as expenditures because they will be liquidated with expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Agency reports the following major governmental funds:

General Fund - This fund accounts for the capital projects and serves as the general fund of the Agency. The primary source of revenue is property taxes.

Main Street Fund - This fund accounts for resources accumulated for Main Street. The primary sources of revenue are from grants, donations and transfers from the General Fund.

C. BUDGETS POLICIES AND BUDGETARY CONTROL

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Agency board adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted. The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Agency established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The Agency board must authorize all appropriation transfers and supplementary budgetary appropriations. The Agency's disbursements did not exceed appropriations.

REEDSPORT URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

E. CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

F. RECEIVABLES

Property taxes are assessed and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable collected within 60 days subsequent to year-end are considered measurable and available, and are recognized as revenues. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period.

Receivables for federal and state grants and state, county, and local shared revenue are recorded as revenue in all fund types as earned. Receivables of the Proprietary Funds are recorded as revenue in all funds as earned. The allowance for doubtful accounts is established on a historical view of delinquencies.

G. FUND EQUITY

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance 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. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The Agency does not have any nonspendable balance items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

REEDSPORT URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The Board has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

H. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital, and is classified in the following hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of resources reported in government funds:

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.

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

When both restricted and unrestricted net position is available for use, restricted net position is assumed to be utilized first.

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

J. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

REEDSPORT URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. DEPOSITS AND INVESTMENTS

As of June 30, 2019, the Agency had a deposit of \$177,600 with the City of Reedsport. All of the Agency's deposits were adequately secured during the year. See the City's financial report for more information on FDIC coverages and collateralized amounts.

Credit risk: State law limits investments to obligations of the United States Treasury and United States Government agencies and instrumentalities, certain, bankers' acceptances, repurchase agreements, certain high-grad commercial paper and corporate bonds and obligations of states and municipalities. The Agency has no investment policy that would further limit its investment choices. The Agency's deposit with the City of Reedsport is not rated.

Interest Rate Risk: The Agency's policy to manage its exposure to fair-value losses arising from increases in interest rates is to limit investment maturities to 18 months.

Concentration of Credit Risk: The Agency policy does not allow for an investment in anyone issuer that is in excess of 50 percent of the Agency's total investments with the exception of the LGIP, Treasury Direct, or the Agency's banking institution.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. None of the Agency's investments have custodial credit risk. The Agency's policy does not limit the amount of investments that can be held by counterparties.

3. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REEDSPORT URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

4. INTERFUND TRANSFERS

Cash transfers are indicative of funding for capital projects, debt service, subsidies of various city operations, and re-allocations of special revenues. Transfers are netted on the Statement of Activities as required by GASB 34. The following schedule briefly summarizes the City's transfer activity for the year ended June 30, 2019:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 23,000
Maint Street	23,000	-
Total	<u>\$ 23,000</u>	<u>\$ 23,000</u>

The purpose of inter-fund transfers is to fund capital expenditures and projects.

5. PROPERTY TAX LIMITATIONS

Real property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Agency management believes that the amount of any uncollectable accounts included in receivables is not significant. Therefore, no provision for uncollectable accounts has been made. The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. Under the provisions of the limitation, tax revenues are separated into operations other than the public school system. The limitation specifies \$10 is the maximum allowable tax for each \$1,000 of property real market value imposed on by local governments other than the public school system. This limitation may affect the availability of future tax revenues for the Agency, as taxes levied for urban renewal debt services are subject to the \$10 limitation.

REEDSPORT URBAN RENEWAL AGENCY
DOUGLAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

URBAN RENEWAL AGENCY OF THE CITY OF REEDSPORT
(A Component Unit of the City of Reedsport, Oregon)
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2019

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Current Property Tax	\$ 85,000	\$ 85,000	\$ 81,294	\$ (3,706)
Delinquent Property Tax	3,500	3,500	4,280	780
Miscellaneous	-	-	4,827	4,827
Interest	1,450	1,450	1,987	537
Total Revenues	<u>89,950</u>	<u>89,950</u>	<u>92,388</u>	<u>2,438</u>
EXPENDITURES:				
Materials and Services	7,500	7,500 (1)	5,543	1,957
Capital Outlay	137,000	137,000 (1)	49,822	87,178
Debt Service	7,450	7,450 (1)	7,410	40
Total Expenditures	<u>151,950</u>	<u>151,950</u>	<u>62,775</u>	<u>89,175</u>
Excess of Revenues, Over (Under) Expenditures	(62,000)	(62,000)	29,613	91,613
Other Financing Sources, (Uses)				
Transfers Out	<u>(23,000)</u>	<u>(23,000) (1)</u>	<u>(23,000)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,000)</u>	<u>-</u>
Net Change in Fund Balance	(85,000)	(85,000)	6,613	91,613
Beginning Fund Balance	<u>85,000</u>	<u>85,000</u>	<u>89,670</u>	<u>4,670</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,283</u>	<u>\$ 96,283</u>

(1) Appropriation Level

URBAN RENEWAL AGENCY OF THE CITY OF REEDSPORT
(A Component Unit of the City of Reedsport, Oregon)
DOUGLAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2019

MAIN STREET PROGRAM FUND

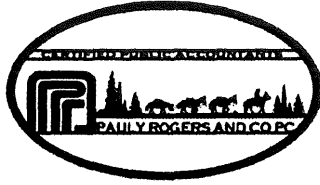
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Grants and Contributions	\$ 59,000	\$ 59,000	\$ 29,070	\$ (29,930)
Interest	400	400	1,303	903
Miscellaneous	5,600	5,600	7,343	1,743
Total Revenues	65,000	65,000	37,716	(27,284)
EXPENDITURES:				
Materials and Services	25,750	25,750 (1)	24,816	934
Capital Outlay	102,250	102,250 (1)	15,591	86,659
Total Expenditures	128,000	128,000	40,407	87,593
Excess of Revenues, Over (Under) Expenditures	(63,000)	(63,000)	(2,691)	60,309
Other Financing Sources, (Uses)				
Transfers In	23,000	23,000	23,000	-
Total Other Financing Sources (Uses)	23,000	23,000	23,000	-
Net Change in Fund Balance	(40,000)	(40,000)	20,309	60,309
Beginning Fund Balance	40,000	40,000	52,178	12,178
Ending Fund Balance	\$ -	\$ -	\$ 72,487	\$ 72,487

(1) Appropriation Level

**REEDSPORT URBAN RENEWAL AGENCY
DOUGLAS COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS**

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

February 26, 2020

Independent Auditors' Report Required by Oregon State Requirements

We have audited the basic financial statements of the Reedsport Urban Renewal Agency as of and for the year ended June 30, 2019, and have issued our report thereon dated February 26, 2020. 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **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 Reedsport 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.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

This report is intended solely for the information and use of the Agency Board, 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, appearing to read "Ken Allen", with a stylized, flowing script.

Kenneth Allen, CPA
PAULY, ROGERS AND CO., P.C.