

WARRENTON URBAN RENEWAL AGENCY

(A COMPONENT UNIT OF THE CITY OF
WARRENTON, OREGON)

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

WITH

INDEPENDENT AUDITOR'S REPORT

WARRENTON URBAN RENEWAL AGENCY
For the Year Ended June 30, 2015
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INTRODUCTORY SECTION

WARRENTON URBAN RENEWAL AGENCY

Governing Body and Appointed Officials

June 30, 2015

GOVERNING BODY UNDER ORS 457

Board Chair	Mark Kujala, Mayor
Board Member	Henry Balensifer III
Board Member	Pam Ackley
Board Member	Rick Newton
Board Member	Tom M. Dyer

APPOINTED OFFICIALS

City Manager	Kurt Fritsch
City Recorder	Linda Engbretson
City Attorney	Harold Snow

Mailing Address

PO Box 250
Warrenton, Oregon 97146

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commission
Warrenton Urban Renewal Agency
Warrenton, Oregon

An Independently Owned Member
McGLADREY ALLIANCE



Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Warrenton Urban Renewal Agency ("Agency") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's 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.

Auditor's 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 auditor's 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 entity's 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 entity's 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 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 Warrenton Urban Renewal Agency, as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for the capital projects fund 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 on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated February 8, 2016 on our consideration of the Warrenton Urban Renewal Agency's 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.

Isler CPA

By:



Paul R Nielson, CPA, a member of the firm
Eugene, Oregon
February 8, 2016

Warrenton Urban Renewal Agency

(a component unit of the City of Warrenton, Oregon)

Management's Discussion and Analysis

As management of the Warrenton Urban Renewal Agency (the 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, 2015. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our annual financial report.

Financial Highlights

- The assets of the Warrenton Urban Renewal Agency exceeded its liabilities at the close of the most recent fiscal year by \$1,967,172 (reported as net position).
- At the end of the fiscal year, the Agency's governmental funds had a fund balance of \$1,001,804.
- The Warrenton Urban Renewal Agency's total debt issued during the current fiscal year amounted to \$200,000 and debt paid during the year amounts to \$189,812 which leaves total debt outstanding at the end of the fiscal year at \$1,480,186.
- Capital assets increased \$621,238 from the prior year, net of depreciation.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Warrenton Urban Renewal 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 overview 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, liabilities and deferred inflows/outflows of resources, 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, revenue 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). The governmental activities of the Agency include a capital projects fund, a debt service fund, and a debt service reserve fund.

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. All of the funds of Agency are categorized as governmental funds.

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 financing 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 the 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 the 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 three 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 Capital Projects Fund, Debt Service Fund, and the Debt Service Reserve Fund which are considered to be major funds.

The Warrenton Urban Renewal Agency adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. To demonstrate compliance, budgetary comparison statements and schedules for all of the governmental funds have been prepared as part of the basic financial statements or other supplemental information.

Notes to the basic 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$1,967,172 at the close of the most recent fiscal year.

Table 1			
Net Position At June 30, 2015			
	Governmental Activities		
	2015	2014	
Current and other assets	\$ 1,188,964	\$ 1,443,499	
Capital assets, net	2,414,178	1,792,940	
Total assets	3,603,142	3,236,439	
Noncurrent liabilities	1,480,186	1,469,998	
Other liabilities	155,784	209,673	
Total liabilities	1,635,970	1,679,671	
Net position:			
Net investment in capital assets	955,840	789,096	
Restricted	1,011,332	767,672	
Total net position	\$ 1,967,172	\$ 1,556,768	

The Agency's net position increased by \$410,404 during the current fiscal year.

Table 2		
Governmental Activities		
	2015	2014
Revenues:		
Taxes	\$ 484,978	\$ 506,814
Interest	5,191	3,965
Capital grants	2,500	-
Total revenues	<u>492,669</u>	<u>510,779</u>
Expenses:		
General government	25,720	21,131
Interest on long-term liabilities	56,545	43,722
Total expenses	<u>82,265</u>	<u>64,853</u>
Increase in net position	410,404	445,926
Net position, July 1	<u>1,556,768</u>	<u>1,110,842</u>
Net position, June 30	<u>\$ 1,967,172</u>	<u>\$ 1,556,768</u>

Governmental activities. Governmental activities increased the Agency's net position by \$410,404. The primary element of the change in total net assets are the agency's revenues exceed the expenses increased by \$82,265. The current fiscal year change in net position decreased \$35,522 compared to the prior fiscal year.

Financial Analysis of the Agency's Funds

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.

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances in the amount of \$1,001,804, a decrease of \$197,563 in comparison with the prior year.

Budgetary Highlights

There was one change to the adopted budget during the fiscal year to correct an error in the Capital Projects Fund. The Façade Improvements was originally budgeted in the amount of \$25,000 as a separate line item, but was not included in the total appropriation of \$53,000. The total appropriation should have been \$78,000. This adjustment reduced capital outlay by \$25,000 and increased materials and services by the same amount to correct the error.

Capital Asset and Debt Administration

Table 3				
Capital Assets, net of accumulated depreciation				
	2015		2014	
Land	\$	1,000,945	\$	1,000,945
Buildings		602,057	\$	-
Infrastructure		682,440		229,219
Construction in Progress		128,736		562,776
Total	\$	2,414,178	\$	1,792,940

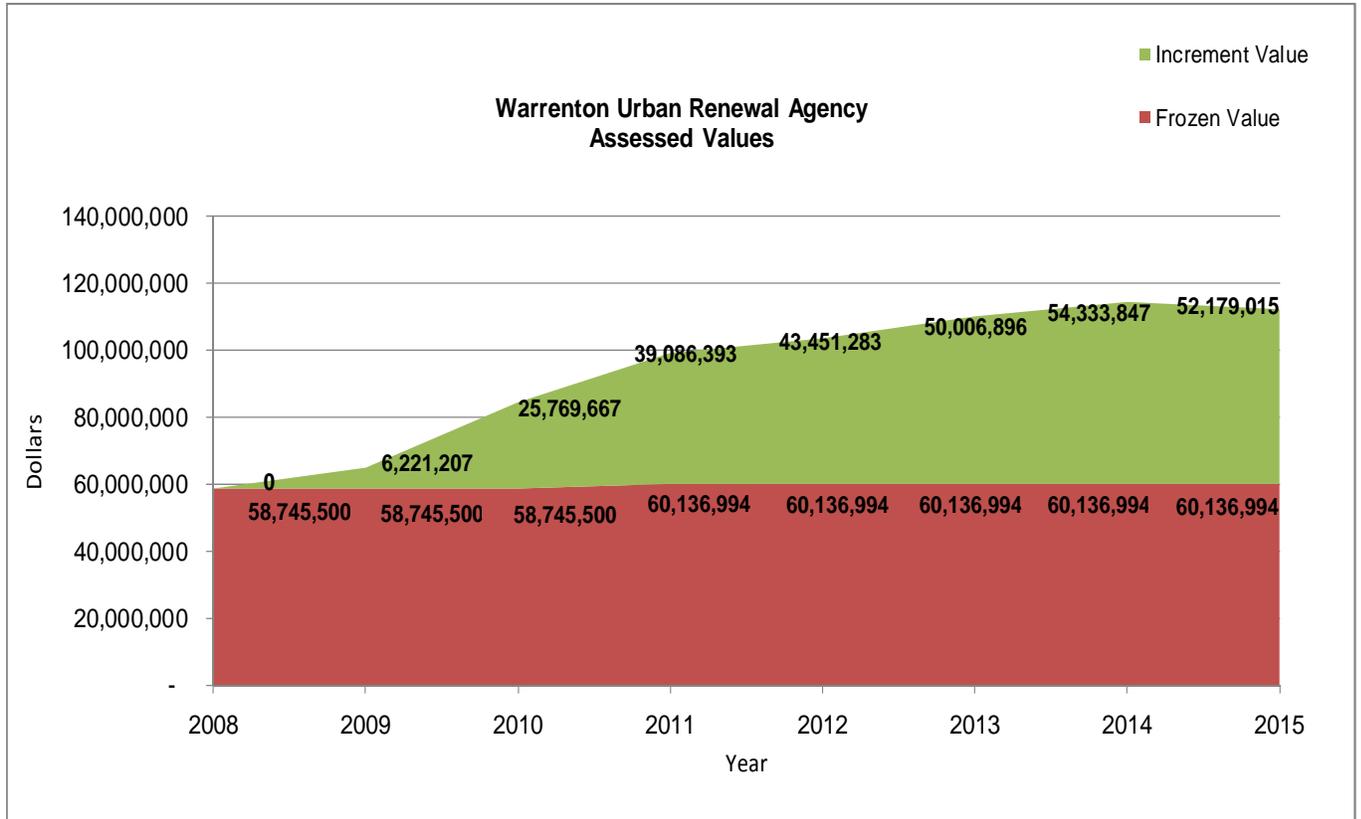
Capital assets. The Agency's investment in capital assets for its governmental type activities as of June 30, 2015, amounts to \$2,414,178 which represents an increase of \$621,238 from the prior year. This investment in capital assets includes land in the amount of \$1,000,945, and buildings and improvements for Marina Phase I in the amount of \$1,413,233 see footnote III.B.

Long-term Debt. During the year, the Agency borrowed on the Columbia Bank credit line in the amount of \$200,000 and repaid \$100,000. The Agency also paid principal on the UR bonds, in the amount of \$89,812 see footnote III.C.

Table 4				
Debt Outstanding				
	Governmental Activities			
	2015		2014	
UR Bonds Series 2012	\$	1,380,186	\$	1,469,998
Columbia Bank Credit Line		100,000		-
Total	\$	1,480,186	\$	1,469,998

Economic Factors and Next Year's Budgets and Rates

The Agency's frozen assessed value was set at \$58,745,500 in 2008 and then changed to \$60,136,994 in 2011 as a result of an amendment to the plan. Increasing property values within the boundaries of the Agency translate into increasing tax increment revenue available. That tax increment revenue is then used to pay debt service on debt that funds projects and improvements. The following table illustrates the growth of assessed values within the Agency's district.



Requests for Information

This financial report is designed to provide a general overview of Agency's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the following address:

City of Warrenton
Attention: Finance Department
P. O. Box 250
Warrenton, OR 97146

BASIC FINANCIAL STATEMENTS

WARRENTON URBAN RENEWAL AGENCY

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Equity in pooled cash and cash equivalents	\$ 1,144,930
Receivables	44,034
Capital assets:	
Nondepreciable assets	1,129,681
Depreciable assets, net of accumulated depreciation	<u>1,284,497</u>
 Total assets	 <u>3,603,142</u>
 LIABILITIES	
Accounts payable and other current liabilities	153,627
Accrued interest payable	2,157
Noncurrent liabilities:	
Due within one year	93,180
Due in more than one year	<u>1,387,006</u>
 Total liabilities	 <u>1,635,970</u>
 NET POSITION	
Net investment in capital assets	955,840
Restricted for debt service	<u>1,011,332</u>
 Total net position	 <u>\$ 1,967,172</u>

The accompanying notes are an integral part of these financial statements.

WARRENTON URBAN RENEWAL AGENCY

Statement of Activities

For the Year Ended June 30, 2015

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities
Functions/Programs			
Governmental activities:			
General government	\$ 25,720	\$ -	\$ 2,500
Interest on long-term liabilities	<u>56,545</u>	<u>-</u>	<u>(56,545)</u>
Total governmental activities	<u>\$ 82,265</u>	<u>\$ -</u>	<u>\$ (79,765)</u>
General revenues:			
Property taxes levied for debt service			484,978
Unrestricted investment earnings			<u>5,191</u>
Total general revenues			<u>490,169</u>
Change in net position			410,404
Net position, beginning			<u>1,556,768</u>
Net position, ending			<u>\$ 1,967,172</u>

The accompanying notes are an integral part of these financial statements.

WARRENTON URBAN RENEWAL AGENCY
GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2015

	<u>Capital Projects (200)</u>	<u>Debt Service (300)</u>	<u>Debt Reserve (400)</u>	<u>Total Governmental Funds</u>
ASSETS				
Equity in pooled cash and cash equivalents	\$ 174,142	\$ 806,788	\$ 164,000	\$ 1,144,930
Receivables:				
Property taxes	<u>-</u>	<u>44,034</u>	<u>-</u>	<u>44,034</u>
Total assets	<u>\$ 174,142</u>	<u>\$ 850,822</u>	<u>\$ 164,000</u>	<u>\$ 1,188,964</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	<u>\$ 152,294</u>	<u>\$ 1,333</u>	<u>\$ -</u>	<u>\$ 153,627</u>
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	<u>-</u>	<u>33,533</u>	<u>-</u>	<u>33,533</u>
Fund Balances:				
Restricted for debt service	-	815,956	164,000	979,956
Restricted for community development	<u>21,848</u>	<u>-</u>	<u>-</u>	<u>21,848</u>
Total fund balances	<u>21,848</u>	<u>815,956</u>	<u>164,000</u>	<u>1,001,804</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 174,142</u>	 <u>\$ 850,822</u>	 <u>164,000</u>	 <u>\$ 1,188,964</u>

The accompanying notes are an integral part of these financial statements.

WARRENTON URBAN RENEWAL AGENCY
 Reconciliation of the Balance Sheet of Governmental
 Funds to the Statement of Net Position
 June 30, 2015

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

Fund balances - governmental funds		\$ 1,001,804
Receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		33,533
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
Nondepreciable assets	\$ 1,129,681	
Depreciable assets, net of accumulated depreciation	<u>1,284,497</u>	
		2,414,178
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest payable	(2,157)	
Long-term debt	<u>(1,480,186)</u>	
		<u>(1,482,343)</u>
Net position of governmental activities		<u>\$ 1,967,172</u>

The accompanying notes are an integral part of these financial statements.

WARRENTON URBAN RENEWAL AGENCY
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2015

	<u>Capital Projects (200)</u>	<u>Debt Service (300)</u>	<u>Debt Reserve (400)</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ -	\$ 488,202	\$ -	\$ 488,202
Intergovernmental	2,500	-	-	2,500
Investment earnings	<u>153</u>	<u>5,039</u>	-	<u>5,192</u>
	<u>2,653</u>	<u>493,241</u>	-	<u>495,894</u>
Expenditures:				
Current:				
General government	13,710	-	-	13,710
Debt service:				
Principal retirement	-	189,812	-	189,812
Interest	-	56,685	-	56,685
Capital outlay	<u>633,250</u>	-	-	<u>633,250</u>
	<u>646,960</u>	<u>246,497</u>	-	<u>893,457</u>
Excess (deficiency) of revenues over (under) expenditures	(644,307)	246,744	-	(397,563)
Other Financing Sources (Uses):				
Loan proceeds	<u>200,000</u>	-	-	<u>200,000</u>
Net change in fund balances	(444,307)	246,744	-	(197,563)
Fund Balances:				
Beginning of year	<u>466,155</u>	<u>569,212</u>	<u>164,000</u>	<u>1,199,367</u>
End of year	<u>\$ 21,848</u>	<u>\$ 815,956</u>	<u>\$ 164,000</u>	<u>\$ 1,001,804</u>

The accompanying notes are an integral part of these financial statements.

WARRENTON URBAN RENEWAL AGENCY

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds		\$ (197,563)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in unavailable revenues			(3,224)
Governmental funds do not report expenditures for noncurrent unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the statement of activities reports such expenses when incurred, regardless of when settlement ultimately occurs.			
Interest expense			141
Capital outlays are reported as expenditures in governmental funds. However, the statement of activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	\$ 633,249		
Current year depreciation	<u>(12,011)</u>		
			621,238
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the statement of activities, but are reported as increases and decreases in noncurrent liabilities in the statement of net position.			
Proceeds from issuance of debt	(200,000)		
Repayment of principal	<u>189,812</u>		
			<u>(10,188)</u>
Change in net position of governmental activities		\$ <u>410,404</u>	

The accompanying notes are an integral part of these financial statements.

WARRENTON URBAN RENEWAL AGENCY
200 - CAPITAL PROJECTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 2,500	\$ 2,500
Investment earnings	<u>300</u>	<u>300</u>	<u>153</u>	<u>(147)</u>
Expenditures:				
Materials and services	78,000	78,000	13,710	64,290
Capital outlay	<u>4,628,234</u>	<u>4,628,234</u>	<u>633,250</u>	<u>3,994,984</u>
Total expenditures	<u>4,706,234</u>	<u>4,706,234</u>	<u>646,960</u>	<u>4,059,274</u>
Excess (deficiency) of revenues over (under) expenditures	(4,705,934)	(4,705,934)	(644,307)	4,061,627
Other financing sources (uses):				
Loan proceeds	<u>4,502,122</u>	<u>4,502,122</u>	<u>200,000</u>	<u>(4,302,122)</u>
Net change in fund balances	(203,812)	(203,812)	(444,307)	(240,495)
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>466,155</u>	<u>466,155</u>
End of year	<u>\$ (203,812)</u>	<u>\$ (203,812)</u>	<u>\$ 21,848</u>	<u>\$ 225,660</u>

The accompanying notes are an integral part of these financial statements.

WARRENTON URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2015

Note I - Summary of significant accounting policies

A. Reporting Entity

The Warrenton Urban Renewal Agency ("Agency") was organized on February 27, 2007 under the provisions of Oregon Revised Statutes, Chapter 457 ("ORS 457"), to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. As provided by ORS 457, the City Commission of the City of Warrenton ("City") is the governing body of the Agency.

The Agency is a legally separate entity governed by the City Commission. The City Commission has the ability to impose its will over the Agency as determined on the basis of budget adoption, taxing authority and funding for the Agency. The Agency is considered a component unit of the City of Warrenton, and is reported as a blended component unit in the basic financial statements of the City.

B. Government-wide and fund financial statements

The government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets, net outflows of resources, liabilities, and net inflows of resources, with the difference between them reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Program revenues* include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *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. Property taxes are recognized as revenues in the year for which they are levied. 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Agency reports the following major governmental funds:

The *Capital Projects Fund* is the government's primary operating fund. It accounts for the acquisition and construction of capital assets. The principal revenue source is loan proceeds.

The *Debt Service Fund* accounts for the servicing of general long-term debt. Revenue sources are property taxes and other general governmental revenues.

The *Debt Reserve Fund* accounts for funds set aside in compliance with the Urban Renewal Bond Series 2012 agreement.

WARRENTON URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2015

Note I - Summary of significant accounting policies, continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Assets, liabilities, and net position or fund balance

1. *Equity in pooled cash and cash equivalents*

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State of Oregon Local Government Investment Pool ("LGIP"), and short-term investments with original maturities of three months or less from the date of acquisition. The Agency's cash and cash equivalents are pooled with the City of Warrenton's resources.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments are reported at fair value.

2. *Receivables and payables*

Property taxes receivable that meet the measurable and available criteria for revenue recognition are accrued as revenue in the governmental funds financial statements. Receivables in the government-wide financial statements are accrued as revenue when earned. In governmental funds any revenues not meeting the revenue recognition criteria are reported as deferred inflows of resources.

Property taxes are levied and become a lien on July 1st. Property taxes are assessed in October and tax payments are due November 15th of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15th of the same year, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the due date.

3. *Capital assets*

Capital assets, which include land, buildings, improvements, equipment, infrastructure, and other tangible and intangible assets, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life beyond a single reporting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

No depreciation is taken in the year the assets are acquired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Infrastructure	20 - 25

WARRENTON URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2015

Note I - Summary of significant accounting policies, continued

D. Assets, liabilities, and net position or fund balance, continued

4. *Deferred outflows/inflows of resources*

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. *Long-term obligations*

In the government-wide financial statements long-term obligations are reported as liabilities.

In the fund financial statements the face amount of debt issued is reported as other financing sources.

6. *Net position flow assumption*

Sometimes the Agency will fund outlays for a particular resource from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

7. *Fund balance flow assumptions*

Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. *Fund balance*

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

WARRENTON URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2015

Note I - Summary of significant accounting policies, continued

D. Assets, liabilities, and net position or fund balance, continued

6. Fund balance, continued

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - the City Commission passes an ordinance that places specific constraints on how the resources may be used. The City Commission can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Commission approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

9. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note II - Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law).

A budget is prepared by the City Manager in the early winter preceding the fiscal year the budget will be used. The Agency is required to budget for all funds. The Agency's budget is prepared for each fund on the modified accrual basis of accounting. The budget committee, with public input, deliberates and approves the budget for transmittal to the City Commission in early spring. After public notices and a hearing, the final budget is adopted, appropriations made and a tax levy declared no later than June 30.

The City Commission resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriation. The level of control for all funds and departments is the object group level of personal services, materials and services, capital outlay, debt service, and interfund transfers. Appropriations lapse as of year-end.

Expenditures cannot legally exceed appropriations except in the case of grants which could not be estimated at the time of budget adoption. Supplemental appropriations and appropriation transfers may occur with notice and City Commission action.

WARRENTON URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2015

Note III - Detailed notes on all funds

A. Equity in pooled cash and cash equivalents

The Agency participates in the City of Warrenton's cash and investment pool. At June 30, 2015, the City's cash and investments were maintained in deposits at local financial institutions and the State of Oregon's Local Government Investment Pool ("LGIP"). The Agency's portion of this pool is displayed in the Statement of Net Position and the Balance Sheet as "Equity in pooled cash and cash equivalents." Detail information for the Agency's pooled cash and investments can be found in the City of Warrenton's ("City") June 30, 2015 Financial Statements notes to the financial statements.

B. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,000,945	\$ -	\$ -	\$ -	\$ 1,000,945
Construction in progress	<u>562,776</u>	<u>25,230</u>	<u>-</u>	<u>(459,270)</u>	<u>128,736</u>
Total capital assets, not being depreciated	<u>1,563,721</u>	<u>25,230</u>	<u>-</u>	<u>(459,270)</u>	<u>1,129,681</u>
Capital assets, being depreciated:					
Buildings	-	269,575	-	332,482	602,057
Infrastructure	<u>233,533</u>	<u>338,444</u>	<u>-</u>	<u>126,788</u>	<u>698,765</u>
Total capital assets being depreciated	<u>233,533</u>	<u>608,019</u>	<u>-</u>	<u>459,270</u>	<u>1,300,822</u>
Less accumulated depreciation for:					
Infrastructure	<u>(4,314)</u>	<u>(12,011)</u>	<u>-</u>	<u>-</u>	<u>(16,325)</u>
Governmental activities capital assets, net	<u>\$ 1,792,940</u>	<u>\$ 621,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,414,178</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	<u>\$ 12,011</u>

WARRENTON URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2015

Note III - Detailed notes on all funds, continued

C. Long-term debt

Long-term debt outstanding at year end is as follows:

Purpose	Interest Rates	Amount
The Columbia Bank loan was a line of credit issued in October 2014 with a two-year maturity. During the year ended June 30, 2015 the Agency withdrew \$200,000 and made repayments on the line of \$100,000. The funds were used in the capital projects fund for downtown improvements. The loan carried a variable interest rate identified as the Columbia Bank Base Rate plus 1%, with a minimum rate of 5%. The loan matures on October 30, 2016 and is secured by tax-increment revenues.	5.00%	\$ 100,000
The urban renewal bond series 2012, in the original amount of \$1,640,000, was used to finance urban renewal projects. This tax increment financing is secured by assignment of incremental tax revenues. The bond matures on June 15, 2027.	3.75%	<u>1,380,186</u>
Total debt outstanding		1,480,186
Current portion		<u>93,180</u>
Long-term portion		<u>\$ 1,387,006</u>

Annual debt service requirements to maturity at year end are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 93,180	\$ 56,870
2017	196,674	49,995
2018	100,299	45,258
2019	104,060	41,444
2020	107,963	37,590
2021 - 2025	603,664	107,388
2026 - 2027	<u>274,346</u>	<u>31,108</u>
Total	<u>\$ 1,480,186</u>	<u>\$ 369,653</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 1,469,998	\$ -	\$ (89,812)	\$ 1,380,186	\$ 93,180
Notes/loan payable	-	<u>200,000</u>	<u>(100,000)</u>	<u>100,000</u>	-
Governmental activities long-term liabilities	<u>\$ 1,469,998</u>	<u>\$ 200,000</u>	<u>\$ (189,812)</u>	<u>\$ 1,480,186</u>	<u>\$ 93,180</u>

WARRENTON URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2015

Note IV - Other information

A. 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; and natural disasters for which the government carries commercial insurance. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form the City County Insurance Services ("CCIS"), a public entity risk pool currently operating a common risk management and insurance program. The Agency pays an annual premium to CCIS for insurance coverage. Based on the experience of the Agency and CCIS, the Agency may be liable for an additional premium of up to 20% of its initial premium or it may receive a refund. The Agency has not had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

B. Contingent liabilities

The Agency is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations and capital projects. Management intends to contest these matters and does not believe their ultimate resolution will have a material effect upon the Agency's financial position, results of operations or cash flows.

OTHER SUPPLEMENTAL INFORMATION

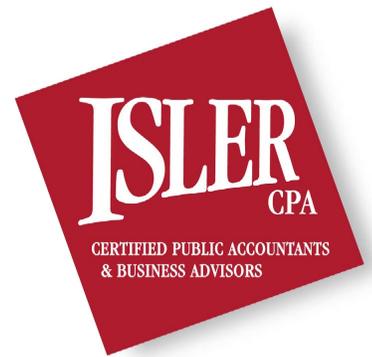
WARRENTON URBAN RENEWAL AGENCY
300 - DEBT SERVICE
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 521,364	\$ 521,364	\$ 488,202	\$ (33,162)
Investment earnings	4,135	4,135	5,039	904
Total revenues	<u>525,499</u>	<u>525,499</u>	<u>493,241</u>	<u>(32,258)</u>
Expenditures:				
Debt service	<u>644,937</u>	<u>644,937</u>	<u>246,497</u>	<u>398,440</u>
Net change in fund balances	(119,438)	(119,438)	246,744	366,182
Fund Balance:				
Beginning of year	<u>549,885</u>	<u>549,885</u>	<u>569,212</u>	<u>19,327</u>
End of year	<u>\$ 430,447</u>	<u>\$ 430,447</u>	<u>\$ 815,956</u>	<u>\$ 385,509</u>

WARRENTON URBAN RENEWAL AGENCY
400 - DEBT RESERVE
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:				
Debt service	\$ 164,000	\$ 164,000	\$ -	\$ 164,000
Other financing sources (uses):				
Net change in fund balances	(164,000)	(164,000)	-	164,000
Fund Balance:				
Beginning of year	<u>164,000</u>	<u>164,000</u>	<u>164,000</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,000</u>	<u>\$ 164,000</u>

COMPLIANCE SECTION



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITORS REQUIRED BY STATE STATUTE

Honorable Mayor and City Commission
Warrenton Urban Renewal Agency
Warrenton, Oregon

An Independently Owned Member
McGLADREY ALLIANCE



We have audited the basic financial statements of the Warrenton Urban Renewal Agency ("Agency") as of and for the year ended June 30, 2015, and have issued our report thereon dated February 8, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on 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:

- Deposits 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.
- Programs funded from outside sources.
- 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 Warrenton 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

This report is intended for the information of the City Commission and the Secretary of State Division of Audits of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

Isler CPA

By:

A handwritten signature in cursive script that reads "Paul R. Nielson".

Paul R Nielson, CPA, a member of the firm

Eugene, Oregon
February 8, 2016