



Yachats Urban Renewal Agency
(A Component Unit of the City of Yachats)

Annual Financial Report
For the Fiscal Year Ended June 30, 2022

**Yachats Urban Renewal Agency
LINCOLN COUNTY, OREGON**

OFFICERS AND MEMBERS OF THE GOVERNING BOARD
June 30, 2022

Agency Officials

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Yachats, Oregon, 97498

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**YACHATS URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

Agency Officials
Yachats Urban Renewal Agency
Yachats, Oregon 97498

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund or Yachats Urban Renewal Agency, a component unit of the City of Yachats, as of and for the year ended June 30, 2022, 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

The Agency's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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

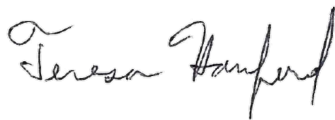
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of Yachats Urban Renewal Agency, as of June 30, 2022, and the respective changes in financial position – modified cash basis and the respective budgetary comparison for the General Fund for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated August 3, 2023 on our consideration of the 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.



Hanford & Associates, LLC
West Richland, Washington
August 3, 2023

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

YACHATS URBAN RENEWAL AGENCY
MODIFIED CASH BASIS STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 337,351
Total assets	<u>337,351</u>
NET POSITION	
Restricted	100,000
Unrestricted	<u>237,351</u>
Total net position	<u>\$ 337,351</u>

See accompanying notes to the financial statements.

**YACHATS URBAN RENEWAL AGENCY
MODIFIED CASH BASIS STATEMENT OF ACTIVITIES
JUNE 30, 2022**

	Governmental Activities
GENERAL REVENUES	
Property taxes	462,658
Other local sources	823
Investment earnings	3,359
Total general revenues	466,840
 URBAN RENEWAL EXPENDITURES	
Material and services	1,750
Administrative fee	15,000
Transfers to primary government for:	
Construction Projects	386,000
Debt Service	195,000
Total expenditures	597,750
 Change in Net Position	 (130,910)
Net position - beginning	468,261
 Net position - ending	 337,351

See accompanying notes to the financial statements.

FUND FINANCIAL STATEMENTS

**YACHATS URBAN RENEWAL AGENCY
MODIFIED CASH BASIS BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 337,351
Total assets	<u>337,351</u>
FUND BALANCE	
Restricted for debt service	100,000
Unassigned	<u>237,351</u>
Total fund balance	<u><u>\$ 337,351</u></u>

See accompanying notes to the financial statements.

YACHATS URBAN RENEWAL AGENCY
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
JUNE 30, 2022

	General
REVENUES	
Property taxes	462,658
Other local sources	823
Investment earnings	3,359
Total revenues	466,840
EXPENDITURES	
Material and services	1,750
Administrative fee	15,000
Transfers to primary government for:	
Water/Wastewater Construction Projects	386,000
Debt Service	195,000
Total expenditures	597,750
Net change in fund balance	(130,910)
Fund balance at beginning of year	468,261
Fund balance at end of year	337,351

See accompanying notes to the financial statements.

**YACHATS URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization (reporting entity)

The Agency, a component unit of the City of Yachats, was organized August 2007 under ORS 457 and is a municipal corporation created by the City of Yachats to facilitate urban renewal within the City boundaries. The City Council serves as the governing body and is accountable for the fiscal matters of the Agency.

B. Urban Renewal Areas

Tax allocation bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

The Agency (City Council) selects an urban renewal plan area and defines its boundaries.

The county assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.

Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in financing the urban renewal projects.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$7,589,800. The maximum amount of tax that can be collected under the plan is \$7,824,600.

C. Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

The fund financial statements provide information about the Agency's fund. The emphasis of fund

financial statements is on major funds, each displayed in a separate column.

The single major fund, General Fund, accounts for general administration of the Agency's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas, and repayment of debt incurred for these activities.

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

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenditures, assets, and liabilities resulting from cash transactions, adjusted for liabilities that arise from cash transactions.

Only cash and cash equivalents and items that involve the receipt or disbursement of cash or cash equivalents during the period are recognized, except for the following modifications:

- Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents are recognized;
- Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- Liabilities for cash or cash equivalents held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, billed or provided services that have not been collected in cash are not accrued as receivables.

The fund financial statements are presented on the modified cash basis of accounting.

E. Equity classification

Government-wide reporting

In the government-wide financial statements, equity is classified as net position and displayed in the following components:

- **Restricted net position**- Consists of external constraints placed on net position use by creditors, grantors, contributors, laws or regulations of other governments, constraints imposed by law through constitutional provisions, or enabling legislation.
- **Unrestricted net position** - Consists of all other net assets that are not included in the other categories previously mentioned.

In the government-wide financial statements when both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Government-wide reporting

Fund balance amounts are reported within one of the fund balance categories listed below:

- Non-spendable fund balance represents amounts that are not in a spendable form or because they are legally or contractually required to be maintained intact.
- 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). Also, these are amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by granters or creditors.
- 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. These amounts cannot be used for any other purpose unless the governing body of the Agency removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- 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.

In the governmental fund financial statements, when the Agency has restricted and unrestricted (committed, assigned or unassigned) resources available, it is the Agency's policy to expend restricted resources first. Unrestricted resources are then expended in the order of committed, assigned, and unassigned as needed, unless otherwise provided for in actions to commit or assign resources, in determining the amounts to be reported in each of the fund balance categories.

F. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all 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 governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personnel services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budget amounts shown in the financial statements may be revised after the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

G. Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

As the basic financial statements are presented on the modified cash basis, uncollected property taxes are not reported. Property taxes are recorded as receipts when received.

NOTE 2- CASH AND CASH EQUIVALENTS

The Agency is a component unit of the City of Yachats. The City maintains a pool of cash and cash equivalents that are available for use by all funds. Each fund’s portion of this pool is displayed on the financial statements as cash and cash equivalents. Interest earned on pooled cash and cash equivalents is allocated to participating funds based upon their combined cash and cash equivalent balances.

Cash and cash equivalent at June 30, 2022 consisted of the following:

	Agency
Petty Cash	\$ -
Cash in checking accounts (book balances)	(1,790)
Cash in Local Government Investment Pool	339,141
	<hr/>
Total Cash and cash equivalents	\$ 337,351
	<hr/> <hr/>

Note 3 - DEPOSITS AND INVESTMENTS

A. Deposits

Deposits with financial Institutions

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2021. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk (below) that exists.

Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2022, the carrying amounts of the City deposits on behalf of the Agency in various financial institutions were \$337,351. All deposits are held in the name of the City. At June 30, 2022, the City's deposits were covered by federal depository insurance and certifications of participation.

All deposits are held in the name of the City. At June 30, 2022 the City's deposits were covered by federal depository insurance and certifications of participation.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

B. Investments

The City has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2021-2022. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

Credit Risk. State Statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

Interest Rate Risk. The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

NOTE 4 - RISK MANAGEMENT AND CONCENTRATIONS

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 years.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

On July 3, 2018, the Urban Renewal Agency entered into an intergovernmental agreement with the City of Yachats. The agreement requires the Urban Renewal Agency to make a single annual payment of \$100,000 to the City beginning in 2018-2019. The total payments for the Agency to the City under the obligation is \$1,400,000. The payments will be used to pay debt related to improvements of the South Reservoir Project, which was included in the Agency's urban renewal plan.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Agency does not have employees, debt, or physical assets (other than cash and investments). City of Yachats personnel administer the day-to-day activities of the trust. As noted in Notes 2 and 3, the Agency's cash and cash equivalents are combined with the City's cash and cash equivalents. The Agency is reported in the City's financial records as an individual fund. In the current period, \$195,000 was transferred to the City for Debt Payments and \$386,000 was transferred to the City for Construction projects. The Agency also paid \$15,000 to the City for Administrative fees.

NOTE 7 - SUBSEQUENT EVENTS

Professional standards require evaluation and disclosure of significant events affecting the Agency that take place subsequent to the current fiscal year ended June 30, 2022. For the audit period ending June 30, 2022, no subsequent events were identified for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

YACHATS URBAN RENEWAL AGENCY
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 429,354	\$ 429,354	\$ 462,658	\$ 33,304
Other local sources	300	300	823	523
Investment revenue	2,750	2,750	3,359	609
Total revenues	<u>432,404</u>	<u>432,404</u>	<u>466,840</u>	<u>34,436</u>
EXPENDITURES				
General government				
Dues/Memberships/Fees	200	200	-	(200)
Advertising/Legal Notice	300	300	-	(300)
Auditor	1,770	1,770	1,750	(20)
Administrative fee	15,000	15,000	15,000	-
Transfer to primary government:				
Construction projects	386,000	386,000	386,000	-
Debt service	195,000	195,000	195,000	-
Reserved for future expenditures	-	-	-	-
Total expenditures	<u>598,270</u>	<u>598,270</u>	<u>597,750</u>	<u>(520)</u>
Net change in fund balance	<u>(165,866)</u>	<u>(165,866)</u>	<u>(130,910)</u>	<u>34,956</u>
BEGINNING FUND BALANCE	<u>413,739</u>	<u>413,739</u>	<u>468,261</u>	<u>54,522</u>
ENDING FUND BALANCE	<u>\$ 247,873</u>	<u>\$ 247,873</u>	<u>\$ 337,351</u>	<u>\$ 89,478</u>

See accompanying notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS



Independent Auditor's Report Required by Oregon State Regulations

Agency Officials
Yachats Urban Renewal Agency
Yachats, Oregon 97498

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Yachats Urban Renewal Agency as of and for the year ended June 30, 2022, and have issued our report thereon dated August 3, 2023.

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 the provisions of Oregon Revised Statutes as specified in the 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

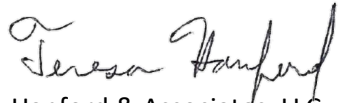
- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized 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 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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

This report is intended solely for the information and use of the Agency officials and management of the Yachats Urban Renewal Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Hanford & Associates, LLC
West Richland, Washington
August 3, 2023