

**CITY OF CANBY URBAN RENEWAL AGENCY
CLACKAMAS COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



12700 SW 72nd Ave.
Tigard, OR 97223

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended

June 30, 2014

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CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

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INTRODUCTORY SECTION

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CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

BOARD OF DIRECTORS

JUNE 30, 2014

Board of Directors

Term Expires

Tim Dale, Chair
Canby, Oregon 97013

December 31, 2016

Brian Hodson, Vice Chair
Canby, Oregon 97013

December 31, 2014

Clint Coleman, Board Member
Canby, Oregon 97013

December 31, 2014

Greg Parker, Board Member
Canby, Oregon 97013

December 31, 2014

Todd Rocha, Board Member
Canby, Oregon 97013

December 31, 2014

Traci Hensley, Board Member
Canby, Oregon 97013

December 31, 2016

Ken Rider, Board Member
Canby, Oregon 97013

December 31, 2016

Agency Administration

Rick Robinson

District Manager

Board members receive mail at the City's address:

**City Hall
182 N. Holly Street
PO Box 930
Canby, Oregon 97013**

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FINANCIAL SECTION

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

December 11, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Canby Urban Renewal Agency
Clackamas County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Canby Urban Renewal Agency (a component unit of the City of Canby, Oregon, as of and for the year ended June 30, 2014, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Canby Urban Renewal Agency, as of June 30, 2014, and the respective changes in financial position and budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, 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 Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 11, 2014, 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.



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

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

AGENCY-WIDE STATEMENTS

Statement of Net Position

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 or not the financial position of the Agency is improving or deteriorating. However, completed Agency projects become assets of the City of Canby; therefore, they have been transferred to the City and do not appear as assets of the Agency. Conversely, the Agency incurred debt to finance major capital projects and that debt is recorded as a liability for the Agency, as shown below. This debt has resulted in reporting deficit net position for the Agency. Again, this could typically be interpreted as a deteriorating position except in the case of this governmental structure.

STATEMENT OF NET POSITION

	Governmental Activities	
	2014	2013
ASSETS:		
Cash and investments	\$ 9,605,512	\$ 12,776,084
Other current assets	486,169	920,193
Asset held for sales	997,653	-
Capital assets – construction in progress	40,140	1,622,988
Total Assets	11,129,474	15,319,265
LIABILITIES:		
Current liabilities other than debt	149,845	532,780
Current portion of long-term obligations	814,827	742,500
Noncurrent portion of long-term obligations	27,124,450	27,939,277
Total Liabilities	28,089,122	29,214,557
NET POSITION:		
Restricted:		
Capital Projects	10,172,188	12,143,066
Debt Service	426,616	252,749
Unrestricted	(27,558,452)	(10,508,560)
Total net position	\$ (16,959,648)	\$ (13,895,292)

The purpose of an urban renewal district is to make capital investments that revitalize the district reducing blight and promoting additional private investment. Once complete the assets are contributed to the City or held for sale, this results in a negative net investment in capital assets therefore it has been properly reclassified as unrestricted net position.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2014

AGENCY-WIDE STATEMENTS (Continued)

Statement of Activities

The Statement of Activities focuses on the program costs and their matching resources. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues. The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. The Agency had a change in net position of \$3,675,103, combined with a restatements of beginning net position for property transferred from the City to the Agency to be held for sale of \$997,653 and in accordance with GASB 65 a restatement for bond issue costs previously deferred of \$386,906, resulting in a net change in net position of 3,064,356 from prior year. See Note (4) for more information on assets held for sale as restated. This resulted in a deficit ending net position of \$16,959,648. The deficit reflects a combination of the Agency's reporting of capital-related obligations, without the offset of the capital assets which were transferred to the City, and unspent bond proceeds.

STATEMENT OF ACTIVITIES

	2014	2013
EXPENSES:		
Community development	\$ (1,123,404)	\$ (742,336)
Interest on long-term obligations	(1,158,862)	(925,532)
Total program expenses	(2,282,266)	(1,667,868)
Program revenues:	66,382	72,495
GENERAL REVENUES AND SPECIAL ITEMS:		
Property taxes	2,402,610	2,183,006
Interest	81,547	50,182
Miscellaneous	396	6,527
Special item – Contribution to City	(3,943,961)	(11,662,125)
Total general revenues	(1,459,219)	(9,422,410)
Change in net position	(3,675,103)	(11,017,783)
NET POSITION, BEGINNING – as previously stated	(13,895,292)	(2,877,509)
Restatement for asset held for sale	997,653	-
Restatement for bond issue costs previously Deferred in accordance with GASB 65	(386,906)	-
NET POSITION, BEGINNING – as restated	(13,284,545)	(2,877,509)
NET POSITION, ENDING	\$ (16,959,648)	\$ (13,895,292)

The Agency's tax levy totaled \$2,463,198 and is restricted to repayment of obligations. The obligations are used to finance the improvements identified in the urban renewal plan.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2014

FUND FINANCIAL STATEMENTS

Fund Statements

Following the agency-wide statements is a section containing fund financial statements. A fund is a grouping of related accounts that have been segregated for specific activities or objectives. The Agency presents each of its two funds as major funds.

Agency funds are used to account for essentially the same functions reported as agency activities in the agency-wide financial statements. However, unlike the agency-wide financial statements, fund financial statements focus on current 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 determining what financial resources are available in the near future to finance the Agency's programs.

Budgetary Highlights

The budget was based upon a conscious effort by management to start the projects identified in the urban renewal plan as expediently as possible. A budgetary comparison statement is presented in the basic financial statements for the general fund; a budgetary comparison schedule is presented for the debt service fund in the supplementary information.

Capital Assets and Debt Administration

The Agency completed the Sequoia Parkway Extension and contributed those completed assets to the City, these costs are reflected as disposals of construction in progress in Note 4. The Agency terminated the library project planned the second street between Holly and Ivy location, therefore the CIP related to that project was disposed. For more detailed information on the Agency's capital assets activity refer to Note (5) of the Notes to Basic Financial Statements.

No new debt was issued in the current year. For more detailed information on the Agency's debt and amortization terms refer to Note (6) of the Notes to Basic Financial Statements.

Economic Factors

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

Next Year's Budgets

The Agency's has budgeted for a new library civic center project in fiscal year 2014-2015 and will continue to facilitate various other economic development programs and projects as outlined in the urban renewal plan.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2014

Financial Contact

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, you should contact the Agency's Finance Director at City of Canby, City Hall, 182 North Holly, Canby, Oregon 97013.

BASIC FINANCIAL STATEMENTS

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CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 9,605,512
Accounts receivable	349,629
Property taxes receivable	136,540
Asset held for sale	997,653
Capital assets - construction in progress	<u>40,140</u>
Total assets	<u>11,129,474</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 16,540
Interest payable	133,305
Current portion of long-term obligations	<u>814,827</u>
Total current liabilities	<u>964,672</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>27,124,450</u>
Total noncurrent liabilities	<u>27,124,450</u>
Total liabilities	<u>28,089,122</u>
NET POSITION:	
Restricted for:	
Capital Projects	10,172,188
Debt Service	426,616
Unrestricted	<u>(27,558,452)</u>
Total net position	<u>(16,959,648)</u>
Total liabilities and net position	<u>\$ 11,129,474</u>

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

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		Net Revenue (Expenses) and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
EXPENSES:				
Community development	\$ 1,123,404	\$ 7,691	\$ 58,691	\$ (1,057,022)
Interest on long-term debt	1,158,862	-	-	(1,158,862)
Total activities	<u>2,282,266</u>	<u>7,691</u>	<u>58,691</u>	<u>(2,215,884)</u>
GENERAL REVENUES AND SPECIAL ITEMS:				
Property taxes				2,402,610
Interest				81,547
Miscellaneous				585
Special item - Contribution to City				<u>(3,943,961)</u>
Total general revenues and special items				<u>(1,459,219)</u>
Change in net position				(3,675,103)
NET POSITION, BEGINNING - as previously stated				(13,895,292)
Restatement for asset held for sale				997,653
Restatement for bond issue costs in accordance with GASB 65				<u>(386,906)</u>
NET POSITION, BEGINNING - as restated				(13,284,545)
NET POSITION, ENDING				<u>\$ (16,959,648)</u>

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

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	<u>Urban Renewal General</u>	<u>Urban Renewal Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 9,191,075	\$ 414,437	\$ 9,605,512
Local improvement districts assessments receivable	-	349,629	349,629
Property taxes receivable	-	136,540	136,540
Asset held for sale	<u>997,653</u>	<u>-</u>	<u>997,653</u>
 Total assets	 <u>\$ 10,188,728</u>	 <u>\$ 900,606</u>	 <u>\$ 11,089,334</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
LIABILITIES:			
Accounts payable and other current liabilities	\$ 16,540	\$ -	\$ 16,540
DEFERRED INFLOWS:			
Unavailable revenue	<u>-</u>	<u>473,990</u>	<u>473,990</u>
 Total liabilities and deferred inflows	 <u>16,540</u>	 <u>473,990</u>	 <u>490,530</u>
 FUND BALANCES:			
Restricted for:			
Capital Projects	10,172,188	-	10,172,188
Debt Service	<u>-</u>	<u>426,616</u>	<u>426,616</u>
 Total fund balance	 <u>10,172,188</u>	 <u>426,616</u>	 <u>10,598,804</u>
 Total liabilities, deferred inflows, and fund balances	 <u>\$ 10,188,728</u>	 <u>\$ 900,606</u>	

Amounts reported in the Statement of Net Position are different because:

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue 473,990

Capital assets are not financial resources and are not reported in the governmental funds.

40,140

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest expense (133,305)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(27,939,277)

Net position

\$ (16,959,648)

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

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

FOR THE YEAR ENDED June 30, 2014

	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Charges for services	\$ 7,691	\$ -	\$ 7,691
Property taxes	-	2,402,610	2,402,610
Special assessments	-	68,288	68,288
Grants & donations	-	58,691	58,691
Miscellaneous	585	-	585
Interest	54,623	3,592	58,215
	<hr/>	<hr/>	<hr/>
Total revenues	62,899	2,533,181	2,596,080
EXPENDITURES:			
Current:			
General government	526,371	-	526,371
Capital outlay	3,005,059	-	3,005,059
Debt service:			
Principal	-	695,587	695,587
Interest	-	1,163,727	1,163,727
	<hr/>	<hr/>	<hr/>
Total expenditures	3,531,430	1,859,314	5,390,744
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(3,468,531)	673,867	(2,794,664)
OTHER FINANCING SOURCES (USES):			
Transfers in	500,000	-	500,000
Transfers out	-	(500,000)	(500,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	500,000	(500,000)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(2,968,531)	173,867	(2,794,664)
FUND BALANCE, BEGINNING - as previously stated	12,143,066	252,749	12,395,815
Restatement for asset held for sale	997,653	-	997,653
FUND BALANCE, BEGINNING - as restated	13,140,719	252,749	13,393,468
	<hr/>	<hr/>	<hr/>
FUND BALANCE, ENDING	\$ 10,172,188	\$ 426,616	\$ 10,598,804

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

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

**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, 2014

Amounts reported in the Statement of Activities are different because:

Net change in fund balance	\$ (2,794,664)
Some revenue reported in the Statement of Activities does not provide current financial resources in the governmental funds.	(44,956)
Governmental funds report all capital outlay as expenditures. However, in the Statement of Activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense.	(563,220)
Additions to CIP	2,924,332
Completed assets contributed to the City.	(3,943,961)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest expense	4,865
Amortization of bond Premium	46,914
Principle payments on long-term debt	695,587
Changes in net position	<u>\$ (3,675,103)</u>

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

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 6,060	\$ 6,000	\$ 7,691	\$ 1,691
Grants & donations	11,030	11,030	-	(11,030)
Interest	30,000	30,000	54,623	24,623
Miscellaneous	-	60	585	525
	47,090	47,090	62,899	15,809
EXPENDITURES:				
Materials and service	593,430	593,430	526,371	67,059
Capital outlay	11,140,221	11,782,010	3,005,059	8,776,951
Contingency	2,039,915	242,615	-	242,615
	13,773,566	12,618,055	3,531,430	9,086,625
Revenues over (under) expenditures	(13,726,476)	(12,570,965)	(3,468,531)	9,102,434
OTHER FINANCING SOURCES (USES):				
Transfers in	1,655,511	500,000	500,000	-
	1,655,511	500,000	500,000	-
Net changes in fund balances	(12,070,965)	(12,070,965)	(2,968,531)	9,102,434
FUND BALANCES, BEGINNING	12,070,965	12,070,965	12,143,066	72,101
FUND BALANCES, ENDING	\$ -	\$ -	\$ 9,174,535	\$ 9,174,535
Asset held for sale			997,653	
Total fund balance - GAAP			\$ 10,172,188	

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

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements.

A. Description of Reporting Entity

The Canby Urban Renewal Agency (the Agency), a component unit of the City of Canby, was organized December 24, 1999 under the provisions of Oregon Revised Statutes, Chapter 457, to assist in the redevelopment of the City of Canby. The City Council and the Mayor of the City of Canby comprise the Board of Directors of the Agency.

The Agency's financial statements include all funds of the Agency. There are no known entities that should be included in the Agency's financial statements as a component unit based on their operational or financial relationship with the Agency in accordance with GAAP. The Agency is a component unit of the City of Canby and, as such is included in the financial statements of the City of Canby for the year ended June 30, 2014.

B. Basic Financial Statements

The Agency's financial operations are presented at both the agency-wide and fund financial levels. The statement of net position and the statement of activities display information about the Agency as a whole.

Agency-wide financial statements

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

Fund financial statements

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently the Agency has only governmental fund types.

C. Basis of Presentation

The financial transactions of the Agency are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, each of the Agency's funds are presented as major funds.

The General Fund is used to administer the statutory tax increment revenues for the funding of the Urban Renewal plan through designated projects within the Urban Renewal District.

The Debt Service Fund is used to account for tax increment revenues and debt service activities for debt incurred to finance Urban Renewal contracts and capital projects.

D. Measurement Focus and Bases of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded.

The Agency-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Bases of Accounting (Continued)

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 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the agency-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the agency-wide presentation. The reconciliations are presented with the fund financial statements.

E. Cash and Cash Equivalents

The Agency considers cash equivalents as all highly liquid investments with maturity of three months or less from the date of purchase. Investments included in cash and cash equivalents are reported at fair value.

F. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within 45 days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as unavailable revenue in the fund financial statements because it is not deemed available to finance operations of the current period. Real and personal property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Clackamas County and remitted to the City. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within the Agency's boundaries.

G. Capital Assets

Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Capital assets include land, buildings and improvements and street infrastructure costing over \$5,000 with an estimated life of more than one year. Capital assets acquired, or at the completion of construction, are transferred to the City of Canby.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In accordance with GASB 65 a restatement to beginning net position was recognized for bond issue costs previously deferred in the amount of \$386,906 on the Statement of Activities as they were considered material at the Agency entity wide reporting level.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financial sources while premiums and discounts on debt proceeds received are reported as other financing sources and uses, respectively. Bond issue costs, whether paid directly or from proceeds of issuance, are reported as debt service expenditures.

I. Fund Equity

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. In accordance with GAAP allowable fund balance classifications include:

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the Board of Directors, by formal board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes items assigned for specific uses, authorized by the Agency. Assignments of fund balance can be done at any time, including after the fiscal year end date. In accordance with the Agency's fund balance policy, amounts may be assigned by the Agency administrator.

Unassigned – This is the residual classification of the General Fund, used for those balances not assigned to another category.

There are no non-spendable, committed, assigned or unassigned fund balance as of June 30, 2014.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(1) Summary of Significant Accounting Policies (Continued)

J. Net Position

Net position comprise the various net earnings from operations, non-operating revenues, expenses and contributions of capital assets. In accordance with GAAP allowable net position classifications include:

Net investment in capital assets – consist of all capital assets, net of accumulated depreciation less outstanding debt attributable to the acquisition of capital assets net of unspent bond proceeds.

Restricted – consists of external constraints placed on assets use by creditors, grantors, contributors, 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 include in the other classifications.

K. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the Agency's policy to use committed resources first, then assigned, and then unassigned as they are needed.

L. Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Budget

A budget is prepared for each governmental fund in accordance with the legal requirements set forth in Oregon Local Budget Law. The Agency budgets its funds on the modified accrual basis of accounting. Budget appropriations lapse at the end of each fiscal year. Appropriations are adopted in the categories of materials and services, capital outlay, contingency and transfers. Actual expenditures may not legally exceed appropriations in any of the categories. Expenditures in all funds were within authorized appropriations.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(3) Cash and Cash Equivalents

At June 30, 2014, cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Cash on deposit	\$ 188,268
Oregon State Local Government Investment Pool	<u>9,417,244</u>
Total	<u>\$ 9,605,512</u>

A. Custodial credit risk – deposits

This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits with financial institutions up to \$250,000 each for the aggregate of all interest bearing accounts and fully insures all non-interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized.

B. Interest rate risk

The Agency does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, the Agency maintains excess cash in the Local Government Investment Pool.

C. Credit risk

State statutes authorize the Agency to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The Agency has no investment policy that would further limit its investment choices.

D. Concentration of credit risk

The Agency does not currently have an investment policy for concentration of credit risk.

E. Custodial credit risk – investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(4) Asset Held For Sale – Prior Period Restatement

On March 21, 2012 the Agency passed Resolution No. URR 12-004 accepting Tax lot #31E34-01707 also known as "Lot 5, Burden, in the City of Canby, Clackamas County Oregon" (the Property) so that the Agency may offer the Property for sale to the public and use the proceeds toward the payment of the construction costs of the new police facility. The property was originally purchased with the intent of locating a new police facility there but a different site was ultimately used for the new police facility. The construction costs for the police facility were funded with the proceeds of the series 2011 obligations however \$189,500 of the facility costs were for furniture which is not an allowable expense under ORS 457 therefore the proceeds from the sale of this asset will repay at a minimum this portion of the debt. The asset is currently recorded at cost in the amount of \$997,653, which based on our understanding of the current market should not exceed the net realizable value.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Construction in progress	<u>\$ 1,622,989</u>	<u>\$ 2,924,332</u>	<u>\$ 4,507,181</u>	<u>\$ 40,140</u>

(6) Long-Term Obligations

A. Changes in General Long-Term Obligations

During the year ended June 30, 2014, long-term liability activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Loans Payable	\$ 2,057,787	\$ -	\$ 116,540	\$ 1,941,247	\$ 118,867
Bonds	335,000	-	335,000	-	-
Notes Payable- City	26,288,990	-	290,960	25,998,030	695,960
Total long-term liabilities	<u>\$ 28,681,777</u>	<u>\$ -</u>	<u>\$ 742,500</u>	<u>\$ 27,939,277</u>	<u>\$ 814,827</u>

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

B. Loans Payable

Governmental Activities

<p>In 2009, the City borrowed \$1,981,047 through the OECDD to finance completion of Township Road, Berg Parkway and Sequoia Parkway. The loan included a premium of \$19,067 for a total initial amount of \$2,000,114. The loan carries interest rates from 3.00% to 5.25% over its 20 year term. The loan has a final maturity date of December 1, 2028.</p>	\$ 1,622,406 14,300
Loan Premium	
<p>In 2010, the City borrowed \$417,927 from Business Oregon Infrastructure Finance Authority to finance construction of Walnut Street in the Canby Pioneer Industrial Park. The loan carries an interest rate of 5% over its 10-year term. Money to repay the loan will come from the benefitted property owners who formed a local improvement district to finance construction.</p>	304,541
Total loans payable	\$ 1,941,247

(7) Long-Term Obligations (Continued)

B. Loans Payable (Continued)

Annual debt service requirements to maturity for loans payable are as follows:

	OECDD #B08002			Business Oregon X090004		Total Government Loans	
	Principal	Interest	Premium	Principal	Interest	Principal	Interest
2015	\$ 79,018	\$ 74,358	\$ 953	\$ 38,896	\$ 15,227	\$ 118,867	\$ 89,585
2016	79,578	71,198	953	40,841	13,282	121,372	84,480
2017	85,161	68,014	953	42,883	11,240	128,997	79,254
2018	90,768	64,608	953	45,027	9,096	136,748	73,704
2019	91,399	60,977	953	47,279	6,845	139,631	67,822
2020-2024	528,531	239,811	4,765	89,615	6,480	622,911	246,291
2025-2029	667,951	101,665	4,770	-	-	672,721	101,665
2030-2034	-	-	-	-	-	-	-
Total	<u>\$ 1,622,406</u>	<u>\$ 680,631</u>	<u>\$ 14,300</u>	<u>\$ 304,541</u>	<u>\$ 62,170</u>	<u>\$ 1,941,247</u>	<u>\$ 742,801</u>

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

C. Bonds and Notes

Bonds Payable

In 2011, the City issued \$9,000,000 of Full Faith and Credit Obligations to finance a new Police facility in conjunction with the urban renewal plan. The obligations carry interest rates from 2.00% to 5.00% and have final a maturity date of June 1, 2036. The Agency is obligated to service the obligations under agreement within the City.

\$ 8,915,000

Bond Discount

(20,900)

In 2010, the City issued \$2,500,000 of Full Faith and Credit Obligations to finance redevelopment of NE 1st Avenue. The obligations carry interest rates from 3.75% to 7.00% and have final a maturity date of December 15, 2030. They are Recovery Zone Economic Development Obligations which provide the City a 45% rebate of the amount of interest paid. The Agency is obligated to so service the obligations under the agreement with the City.

2,205,000

Bond Discount

(37,548)

In 2012, the City issued \$14,050,000 of bonds to refinance two OECDD loans, to finance extension of Sequoia Parkway, and to finance a new library and refurbish the existing library building for city offices. The bonds carry interest rates from 3.00% to 4.00% and have a final maturity date of December 1, 2034.

13,905,000

Bond Premium

1,031,478

Total Obligations

\$ 25,998,030

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(8) Long-Term Obligations (Continued)

Annual debt service requirements to maturity for bonds and notes payable are as follows:

Bank of New York - Bond Series 2010		Bond Discount	
	Principal	Interest	Principal
2015	\$ 100,000	\$ 136,794	\$ (2,208)
2016	105,000	132,950	(2,208)
2017	105,000	128,159	(2,208)
2018	110,000	122,381	(2,208)
2019	110,000	116,469	(2,208)
2020-2024	605,000	479,438	(11,040)
2025-2029	735,000	250,425	(11,040)
2030-2034	335,000	23,625	(4,428)
Total	<u>\$ 2,205,000</u>	<u>\$ 1,390,241</u>	<u>\$ (37,548)</u>

Bank of New York - Bond Series 2011		Bond Discount	
	Principal	Interest	Principal
2015	\$ -	\$ 425,738	\$ (950)
2016	25,000	425,738	(950)
2017	30,000	425,238	(950)
2018	45,000	424,548	(950)
2019	115,000	423,355	(950)
2020-2024	650,000	2,045,088	(4,750)
2025-2029	1,955,000	1,798,590	(4,750)
2030-2034	4,035,000	1,156,640	(4,750)
2035-2039	2,060,000	155,750	(1,900)
Total	<u>\$ 8,915,000</u>	<u>\$ 7,280,685</u>	<u>\$ (20,900)</u>

Bank of New York - Bond Series 2012		Bond Premium		Total Governmental Bonds	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 550,000	\$ 479,363	\$ 49,118	\$ 695,960	\$ 1,041,895
2016	610,000	461,963	49,118	785,960	1,020,651
2017	650,000	443,063	49,118	830,960	996,460
2018	645,000	425,638	49,118	845,960	972,567
2019	605,000	408,888	49,118	875,960	948,712
2020-2024	3,370,000	1,700,965	245,590	4,854,800	4,225,491
2025-2029	3,100,000	1,045,265	245,590	6,019,800	3,094,280
2030-2034	3,585,000	429,807	245,590	8,191,412	1,610,072
2035-2039	790,000	12,838	49,118	2,897,218	168,588
Total	<u>\$ 13,905,000</u>	<u>\$ 5,407,790</u>	<u>\$ 1,031,478</u>	<u>\$ 25,998,030</u>	<u>\$ 14,078,716</u>

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014

(9) Risk Management

The Agency is exposed to various risks of loss and insurance coverage is provided by the City of Canby, which carries commercial insurance. Settled claims resulting from risks of loss have not exceeded commercial insurance coverage in any of the past three years.

(10) Commitments and Contingencies

At June 30, 2014, the Agency had no outstanding construction commitments.

(11) Related Party Transactions

The Agency paid the City \$353,752 for salary and benefits for services performed by the City's employees on behalf of the Agency and \$46,555 for support services.

(12) Subsequent Event

Subsequent to year end, the City of Canby Urban Renewal Agency purchased property in the amount of \$680,000 for the development of a new Library Civic Center. The purchase was made in accordance with objectives of the Urban Renewal Plan and was financed with bond proceeds issued for a Library Civic Center.

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**SUPPLEMENTARY
INFORMATION**

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CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED June 30, 2014

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,254,367	\$ 2,254,367	\$ 2,402,610	\$ 148,243
Special Assessments	65,787	65,787	68,288	2,501
Grants & donations	63,244	63,244	58,691	(4,553)
Interest	2,400	2,400	3,592	1,192
Total revenues	<u>2,385,798</u>	<u>2,385,798</u>	<u>2,533,181</u>	<u>147,383</u>
EXPENDITURES:				
Debt service:				
Principal	959,301	959,301	695,587	263,714
Interest	1,164,161	1,164,161	1,163,727	434
Total expenditures	<u>2,123,462</u>	<u>2,123,462</u>	<u>1,859,314</u>	<u>264,148</u>
Revenues over (under) expenditures	<u>262,336</u>	<u>262,336</u>	<u>673,867</u>	<u>411,531</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net changes in fund balances	<u>(237,664)</u>	<u>(237,664)</u>	<u>173,867</u>	<u>411,531</u>
FUND BALANCES, BEGINNING	<u>237,664</u>	<u>237,664</u>	<u>252,749</u>	<u>15,085</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,616</u>	<u>\$ 426,616</u>

CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2014

Tax Year	Taxes Receivable 30-Jun-13	2013-14 Levy	Collections	Interest	Taxes Adjustments/ Discounts	Receivable 30-Jun-14
2013-14	\$ -	\$ 2,463,198	\$ (2,334,711)	\$ 810	\$ (74,435)	\$ 54,862
2012-13	66,589	-	(32,329)	1,990	(1,788)	34,462
2011-12	33,436	-	(12,535)	1,961	(511)	22,351
2010-11	21,231	-	(9,439)	2,223	(145)	13,870
2009-10	11,764	-	(3,380)	1,001	(221)	9,164
prior	2,871	-	(520)	(129)	(392)	1,831
Total	\$ 135,891	\$ 2,463,198	\$ (2,392,914)	\$ 7,856	\$ (77,492)	\$ 136,540

Reconciliation to revenue:

Collections per above	\$ 2,392,914
Change in receivables	649
Change in unavailable revenue	9,047
	<u>\$ 2,402,610</u>



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December 11, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Canby Urban Renewal Agency as of and for the year ended June 30, 2014, and have issued our report thereon dated December 11, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of 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 Canby 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 controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

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

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

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