

**CANBY URBAN RENEWAL AGENCY**

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended

June 30, 2011

**MERINA**  
& COMPANY, LLP

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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**CANBY URBAN RENEWAL AGENCY**  
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**June 30, 2011**

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## **INTRODUCTORY SECTION**

**CANBY URBAN RENEWAL AGENCY  
BOARD OF DIRECTORS  
June 30, 2011**

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**Board of Directors**

**Term Expires**

Richard Ares, Chairman  
Canby, Oregon 97013

December 31, 2014

Randy Carson, Vice Chair  
Canby, Oregon 97013

December 31, 2012

Traci Hensley, Commissioner  
Canby, Oregon 97013

December 31, 2012

Walt Daniels, Commissioner  
Canby, Oregon 97013

December 31, 2012

Tim Dale, Commissioner  
Canby, Oregon 97013

December 31, 2012

Brian Hodson, Commissioner  
Canby, Oregon 97013

December 31, 2014

Greg Parker, Commissioner  
Canby, Oregon 97013

December 31, 2014

## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Canby Urban Renewal Agency  
Canby, Oregon

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

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

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

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

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

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



Merina & Company, LLP  
West Linn, Oregon  
December 29, 2011

**CANBY URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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This discussion is intended to be an easily readable analysis of the City of Canby Urban Renewal Agency's (Agency) financial activities based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the financial statements that follow. The accompanying notes are also an integral part of this report.

The report consists of agency-wide statements, fund financial statements, notes to the statements and supplemental information. The basic financial statements include the agency-wide financial statements that present an overview of the Agency's entire operations, while the fund level statements present the financial information of each of the two major funds.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Agency management.

The Agency's financial statements have been audited by Merina & Company, LLC, a firm of licensed certified public accountants. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2011. The independent auditor's report is presented as the first component of the financial section of this report.

## **AGENCY-WIDE STATEMENTS**

### Statement of Net Assets

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. This is the sixth fiscal year that the Agency has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB34).

Over time, increases or decreases in net assets 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 negative net assets for the Agency. Again, this could typically be interpreted as a deteriorating position except in the case of this governmental structure. The Agency's decrease in total assets is largely a result of expenditures on the road projects and debt service payments on long-term loans from OECDD and a revenue bond issued in 2008.

For more detailed information on the Agency's debt refer to the Notes to the Basic Financial Statements (Note (1) G).

**CANBY URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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**STATEMENT OF NET ASSETS**

	Governmental Activities	
	2011	2010
<b>ASSETS:</b>		
Cash and investments	\$ 3,565,028	\$ 870,161
Due from other governments	10,731	12,204
Accounts receivable	482,495	78,811
Property taxes receivable	104,737	104,470
Bond issue cost	35,689	15,666
	<u>4,198,680</u>	<u>1,081,312</u>
Total Assets	<u>\$ 4,198,680</u>	<u>\$ 1,081,312</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 127,252	\$ 49,329
Payroll payable	-	8,114
Interest payable	119,952	113,426
Current portion of long-term debt	587,489	387,793
Noncurrent portion of long-term debt	7,488,264	5,201,995
	<u>8,322,957</u>	<u>5,760,657</u>
Total Liabilities	<u>8,322,957</u>	<u>5,760,657</u>
<b>NET ASSETS:</b>		
Restricted for:		
Capital Projects	3,001,935	-
Debt Service	456,546	191,500
Unrestricted	(7,582,758)	(4,870,845)
	<u>(4,124,277)</u>	<u>(4,679,345)</u>
Total net assets	<u>(4,124,277)</u>	<u>(4,679,345)</u>
Total Liabilities and Net Assets	<u>\$ 4,198,680</u>	<u>\$ 1,081,312</u>

Statement of Activities

The Statement of Activities focuses on the program costs and their matching resources. To the extent a program's cost is not recovered by grants and property taxes, it is paid from debt proceeds. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by debt. The Statement of Activities

**CANBY URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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presents information showing how the Agency's net assets changed during the most recent fiscal year.

As discussed previously, the Agency's change in net assets was an increase of \$555,068, resulting in negative ending net assets of \$4,124,277. This represents the extent to which programs were not self-supporting from property taxes and previous year's negative changes in net assets.

Expenses for total activities decreased \$740,472 over the prior year due to completion of fewer community development projects and other capital projects identified in the Agency's plan.

**STATEMENT OF ACTIVITIES**

	Net Revenues (Expenses) and Changes in Net Assets	
	2011	2010
<b>EXPENSES:</b>		
Community development	\$ (1,623,819)	\$ (2,407,444)
Interest on long-term debt	(307,959)	(264,806)
Total program expenses	<u>(1,931,778)</u>	<u>(2,672,250)</u>
<b>GENERAL REVENUES:</b>	1,869,343	1,812,299
Property taxes		
Special assessment	659,661	-
Interest	30,231	19,140
Miscellaneous	-	2,430
Transfers in (out)	<u>(72,389)</u>	<u>(64,171)</u>
Total general revenues	<u>2,486,846</u>	<u>1,769,698</u>
Change in net assets	555,068	(902,552)
<b>NET ASSETS, BEGINNING</b>	<u>(4,679,345)</u>	<u>(3,776,793)</u>
<b>NET ASSETS, ENDING</b>	<u>\$ (4,124,277)</u>	<u>\$ (4,679,345)</u>

The Agency's tax levy totaled \$1,932,434 and is restricted to repayment of debt. The debt is used to finance the improvements identified in the urban renewal plan.

**CANBY URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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**FUND FINANCIAL STATEMENTS**

Fund Statements

Following 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, agency 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 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 and to close the district. For each major fund a Budgetary Comparison Statement is presented.

Capital Assets and Debt Administration

The Agency incurred infrastructure costs as the Agency continued with the construction phase of community development projects during the 2010-2011 fiscal year. Again, 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.

For more detailed information on the City's debt and amortization terms refer to the Notes to the Basic Financial Statement (Note (1) G).

**NOTES AND SUPPLEMENTAL INFORMATION**

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 and Rates

The Agency's budget for fiscal year 2011-12 will be highlighted by continued work on remaining projects in the urban renewal plan.

**CANBY URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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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**

**CANBY URBAN RENEWAL AGENCY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

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	Governmental Activities
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 3,565,028
Due from other governments	10,731
Accounts receivable	482,495
Property taxes receivable	104,737
Bond issue cost	35,689
	<hr/>
Total assets	<u>\$ 4,198,680</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 127,252
Interest payable	119,952
Current portion of long-term debt	587,489
	<hr/>
Total current liabilities	834,693
Noncurrent liabilities:	
Noncurrent portion of long-term debt	7,488,264
	<hr/>
Total noncurrent liabilities	7,488,264
Total liabilities	<hr/> 8,322,957
<b>NET ASSETS:</b>	
Restricted for:	
Capital Projects	3,001,935
Debt Service	456,546
Unrestricted	(7,582,758)
	<hr/>
Total net assets	(4,124,277)
Total liabilities and net assets	<u>\$ 4,198,680</u>

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

**CANBY URBAN RENEWAL AGENCY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

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	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>EXPENSES:</b>				
Community development	\$ 1,827,321	\$ 300	\$ 203,202	\$ (1,623,819)
Interest on long-term debt	307,959	-	-	(307,959)
Total activities	2,135,280	300	203,202	(1,931,778)
 <b>GENERAL REVENUES:</b>				
Property taxes				1,869,343
Special assessments				659,661
Interest				30,231
Transfers in (out)				(72,389)
Total general revenues				2,486,846
Change in net assets				555,068
 <b>NET ASSETS, BEGINNING</b>				(4,679,345)
 <b>NET ASSETS, ENDING</b>				\$ (4,124,277)

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

**CANBY URBAN RENEWAL AGENCY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2011**

	Urban Renewal General	Urban Renewal Debt Service	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,129,180	\$ 435,848	\$ 3,565,028
Due from other governments	-	10,731	10,731
Accounts receivable	7	482,488	482,495
Property taxes receivable	-	104,737	104,737
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 3,129,187</u>	<u>\$ 1,033,804</u>	<u>\$ 4,162,991</u>
<b>LIABILITIES:</b>			
Accounts payable and other current liabilities	\$ 127,252		\$ 127,252
Deferred revenue		577,258	577,258
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>127,252</u>	<u>577,258</u>	<u>704,510</u>
<b>FUND BALANCES:</b>			
Restricted for:			
Capital Projects	3,001,935		3,001,935
Debt Service		456,546	456,546
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	<u>3,001,935</u>	<u>456,546</u>	<u>3,458,481</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balance	<u>\$ 3,129,187</u>	<u>\$ 1,033,804</u>	

Amounts reported in the statement of net assets are different because:

Other long-term assets are not available to pay for current-period expenditures

Deferred revenue	577,258
Bond cost	35,689

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	(119,952)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(8,075,753)

Net assets

\$ (4,124,277)

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

**CANBY URBAN RENEWAL AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2011**

	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Charges for services	\$ 300	\$ -	\$ 300
Property taxes	-	1,870,093	1,870,093
Special assessments	-	255,984	255,984
Grants & donations	171,946	31,256	203,202
Interest	10,085	20,146	30,231
Total revenues	<u>182,331</u>	<u>2,177,479</u>	<u>2,359,810</u>
<b>EXPENDITURES:</b>			
Current:			
General government	334,718	-	334,718
Capital outlay	1,488,379	-	1,488,379
Debt service:			
Principal	-	386,840	386,840
Interest	-	301,433	301,433
Total expenditures	<u>1,823,097</u>	<u>688,273</u>	<u>2,511,370</u>
Revenues over (under) expenditures	<u>(1,640,766)</u>	<u>1,489,206</u>	<u>(151,560)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of debt	2,848,558	-	2,848,558
Transfers in	1,500,000	-	1,500,000
Transfers out	(72,389)	(1,500,000)	(1,572,389)
Total other financing sources (uses)	<u>4,276,169</u>	<u>(1,500,000)</u>	<u>2,776,169</u>
Net change in fund balances	2,635,403	(10,794)	2,624,609
<b>FUND BALANCE, BEGINNING</b>	<u>366,532</u>	<u>467,340</u>	<u>833,872</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,001,935</u>	<u>\$ 456,546</u>	<u>\$ 3,458,481</u>

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

**CANBY 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, 2011**

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Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ 2,624,609
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	402,927
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	(6,526)
Amortization of bond issue cost	20,023
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which proceeds exceeded repayments.	<u>(2,485,965)</u>
Changes in net assets	<u><u>\$ 555,068</u></u>

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

**CANBY URBAN RENEWAL AGENCY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ -	\$ -	\$ 300	\$ 300
Grants & donations	-	-	171,946	171,946
Interest	8,250	8,250	10,085	1,835
Miscellaneous	3,000	3,000		(3,000)
Total revenues	11,250	11,250	182,331	171,081
<b>EXPENDITURES:</b>				
Materials and service	432,543	432,543	334,718	97,825
Capital outlay	4,851,213	4,851,213	1,488,379	3,362,834
Contingency	155,105	155,105	-	155,105
Total expenditures	5,438,861	5,438,861	1,823,097	3,615,764
Revenues over (under) expenditures	(5,427,611)	(5,427,611)	(1,640,766)	3,786,845
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	2,500,000	2,500,000	2,848,558	348,558
Transfers in	2,000,000	2,000,000	1,500,000	(500,000)
Transfers out	(72,389)	(72,389)	(72,389)	-
Total other financing sources (uses)	4,427,611	4,427,611	4,276,169	(151,442)
Net changes in fund balances	(1,000,000)	(1,000,000)	2,635,403	3,635,403
<b>FUND BALANCES, BEGINNING</b>	1,000,000	1,000,000	366,532	(633,468)
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 3,001,935	\$ 3,001,935

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

**CANBY URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

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**(1) Summary of Significant Accounting Policies**

The financial statements of the Agency have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. No FASB statements and interpretations issued after November 30, 1989 have been applied.

**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 is the Board of Directors of the Agency.

The component unit financial statements of the Agency include all funds of the Agency, and the Board of Directors are not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a component unit of the City of Canby and, as such is included in the financial statements of the City of Canby for the year ended June 30, 2011.

**B. Basic Financial Statements**

The Agency's financial operations are presented at both the agency-wide and fund financial levels. All activities on the Agency are categorized as governmental.

The statement of net assets and the statement of activities display information about the Agency as a whole. All activities of the Agency are categorized as governmental activities.

**Agency-wide 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.

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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

**CANBY URBAN RENEWAL AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements**

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, 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 Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The 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. Major sources of revenue and other financing sources are property taxes.

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 regardless of the measurement focus.

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

**CANBY URBAN RENEWAL AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

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

**E. Cash and Cash Equivalents**

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

**F. Receivables and Property Tax Calendar**

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Real and personal property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by 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. Long-Term Debt**

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

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

**CANBY URBAN RENEWAL AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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**H. Fund Equity**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

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

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

*Committed* – Includes items committed by the 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 used for those balances not assigned to another category.

**I. Use of Restricted Resources**

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

**J. Use of Estimates**

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

**(2) Budget**

The Agency budgets its fund on the modified accrual basis of accounting. Budget appropriations lapse at the end of each fiscal year. Appropriations are adopted in the categories of personal services, materials and services, and capital outlay. Actual expenditures may not legally exceed appropriations in any of the categories.

**CANBY URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

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**(3) Cash and Cash Equivalents**

At June 30, 2011 investments included in cash and cash equivalents consist of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	<u>\$ 3,325,591</u>
Total	<u>\$ 3,325,591</u>

**A. 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.

**B. 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.

**C. Concentration of credit risk**

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

**D. 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 non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2011, none of the Agency's bank balances were exposed to credit risk.

**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**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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**(4) Property Taxes**

Property tax transactions for the year ended June 30, 2011, were as follows:

Tax Year	Taxes Receivable June 30, 2010	2010-2011 Levy	Collections	Adjustments/ Discounts	Comcast Reserve	Taxes Receivable June 30, 2011
2010-11	-	1,932,434	(1,808,314)	(56,366)	(5,689)	62,065
2009-10	69,050	-	(37,534)	(4,371)		27,145
2008-09	24,395	-	(11,870)	(1,052)		11,473
2007-08	8,192	-	(4,954)	(337)		2,901
2006-07	1,778	-	(1,119)	(114)		545
2005-06	335	-	(82)	(40)		213
2004-05	207	-	(41)	(36)		130
Prior Years	513	-	(20)	(228)		265
Total	<u>104,470</u>	<u>1,932,434</u>	<u>(1,863,934)</u>	<u>(62,544)</u>	<u>(5,689)</u>	<u>104,737</u>

**(5) Deferred Revenue**

Deferred revenue as of June 30, 2011 consists of uncollected property taxes not deemed available to finance operations of the current period.

**(6) Long-Term Debt**

**A. Changes in General Long-Term Liabilities**

During the year ended June 30, 2011, long-term liability activity was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Loans Payable	\$ 4,534,788	\$ 417,927	\$ 207,793	\$ 4,744,922	\$ 254,697
Bonds	<u>1,055,000</u>	<u>2,455,831</u>	<u>180,000</u>	<u>3,330,831</u>	<u>332,792</u>
Total long-term liabilities	<u>\$ 5,589,788</u>	<u>\$ 2,873,758</u>	<u>\$ 387,793</u>	<u>\$ 8,075,753</u>	<u>\$ 587,489</u>

**CANBY URBAN RENEWAL AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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**B. Loans Payable**

Governmental Activities

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In 2003, the City borrowed \$1,300,000 through the Oregon Economic and Community Development Department to finance Sequoia Parkway. The loan carries an interest rate of 4.15% over the 20 year term. The loan has a final maturity date of December 1, 2023.	\$ 947,278
In 2005, the City borrowed \$1,962,920 through the Oregon Economic and Community Development Department to finance Canby Pioneer Industrial Park. The loan carries an interest rate of 3.9327% over the 20 year term. The loan has a final maturity date of 2024.	1,515,818
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.	1,863,899
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.	417,927
Total loans payable	\$ 4,744,922

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

	<b>OEDD #B03004</b>		<b>OECDD #B04004</b>	
	Principal	Interest	Principal	Interest
2012	\$ 55,438	\$ 40,043	\$ 84,540	\$ 59,720
2013	60,454	38,074	85,049	56,761
2014	60,470	35,883	90,575	53,784
2015	65,488	33,585	96,120	50,614
2016	65,508	30,966	96,685	47,250
2017-2021	372,873	111,481	543,460	177,760
2022-2026	267,047	24,871	519,389	57,485
2027-2031	-	-	-	-
Total	\$ 947,278	\$ 314,903	\$ 1,515,818	\$ 503,374

**CANBY URBAN RENEWAL AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

	<b>OECD #B08002</b>		<b>Business Oregon X09004</b>	
	Principal	Interest	Principal	Interest
2012	\$ 73,657	\$ 81,846	\$ 41,062	\$ 13,061
2013	74,038	79,665	35,280	18,843
2014	79,496	77,107	37,044	17,079
2015	79,971	74,358	38,896	15,227
2016	80,531	71,198	40,841	13,282
2017-2021	472,053	303,416	224,804	33,661
2022-2026	582,007	190,599	-	-
2027-2031	422,146	41,060	-	-
<b>Total</b>	<b>\$ 1,863,899</b>	<b>\$ 919,249</b>	<b>\$ 417,927</b>	<b>\$ 111,153</b>

**C. Bonds**

In 2008, the City issued \$1,915,000 of bonds to finance improvements to NE 2nd Avenue and a public parking lot at the end of the street. The bonds carry an interest rate of 4.15% over the 6 year term. The bonds have a final maturity date of June 1, 2014.

\$ 875,000

In 2010, the City issued \$2,500,000 of bonds to finance redevelopment of NE 1st Avenue. The bonds carry interest rates from 3.75% to 7.00% and have final maturity date of December 15, 2030. They are Recovery Zone Economic Development Bonds which provide the City a 45% rebate of the amount of interest paid.

2,500,000

Bond Discount

(44,169)

Total bonds payable

\$ 3,330,831

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<b>U.S. Bank - URD Bond Series 2008</b>		<b>Bank of New York - Bond Series 2010</b>		<b>Bond Discount</b>
	Principal	Interest	Principal	Interest	Principal
2012	\$ 240,000	\$ 36,312	\$ 95,000	\$ 81,973	\$ (2,208)
2013	300,000	26,353	100,000	79,962	(2,208)
2014	335,000	13,902	100,000	77,899	(2,208)
2015	-	-	100,000	75,837	(2,208)
2016	-	-	105,000	73,723	(2,208)
2017-2021	-	-	555,000	322,919	(11,040)
2022-2026	-	-	650,000	220,523	(11,040)
2027-2031	-	-	795,000	81,229	(11,049)
<b>Total</b>	<b>\$ 875,000</b>	<b>\$ 76,567</b>	<b>\$ 2,500,000</b>	<b>\$ 1,014,065</b>	<b>\$ (44,169)</b>

**CANBY URBAN RENEWAL AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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**(7) 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.

**(8) New Accounting Pronouncement – GASB Statement No. 54**

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

## **OTHER SUPPLEMENTARY INFORMATION**

**CANBY URBAN RENEWAL AGENCY  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 2,207,352	\$ 2,207,352	\$ 1,870,093	\$ (337,259)
Special assessments		-	255,984	255,984
Grants & donations		-	31,256	31,256
Interest	10,620	10,620	20,146	9,526
Total revenues	<u>2,217,972</u>	<u>2,217,972</u>	<u>2,177,479</u>	<u>(40,493)</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	386,840	386,840	386,840	-
Interest	596,132	596,132	301,433	294,699
Total expenditures	<u>982,972</u>	<u>982,972</u>	<u>688,273</u>	<u>294,699</u>
Revenues over (under) expenditures	<u>1,235,000</u>	<u>1,235,000</u>	<u>1,489,206</u>	<u>254,206</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(1,500,000)</u>	<u>500,000</u>
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(1,500,000)</u>	<u>500,000</u>
Net changes in fund balances	(765,000)	(765,000)	(10,794)	754,206
<b>FUND BALANCES, BEGINNING</b>	<u>765,000</u>	<u>765,000</u>	<u>467,340</u>	<u>(297,660)</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,546</u>	<u>\$ 456,546</u>

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

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

We have audited the basic financial statements of Canby Urban Renewal Agency, a component unit of City of Canby, Oregon (the Agency), as of and for the year ended June 30, 2011 and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations.

Compliance

As part of obtaining reasonable assurance about whether the 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 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

OAR 162-10-0230 Internal Control

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

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

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP  
West Linn, Oregon  
December 29, 2011