

CANBY URBAN RENEWAL AGENCY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA**

For the Fiscal Year Ended

June 30, 2010

**MERINA
& COMPANY, LLP**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INTRODUCTORY SECTION

**CANBY URBAN RENEWAL AGENCY
BOARD OF DIRECTORS
June 30, 2010**

Board of Directors

Term Expires

Melody Thompson, Mayor
Canby, Oregon 97013

December 31, 2010

Walt Daniels, Chairman
Canby, Oregon 97013

December 31, 2012

Robert Bitter, Commissioner
Canby, Oregon 97013

December 31, 2010

John Henri, Commissioner
Canby, Oregon 97013

December 31, 2012

Jason Padden, Commissioner
Canby, Oregon 97013

December 31, 2012

Richard Ares, Commissioner
Canby, Oregon 97013

December 31, 2010

Brian Hodson, Commissioner
Canby, Oregon 97013

December 31, 2010

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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, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 2010, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The introductory section and other supplementary information 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 were 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

Merina & Company, LLP
West Linn, Oregon
December 23, 2010

**CANBY URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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, 2010. 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 fifth 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, 2010**

STATEMENT OF NET ASSETS

	Governmental Activities	
	2010	2009
ASSETS:		
Cash and investments	\$ 870,161	\$ 2,483,995
Due from other governments	12,204	9,984
Accounts receivable	78,811	188,262
Property taxes receivable	104,470	82,838
Bond issue cost	15,666	19,583
	<u>1,081,312</u>	<u>2,784,662</u>
Total Assets	<u>\$ 1,081,312</u>	<u>\$ 2,784,662</u>
LIABILITIES:		
Accounts payable	\$ 49,329	\$ 164,311
Payroll payable	8,114	8,000
Interest payable	113,426	72,377
Current portion of long-term debt	387,793	201,979
Noncurrent portion of long-term debt	5,201,995	6,114,788
	<u>5,760,657</u>	<u>6,561,455</u>
Total Liabilities	<u>5,760,657</u>	<u>6,561,455</u>
NET ASSETS:		
Reserved for: Debt Service	191,500	191,500
Unreserved	<u>(4,870,845)</u>	<u>(3,968,293)</u>
Total net assets	<u>(4,679,345)</u>	<u>(3,776,793)</u>
Total Liabilities and Net Assets	<u>\$ 1,081,312</u>	<u>\$ 2,784,662</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 presents information showing how the Agency's net assets changed during the most recent fiscal year.

**CANBY URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

As discussed previously, the Agency's change in net assets was a decrease of \$902,552, resulting in negative ending net assets of \$4,679,345. 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 increased \$249,048 over the prior year due to completion of several community development projects and other capital projects identified in the Agency's plan.

STATEMENT OF ACTIVITIES

	Net Revenues (Expenses) and Changes in Net Assets	
	2010	2009
EXPENSES:		
Community development	\$ (2,407,444)	\$ (2,158,396)
Interest on long-term debt	<u>(264,806)</u>	<u>(182,627)</u>
Total program expenses	<u>(2,672,250)</u>	<u>(2,341,023)</u>
GENERAL REVENUES:		
Property taxes	1,812,299	1,477,751
Interest	19,140	54,274
Miscellaneous	2,430	-
Transfers in (out)	<u>(64,171)</u>	<u>-</u>
Total general revenues	<u>1,769,698</u>	<u>1,532,025</u>
Change in net assets	(902,552)	(808,998)
NET ASSETS, BEGINNING	<u>(3,776,793)</u>	<u>(2,967,795)</u>
NET ASSETS, ENDING	<u>\$ (4,679,345)</u>	<u>\$ (3,776,793)</u>

The Agency's tax levy totaled \$1,859,357 and is restricted to repayment of debt. The debt is used to finance the improvements identified in the urban renewal plan.

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.

**CANBY URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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 2009-2010 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 the anticipation of continuing to work on remaining projects in the urban renewal plan.

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, 2010

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 870,161
Due from other governments	12,204
Accounts receivable	78,811
Property taxes receivable	104,470
Bond issue cost	15,666
	<hr/>
Total assets	<u>\$ 1,081,312</u>
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 49,329
Payroll payable	8,114
Interest payable	113,426
Current portion of long-term debt	387,793
	<hr/>
Total current liabilities	<u>558,662</u>
 Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>5,201,995</u>
	<hr/>
Total noncurrent liabilities	<u>5,201,995</u>
	<hr/>
Total liabilities	<u>5,760,657</u>
 NET ASSETS:	
Restricted for:	
Debt service	191,500
Unrestricted	<u>(4,870,845)</u>
	<hr/>
Total net assets	<u>(4,679,345)</u>
	<hr/>
Total liabilities and net assets	<u>\$ 1,081,312</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, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		Net Revenue (Expenses) and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
EXPENSES:				
Community development	\$ 2,419,944	\$ -	\$ 12,500	\$ (2,407,444)
Interest on long-term debt	264,806	-	-	(264,806)
 Total activities	 2,684,750	 -	 12,500	 (2,672,250)
 GENERAL REVENUES:				
Property taxes				1,812,299
Interest				19,140
Miscellaneous				2,430
Transfers in (out)				(64,171)
 Total general revenues				 1,769,698
 Change in net assets				 (902,552)
 NET ASSETS, BEGINNING				 (3,776,793)
 NET ASSETS, ENDING				 \$ (4,679,345)

The accompanying notes are an integral part of these financial statements

CANBY URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	Urban Renewal General	Urban Renewal Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 423,975	\$ 446,186	\$ 870,161
Due from other governments	-	12,204	12,204
Accounts receivable	-	78,811	78,811
Property taxes receivable	-	104,470	104,470
 Total assets	 <u>\$ 423,975</u>	 <u>\$ 641,671</u>	 <u>\$ 1,065,646</u>
LIABILITIES:			
Accounts payable and other current liabilities	\$ 49,329	\$ -	\$ 49,329
Deferred revenue	-	174,331	174,331
Payroll payable	8,114	-	8,114
 Total liabilities	 <u>57,443</u>	 <u>174,331</u>	 <u>231,774</u>
FUND BALANCES:			
Reserved for:			
Debt service	-	467,340	467,340
Unreserved	366,532	-	366,532
 Total fund balance	 <u>366,532</u>	 <u>467,340</u>	 <u>833,872</u>
 Total liabilities and fund balance	 <u>\$ 423,975</u>	 <u>\$ 641,671</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 and, therefore, are deferred in the funds.

Deferred revenue	174,331
Bond cost	15,666

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	(113,426)
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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.

(5,589,788)

Net assets \$ (4,679,345)

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, 2010

	Urban Renewal General Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes	\$ -	\$ 1,792,115	\$ 1,792,115
Special assessments	-	6,929	6,929
Grants & donations	12,500	-	12,500
Interest	7,693	11,447	19,140
Miscellaneous	2,430	-	2,430
Total revenues	<u>22,623</u>	<u>1,810,491</u>	<u>1,833,114</u>
EXPENDITURES:			
Current:			
General government	284,358	-	284,358
Capital outlay	2,132,622	-	2,132,622
Debt service:			
Principal	-	726,026	726,026
Interest	-	223,757	223,757
Total expenditures	<u>2,416,980</u>	<u>949,783</u>	<u>3,366,763</u>
Revenues over (under) expenditures	<u>(2,394,357)</u>	<u>860,708</u>	<u>(1,533,649)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	1,207,832	-	1,207,832
Transfers out	(64,171)	(1,207,832)	(1,272,003)
Total other financing sources (uses)	<u>1,143,661</u>	<u>(1,207,832)</u>	<u>(64,171)</u>
Net change in fund balances	(1,250,696)	(347,124)	(1,597,820)
FUND BALANCE, BEGINNING	<u>1,617,228</u>	<u>814,464</u>	<u>2,431,692</u>
FUND BALANCE, ENDING	<u>\$ 366,532</u>	<u>\$ 467,340</u>	<u>\$ 833,872</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, 2010**

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ (1,597,820)
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	13,255
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	(41,049)
Amortization of bond issue cost	(3,917)
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>726,979</u>
Changes in net assets	<u><u>\$ (902,552)</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, 2010**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants & donations	\$ -	\$ -	\$ 12,500	\$ 12,500
Interest	14,000	14,000	7,693	(6,307)
Miscellaneous	-	-	2,430	2,430
Total revenues	14,000	14,000	22,623	8,623
EXPENDITURES:				
Materials and service	534,661	534,661	284,358	250,303
Capital outlay	3,073,000	3,073,000	2,132,622	940,378
Contingency	150,000	150,000	-	150,000
Total expenditures	3,757,661	3,757,661	2,416,980	1,340,681
Revenues over (under) expenditures	(3,743,661)	(3,743,661)	(2,394,357)	1,349,304
OTHER FINANCING SOURCES (USES):				
Issuance of debt	1,100,000	1,100,000	-	(1,100,000)
Transfers in	1,207,832	1,207,832	1,207,832	-
Transfers out	(64,171)	(64,171)	(64,171)	-
Total other financing sources (uses)	2,243,661	2,243,661	1,143,661	(1,100,000)
Net changes in fund balances	(1,500,000)	(1,500,000)	(1,250,696)	249,304
FUND BALANCES, BEGINNING	1,500,000	1,500,000	1,617,228	117,228
FUND BALANCES, ENDING	\$ -	\$ -	\$ 366,532	\$ 366,532

The accompanying notes are an integral part of these financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANBY URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

(I) 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.

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, 2010.

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, 2010

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, 2010**

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, 2010**

H. Fund Equity

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund-level financial statements. Planned expenditures primarily include future capital projects and debt service.

I. 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.

(3) Cash and Cash Equivalents

At June 30, 2010 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>\$ 800,787</u>
Total	<u>\$ 800,787</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.

**CANBY URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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 City’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, 2010, 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.

(4) Property Taxes

Property tax transactions for the year ended June 30, 2010, were as follows:

Tax Year	Taxes	2009-2010 Levy	Collections	Adjustments/ Discounts	Taxes
	Receivable June 30, 2009				Receivable June 30, 2010
2009-10	-	1,859,357	(1,741,404)	(48,903)	69,050
2008-09	61,303	-	(35,866)	(1,042)	24,395
2007-08	15,720	-	(7,249)	(279)	8,192
2006-07	3,856	-	(1,944)	(134)	1,778
2005-06	1,059	-	(603)	(121)	335
2004-05	300	-	(13)	(80)	207
2003-04	208	-	(7)	(35)	166
2002-03	392	-	(29)	(16)	347
Prior	-	-	-	-	-
Total	82,838	1,859,357	(1,787,115)	(50,610)	104,470

(5) Deferred Revenue

Deferred revenue as of June 30, 2010 consists of uncollected property taxes not deemed available to finance operations of the current period.

**CANBY URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

(6) Long-Term Debt

A. Changes in General Long-Term Liabilities

During the year ended June 30, 2010, long-term liability activity was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Loans Payable	\$ 4,736,767	\$ -	\$ 201,979	\$ 4,534,788	\$ 207,793
Bonds	1,580,000	-	525,000	1,055,000	180,000
Total long-term liabilities	<u>\$ 6,316,767</u>	<u>\$ -</u>	<u>\$ 726,979</u>	<u>\$ 5,589,788</u>	<u>\$ 387,793</u>

B. Loans Payable

Governmental Activities

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.

\$ 1,002,702

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.

1,599,900

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.

1,932,186

Total loans payable

\$ 4,534,788

**CANBY URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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

Fiscal Year	OECD Loan B08002		OECD Loan B03004		OECD Loan B04004	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 68,287	\$ 83,866	\$ 55,424	\$ 41,872	\$ 84,082	\$ 62,452
2012	73,657	81,846	55,438	40,043	84,540	59,720
2013	74,038	79,665	60,454	38,074	85,049	56,761
2014	79,496	77,107	60,470	35,883	90,575	53,784
2015	79,971	74,358	65,488	33,585	96,120	50,614
2016-20	448,766	321,890	357,757	126,533	524,968	198,141
2021-25	557,504	216,053	347,671	40,785	634,566	84,354
2026-30	550,467	68,330	-	-	-	-
	<u>\$ 1,932,186</u>	<u>\$ 1,003,115</u>	<u>\$ 1,002,702</u>	<u>\$ 356,775</u>	<u>\$ 1,599,900</u>	<u>\$ 565,826</u>

Fiscal Year	Totals	
	Principal	Interest
2011	\$ 207,793	\$ 188,190
2012	213,635	181,609
2013	219,541	174,500
2014	230,541	166,774
2015	241,579	158,557
2016-20	1,331,491	646,564
2021-25	1,539,741	341,192
2026-30	550,467	68,330
	<u>\$ 4,534,788</u>	<u>\$ 1,925,716</u>

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.

\$ 1,055,000

Total bonds payable

\$ 1,055,000

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

Fiscal Year	URD Bond Series 2008	
	Principal	Interest
2011	\$ 180,000	\$ 43,783
2012	240,000	36,312
2013	300,000	26,353
2014	335,000	13,902
	<u>\$ 1,055,000</u>	<u>\$ 120,350</u>

CANBY URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

(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.

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, 2010**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,419,909	\$ 1,419,909	\$ 1,792,115	\$ 372,206
Special assessments	-	-	6,929	6,929
Interest	15,000	15,000	11,447	(3,553)
Total revenues	1,434,909	1,434,909	1,810,491	375,582
EXPENDITURES:				
Debt service:				
Principal	1,138,282	1,138,282	726,026	412,256
Interest	234,795	234,795	223,757	11,038
Total expenditures	1,373,077	1,373,077	949,783	423,294
Revenues over (under) expenditures	61,832	61,832	860,708	798,876
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,207,832)	(1,207,832)	(1,207,832)	-
Total other financing sources (uses)	(1,207,832)	(1,207,832)	(1,207,832)	-
Net changes in fund balances	(1,146,000)	(1,146,000)	(347,124)	798,876
FUND BALANCES, BEGINNING	1,146,000	1,146,000	814,464	(331,536)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 467,340	\$ 467,340

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**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE
REGULATIONS**

CANBY URBAN RENEWAL AGENCY
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Introduction

Oregon Administrative Rules 162-10-000 through 162-10-330 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding section of this report. Required comments and disclosures related to our audit of such statements and schedules are contained in this section.

Internal Accounting Control

We have audited the financial statements of Canby Urban Renewal Agency (the Agency) for the year ended June 30, 2010 and have issued our report thereon dated December 23, 2010.

The management of Canby Urban Renewal Agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses,

CANBY URBAN RENEWAL AGENCY
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

and, therefore, there can be no assurance that all such deficiencies have been identified. A significant deficiency is a deficiency, or combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies and have communicated them to management in a separately issued letter.

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

In connection with our audit:

Accounting Records

We found the accounting records of the Agency to be adequate for audit purposes considering the size and complexity of the municipal corporation.

Collateral

The Agency was in compliance with ORS Chapter 295 regarding collateral securing deposits for fiscal year ended June 30, 2010.

Indebtedness

The Agency's bonded debt outstanding was within the limitation of 3% of the real market value of the taxable property with the Agency as established by ORS 287.

Budgets

We reviewed budgets adopted by the Agency for the current and ensuing fiscal year. Budget preparation and adoption procedures followed by the Agency appear to be in compliance with Oregon Local Budget Law (ORS Chapter 294.305 to 294.520).

Insurance and Fidelity Bonds

We reviewed policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force. We are not competent by training to state whether the insurance policies covering Agency-owned property in force at June 30, 2010 are adequate.

Programs Funded from Outside Sources

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. The Agency appeared to have appropriate procedures for making expenditures on behalf of, and reporting for, such programs.

Highway Funds

The Agency does not receive Highway Funds.

CANBY URBAN RENEWAL AGENCY
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
June 30, 2010

Investments

The Agency's investments for the year ended June 30, 2010 were tested and appear to be in compliance with Oregon Revised Statutes Chapter 295 with regard to legal restrictions pertaining to the investment of public funds.

Public Contracts and Purchasing

We reviewed and tested the Agency's procedures for awarding public contracts. The Agency appears to be in compliance with the cost accounting guidelines developed by the State of Oregon Executive Department with regard to the Agency's construction projects and ORS Chapter 279 in the awarding of public contracts and the construction of public improvements.

Independently Elected Officials

The Independently Elected Officials of the Agency do not receive and disburse funds. Accordingly a Schedule of Accountability for Independently Elected Officials is not included.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 23, 2010

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