

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012



12700 SW 72nd Ave.
Tigard, OR 97223

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended

June 30, 2012

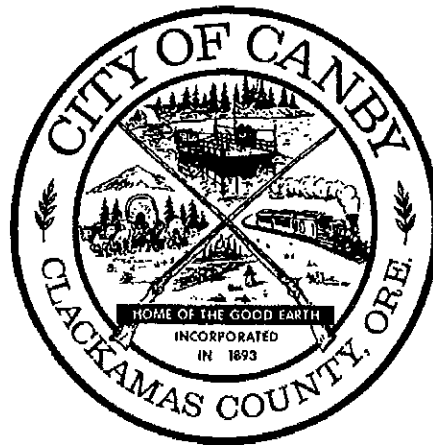
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CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

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INTRODUCTORY SECTION

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

BOARD OF DIRECTORS

JUNE 30, 2012

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, Board Member
Canby, Oregon 97013

December 31, 2012

Walt Daniels, Board Member
Canby, Oregon 97013

December 31, 2012

Tim Dale, Board Member
Canby, Oregon 97013

December 31, 2012

Brian Hodson, Board Member
Canby, Oregon 97013

December 31, 2014

Greg Parker, Board Member
Canby, Oregon 97013

December 31, 2014

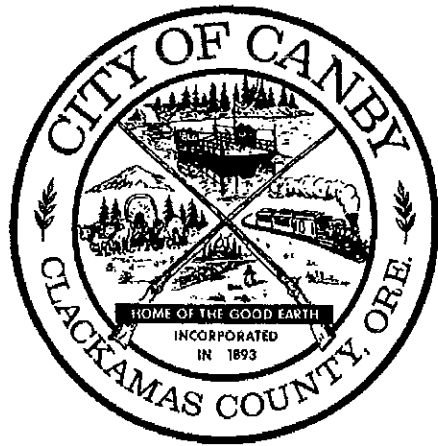
Agency Administration

Greg Ellis

District Manager

Board members receive mail at the City's address:

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



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FINANCIAL SECTION

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12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

January 27, 2014

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Canby Urban Renewal Agency (a component unit of the City of Canby), as of and for the year ended June 30, 2012 which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements as of June 30, 2011, were audited by other auditors whose report dated December 29, 2011 issued an unqualified opinion on those statements.

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 basic 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 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Canby Urban Renewal Agency, as of June 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

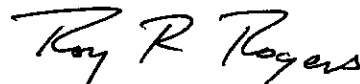
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urban Renewal Agency of the City of Canby's basic financial statements. The listing of board members containing their term expiration dates is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 27, 2014, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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 supplementary information. The agency-wide financial statements 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 Pauly Rogers and Co, PC, 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, 2012. 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. 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 reporting deficit net assets for the Agency. Again, this could typically be interpreted as a deteriorating position except in the case of this governmental structure.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2012

AGENCY-WIDE STATEMENTS (Continued)

STATEMENT OF NET ASSETS

| | Governmental Activities | |
|---|-------------------------|----------------|
| | 2012 | 2011 |
| ASSETS: | | |
| Cash and investments | \$ 5,558,533 | \$ 3,565,028 |
| Other current assets | 711,415 | 633,652 |
| Capital assets – construction in progress | 8,641,254 | - |
| Total Assets | 14,911,202 | 4,198,680 |
| LIABILITIES: | | |
| Current liabilities other than debt | 1,363,249 | 247,204 |
| Current portion of long-term obligations | 696,663 | 587,489 |
| Noncurrent portion of long-term obligations | 15,728,799 | 7,488,264 |
| Total Liabilities | 17,788,711 | 8,322,957 |
| NET ASSETS: | | |
| Net investment in capital assets | (5,006,778) | - |
| Restricted: | | |
| Capital Projects | 4,165,137 | 3,001,935 |
| Debt Service | 169,733 | 456,546 |
| Unrestricted | (2,205,601) | (7,582,758) |
| Total net assets | \$ (2,877,509) | \$ (4,124,277) |

Statement of Activities

The Statement of Activities focuses on the program costs and their matching resources. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues. The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2012

AGENCY-WIDE STATEMENTS (Continued)

As discussed previously, the Agency's net assets increased \$1,246,768, resulting in a deficit in balance in ending net assets of \$2,877,509. The deficit reflects a combination of the Agency's reporting of capital-related obligations, without the offset of the capital assets which were transferred to the City, and unspent bond proceeds.

STATEMENT OF ACTIVITIES

| | 2012 | 2011 |
|-----------------------------------|-----------------------|-----------------------|
| EXPENSES: | | |
| Community development | \$ (84,707) | \$ (1899,710) |
| Interest on long-term obligations | (730,049) | (307,959) |
| Total program expenses | (814,756) | (2,207,669) |
| Program revenues: | 66,640 | 203,502 |
| GENERAL REVENUES: | | |
| Property taxes | 1,918,625 | 1,869,343 |
| Special assessment | - | 659,661 |
| Interest | 76,259 | 30,231 |
| Total general revenues | 1,994,884 | 2,559,235 |
| Change in net assets | 1,246,768 | 555,068 |
| NET ASSETS, BEGINNING | (4,124,277) | (4,679,345) |
| NET ASSETS, ENDING | \$ (2,877,509) | \$ (4,124,277) |

The Agency's tax levy totaled \$1,986,128 and is restricted to repayment of obligations. The obligations are used to finance the improvements identified in the urban renewal plan.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2012

FUND FINANCIAL STATEMENTS

Fund Statements

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

Agency funds are used to account for essentially the same functions reported as agency activities in the agency-wide financial statements. However, unlike the agency-wide financial statements, fund financial statements focus on current inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Agency's programs.

Budgetary Highlights

The budget was based upon a conscious effort by management to start the projects identified in the urban renewal plan as expediently as possible. For each major fund a budgetary comparison statement is presented.

Capital Assets and Debt Administration

The Agency capitalized infrastructure costs as the Agency continued with the construction phase of community development projects during the 2011-2012 fiscal year. These costs are reflected as construction in progress. For more detailed information on the Agency's capital assets activity refer to Note 4 of the Notes to Basic Financial Statements.

During the fiscal year ended June 30, 2012, the Agency incurred \$9 million in long-term obligations through a memorandum of understanding with the City, whereby the City issued Full Faith and Credit Obligations to fund the projects identified in the plan. The Agency under terms with the City is responsible for payment of debt service on the obligations. For more detailed information on the City's debt and amortization terms refer to Note 5 of the Notes to Basic Financial Statements.

Economic Factors

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

Next Year's Budgets

The Agency's budget for fiscal year 2012-2013 will be highlighted by continued work on remaining projects in the urban renewal plan.

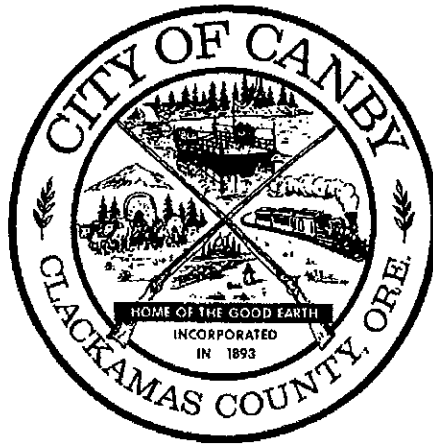
CANBY URBAN RENEWAL AGENCY
(A Component Unit of the City of Canby, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2012

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.



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BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

JUNE 30, 2012

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$ 5,558,533 |
| Accounts receivable | 436,443 |
| Property taxes receivable | 134,420 |
| Deferred costs | 140,552 |
| Capital assets - construction in progress | <u>8,641,254</u> |
| Total assets | <u>14,911,202</u> |
| LIABILITIES: | |
| Current liabilities: | |
| Accounts payable | \$ 1,244,983 |
| Interest payable | 118,266 |
| Current portion of long-term obligations | <u>696,663</u> |
| Total current liabilities | <u>2,059,912</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations | <u>15,728,799</u> |
| Total noncurrent liabilities | <u>15,728,799</u> |
| Total liabilities | <u>17,788,711</u> |
| NET ASSETS: | |
| Net investment in capital assets | (5,006,778) |
| Restricted for: | |
| Capital Projects | 4,165,137 |
| Debt Service | 169,733 |
| Unrestricted | <u>(2,205,601)</u> |
| Total net assets | <u>(2,877,509)</u> |
| Total liabilities and net assets | <u>\$ 14,911,202</u> |

The accompanying notes are an integral part of these financial statements

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

| | | Program Revenues | | Net Revenue (Expenses) and Changes in Net Assets |
|------------------------------|-----------|-------------------------|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| EXPENSES: | | | | |
| Community development | \$ 84,707 | \$ 62 | \$ 66,578 | \$ (18,067) |
| Interest on long-term debt | 730,049 | - | - | (730,049) |
| Total activities | 814,756 | 62 | 66,578 | (748,116) |
| GENERAL REVENUES: | | | | |
| Property taxes | | | | 1,918,625 |
| Interest | | | | 76,259 |
| Total general revenues | | | | 1,994,884 |
| Change in net assets | | | | 1,246,768 |
| NET ASSETS, BEGINNING | | | | (4,124,277) |
| NET ASSETS, ENDING | | | | \$ (2,877,509) |

The accompanying notes are an integral part of these financial statements

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

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

| | Urban Renewal General | Urban Renewal Debt Service | Total Governmental Funds |
|--|--------------------------|-------------------------------|--------------------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 5,410,120 | \$ 148,413 | \$ 5,558,533 |
| Accounts receivable | - | 436,443 | 436,443 |
| Property taxes receivable | - | 134,420 | 134,420 |
| | \$ 5,410,120 | \$ 719,276 | \$ 6,129,396 |
| LIABILITIES: | | | |
| Accounts payable and other current liabilities | \$ 1,244,983 | \$ - | \$ 1,244,983 |
| Deferred revenue | - | 549,543 | 549,543 |
| | 1,244,983 | 549,543 | 1,794,526 |
| FUND BALANCES: | | | |
| Restricted for: | | | |
| Capital Projects | 4,165,137 | - | 4,165,137 |
| Debt Service | - | 169,733 | 169,733 |
| | 4,165,137 | 169,733 | 4,334,870 |
| Total liabilities and fund balance | \$ 5,410,120 | \$ 719,276 | |

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 | 549,543 |
| Bond cost | 140,552 |

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

8,641,254

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 | (118,266) |
|--------------------------|-----------|

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

(16,425,462)

Net assets

\$ (2,877,509)

The accompanying notes are an integral part of these financial statements

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

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

FOR THE YEAR ENDED JUNE 30, 2012

| | Urban Renewal General Fund | Urban Renewal Debt Service Fund | Total Governmental Funds |
|--|-------------------------------|---------------------------------------|--------------------------------|
| REVENUES: | | | |
| Charges for services | \$ 62 | \$ - | \$ 62 |
| Property taxes | - | 1,918,625 | 1,918,625 |
| Special assessments | - | 48,913 | 48,913 |
| Grants & donations | - | 66,578 | 66,578 |
| Interest | 42,937 | 33,322 | 76,259 |
| Total revenues | <u>42,999</u> | <u>2,067,438</u> | <u>2,110,437</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 521,974 | - | 521,974 |
| Capital outlay | 8,334,074 | - | 8,334,074 |
| Debt service: | | | |
| Principal | - | 628,744 | 628,744 |
| Interest | - | 725,507 | 725,507 |
| Total expenditures | <u>8,856,048</u> | <u>1,354,251</u> | <u>10,210,299</u> |
| Revenues over (under) expenditures | <u>(8,813,049)</u> | <u>713,187</u> | <u>(8,099,862)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Principle proceeds of bonds | 9,000,000 | - | 9,000,000 |
| Discount on bonds | (23,749) | - | (23,749) |
| Transfers in | 1,000,000 | - | 1,000,000 |
| Transfers out | - | (1,000,000) | (1,000,000) |
| Total other financing sources (uses) | <u>9,976,251</u> | <u>(1,000,000)</u> | <u>8,976,251</u> |
| Net change in fund balances | 1,163,202 | (286,813) | 876,389 |
| FUND BALANCE, BEGINNING | <u>3,001,935</u> | <u>456,546</u> | <u>3,458,481</u> |
| FUND BALANCE, ENDING | <u>\$ 4,165,137</u> | <u>\$ 169,733</u> | <u>\$ 4,334,870</u> |

The accompanying notes are an integral part of these financial statements

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

**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, 2012

Amounts reported in the Statement of Activities are different because:

| | |
|--|---------------------|
| Net change in fund balance | \$ 876,389 |
| Some revenue reported in the Statement of Activities does not provide current financial resources in the governmental funds. | (36,808) |
| Governmental funds report all capital outlay as expenditures. However, in the Statement of Activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. | 8,641,254 |
| 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 | (1,686) |
| Amortization of issuance costs | 6,228 |
| Accrued issuance costs | 111,100 |
| The proceeds of borrowing provide current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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>(8,349,709)</u> |
| Changes in net assets | <u>\$ 1,246,768</u> |

The accompanying notes are an integral part of these financial statements

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

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

| | Budget | | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|---------------------|------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 800 | \$ 800 | \$ 62 | \$ (738) |
| Grants & donations | 10,000 | 10,000 | - | (10,000) |
| Interest | 4,500 | 4,500 | 42,937 | 38,437 |
| Miscellaneous | 1,000,000 | 1,000,000 | - | (1,000,000) |
| Total revenues | <u>1,015,300</u> | <u>1,015,300</u> | <u>42,999</u> | <u>(972,301)</u> |
| EXPENDITURES: | | | | |
| Materials and service | 658,647 | 658,647 | 521,974 | 136,673 |
| Capital outlay | 13,068,556 | 13,068,556 | 8,334,074 | 4,734,482 |
| Contingency | 150,000 | 150,000 | - | 150,000 |
| Total expenditures | <u>13,877,203</u> | <u>13,877,203</u> | <u>8,856,048</u> | <u>5,021,155</u> |
| Revenues over (under) expenditures | (12,861,903) | (12,861,903) | (8,813,049) | 4,048,854 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Principle proceeds of bonds | 9,000,000 | 9,000,000 | 9,000,000 | - |
| Discount on bonds | - | - | (23,749) | (23,749) |
| Transfers in | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Total other financing sources (uses) | <u>10,000,000</u> | <u>10,000,000</u> | <u>9,976,251</u> | <u>(23,749)</u> |
| Net changes in fund balances | (2,861,903) | (2,861,903) | 1,163,202 | 4,025,105 |
| FUND BALANCES, BEGINNING | <u>2,861,903</u> | <u>2,861,903</u> | <u>3,001,935</u> | <u>140,032</u> |
| FUND BALANCES, ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,165,137</u> | <u>\$ 4,165,137</u> |

The accompanying notes are an integral part of these financial statements

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) Summary of Significant Accounting Policies

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

A. Description of Reporting Entity

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

The Agency's financial statements include all funds of the Agency. There are no known entities that should be included in the Agency's financial statements as a component unit based on their operational or financial relationship with the Agency in accordance with GAAP. The Agency is a component unit of the City of Canby and, as such is included in the financial statements of the City of Canby for the year ended June 30, 2012.

B. Basic Financial Statements

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

Agency-wide financial statements

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

Fund financial statements

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

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

C. Basis of Presentation

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

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

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

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

D. Measurement Focus and Bases of Accounting

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Bases of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

E. Cash and Cash Equivalents

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

F. Receivables and Property Tax Calendar

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

G. Capital Assets

Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Capital assets include land, buildings and improvements and street infrastructure costing over \$5,000 with an estimated life of more than one year. Capital assets acquired, or at the completion of construction, or if no construction required, are transferred to the City of Canby.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net 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 amortized over the term of the respective bonds.

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

I. Fund Equity

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

J. Net Assets

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

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

Restricted – consists of external constraints placed on assets use by creditors, grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other assets that are not include in the other classifications.

K. Use of Restricted Resources

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

L. Use of Estimates

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

(2) Budget

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(3) Cash and Cash Equivalents

At June 30, 2012, cash and cash equivalents consisted of the following:

| | <u>Fair Value</u> |
|---|-----------------------|
| Cash on deposit | \$ 135,072 |
| Oregon State Local Government Investment Pool | <u>5,423,461</u> |
| Total | <u>\$ 5,558,533</u> |

A. Custodial credit risk – deposits

This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits with financial institutions up to \$250,000 each for the aggregate of all interest bearing accounts and fully insures all non-interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2012, the Agency's bank balances were fully insured.

B. Interest rate risk

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

C. Credit risk

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

D. Concentration of credit risk

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

E. Custodial credit risk – investments

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(4) Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Ending Balance</u> |
|--------------------------|------------------------------|--------------------|---------------------------|
| Construction in progress | <u>\$ -</u> | <u>\$8,641,254</u> | <u>\$ 8,641,254</u> |

(5) Long-Term Obligations

A. Changes in General Long-Term Obligations

During the year ended June 30, 2012, long-term liability activity was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|-----------------------------|------------------------------|---------------------|-------------------|---------------------------|--|
| Loans Payable | \$ 4,744,922 | \$ - | \$ 254,699 | \$ 4,490,223 | \$ 254,821 |
| Bonds | 875,000 | - | 240,000 | 635,000 | 300,000 |
| Notes Payable- City | <u>2,455,831</u> | <u>8,976,251</u> | <u>131,843</u> | <u>11,300,239</u> | <u>141,842</u> |
| Total long-term liabilities | <u>\$ 8,075,753</u> | <u>\$ 8,976,251</u> | <u>\$ 626,542</u> | <u>\$ 16,425,462</u> | <u>\$ 696,663</u> |

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(5) Long-Term Debt (Continued)

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. | \$ 891,840 |
| 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. | 1,431,278 |
| 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. | 1,774,034 |
| Loan Premium | 16,208 |
| 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. | <u>376,863</u> |
| Total loans payable | <u>\$ 4,490,223</u> |

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(5) Long-Term Debt (Continued)

| | <u>OEDD #B03004</u> | | <u>OECD #B04004</u> | | <u>OECD #B08002</u> | |
|-----------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 60,454 | \$ 38,074 | \$ 85,049 | \$ 56,761 | \$ 73,085 | \$ 79,665 |
| 2014 | 60,470 | 35,883 | 90,575 | 53,784 | 78,543 | 77,107 |
| 2015 | 65,488 | 33,585 | 96,120 | 50,614 | 79,018 | 74,358 |
| 2016 | 65,508 | 30,966 | 96,685 | 47,250 | 79,578 | 71,198 |
| 2017 | 70,528 | 28,345 | 102,289 | 43,745 | 85,161 | 68,014 |
| 2018-2022 | 387,997 | 95,387 | 562,156 | 156,277 | 485,706 | 284,011 |
| 2023-2027 | 181,395 | 12,585 | 398,404 | 35,223 | 607,206 | 162,573 |
| 2028-2032 | - | - | - | - | 285,737 | 20,477 |
| Total | <u>\$ 891,840</u> | <u>\$ 274,825</u> | <u>\$1,431,278</u> | <u>\$ 443,654</u> | <u>\$1,774,034</u> | <u>\$ 837,403</u> |

| | <u>OEDD #B08002 Premium</u> | | <u>Business Oregon X090004</u> | | <u>Total Government Loans</u> | |
|-----------|---------------------------------|-----------------|------------------------------------|------------------|-----------------------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 953 | \$ - | \$ 35,280 | \$ 18,843 | \$ 254,821 | \$ 193,343 |
| 2014 | 953 | - | 37,044 | 17,079 | 267,585 | 183,853 |
| 2015 | 953 | - | 38,896 | 15,227 | 280,475 | 173,784 |
| 2016 | 953 | - | 40,841 | 13,282 | 283,565 | 162,696 |
| 2017 | 953 | - | 42,883 | 11,240 | 301,814 | 151,344 |
| 2018-2022 | 4,765 | - | 181,919 | 22,421 | 1,622,543 | 558,096 |
| 2023-2027 | 4,765 | - | - | - | 1,191,770 | 210,381 |
| 2028-2032 | 1,913 | - | - | - | 287,650 | 20,477 |
| Total | <u>\$ 16,208</u> | <u>\$ -</u> | <u>\$ 376,863</u> | <u>\$ 98,092</u> | <u>\$4,490,223</u> | <u>\$1,653,974</u> |

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(5) Long-Term Debt (Continued)

C. Bonds and Notes

Bonds Payable

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. \$ 635,000

Notes Payable – City of Canby

In 2011, the City issued \$9,000,000 of Full Faith and Credit Obligations to finance a new Police facility in conjunction with the urban renewal plan. The obligations carry interest rates from 2.00% to 5.00% and have final a maturity date of June 1, 2036. The Agency is obligated to service the obligations under agreement within the City. 8,960,000

Bond Discount (22,800)

In 2010, the City issued \$2,500,000 of Full Faith and Credit Obligations to finance redevelopment of NE 1st Avenue. The obligations carry interest rates from 3.75% to 7.00% and have final a maturity date of December 15, 2030. They are Recovery Zone Economic Development Obligations which provide the City a 45% rebate of the amount of interest paid. The Agency is obligated to service the obligations under the agreement with the City. 2,405,000

Bond Discount (41,961)

Total Obligations \$ 11,935,239

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

| U.S. Bank - URD Bond Series 2008 | | City of Canby - Bond Series 2010 | | Bond Discount |
|----------------------------------|---------------------|----------------------------------|----------------------|----------------------------------|
| Principal | Interest | Principal | Interest | Principal |
| \$ 300,000 | \$ 26,353 | \$ 100,000 | \$ 144,294 | \$ (2,208) |
| 335,000 | 13,902 | 100,000 | 140,544 | (2,208) |
| - | - | 100,000 | 136,794 | (2,208) |
| - | - | 105,000 | 132,950 | (2,208) |
| - | - | 105,000 | 128,159 | (2,208) |
| - | - | 570,000 | 550,463 | (11,040) |
| - | - | 675,000 | 349,125 | (11,040) |
| - | - | 650,000 | 92,750 | (8,841) |
| <u>\$ 635,000</u> | <u>\$ 40,255</u> | <u>\$ 2,405,000</u> | <u>\$ 1,675,079</u> | <u>\$ (41,961)</u> |
| | | | | Total Governmental Notes & Bonds |
| City of Canby - Bond Series 2011 | | Bond Discount | Principal | Interest |
| Principal | Interest | Principal | Principal | Interest |
| \$ 45,000 | \$ 426,638 | \$ (950) | \$ 441,842 | \$ 597,285 |
| - | 425,738 | (950) | 431,842 | 580,184 |
| - | 425,738 | (950) | 96,842 | 562,532 |
| 25,000 | 425,738 | (950) | 126,842 | 558,688 |
| 30,000 | 425,238 | (950) | 131,842 | 553,397 |
| 535,000 | 2,089,572 | (4,750) | 1,089,210 | 2,640,035 |
| 1,335,000 | 1,940,582 | (4,750) | 1,994,210 | 2,289,707 |
| 3,065,000 | 1,471,070 | (4,750) | 3,701,409 | 1,563,820 |
| 3,925,000 | 502,750 | (3,800) | 3,921,200 | 502,750 |
| <u>\$ 8,960,000</u> | <u>\$ 8,133,064</u> | <u>\$ (22,800)</u> | <u>\$ 11,935,239</u> | <u>\$ 9,848,398</u> |

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

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(6) 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.

(7) Commitments and Contingencies

At June 30, 2012, the Agency had approximately \$813,000 outstanding in construction commitments.

(8) Subsequent Events

Effective October 10, 2012 the Agency approved an IGA with the City to transfer tax increment revenues to the City for the purpose of paying obligation bond financing not to exceed \$14,900,000 to finance projects set forth in the Canby Urban Renewal Plan and refinance certain outstanding obligations. On December 20, 2012 the City issued \$14,050,000 of bonds to finance the Sequoia Parkway Extension project, the Library/City Hall Remodel project and refund the Oregon Economic and Community Development loans B03004 and B04004. The bonds have true interest cost of 2.85% and a final maturity of June 30, 2035.

(9) Related Party Transactions

The Agency paid the City \$340,058 for salary and benefits for services performed by the City's employees on behalf of the Agency and \$99,956 for support services.

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**SUPPLEMENTARY
INFORMATION**

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

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Budget | | Actual | Variance Positive (Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 2,050,000 | \$ 2,050,000 | \$ 1,918,625 | \$ (131,375) |
| Special assessments | 39,617 | 39,617 | 48,913 | 9,296 |
| Grants & donations | 66,577 | 66,577 | 66,578 | 1 |
| Interest | 31,043 | 31,043 | 33,322 | 2,279 |
| Total revenues | <u>2,187,237</u> | <u>2,187,237</u> | <u>2,067,438</u> | <u>(119,799)</u> |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal | 897,725 | 897,725 | 628,744 | 268,981 |
| Interest | 728,933 | 728,933 | 725,507 | 3,426 |
| Total expenditures | <u>1,626,658</u> | <u>1,626,658</u> | <u>1,354,251</u> | <u>272,407</u> |
| Revenues over (under) expenditures | <u>560,579</u> | <u>560,579</u> | <u>713,187</u> | <u>152,608</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | <u>(1,000,000)</u> | <u>(1,000,000)</u> | <u>(1,000,000)</u> | <u>-</u> |
| Net changes in fund balances | (439,421) | (439,421) | (286,813) | 152,608 |
| FUND BALANCES, BEGINNING | <u>439,421</u> | <u>439,421</u> | <u>456,546</u> | <u>17,125</u> |
| FUND BALANCES, ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 169,733</u> | <u>\$ 169,733</u> |

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

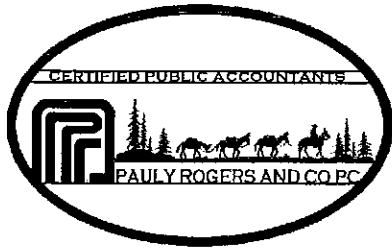
SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2012

| Tax Year | Taxes Receivable 6/30/11 | 2011-12 Levy | Adjustments/ Discounts | Interest | Comcast Adjustment | Collections | Taxes Receivable 6/30/12 |
|-------------------|--------------------------------|---------------------|---------------------------|-----------------|-----------------------|-----------------------|--------------------------------|
| 2011-12 | \$ - | \$ 1,986,128 | \$ (55,186) | \$ 508 | \$ - | \$ (1,860,374) | \$ 71,076 |
| 2010-11 | 62,065 | - | (1,153) | 1,770 | 5,689 | (34,568) | 33,803 |
| 2009-10 | 27,145 | - | (398) | 1,497 | - | (6,393) | 21,851 |
| 2008-09 | 11,473 | - | (205) | 1,211 | - | (6,438) | 6,041 |
| 2007-08 | 2,901 | - | (74) | 530 | - | (2,477) | 880 |
| 2006 and prior | 1,153 | - | (55) | (113) | - | (216) | 769 |
| Total | \$ 104,737 | \$ 1,986,128 | \$ (57,071) | \$ 5,403 | \$ 5,689 | \$ (1,910,466) | \$ 134,420 |

Reconciliation to revenue:

| | |
|----------------------------|---------------------|
| Collections per above | 1,910,466 |
| Change in receivables | 29,684 |
| Change in deferred revenue | (21,525) |
| | <u>\$ 1,918,625</u> |



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January 27, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Canby Urban Renewal Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated January 27, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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


- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

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

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

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