

**CENTRAL ALBANY REVITALIZATION AREA**

**Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2006**

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**City of Albany, Oregon**

**Prepared by:**

**The Finance Office  
City of Albany, Oregon**

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**CENTRAL ALBANY REVITALIZATION AREA**

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**Annual Financial Report**

**For the year ended June 30, 2006**

**CENTRAL ALBANY REVITALIZATION AREA  
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# CENTRAL ALBANY REVITALIZATION AREA

As of June 30, 2006

## Agency Members

Chair

Dick Olsen (2)

Chuck McLaren (1)

Doug Killin (2)

Bessie Johnson (2)

Ralph Reid, Jr. (2)

Sharon Konopa (2)

Jeff Christman (2)

## Advisory Board Members

Chris Norman – Chair

Cordell Post

Lisa Bartel

Gordon Kirbey

Stella Reimers

Kim Sass

Ray Hilts

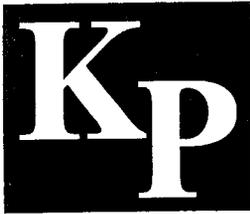
## City Manager

Wes Hare

## Assistant City Manager/Chief Financial Officer

Susan Busbice

- (1) Mayor, City of Albany, Oregon
- (2) City Council Member, City of Albany, Oregon



**Koontz & Perdue, P.C.**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Central Albany Revitalization Area  
Albany, Oregon

We have audited the accompanying financial statements of the governmental activities of the Central Albany Revitalization Area, a component unit of the City of Albany, Oregon, as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Central Albany Revitalization Area's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 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 financial position of the governmental activities of the Central Albany Revitalization Area, Albany, Oregon, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2006 on our consideration of Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Albany Revitalization Area's basic financial statements. The statement of revenues, expenditures, and changes in fund balances – budget and actual and the schedule of property tax transactions and outstanding balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statement of revenues, expenditures, and changes in fund balances – budget and actual and the schedule of property tax transactions and outstanding balances have been subjected to the auditing

procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Koontz & Perdue, P.C.

By: 

Albany, Oregon  
November 13, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the Central Albany Revitalization Area (Agency) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

### 1. REPORT LAYOUT

The report consists of agency-wide statements, fund financial statements, notes to the statements, and supplementary information. The agency-wide statements include the Statement of Net Assets and the Statement of Activities.

#### STATEMENT OF NET ASSETS

The Statement of Net Assets provides a focus on the unrestricted assets related to the Agency's governmental activities. The statements reflect capital assets including infrastructure and long-term liabilities for the Agency.

#### 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 direct charges, it is paid from general taxes and other 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.

#### FUND STATEMENTS

Following agency-wide statements is a section containing fund financial statements. The Agency presents its only fund as a major fund; for this major fund a Budgetary Comparison Statement is presented.

### 2. AGENCY AS A WHOLE

#### AGENCY-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2006, follows.

TABLE 1

Net Assets at Year End

	Governmental Activities	
	2005-06	2004-05
Cash and Investments	\$ 1,157,890	\$ 649,476
Other Assets	333,301	254,859
Capital Investments	1,305,195	280,939
Total Assets	<u>2,796,386</u>	<u>1,185,274</u>
Other Liabilities	1,517,937	325,649
Total Liabilities	<u>1,517,937</u>	<u>325,649</u>
Net Assets:		
Unrestricted	1,278,449	859,625
Total Net Assets	<u>\$ 1,278,449</u>	<u>859,625</u>

**STATEMENT OF NET ASSETS AT JUNE 30, 2006:**

Total net assets increased overall by \$418,824. Most of the increase was in Cash and Capital Assets. The increase in Other Assets reflects the Agency's increase in loans to individuals participating in renovation projects within the area while the increase in the Capital Investments is for the construction of the Streetscape project. The increase in Cash and Investments was caused by the Bond sale of \$1,459,399 which corresponded with the increase in Other Liabilities. This bond sale will be explained below in the Debt Administration section and on page 19 within the notes to the Financial Statements.

**STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006:**

A summary version of the Statement of Activities follows.

**TABLE 2**

**Governmental Activities for the year ended June 30, 2006**

	Governmental Activities	
	2005-06	2004-05
<b>REVENUES</b>		
General Revenues		
Taxes	\$ 695,993	\$ 566,657
Interest	41,469	15,703
Total Revenues	<u>737,462</u>	<u>582,360</u>
<b>EXPENSES</b>		
Governmental Activities	<u>337,488</u>	<u>271,839</u>
Total Liabilities	<u>337,488</u>	<u>271,839</u>
Increase in Net Assets	<u>399,974</u>	<u>310,521</u>
Beginning Net Assets	<u>878,475</u>	<u>549,104</u>
Ending Net Assets	<u>\$ 1,278,449</u>	<u>\$ 859,625</u>

**Governmental Activities**

The Agency's tax increment revenues total \$695,993 are restricted to repayment of debt. The Agency has issued \$1,459,399 in bonds which will be used for future projects. As the projects are completed the assets are transferred to the City of Albany. The increase in Governmental Activities of \$65,649 is for interest payments related to the bonds. Currents projects are considered work in progress and are not scheduled for transfer this year.

**3. BUDGETARY HIGHLIGHTS**

The Agency's adopted budget was amended once during the fiscal year. The Beginning Fund Balance increased \$11,800 and the offset increase was to the Transfer to City of Albany category.

#### 4. CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

As of June 30, 2006 the Agency has not invested in any major capital assets. The Capital Investments of \$1,305,195 represent design and construction of the Streetscape project and as such are considered work in progress.

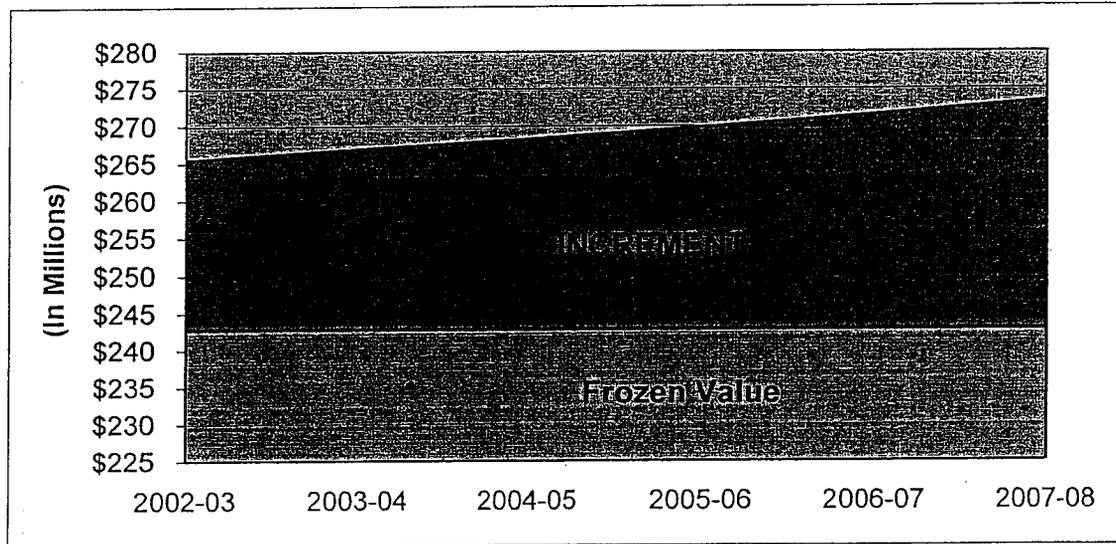
##### Debt Outstanding

As of year-end, the Agency has \$1,459,399 and it will be paid off over 15 years. For more detailed information on the Agency's debt refer to page 19 of the Notes to the Basic Financial Statements.

#### 5. ECONOMIC FACTORS

The Urban Renewal Agency will be an important partner in economic development within the City of Albany, 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 is then used to pay debt service on bonds issued to fund projects and improvements. The following table illustrates growth of assessed values within the District for the last two years with a steady projected growth of 6% per year.

TABLE 3



The frozen value represents the assessed value at the time the district was created (and adjusted by Measure 50). As new development is constructed the increased assessed value is included as an increment value (above the frozen value). Taxes assessed on the increment flow to the Agency while taxes on the frozen value flow to the respective taxing jurisdictions.

## **6. NEXT YEAR'S BUDGETS AND RATES**

The Agency's budget for Fiscal Year 2006-07 is highlighted by continued funding of Developer Assistance and the Grant/Loan Program both of which will fund near term projects.

## **7. 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 City of Albany's Finance Office at 333 Broadalbin SW, Albany, Oregon 97321.

**CENTRAL ALBANY REVITALIZATION AREA**  
(a component unit of the City of Albany, Oregon)  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,157,890
Receivables:	
Property taxes	38,482
Interest	10,926
Loans	283,893
Other capital assets, net of depreciation	<u>1,305,195</u>
Total assets	<u>2,796,386</u>
 <b>LIABILITIES</b>	
Accounts payable	4,059
Interest Payable	54,479
Long-term liabilities	
Due within one year:	
Loan payable	139,001
Due in more than one year	
Loan payable	<u>1,320,398</u>
Total liabilities	<u>1,517,937</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>1,278,449</u>
Total net assets	<u><u>\$ 1,278,449</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CENTRAL ALBANY REVITALIZATION AREA**  
(a component unit of the City of Albany, Oregon)  
**STATEMENT OF ACTIVITIES**  
June 30, 2006

	<u>Expenses</u>	<u>NET (Expense) Revenue and Changes in Net Assets</u>	<u>Total</u>
<b>FUNCTIONS</b>			
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 239,288	\$ (239,288)	\$ (239,288)
Total governmental activities	<u>239,288</u>	<u>(239,288)</u>	<u>(239,288)</u>
General revenues:			
Taxes:			
Property taxes		695,993	\$ 695,993
Unrestricted investment earnings		41,469	\$ 41,469
Transfer to primary government		(98,200)	\$ (98,200)
Total general revenues and transfers		<u>639,262</u>	<u>\$ 639,262</u>
Change in net assets		399,974	\$ 399,974
Net assets - beginning		878,475	\$ 878,475
Net assets - ending		<u>\$ 1,278,449</u>	<u>\$ 1,278,449</u>

The notes to the basic financial statements are an integral part of this statement.

**CENTRAL ALBANY REVITALIZATION AREA**  
(a component unit of the City of Albany, Oregon)  
**BALANCE SHEET**  
June 30, 2006

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	<u>Governmental Fund Type</u>
	<u>Special Revenues Fund</u>
	<u>June 30, 2005</u>
<b>ASSETS</b>	
Pooled cash and investments with the City of Albany	\$ 1,157,890
Receivables:	
Property taxes	38,482
Interest	10,926
Loans Receivable	<u>283,893</u>
Total assets	<u>\$ 1,491,191</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 4,059
Deferred revenue	<u>319,034</u>
Total liabilities	<u>323,093</u>
 Fund balances:	
Unreserved, reported in:	<u>1,168,098</u>
Total fund balances	<u>1,168,098</u>
Total liabilities and fund balances	<u>\$ 1,491,191</u>

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

**CENTRAL ALBANY REVITALIZATION AREA**  
**(a component unit of the City of Albany, Oregon)**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
 June 30, 2006

Total fund balances (page 9) \$ 1,168,098

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets - other	1,305,195	
Total adjustment		1,305,195

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

Property taxes	35,141	
Long term loans payable	( 1,459,399)	
Interest payable	( 54,479)	
Loans to participants	283,893	
Total deferred revenue adjustments		( 1,194,844)
Net assets of governmental activities (page 7)		<u>\$ 1,278,449</u>

The notes to the basic financial statements are an integral part of this statement.

**CENTRAL ALBANY REVITALIZATION AREA**  
**(a component unit of the City of Albany, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
for the year ended June 30, 2006

	<u>Governmental Fund Type</u>
	<u>Special Revenues Fund</u>
	<u>June 30, 2004</u>
<b>REVENUES</b>	
Property taxes	\$ 690,773
Interest receivable	41,469
Total revenues	732,242
 <b>EXPENDITURES</b>	
Current - General Government	247,964
Total expenditures	247,964
Excess of revenues over expenditures	484,278
 <b>OTHER FINANCING SOURCES (USES)</b>	
Debt issuance	1,459,399
Operating Transfer to primary government	( 98,200)
Total Other Financing Use	1,361,199
 <b>NET CHANGE IN FUND BALANCE</b>	1,845,477
Fund balance - beginning	628,027
Fund balance - ending	\$ 2,473,504
Adjustment from budgetary basis to generally accepted accounting basis:	
Bond Principal	( 300,000)
Capital Outlay	( 1,005,406)
Fund balances - generally accepted accounting principles basis	\$ 1,168,098

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

**CENTRAL ALBANY REVITALIZATION AREA**  
 (a component unit of the City of Albany, 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, 2006

Amounts reported in the statement of activities are different because:

Net change in fund balances (page 11)		\$ 1,845,477
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	5,220	
Loans Receivable	63,155	
Interest payable	(54,479)	
Principal portion of loan receipts	(1,459,399)	
Total revenue adjustments	<u>(1,445,503)</u>	
Change in net assets (page 8)		<u>\$ 399,974</u>

The notes to the basic financial statements are an integral part of this statement.

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for 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.

In June 1999, the GASB approved Statement 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments (GASB 34). This statement provides for significant changes in financial reporting and is scheduled for phased implementation based on the size of the reporting government, starting with Fiscal Years ending 2002. As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, paths, street lights, etc.). The Urban Renewal Agency's (the Agency) financial statements for the Fiscal Year ended June 30, 2006, comply with the requirements of GASB Statement 34.

### THE AGENCY

The Central Albany Revitalization Area (a component unit of the City of Albany, Oregon) was organized on August 8, 2001, and commenced operations during Fiscal Year 2001 under the provisions of Oregon Revised Statutes, Chapter 457, to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. As provided by ORS 457, the City Council of the City of Albany is the governing body of the Agency. The principal funding source is from bond sales, which will be repaid from property tax increment revenues and interest earnings. The personnel of the City of Albany provide project management and administration.

The Agency is a legally separate entity governed by the City Council. The City Council has the ability to impose its will over the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. Therefore, under the criteria of the Governmental Accounting Standards Board, the Agency is considered a component unit of the City of Albany and the Agency's financial activities are included as a blended component unit in the basic financial statements of the City.

The Agency has no potential component units.

### BASIC FINANCIAL STATEMENTS

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

The agency-wide financial statements display information about the Agency as a whole. The focus is on its financial sustainability. As such, the reporting presents the change in the aggregate financial position of the Agency, resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial 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 activities. Currently the Agency has only governmental fund types.

## **BASIS OF PRESENTATION**

The financial transactions of the Agency are recorded in an individual fund. This 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 fund is reported using generic classification within the financial statements.

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

### **Special Revenue Fund**

A governmental fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The principal sources of revenue are tax increment revenues and interest earnings.

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

The Agency-wide Financial Statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

The Fund Financial Statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual 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 60 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.

## ASSETS, LIABILITIES, AND EQUITY

### Cash and Investments

The Agency's pooled cash and investments include cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. State Statutes authorize the Agency to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment Pool.

It is the Agency's policy, as allowed by GASB Statement No. 31, Accounting and Financial Reporting of Certain Investments and for External Investment Pools, to report at amortized cost all short-term, highly liquid money market investments (including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts with a remaining maturity at time of purchase of one year or less. Such investments are stated at amortized cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method. Investments with a remaining maturity at time of purchase of more than one year are valued at fair value.

### Restricted Assets

Assets whose use is restricted for construction, debt service, or by other agreement are segregated on the agency-wide Statement of Net Assets.

### Receivables

Property taxes receivable that have been collected within sixty days of Fiscal Year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue as it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes receivable are due from property owners within the urban renewal area.

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

## Capital Assets

Capital assets including property, plant, equipment, and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the agency-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of donation.

Capital assets are defined by the Agency as assets with an initial individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets, and is provided on the straight-line basis over the following estimated useful lives:

ASSET	YEARS
Buildings and improvements	25-75
Equipment	3-25
Infrastructure	20-50

## Deferred Revenues

Deferred revenues represent uncollected property taxes not deemed available to finance operations of the current period.

## Long-Term Debt

In the agency-wide financial statements, long-term debt is reported as a liability of the governmental activities 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 financing 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 financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 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.

## 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### BUDGETARY INFORMATION

Annual budgets for Agency funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 –Local Budget Law). The process under which the budget is adopted is described below. Each May, the proposed budget is submitted to the Budget Committee (consisting of the City Council and an equal number of citizens of the City). The Agency is required to budget all funds. The budget is prepared for each fund on the modified accrual basis of accounting in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund, program and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Agency Board for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Board without returning to the Budget Committee for a second approval. After the Board adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that Fiscal Year.

The Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). Appropriations lapse as of year-end.

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Additional resources that are unexpected may be added to the budget through the use of a supplemental budget, which requires publication in a local newspaper, a public hearing, and approval, by the Board. Expenditure appropriations may not be legally over expended except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control.

### EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As noted above the agency adopts the annual budget by object group level. During the year the Agency retired a letter of credit which caused the object group Debt Service to be exceeded by \$313,158. As a whole the fund was well within its adopted budget, in the future the Agency will focus more closely on each adopted object group.

### FUND EQUITY

The Agency had no instances whereby its funds had a deficit in total fund equity as of June 30, 2006.

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

## 3. DETAILED NOTES ON ALL FUNDS

### CASH AND INVESTMENTS

The City pools its cash, including those of the Agency, for investment purposes. The Agency's portion is displayed on the balance sheet as "Pooled cash and investments with the City of Albany." The total amount, \$1,157,890 is invested with the State of Oregon Treasurer's short-term investment pool.

The City has implemented GASB Statement No. 31, Accounting and Financial Reporting of certain Investments and for External Investment Pools as of June 30, 1998. For governmental entities other than investment pools, this statement establishes accounting and financial reporting standards for investments in interest-earning contracts, external investment pools, open-ended mutual funds, and equity securities that have readily determinable fair values. Except as provided by this statement, governmental entities are to report investments at fair value in the balance sheet, or other statement of financial position. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement or other statement of activities, of the fund holding the underlying investments.

The equity position of each fund participating in an internal investment pool is reported as assets of those funds. The City carries all investments at amortized cost as is allowed by GASB No. 31.

Oregon Revised Statutes, Chapter 294, authorize the City to invest in obligations of the U. S. Treasury, U. S. government agencies, bankers' acceptances issued by Oregon financial institutions, repurchase agreements, State of Oregon Local Government Investment Pool, certain high grade commercial paper, and various interest bearing bonds of Oregon municipalities, among others. In addition, the City's investments are governed by written investment policy.

The Agency's investments are categorized below to give an indication of the level of risk assumed by the Agency on June 30, 2006. Category 1 includes investments that are insured or registered for which securities are held by Agency or its agent in the Agent's name. Category 2 includes uninsured and unregistered investments for which securities are held by the bank's trust department in the Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank's trust department but not in the Agency's name. The Agency has no investments in categories 1, 2, or 3.

State of Oregon Treasurer's short-term investment pool.

The reported market rate of 99.8% is determined by the Oregon Short-Term Fund Audited Financial Statement. It represents the City's market percentage of their investment in the Local Government Investment Pool as of June 30, 2006.

<u>1,157,890</u>	<u>1,156,732</u>
<u>\$ 1,157,890</u>	<u>\$ 1,156,732</u>

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

## LOANS RECEIVABLE

The Central Albany Revitalization Area (CARA) made two loans during the year. On October 15, 2004, CARA loaned to Willamette Community Bank \$200,000 for construction related costs. The loan, with an annual interest rate of 3%, is secured by a trust deed. The first payment is due on October 15, 2008, and the last payment is due on October 15, 2014.

In December 2004, CARA approved a loan of \$82,500 to Allan and Jacqueline Swoboda to make improvements to property located in the urban renewal district. The loan is payable in full by January 25, 2010, with interest accruing at the annual rate of 4%. As of June 30, 2006, the Swoboda's have drawn \$45,738 of the approved loan amount.

In September 2005, CARA approved a \$27,000 loan to Jeff and Robin Mexico to complete renovations to property located in the urban renewal district. The loan is payable in full by September 1, 2010, with interest accruing at the annual rate of 6.5%. As of June 30, 2006, the Mexico's have drawn the full amount of \$27,000.

	Beginning Balance	Increase	Decrease	Ending Balance
Central Albany Revitalization Area	\$ 220,738	\$ 63,155	\$ -	\$ 283,893
Total Loans Receivable	\$ 220,738	\$ 63,155	\$ -	\$ 283,893

## CAPITAL ASSETS

The Agency has begun the process of investing in repairs to the City of Albany's Revitalization area. The project costs associated with this are accounted for within the financials as capital projects and once the projects are completed, they are transferred to the City of Albany.

## SHORT-TERM DEBT

### Non-revolving Line of Credit

In May 2004 the Agency issued a \$3,900,000 Non-Revolving Line of Credit (Bond Anticipation Line of Credit (BALC)), which will be used to finance a number of approved projects in the Agency's Urban Renewal Plan. The fully floating, annualized taxable rate equals the greater of the Prime Rate minus 1.80% or 2.00%. The tax-exempt rate is a fully floating, annualized rate which equals the greater of: sixty five percent (65%) of the result of subtracting 1.40% from the Prime Rate or 1.50%. The Prime Rate is designated by the Bank. The maturity date for the BALC is June 1, 2006, or the date on which the Agency obtains long term financing or refinances this line. Payment of the principal and interest on the BALC shall be secured by the property tax increment revenues generated in the Plan area.

The \$3,900,000 Non-Revolving Line of Credit has been replaced with the Series 2005 Tax Exempt Revenue Note described below.

# CENTRAL ALBANY REVITALIZATION AREA

(A component unit of the City of Albany, Oregon)

Notes to Basic Financial Statements

June 30, 2006

## Du Jour Bond

On July 29, 2006, the Agency issued a one day bond known as a "Du Jour Bond" in the amount of \$573,760.05 as allowed under ORS 457.440. This statute requires that property tax revenues collected within an urban renewal district be spent on "bonded indebtedness", as defined by bonds, notes, lines of credit, contracts, and other forms of indebtedness. The one day bond payback transaction was completed on July 31, 2006.

## LONG TERM DEBT

In October 2005 the agency issued a Series 2005 Tax-Exempt Revenue Note in the amount of \$1,459,399 for planned projects. The interest rate for the note is 4.85% and the final maturity is October 15, 2020. The balance outstanding at June 30, 2006, is \$1,459,399.

Annual debt service requirements to maturity for governmental revenue obligations are as follows:

Year Ending June 30	Payment	Interest	Principal
2006-07	\$ 139,001	\$ 68,815	\$ 70,186
2007-08	139,001	67,377	71,624
2008-09	139,001	63,903	75,098
2009-10	139,001	60,261	78,740
2010-11	139,001	56,442	82,559
2011 through 2021	1,390,011	308,819	1,081,191
Totals	2,085,016	625,617	1,459,399

## RESTRICTED ASSETS

The Agency has no restricted asset account balances at of June 30, 2006.

## 4. OTHER INFORMATION

### PROPERTY TAX LIMITATION

The state of Oregon has a constitutional limit on property taxes for schools and non-school government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations. The limitation specifies \$10 as the maximum allowable tax for each \$1,000 of property real market value imposed by local governments other than schools. Urban renewal debt is not exempted from the limitation and must be levied within the \$10 cap. The local government rates are at or near the \$10 cap for this limitation but it has not adversely affected the Agency.

In May 1997 Oregon voters approved a property tax measure that rolled back assessed values to 90% of the 1995-96 amounts and limits future years growth to 3% with exceptions for substantial improvements. The measure also fixed the property tax rate for each government's operating levies. Additionally, the measure states that the Legislative Assembly shall enact laws that allow collection of ad valorem property taxes sufficient to pay indebtedness incurred to carry out urban renewal plans. These collections shall cease when the indebtedness is paid.

**CENTRAL ALBANY REVITALIZATION AREA**  
**(a component unit of the City of Albany, Oregon)**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the fiscal year ended June 30, 2006

	Original Budget	Final Budget	Actual	Over (Under)
<b>Revenues</b>				
Property taxes - current	\$ 547,200	\$ 547,200	\$ 670,000	\$ 122,800
Property taxes - delinquent	10,000	10,000	20,773	10,773
Interest on investments	10,000	10,000	41,469	31,469
Total revenues	<u>567,200</u>	<u>567,200</u>	<u>732,242</u>	<u>165,042</u>
<b>OTHER FINANCING SOURCE:</b>				
Long-Term Debt Sale Proceeds	2,500,000	2,500,000	1,459,399	(1,040,601)
Letter of credit proceeds	-	-	-	0
Total other financing sources	<u>2,500,000</u>	<u>2,500,000</u>	<u>1,459,399</u>	<u>(1,040,601)</u>
<b>Fund balance, beginning</b>	<u>662,100</u>	<u>673,900</u>	<u>628,027</u>	<u>( 45,873)</u>
Amount available for appropriation	<u>\$ 3,729,300</u>	<u>\$ 3,741,100</u>	<u>\$ 2,819,668</u>	<u>\$ (921,432)</u>
 <b>Expenditures</b>				
Materials and services	\$ 1,252,500	\$ 1,252,500	\$ 234,806	\$ 1,017,694
Capital	2,347,000	2,347,000	1,005,406	1,341,594
Debt Service:				
Principal	-	-	300,000	(300,000)
Interest	-	-	13,158	(13,158)
Contingencies	31,600	31,600	-	31,600
Total expenditures	<u>3,631,100</u>	<u>3,631,100</u>	<u>1,553,370</u>	<u>2,077,730</u>
<b>Other financing use</b>				
Transfer to City of Albany	98,200	110,000	98,200	11,800
Total expenditures and other financing use	<u>\$ 3,729,300</u>	<u>\$ 3,741,100</u>	<u>\$ 1,651,570</u>	<u>\$ 2,089,530</u>
<b>Fund balance, ending</b>			<u>\$ 1,168,098</u>	

**CENTRAL ALBANY REVITALIZATION AREA**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
 June 30, 2006

Tax Year	Taxes Receivable June 30, 2004	Levy as extended by assessor	Collections	Discounts & Adjustments	Taxes Receivable June 30, 2004
2005-06	\$ -	\$ 713,213	\$ (669,998)	\$ (18,254)	\$ 24,961
2004-05	18,696	-	( 13,611)	2,787	7,872
2003-04	8,085	-	( 4,170)	86	4,001
2002-03	4,199		( 2,994)	443	1,648
	<u>\$ 30,980</u>	<u>\$ 713,213</u>	<u>\$ (690,773)</u>	<u>\$ (14,938)</u>	<u>\$ 38,482</u>

**COLLECTIONS AND BALANCES RECEIVABLE SUMMARY**

Special Revenues Fund:		
Central Albany Revitalization Area	<u>\$ 690,773</u>	<u>\$ 38,482</u>

**CENTRAL ALBANY REVITALIZATION AREA**  
**ALBANY, OREGON**

**DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS**  
**REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF**  
**OREGON MUNICIPAL CORPORATIONS**

For the Year Ended June 30, 2006

Oregon Administrative Rules 162-10-050 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, 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 comments and disclosures not included in preceding sections of this report are set forth as follows:

**Statement of Accountability for Independently Elected Officials (OAR 162-10-140)**

The Agency has no independently elected officials that receive cash.

**Outstanding Warrants (OAR 162-10-230)**

The Agency had no outstanding warrants at June 30, 2006.

**Accounting and Internal Control Systems (OAR 162-10-230)**

The condition of the accounting records and the accounting and internal control systems were adequate for audit purposes.

**Collateral (OAR 162-10-240)**

Our audit of the Agency disclosed no instances of noncompliance pertaining to the amount and adequacy of collateral pledged to secure the deposit of public funds.

**Indebtedness (OAR 162-10-250)**

The Agency has not exceeded its legal debt limitation as provided in ORS 440-375 and is in compliance with all provisions of bond indentures and other agreements.

**Budget (OAR 162-10-260)**

The Agency's compliance with the provisions of the Oregon Revised Statutes as they apply to the preparation, adoption, and execution of the annual budget for the 2004-2005 fiscal year and the preparation and adoption of the annual budget for the 2005-2006 fiscal year was reviewed. Except for those items listed below, our review showed there was substantial compliance with the statutes. Our review showed the following:

**Execution**

The Agency expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over expended for the fiscal year ended June 30, 2006.

<u>Fund</u>	<u>Appropriation</u>	<u>Overexpended</u>
Central Albany Revitalization Area	Debt Service	\$ 313,158

**CENTRAL ALBANY REVITALIZATION AREA  
ALBANY, OREGON**

**DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS - Continued**

**Insurance and Fidelity Bonds (OAR 162-10-270)**

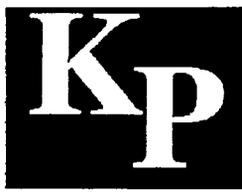
The Agency's insurance and fidelity bond coverage was reviewed and found to be in compliance with the Oregon Statutes relating thereto. We do not express an opinion as to the adequacy of insurance coverage, since we are not trained in this regard.

**Investments (OAR 162-10-300)**

Our audit of the Agency disclosed compliance with the statutes applicable to the investment of public funds.

**Public Contracts and Purchasing (OAR 162-10-310)**

The Agency is in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.



**Shareholders:**

Fredrick M. Koontz, CPA  
Richard D. Perdue, CPA  
Debra L. Blasquez, CPA  
Glen O. Kearns, CPA

**Koontz & Perdue, P.C.  
Certified Public Accountants**

**Staff:**

Irina O. Stein, CPA  
Kori L. Sarrett, CPA  
Erin R. Reynolds  
Deborah L. Wilbur

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Central Albany Revitalization Area  
Albany, Oregon

We have audited the financial statements of the Central Albany Revitalization Area, a component unit of the City of Albany, Oregon, as of and for the year ended June 30, 2006 and have issued our report thereon dated November 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Central Albany Revitalization Area, a component unit of the City of Albany, Oregon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Albany Revitalization Area, a component unit of the City of Albany, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Koontz & Perdue, P.C.*  
Koontz & Perdue, P.C.

Albany, Oregon  
November 13, 2006