

**ALBANY REVITALIZATION AGENCY**

**Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2009**

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**City of Albany, Oregon**

**Prepared by:**

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

**ALBANY REVITALIZATION AGENCY**

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**Annual Financial Report**

**For the year ended June 30, 2009**

**ALBANY REVITALIZATION AGENCY**  
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# **ALBANY REVITALIZATION AGENCY**

As of June 30, 2009

## **Agency Members**

Chair  
Councilor Floyd Collins

Mayor Sharon Konopa	Councilor Dick Olsen
Councilor Bessie Johnson	Councilor Ralph Reid Jr.
Councilor Jeff Christman	Councilor Bill Coburn

## **Advisory Board Members**

Chair  
Cordell Post

Dave Anderer	Ray Kopczynski
Gordon Kirbey	Rich Catlin
Kim Sass	Loyd Henion

## **City Manager**

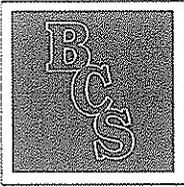
Wes Hare

## **Finance Director**

Stewart Taylor

## **Urban Renewal Manager**

Kate Porsche



**BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

## INDEPENDENT AUDITOR'S REPORT

**Agency Officials**  
**ALBANY REVITALIZATION AGENCY**  
**Albany, Oregon**

We have audited the accompanying financial statements of the governmental activities and the major fund of **ALBANY REVITALIZATION AGENCY**, a *Component Unit of the City of Albany, Oregon* as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **ALBANY REVITALIZATION AGENCY**, as of June 30, 2009, 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.

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.

**Agency Officials**  
**ALBANY REVITALIZATION AGENCY**  
**Albany, Oregon**

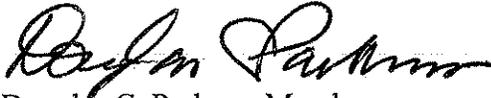
**INDEPENDENT AUDITOR'S REPORT (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Required Supplementary Information and Other Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Required Supplementary Information and Other Schedule 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.

**Boldt, Carlisle & Smith, LLC**  
Certified Public Accountants  
Salem, Oregon

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By:



Douglas C. Parham, Member

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the Albany Revitalization Agency (the 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 financial statements, fund financial statements, notes to the financial statements, and supplementary information. The agency-wide financial 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 of the Agency.

#### STATEMENT OF ACTIVITIES

The Statement of Activities focuses on 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 the 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, 2009 and 2008, follows.

**TABLE 1**  
**Net Assets at Year End**

	General Government	
	June 30, 2009	June 30, 2008
Cash and Investments	\$ 1,937,803	\$ 2,879,122
Other Assets	898,816	819,334
Total Assets	<u>2,836,619</u>	<u>3,698,456</u>
Other Liabilities	68,668	71,649
Liabilities due in one year	233,000	219,000
Liabilities due in more than one year	4,095,000	4,328,000
Total Liabilities	<u>4,396,668</u>	<u>4,618,649</u>
Net Assets:		
Unrestricted	<u>\$ (1,560,049)</u>	<u>\$ (920,193)</u>

**STATEMENT OF NET ASSETS AT JUNE 30, 2009:**

Total net assets decreased by \$639,856 during the year ended June 30, 2009. The reason for the decrease was the use of Cash and Investments for approved projects and operations of the fund. The decrease in liabilities was due to the first installment payment of the bonds.

**STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009:**

A summary version of the Statement of Activities follows.

**TABLE 2****Governmental Activities for the years ended June 30, 2009 and 2008**

	General Government	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>REVENUES</b>		
General Revenues		
Taxes	\$ 1,310,551	\$ 1,124,266
Grants and contributions not restricted to specific program	-	81,584
Miscellaneous	34,906	4,230
Interest	81,304	145,127
Total Revenues	<u>1,426,761</u>	<u>1,355,207</u>
<b>EXPENSES</b>		
Governmental Activities	<u>1,839,650</u>	<u>2,418,129</u>
(Deficiency) before transfers	(412,889)	(1,062,922)
Transfer to primary government	<u>(226,967)</u>	<u>(131,565)</u>
(Decrease) in Net Assets	<u>(639,856)</u>	<u>(1,194,487)</u>
Beginning Net Assets	<u>(920,193)</u>	<u>274,294</u>
Ending Net Assets	<u>\$ (1,560,049)</u>	<u>\$ (920,193)</u>

**Governmental Activities**

For the 2008-09 fiscal year, revenues increased by \$71,554 due in part to an increase in tax increment revenue. The average increase for tax increment revenue fell from 27% to 20% for this year. Governmental activities decreased \$578,479 as compared to the \$1,914,261 increase for last fiscal year; due to the number and size of the individual projects.

**3. BUDGETARY HIGHLIGHTS**

The Agency's adopted budget was amended once during the fiscal year. The total revenue increased \$451,400 for a Beginning Fund Balance, of \$1,019,500. Property taxes, unbonded assessments, and long-term debt proceeds, decreased \$234,200; \$155,900; and \$178,000, respectively. Within the expenditures, Materials and Services decreased \$217,600; capital outlay increased \$25,000, Debt Service increased \$585,500, and the transfer to the City of Albany increased by \$58,500.

#### 4. CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

As of June 30, 2009, the Capital Asset related to Second Avenue Bench and Bike Stand project, for \$27,774, was transferred to the City of Albany.

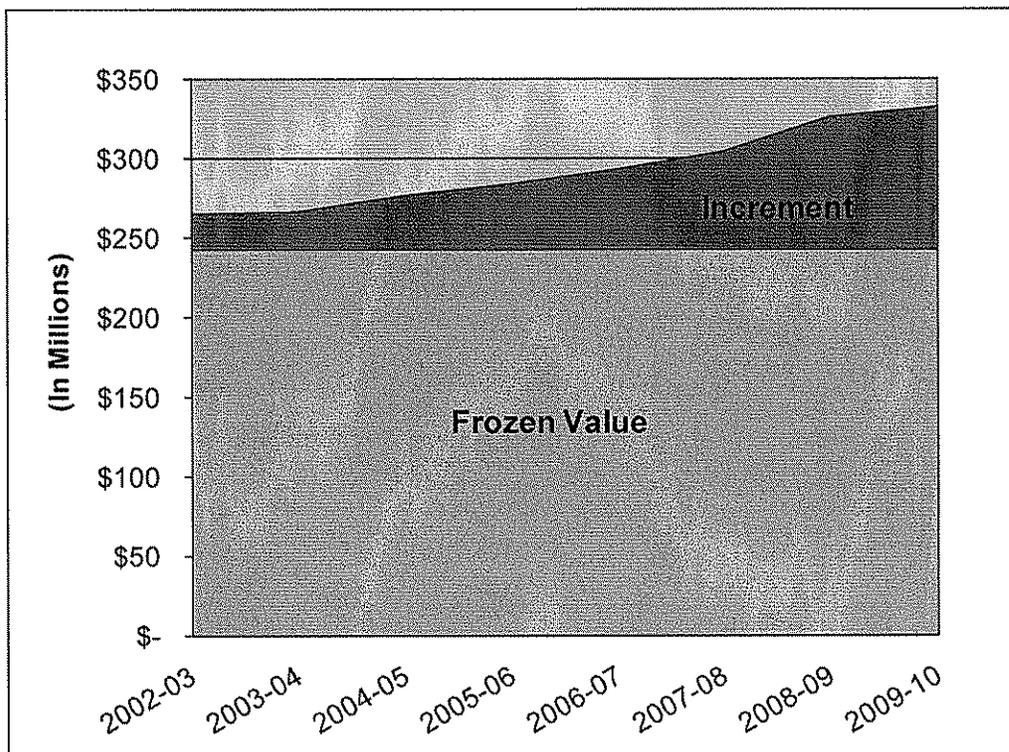
##### Debt Outstanding

As of June 30, 2009, the Agency has \$4,328,000 of outstanding debt to 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 Albany Revitalization Agency is 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 used to pay debt service on bonds issued to fund projects and improvements. The following table illustrates growth of assessed values within the Agency's area. Since inception, there has been a steady 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 development occurs 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. 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 Department at 333 Broadalbin Street SW, Albany, Oregon 97321.

**ALBANY REVITALIZATION AGENCY**  
**(a component unit of the City of Albany, Oregon)**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,937,803
Receivables:	
Property taxes	91,105
Interest	12,134
Loans	731,128
Unamortized debt issuance costs	<u>64,449</u>
Total assets	<u>2,836,619</u>
<b>LIABILITIES</b>	
Accounts payable	58,473
Interest payable	10,195
Long-term liabilities:	
Due within one year	233,000
Due in more than one year	<u>4,095,000</u>
Total liabilities	<u>4,396,668</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ (1,560,049)</u>

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

**ALBANY REVITALIZATION AGENCY**  
**(a component unit of the City of Albany, Oregon)**  
**STATEMENT OF ACTIVITIES**  
For the Year ended June 30, 2009

	<b>Governmental Activities</b>
General government expenses	\$ <u>1,839,650</u>
General revenues:	
Taxes:	
Property taxes	1,310,551
Miscellaneous	34,906
Unrestricted investment earnings	81,304
Transfer to primary government	(199,193)
Transfer capital assets to primary government	<u>(27,774)</u>
Total general revenues and transfers	<u>1,199,794</u>
Change in net assets	(639,856)
Net assets - beginning	<u>(920,193)</u>
Net assets - ending	<u>\$ (1,560,049)</u>

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

**ALBANY REVITALIZATION AGENCY**  
**(a component unit of the City of Albany, Oregon)**  
**BALANCE SHEET**  
June 30, 2009

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	<u>General</u>
<b>ASSETS</b>	
Pooled cash and investments with the City of Albany	\$ 1,937,803
Receivables:	
Property taxes	91,105
Interest	12,134
Loans receivable	731,128
Total assets	<u>\$ 2,772,170</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 58,473
Deferred revenue	814,831
Total liabilities	<u>873,304</u>
<b>FUND BALANCES</b>	
Unreserved	<u>1,898,866</u>
Total liabilities and fund balances	<u>\$ 2,772,170</u>

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

**ALBANY REVITALIZATION AGENCY**  
**(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, 2009

Total fund balances (page 9)		\$ 1,898,866
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.		
Property taxes	83,703	
Loans to participants	731,128	
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds.		
Unamortized debt issuance costs	64,449	
Some liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
Long term loans payable	( 4,328,000)	
Interest payable	( 10,195)	
Total adjustments		<u>( 3,458,915)</u>
Net assets of governmental activities (page 7)		<u>\$ (1,560,049)</u>

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

**ALBANY REVITALIZATION AGENCY**  
**(a component unit of the City of Albany, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
for the year ended June 30, 2009

		<u>General</u>
<b>REVENUES</b>		
Property taxes	\$	1,284,063
Miscellaneous		34,906
Interest		81,304
Total revenues		<u>1,400,273</u>
<b>EXPENDITURES</b>		
Current - General Government		1,647,725
Capital outlay		27,774
Bond principal and interest		2,566,248
Total expenditures		<u>4,241,747</u>
(Deficiency) of revenues over expenditures		<u>(2,841,474)</u>
<b>OTHER FINANCING SOURCES(USES)</b>		
Debt issuance		2,102,500
Operating transfer to primary government		<u>(199,193)</u>
Total other financing sources		<u>1,903,307</u>
<b>NET CHANGE IN FUND BALANCE</b>		<b>(938,167)</b>
Fund balance - beginning		<u>2,837,033</u>
Fund balance - ending	\$	<u><u>1,898,866</u></u>

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

**ALBANY REVITALIZATION AGENCY**  
**(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, 2009

Amounts reported in the statement of activities are different because:

Net change in fund balances (page 11)	\$ (938,167)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	26,488
Loans receivable	30,414
Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of the asset is allocated over the estimated useful lives and reported as depreciation expense.	
Capital asset additon	27,000
Some expenses reported in the Statement of Activities do not require the use of current	
Interest payable	365
Amortized debt issuance cost	(4,956)
The issuance of debt is reported as a financial resource in governmental funds but increases liabilities in the Statement of Net Assets. Repayment of debt is an expenditure in the governmental funds but reduces liabilities in the Statement of Net Assets. This is the amount by which repayment of debt exceeded the issuance of debt.	
Debt Issuance	219,000
Change in net assets (page 8)	\$ (639,856)

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

# ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

## NOTE 1. SUMMARY OF ORGANIZATION AND 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.

### A. THE AGENCY

The Albany Revitalization Agency (a component unit of the City of Albany, Oregon) was organized on August 8, 2001, as the Central Albany Revitalization Area, 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.

On July 18, 2007, the CARA Agency was renamed the Albany Revitalization Agency (ARA) due to the creation of a second Urban Renewal District in the Oak Creek area of Albany, the Oak Creek Revitalization Area (OCRA). The City of Albany may only have one governing agency over any and all Urban Renewal Districts and in an effort to resolve any confusion the agency was renamed. OCRA was terminated in Fiscal Year 2008-09.

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.

### B. 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.

*Government-wide Financial Statements* display information about the Agency as a whole. For the most part, the effect of interfund activity has been removed from these statements. 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.

# ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

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.

## C. 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 classifications within the financial statements.

The GASB Statement No. 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.

### General 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.

## D. 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 Government-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.

# ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

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.

## E. ASSETS, LIABILITIES, AND EQUITY

### 1. Cash and Investments

**Deposits 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.

### 2. Receivables

Property taxes 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.

### 3. Deferred Revenues

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

# ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

## 4. 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.

## 5. Fund Equity

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

## 6. Other

### Managements 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.

## NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. 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.

# ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

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.

## **B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The Agency operated within its adopted budget as of June 30, 2009.

## **NOTE 3. DETAILED NOTES**

### **A. DEPOSITS 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, \$2,879,122, 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 another 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 Oregon Short-Term Fund is an external investment pool as defined in GASB Statement No. 31. The reported market rate of 99.80% 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, 2008.

The equity position of the fund in the internal investment pool is reported as assets of that fund. The City carries all investments at amortized cost as is allowed by GASB No. 31.

## ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

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.

For a discussion on interest rate, credit and concentration of credit, and custodial risk please refer to the City of Albany's 2008-2009 Comprehensive Annual Financial Report.

### **B. LOANS RECEIVABLE**

The Agency has made seven loans to individuals or corporations to help offset costs of rebuilding blighted buildings or areas within the region.

On October 15, 2004, the Agency loaned \$200,000 to Willamette Community Bank for construction related costs. The loan has an annual interest rate of 3% and is secured by a trust deed. The first payment is due on October 15, 2008, and the last payment is due on October 15, 2015.

In December 2004, the Agency approved a loan of \$82,500 to Allan and Jacqueline Swoboda (Phase I) 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, 2009, the Swoboda's have drawn the full amount of the approved loan.

In October 2006, the Agency approved a ten-year loan of \$42,500 to Allan and Jacqueline Swoboda (Phase II) to make improvements to the Frager Building. The loan has an annual interest rate of 6.90% and is secured by a trust deed. The first payment will become due on January 19, 2012, in the amount of \$14,365 (principal and interest) with four similar payments due after that date. As of June 30, 2009, the Swoboda's have drawn the full amount of the approved loan.

In November 2006, the Agency approved a ten-year loan of \$122,000 to Flinn Block, LLC, Marc and Anni Manley, to make improvements to the buildings known as the Flinn and Ames Building. The loan will have an interest rate of 6.90%. The first payment is November 6, 2011, in the amount of \$41,236 (principal and interest) with four similar payments due after that date. As of June 30, 2009, the full amount of the approved loan has been disbursed.

In October 2007, the Agency approved a ten-year loan of \$250,000 to be used by 3<sup>rd</sup> Avenue Townhomes, LCC, Timothy D. Smith, principal, to fully rehabilitate the structure at 222 3<sup>rd</sup> Street SE and construct a new building at 228 3<sup>rd</sup> Street SE. The loan has an annual interest rate of 6.9% and is secured by a trust deed. The first payment is due on October 12, 2012, in the amount of \$84,891, principal and interest, with four similar payments due annually after that. As of June 30, 2009, the full amount of the approved loan has been disbursed.

In February 2008, the Agency approved a ten-year loan of \$148,000 to Flinn Block, LLC, Marc and Anni Manley, personally, to make improvements to the structure known as the Flinn and Ames Building. The loan has an annual interest rate of 6.9% and is secured by a trust deed. The first payment is due on February 12, 2014, in the amount of \$50,225, principal and interest, with four similar payments due annually thereafter. As of June 30, 2009, \$56 of the loan has been disbursed.

## ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

In March 2009, the Agency approved a seven-year loan of \$112,500 to Cameron House, LLC, and Herb Yamamoto, Principal, to purchase the property at 705 Lyon Street SW. The loan has an annual interest rate of 4.85% and is secured by a promissory note and trust deed. The principal and accrued interest is fully due and payable on March 13, 2016. As of June 30, 2009, the full amount of the approved loan has been disbursed.

In March 2009, the Agency approved a seven-year loan of \$97,500 to Cameron House, LLC, and Herb Yamamoto, Principal, to renovate the property at 705 Lyon Street SW. The loan has an annual interest rate of 0.00% and is secured by a promissory note and trust deed. The principal and accrued interest is fully due and payable on March 13, 2016. As of June 30, 2009, \$22,683 of the approved loan has been disbursed.

In June 2009, the Agency approved a one-year loan of \$45,000 to Jan and Janice Annunzio, personally, to make improvements to the structure at 212 1<sup>st</sup> Avenue. The loan has an annual interest rate of 4.85% and is secured by a promissory note and trust deed. The principal and accrued interest is fully due and payable on June 5, 2010. As of June 30, 2009, \$31,794 of the approved loan has been disbursed.

	Beginning Balance	Increase	Decrease	Ending Balance
Total Loans Receivable	\$ 700,714	\$ 190,319	\$ 159,905	\$ 731,128

### C. 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 as capital projects and once the projects are completed, they are transferred to the City of Albany. As of June 30, 2009, all City Projects have been completed and the asset value was transferred to the City of Albany.

### D. LONG TERM DEBT

In October 2007, the agency issued Urban Renewal Tax Increment bonds in the amount of \$4,687,000 to finance authorized projects in the renewal area. Debt service requirements are payable from tax increment revenues. The interest rates range from 4.85% to 6.25% for the 15 year bonds, and final maturity is June 15, 2022. The balance outstanding at June 30, 2009, is \$4,328,000.

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

Year Ending June 30	Principal	Interest	Total
2010	\$ 233,000	\$ 230,992	\$ 463,992
2011	247,000	216,430	463,430
2012	262,000	200,992	462,992
2013	279,000	184,617	463,617
2014-2018	1,659,000	658,900	2,317,900
2019-2022	1,648,000	204,572	1,852,572
Totals	\$4,328,000	\$1,696,503	\$6,024,503

# ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2009

## E. SHORT-TERM DEBT

### 1. Du Jour Bond

On June 22, 2009, the Agency issued a one day bond known as a “Du Jour Bond” in the amount of \$2,102,500 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 June 23, 2009.

## NOTE 4. OTHER INFORMATION

### A. 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 exempt 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.

### B. SUBSEQUENT EVENT

On November 20, 2008, representatives from SVC Manufacturing, the parent company of PepsiCo, Inc., notified City officials that they decided not to proceed with development of the beverage and bottle manufacturing plants in the City of Albany according to the terms of the development agreement. They cited general economic conditions and reduced demand for their products as reasons for canceling the project.

In February 2009, the City of Albany filed suit against SVC Manufacturing, Inc. (PepsiCo) in Linn County Circuit Court to recover damages related to PepsiCo’s failure to perform. On September 28, 2009, the court granted the City’s request for summary judgment that PepsiCo breached the contract and the City was entitled to damages to be determined in trial. No trial date has yet been set.

**ALBANY REVITALIZATION AGENCY**  
(a component unit of the City of Albany, Oregon)  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
for the year ended June 30, 2009

<b>REVENUES</b>	Original Budget	Final Budget	Actual	Over (Under)
Property taxes - current	\$ 1,350,700	\$ 1,116,500	\$ 1,255,866	\$ 139,366
Property taxes - delinquent	20,000	20,000	28,197	8,197
Unbonded assessments: principal	155,900	-	-	-
Loan repayment - Principal	24,400	24,400	24,000	(400)
Loan repayment - Interest	10,500	10,500	10,906	406
Interest on investments	75,000	75,000	81,304	6,304
<b>Total revenues</b>	<u>1,636,500</u>	<u>1,246,400</u>	<u>1,400,273</u>	<u>153,873</u>
 <b>OTHER FINANCING SOURCES</b>				
Short -Term Debt Sale Proceeds	2,281,000	2,103,000	2,102,500	(500)
<b>Fund balance, beginning</b>	<u>1,394,700</u>	<u>2,414,200</u>	<u>2,837,033</u>	<u>422,833</u>
Amount available for appropriation	<u>\$ 5,312,200</u>	<u>\$ 5,763,600</u>	<u>\$ 6,339,806</u>	<u>\$ 576,206</u>
 <b>EXPENDITURES</b>				
Materials and services	\$ 3,185,100	\$ 2,992,500	1,675,499	\$ 1,317,001
Debt service	1,986,200	2,571,700	2,566,248	5,452
<b>Total expenditures</b>	<u>5,171,300</u>	<u>5,564,200</u>	<u>4,241,747</u>	<u>1,322,453</u>
 <b>OTHER FINANCING USES</b>				
Transfer to City of Albany	140,900	199,400	199,193	207
<b>Total expenditures and other financing use</b>	<u>\$ 5,312,200</u>	<u>\$ 5,763,600</u>	<u>4,440,940</u>	<u>\$ 1,322,660</u>
<b>Fund balance, ending</b>			<u>\$ 1,898,866</u>	

**ALBANY REVITALIZATION AGENCY**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
June 30, 2009

Tax Year	Taxes Receivable June 30, 2008	Levy as extended by assessor	Collections	Discounts & Adjustments	Taxes Receivable June 30, 2009
2008-09	\$ -	\$ 1,319,136	\$ (1,255,864)	\$ (3,609)	\$ 59,663
2007-08	42,580	-	( 19,228)	( 2,710)	20,642
2006-07	12,583	-	( 4,681)	( 429)	7,473
2005-06	5,639	-	( 3,263)	226	2,602
2004-05	1,638	-	( 914)	( 263)	461
2003-04	275	-	( 83)	( 10)	182
2002-03	133	-	( 30)	( 21)	82
	<u>\$ 62,848</u>	<u>\$ 1,319,136</u>	<u>\$ (1,284,063)</u>	<u>\$ (6,816)</u>	<u>\$ 91,105</u>

**COLLECTIONS AND BALANCES RECEIVABLE SUMMARY**

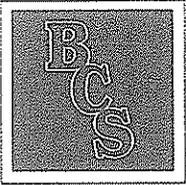
General Fund:

Albany Revitalization Agency	<u>\$ 1,284,063</u>	<u>\$ 91,105</u>
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**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF  
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS]**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in 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, and comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

- *Accounting Records and Internal Controls*
- *Collateral*
- *Indebtedness*
- *Budget*
- *Insurance and Fidelity Bonds*
- *Programs Funded from Outside Sources*
- *Investments*
- *Public Contracts and Purchasing*



**BOLDT, CARLISLE & SMITH LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
PARTNERSHIP ■ ASSURANCE ■ INNOVATION

## ALBANY REVITALIZATION AGENCY

### REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS] For the Year Ended June 30, 2009

#### 162-10-230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS

1. Accounting records

The Agency's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

Through other reports and communications to management and those charged with governance, we have identified situations or practices that could be improved.

2. Internal control

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

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**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF  
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS] (Continued)**

**162-10-230 - ACCOUNTING RECORDS AND INTERNAL CONTROLS (continued)**

2. Internal control (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**162-010-0240 – COLLATERAL**

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the City currently deposits public funds.

The Agency does not maintain separate deposits with financial institutions. Instead, the Agency's deposits are pooled with the City of Albany which has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

**162-010-0250 – INDEBTEDNESS**

1. Limitations on the amount incurred

The general obligation bonded debt of the entity is in compliance with the limitation imposed by ORS.

2. Liquidation provisions, debt agreement provisions, and restricted assets

We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the entity's long-term debt issues, and no breach of the debt agreements at June 30, 2009.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF  
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS] (Continued)**

**162-010-0260 – BUDGET**

1. Current year

A. Preparation and adoption

The budget was prepared and adopted in compliance with legal requirements.

B. Execution

The budget was executed in compliance with legal requirements,

2. Subsequent year

The budget was prepared and adopted in compliance with legal requirements.

3. Financial or organizational level of appropriations

The Agency established the levels of budgetary control by urban renewal area and associated debt service.

**162-010-0270 – INSURANCE AND FIDELITY BONDS**

1. Insurance

The Agency does not have separate coverage. Instead, the Agency's risks are insured by policies owned by the City of Alany whose insurance agent has confirmed that the following insurance coverage was adequate and in force at June 30, 2009:

Company	Policy No.	Coverage	Limit	Term
City County Insurance	08LALB	General & Auto Liability	\$ 500,000	7/1/08 - 6/30/09
	08LALB	Auto Physical Damage	500,000	7/1/08 - 6/30/09
	08LALB	Excess Liability	13,500,000	7/1/08 - 6/30/09
	08LALB	Employment Practices	1,500,000	7/1/08 - 6/30/09
Affiliated FM Insurance	PB 136	Building & Personal Property	Scheduled Amounts	7/1/08 - 6/30/09
	PB 136	Earthquake	100,000,000	7/1/08 - 6/30/09
ACE	AP 3790753-01	Airport Liability	5,000,000	7/1/08 - 6/30/09

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS  
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF  
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS] (Continued)**

**162-010-0270 – INSURANCE AND FIDELITY BONDS (continued)**

2. Fidelity bonds

ORS 221.903 establishes bonding requirements for Agency officials and employees. The Albany City Council has established the following bonds:

City Manager	\$ 300,000
Finance Director	300,000
Public Employee Dishonesty Bond	250,000

**162-010-0280 – PROGRAMS FUNDED FROM OUTSIDE SOURCES**

The Agency did not operate any programs funded wholly or partially by other governmental agencies.

**162-010-0300 – INVESTMENTS**

Funds of the Agency pooled with the City of Albany were invested in compliance with ORS 294.035.

**162-010-0310 – PUBLIC CONTRACTS AND PURCHASING**

1. Awarding of public contracts

The City properly awarded public contracts during the year as defined by ORS 279.

2. Construction of public improvements

The City properly constructed public improvements during the year as defined by ORS 279.

**Boldt, Carlisle & Smith, LLC**  
Certified Public Accountants  
Salem, Oregon  
\_\_\_\_\_, 2009