

ALBANY REVITALIZATION AGENCY

**Annual Financial Report
For the Fiscal Year Ended
June 30, 2011**

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City of Albany, Oregon

Prepared by:

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

ALBANY REVITALIZATION AGENCY

Annual Financial Report

For the year ended June 30, 2011

ALBANY REVITALIZATION AGENCY
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For the year ended June 30, 2011

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ALBANY REVITALIZATION AGENCY

For the Year Ended June 30, 2011

Agency Members

Chair

Councilor Floyd Collins

Mayor Sharon Konopa

Councilor Bessie Johnson

Councilor Jeff Christman

Councilor Dick Olsen

Councilor Ralph Reid Jr.

Councilor Bill Coburn

Advisory Board Members

Chair

Cordell Post

Dave Anderer

Gordon Kirbey

Mark Spence

Ray Kopczynski

Rich Catlin

Loyd Henion

City Manager

Wes Hare

Finance Director

Stewart Taylor

Urban Renewal Manager

Kate Porsche



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, 2011, 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, 2011, 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.

Agency Officials
ALBANY REVITALIZATION AGENCY
Albany, Oregon

INDEPENDENT AUDITOR'S REPORT (Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Required Supplementary Information and Other Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

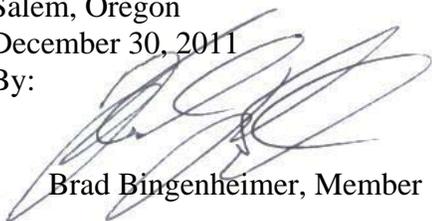
Boldt, Carlisle & Smith, LLC

Certified Public Accountants

Salem, Oregon

December 30, 2011

By:



Brad Bingenheimer, 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.

GASB 54

The Agency implemented GASB Statement 54 for fiscal year ending June 30, 2011. This GASB reporting requirement requires an analysis and breakdown of ending fund balance between five new fund balance categories. The new GASB fund balance categories are: Nonspendable, Restricted, Committed, Assigned and Unassigned. Below is a brief explanation of each of these fund balance categories:

Nonspendable - includes items not immediately converted to cash, such as prepaid items or inventories.

Restricted - includes items that are restricted by external creditors, grantors or contributors or by legal provisions.

Committed - includes items committed by the City of Albany Council formal resolutions.

Assigned - includes items assigned for specific uses, authorized by the Director of Finance for the City of Albany.

Unassigned - this is the residual classification used for those balances not assigned to another category or a negative balance.

See the GASB 54 footnote in the Notes to the Financials for further discussion.

2. AGENCY AS A WHOLE

FINANCIAL HIGHLIGHTS

The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$3,633,715 (net assets).

As of the close of the current fiscal year, the Agency reported an ending fund balance of \$1,666,428, an increase of \$251,806 (17.80%) in comparison with the previous year. \$824,042 is available for spending at the Agency's discretion.

AGENCY-WIDE FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2011 and 2010 follows.

TABLE 1
Net Assets at Year End

	General Government	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<u>Assets:</u>		
Cash and Investments	\$ 1,697,316	\$ 1,491,317
Other Assets	525,720	513,500
Total Assets	<u>2,223,036</u>	<u>2,004,817</u>
<u>Liabilities:</u>		
Other Liabilities	49,951	103,103
Liabilities due in one year	262,000	247,000
Liabilities due in more than one year	5,544,800	5,806,800
Total Liabilities	<u>5,856,751</u>	<u>6,156,903</u>
<u>Net Assets:</u>		
Unrestricted	<u>\$ (3,633,716)</u>	<u>\$ (4,152,086)</u>

STATEMENT OF NET ASSETS AT JUNE 30, 2011:

Total net assets increased by \$518,370 during the year ended June 30, 2011. The reason for the increase was a decrease in expenditures.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011:

A summary version of the Statement of Activities follows.

TABLE 2

Governmental Activities for the years ended June 30, 2011 and 2010

	General Government	
	June 30, 2011	June 30, 2010
REVENUES		
General Revenues		
Taxes	\$ 1,824,649	\$ 1,797,700
Miscellaneous	15,200	212,864
Interest	14,061	41,262
Total Revenues	<u>1,853,910</u>	<u>2,051,826</u>
EXPENSES		
Governmental Activities	<u>1,231,640</u>	<u>3,876,863</u>
Excess before transfers	622,270	(1,825,037)
Transfer to primary government	<u>(103,900)</u>	<u>(767,000)</u>
(Decrease) in Net Assets	518,370	(2,592,037)
Beginning Net Assets	<u>(4,152,085)</u>	<u>(1,560,049)</u>
Ending Net Assets	<u>\$ (3,633,715)</u>	<u>\$ (4,152,086)</u>

Governmental Activities

For the 2010-11 fiscal year, revenues decreased by \$197,916 due in part to a decrease in miscellaneous revenue. Governmental activities decreased \$2,645,223 as compared to the \$2,037,213 increase for last fiscal year; due to a reduction in number and size of the individual projects.

3. BUDGETARY HIGHLIGHTS

The Agency's adopted budget was amended during the fiscal year. Capital expenditures were increased \$104,200 for the Jackson St/Water Avenue intersection and the Broadalbin Promenade offset by a decrease in Governmental Activities. Total revenue available for appropriation was \$5,247,600. Actual revenue collected fell short of budget by \$2,002,981 and was offset by a decrease in the anticipated expenditures of \$3,669,409.

4. CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt Outstanding

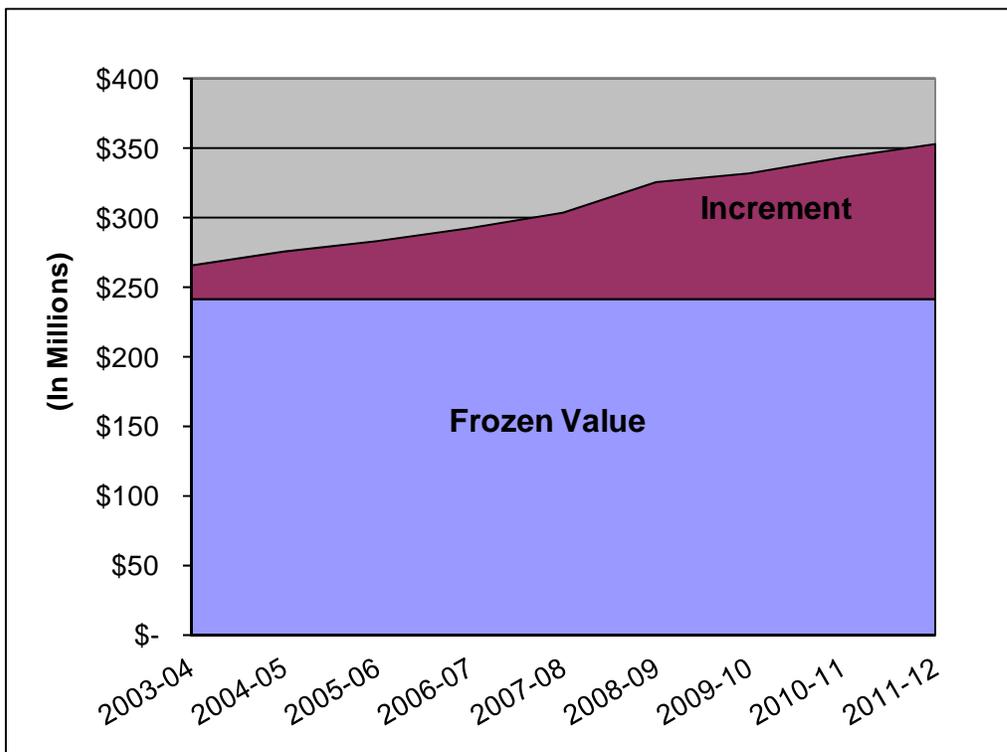
As of June 30, 2011, the Agency has \$3,848,000 of outstanding debt to be paid off over 13 years. In March 2010, the Agency in conjunction with Bank of America, created a \$5,000,000 Non-revolving Line of Credit to be used to provide financing or refinancing for projects within the Central Albany Revitalization Agency area. The interest rate is based on 63.5% of the British Bankers Association LIBOR floating rate plus 1.25% (subject to an all-in floor of 1.73%). The interest accrued will be paid quarterly beginning June 1, 2010. The final maturity date is March 12, 2012. As of June 30, 2011, the Agency has drawn \$1,958,800 of the line of credit. 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, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,697,316
Receivables:	
Property taxes	138,707
Interest	1,147
Loans	331,329
Unamortized debt issuance costs	<u>54,537</u>
Total assets	<u>2,223,036</u>
 LIABILITIES	
Accounts payable	38,109
Interest payable	11,842
Long-term obligations:	
<i>Due within one year</i>	
Bonds payable	262,000
<i>Due in more than one year</i>	
Bonds payable	3,586,000
Line of Credit Payable	<u>1,958,800</u>
Total liabilities	<u>5,856,751</u>
 NET ASSETS	
Unrestricted	<u><u>\$ (3,633,715)</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)
STATEMENT OF ACTIVITIES
For the Year ended June 30, 2011

	Governmental Activities
General government expenses	\$ 1,231,640
General revenues:	
Taxes:	
Property taxes	1,824,649
Miscellaneous	15,200
Unrestricted investment earnings	14,061
Transfer to primary government	(103,900)
Total general revenues and transfers	1,750,010
Change in net assets	518,370
Net assets - beginning	(4,152,085)
Net assets - ending	\$ (3,633,715)

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, 2011

	General
ASSETS	
Pooled cash and investments with the City of Albany	\$ 1,697,316
Receivables:	
Property taxes	138,707
Interest	1,147
Loans receivable	331,329
Total assets	\$ 2,168,499
 LIABILITIES	
Accounts payable	\$ 38,109
Deferred revenue	463,962
Total liabilities	502,071
 FUND BALANCES	
Restricted	1,666,428
Total liabilities and fund balances	\$ 2,168,499

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, 2011

Total fund balances (page 9)		\$ 1,666,428
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.		
Property taxes	132,633	
Loans	331,329	
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds.		
Unamortized debt issuance costs	54,537	
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	(5,806,800)	
Interest payable	(11,842)	
Total adjustments		(5,300,143)
Net assets of governmental activities (page 7)		\$ (3,633,715)

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, 2011

	General
REVENUES	
Property taxes	\$ 1,798,914
Miscellaneous	17,022
Interest	14,061
Total revenues	1,829,997
EXPENDITURES	
Current - General Government	956,573
Bond principal and interest	517,718
Total expenditures	1,474,291
Excess (deficiency) of revenues over expenditures	355,706
OTHER FINANCING SOURCES(USES)	
Operating transfer to primary government	(103,900)
Total other financing sources (uses)	(103,900)
NET CHANGE IN FUND BALANCE	
Fund balance - beginning	251,806
Fund balance - ending	\$ 1,666,428

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, 2011

Amounts reported in the statement of activities are different because:

Net change in fund balances (page 11)	\$ 251,806
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	25,735
Loans receivable	(1,822)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Interest payable	607
Debt issuance costs are amortized as additional expense over the term of the loan.	(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 Repayment	247,000
Change in net assets (page 8)	\$ 518,370

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, 2011

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. The Agency does not apply FASB pronouncements issued subsequent to November 30, 1989.

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). 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.

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.

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

ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2011

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.

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.

ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2011

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.

4. Long-Term Obligations

In the agency-wide financial statements, long-term obligations are 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.

ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2011

5. Equity/Fund Balance

For the Government-wide financial statements equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In February 2009, effective for reporting periods beginning after June 15, 2010, GASB approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types. It also provides additional classification based on the relative strengths of the constraints that control how specific monies can be spent. The Statement requires governmental fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the City's Finance Director to assign fund balance amounts.

Unassigned — the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements when an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City of Albany has adopted this order of categories in Resolution 6015 on June 22, 2011 and has classified all funds in the proper category.

ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2011

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.

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 for the year ended June 30, 2011.

ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2011

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, \$1,697,316, 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 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.

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 2010-2011 Comprehensive Annual Financial Report.

B. LOANS RECEIVABLE

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

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. As of June 30, 2007 the full loan was disbursed. The loan is payable in full by January 25, 2010, with interest accruing at the annual rate of 4%. As of June 30, 2011, the amount outstanding was \$82,500.

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, 2008, the Swoboda's have drawn the full amount of the approved loan and as of June 30, 2011 the balance outstanding was \$42,500.

In March 2009, the Agency approved three ten-year loans to Cameron House, LLC, and Herb Yamamoto, Principal to renovate the structure known as CADD Connection Building located at 705

ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2011

Lyon Street SW. The first loan amount of \$112,500, with an annual interest rate of 4.85 percent, is secured by a promissory note and trust deed. The loan was for the 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. The second and third loan amounts to renovate the property at 705 Lyon Street SW are each \$97,500 and are secured by a promissory note and trust deed. The loans are interest free and both are fully due and payable on March 13, 2016. During fiscal year 2010-11 \$1,821 was forgiven and \$206,329.00 of the approved loan amounts was outstanding.

	Beginning Balance	Increase	Decrease	Ending Balance
Total Loans Receivable	\$ 333,151	\$ -	\$ 1,822	\$ 331,329

The following is a schedule of loans that the Agency has made which are forgivable if certain conditions are met. The Agency believes that these conditions will be met thus will not be recorded as a balance due in Loans Receivable.

	Loan Amt	Forgiven	Balance Yet To Be Forgiven
Flinn Block LLC - Manley	\$ 35,857	\$ -	\$ 35,857
3rd Avenue Townhouses - Smith	250,000	-	250,000
R3 Development - Mikesell	200,066	-	200,066
CADD Connection - Yamamoto	94,507	-	94,507
Albany Redevelopment - Ward	23,568	-	23,568
Edgewater Village	1,500,000	-	1,500,000
	\$ 2,103,998	\$ -	\$ 2,103,998

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, 2011, all City Projects have been completed and the asset value was transferred to the City of Albany.

D. LONG TERM OBLIGATIONS

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, 2011, is \$3,848,000.

ALBANY REVITALIZATION AGENCY

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

Notes to Basic Financial Statements

June 30, 2011

The table below presents current year changes and the current portions due for each issue:

	Beginning Balance	Increase	Decrease	Ending Balance	Due in 2011/2012
Urban Renewal Bonds:					
2007 CARA Series A Tax-exempt	\$ 2,822,000	\$ -	\$ -	\$ 2,822,000	\$ -
2007 CARA Series B Taxable	1,273,000	-	247,000	1,026,000	262,000
Note payable:					
2010 CARA Urban Renewal Revenue Note	1,958,800	-	-	1,958,800	-
Total long-term obligations	\$ 6,053,800	\$ -	\$ 247,000	\$ 5,806,800	\$ 262,000

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

Year Ending June 30	Principal	Interest	Total
2012	262,000	200,992	462,992
2013	279,000	184,617	463,617
2014	296,000	167,179	463,179
2015-2018	1,363,000	491,721	1,854,721
2019-2022	1,648,000	204,572	1,852,572
Totals	\$3,848,000	\$1,249,081	\$5,097,081

Urban Renewal Line of Credit

On December 16, 2009, the Agency approved an Urban Renewal Line of Credit in an aggregate principal amount not to exceed \$5,000,000 as allowed under ORS 457 and 271.390. This statute allows the Agency to conduct proceedings and to issue tax increment indebtedness for the purpose of financing urban renewal projects authorized under its Urban Renewal Plan and located within the Urban Renewal Area. The amount drawn on the line of credit as of June 30, 2011 is \$1,958,800.

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.

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, 2011

	Original Budget	Final Budget	Actual	Over (Under)
REVENUES				
Property taxes - current	\$ 1,465,200	\$ 1,465,200	\$ 1,747,603	\$ 282,403
Property taxes - delinquent	33,700	33,700	51,311	17,611
Miscellaneous	-	-	11,650	11,650
Loan repayment - Principal	1,800	1,800	-	(1,800)
Loan repayment - Interest	5,400	5,400	5,372	(28)
Interest on investments	30,000	30,000	14,061	(15,939)
Total revenues	<u>1,536,100</u>	<u>1,536,100</u>	<u>1,829,997</u>	<u>293,897</u>
OTHER FINANCING SOURCES				
Debt Proceeds	3,041,200	3,041,200	-	(3,041,200)
Fund balance, beginning	670,300	670,300	1,414,622	744,322
Amount available for appropriation	<u>\$ 5,247,600</u>	<u>\$ 5,247,600</u>	<u>\$ 3,244,619</u>	<u>\$ (2,002,981)</u>
EXPENDITURES				
Materials and services	\$ 3,966,300	\$ 3,862,100	956,573	\$ 2,905,527
Capital	-	104,200	-	104,200
Debt service	1,177,400	1,177,400	517,718	659,682
Total expenditures	5,143,700	5,143,700	1,474,291	3,669,409
OTHER FINANCING USES				
Transfer to City of Albany	103,900	103,900	103,900	-
Total expenditures and other financing use	<u>\$ 5,247,600</u>	<u>\$ 5,247,600</u>	<u>1,578,191</u>	<u>\$ 3,669,409</u>
Fund balance, ending			<u>\$ 1,666,428</u>	

ALBANY REVITALIZATION AGENCY
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Year Ended June 30, 2011

Tax Year	Taxes Receivable June 30, 2010	Levy as extended by assessor	Collections	Discounts & Adjustments	Taxes Receivable June 30, 2011
2010-11	\$ -	\$ 1,872,666	\$ (1,742,789)	\$ (48,878)	\$ 81,000
2009-10	70,468	-	(35,111)	(811)	34,547
2008-09	28,767	-	(14,490)	2,258	16,535
2007-08	11,067	-	(6,809)	555	4,813
2006-07	3,965	-	(2,496)	(653)	816
2005-06	911	-	(226)	(322)	361
2004-05	384	-	(97)	(97)	190
2003-04	-	-	-	-	-
2002-03	-	-	-	-	-
2001-02	-	-	-	-	-
2000-01	-	-	-	-	-
1999-00	-	-	-	-	-
1998-99	-	-	-	-	-
1997-98	-	-	-	-	-
Prior	136	-	(78)	387	445
	<u>\$ 115,699</u>	<u>\$ 1,872,666</u>	<u>\$ (1,802,096)</u>	<u>\$ (47,560)</u>	<u>\$ 138,707</u>

COLLECTIONS AND BALANCES RECEIVABLE SUMMARY

General Fund:

Albany Revitalization Agency	\$ 1,802,096	\$ 138,707
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**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

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

We have audited the basic financial statements of the **ALBANY REVITALIZATION AGENCY** as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011. 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.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control OAR 162-10-0230

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

This report is intended solely for the information and use of Agency Officials and management of the **ALBANY REVITALIZATION AGENCY** and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt, Carlisle & Smith, LLC

Certified Public Accountants
Salem, Oregon
December 30, 2011