

ALBANY REVITALIZATION AGENCY

Annual Financial Report

For the Fiscal Year Ended

June 30, 2016

*** * * * ***

Albany, Oregon

Prepared by:

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

ALBANY REVITALIZATION AGENCY

Annual Financial Report

For the year ended June 30, 2016

ALBANY REVITALIZATION AGENCY
Table of Contents
For the year ended June 30, 2016

INTRODUCTORY SECTION

Officers and Members of the Governing Body.....	i
---	---

FINANCIAL SECTION

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements:

Statement of Net Position.....	7
Statement of Activities	8

Fund Financial Statements:

Governmental Fund	
Balance Sheet	9
Reconciliation of the Balance Sheet to the Statement of Net Position.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of the Governmental Fund to the Statement of Activities	12
Notes to Basic Financial Statements	13

REQUIRED SUPPLEMENTARY INFORMATION:

General Fund Budgetary Comparison Schedule	23
--	----

COMPLIANCE SECTION

Independent Auditor’s Report Required by Oregon State Regulations	24
---	----

INTRODUCTORY SECTION

ALBANY REVITALIZATION AGENCY
Officers and Members of the Governing Body

For the Year Ended June 30, 2016

Agency Members

Chair
Floyd Collins

Sharon Konopa
Bessie Johnson
Rich Kellum

Dick Olsen
Ray Kopczynski
Bill Coburn

Advisory Board Members

Chair
Rich Catlin

David Abarr
Mitch Langjahr
Mark Spence

Maura Wilson
Russ Allen
Loyd Henion

City Manager

Wes Hare

Finance Director

Stewart Taylor

Urban Renewal Manager

Kate Porsche

Agency Address

333 Broadalbin Street NW
Albany, OR 97321

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Agency Officials
ALBANY REVITALIZATION AGENCY
Albany, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of **ALBANY REVITALIZATION AGENCY**, *component unit of the City of Albany, Oregon* as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the budgetary comparison schedule on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 30, 2017, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 30, 2017

By:



Bradley G. 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 required supplementary information. The agency-wide financial statements include the statement of net position and the statement of activities.

STATEMENT OF NET POSITION

The statement of net position provides a focus on the unrestricted net position related to the Agency's governmental activities. The statement reflects current assets and long-term liabilities of the Agency.

STATEMENT OF ACTIVITIES

The statement of activities focuses on program expenses and their matching revenues. To the extent a program's expense 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.

FUND BALANCE

Governmental fund balance is reported using five defined fund balance categories: non-spendable, restricted, committed, assigned and unassigned. Below is a brief explanation of each of these fund balance categories:

Non-spendable - 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.

2. AGENCY AS A WHOLE

FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$1,864,673 (net position). As of the close of the current fiscal year, the Agency reported an ending fund balance of \$3,074,391, a decrease of \$835,969 in comparison with the previous year.

AGENCY-WIDE FINANCIAL STATEMENTS

A condensed version of the statement of net position at June 30, 2016 and 2015 follows.

TABLE 1

Net Position at Year End

	General Government	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Assets:</u>		
Cash and investments	\$ 3,225,245	\$ 3,813,438
Other assets	1,173,769	878,233
Total assets	<u>4,399,014</u>	<u>4,691,671</u>
<u>Liabilities</u>		
Other liabilities	171,341	11,782
Liabilities due in one year	349,000	333,000
Liabilities due in mre than one year	2,014,000	2,363,000
Total liabilities	<u>2,534,341</u>	<u>2,707,782</u>
<u>Net Position</u>		
Unrestricted	<u>\$ 1,864,673</u>	<u>\$ 1,983,889</u>

STATEMENT OF NET POSITION AT JUNE 30, 2016:

Total net position decreased by \$125,303 during the year ended June 30, 2016. A prior period adjustment increased net position by \$6,087.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016:

A summary version of the statement of activities follows:

TABLE 2

Governmental Activities for the years ended June 30, 2016 and 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
REVENUES		
General revenues		
Taxes	\$ 2,632,184	\$ 2,352,906
Miscellaneous	440,189	41,828
Interest	33,553	17,082
Total revenues	<u>3,105,926</u>	<u>2,411,816</u>
EXPENSES		
Governmental activities	<u>3,231,229</u>	<u>1,179,109</u>
Change in net position	(125,303)	1,232,707
Beginning net position	1,983,889	751,182
Prior period adjustment	<u>6,087</u>	<u>-</u>
Ending net position	<u><u>\$ 1,864,673</u></u>	<u><u>\$ 1,983,889</u></u>

Governmental Activities

For the 2015-16 fiscal year, revenues increased \$694,110 due to a increase in property taxes received. Governmental activities expenses increased \$2,052,120 due to an increase in number and size of the individual projects. An accounting change required by GASB 72, *Fair Value Measurement and Valuation*, requires investments to be recorded at fair market value. The Agency adopted this new pronouncement in the current year, and has restated amounts of effected balances within the financial statements as of June 30, 2016.

3. BUDGETARY HIGHLIGHTS

During the year, the Agency did not change appropriations. Total budgeted resources available for appropriation were \$8,457,500. Actual resources available for appropriation were less than the amount budgeted by \$3,030,000 as no new debt was issued as contemplated in the adopted budget.

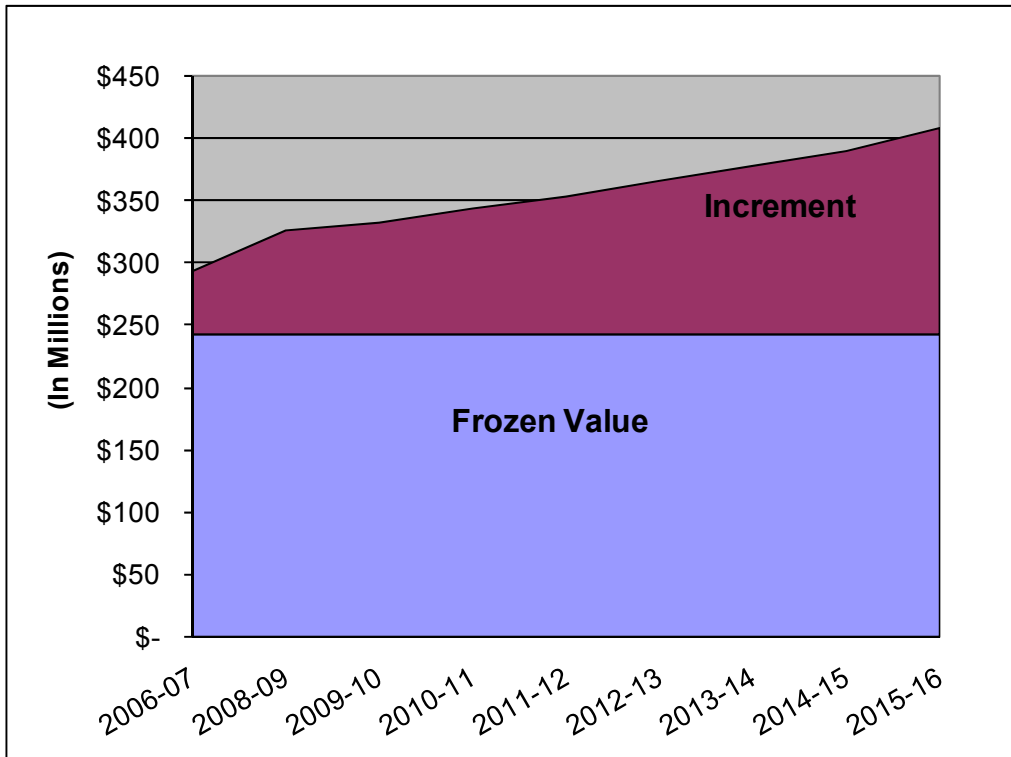
4. CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt Outstanding

As of June 30, 2016, the Agency had \$2,363,000 of outstanding debt to be paid off over 6 years. For more detailed information on the Agency's debt refer to page 22 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 steady growth of at least six percent.



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.

BASIC FINANCIAL STATEMENTS

**ALBANY REVITALIZATION AGENCY
STATEMENT OF NET POSITION**

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments pooled with the City of Albany	\$ 3,225,245
Receivables:	
Property taxes	222,547
Interest	2,938
Loans	<u>948,284</u>
TOTAL ASSETS	<u>4,399,014</u>
LIABILITIES	
Accounts payable	166,565
Interest payable	4,776
Long-term obligations:	
Due within one year	349,000
Due in more than one year	<u>2,014,000</u>
TOTAL LIABILITIES	<u>2,534,341</u>
NET POSITION	
Unrestricted	<u>\$ 1,864,673</u>

See accompanying notes

ALBANY REVITALIZATION AGENCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Governmental Activities
Program expenses:	
General government	\$ 3,062,278
Assets acquired for benefit of the City of Albany	38,868
Interest	130,083
 Total program expenses	 3,231,229
 General revenues:	
Property taxes	2,632,184
Miscellaneous	440,189
Unrestricted investment earnings	33,553
 Total general revenues	 3,105,926
 Change in net position	 (125,303)
Net position - beginning	1,983,889
Prior period adjustment	6,087
Net position - ending	\$ 1,864,673

See accompanying notes

**ALBANY REVITALIZATION AGENCY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016**

	General
ASSETS	
Cash and investments pooled with the City of Albany	\$ 3,225,245
Receivables:	
Property taxes	222,547
Interest	2,938
Loans	948,284
TOTAL ASSETS	\$ 4,399,014
LIABILITIES	
Accounts payable	\$ 166,565
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	1,158,058
FUND BALANCE	
Unrestricted	3,074,391
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,399,014

See accompanying notes

ALBANY REVITALIZATION AGENCY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
June 30, 2016

FUND BALANCE - GOVERNMENTAL FUND		\$ 3,074,391
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
 Other long-term assets are not available to pay current period expenditures and therefore are reported as unavailable revenue in the funds		
Property taxes	209,774	
Loans	<u>948,284</u>	1,158,058
 Some liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds		
Long term obligations	(2,363,000)	
Interest payable	<u>(4,776)</u>	<u>(2,367,776)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES		 <u>\$ 1,864,673</u>

See accompanying notes

ALBANY REVITALIZATION AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2016

	General
REVENUES	
Property taxes	\$ 2,618,269
Miscellaneous	71,024
Interest	33,553
 TOTAL REVENUES	 2,722,846
 EXPENDITURES	
Current - general government	1,477,578
Capital outlay	38,868
Bond principal and interest	463,756
Special payments	1,584,700
 TOTAL EXPENDITURES	 3,564,902
 Net change in fund balance	 (842,056)
Fund balance - beginning	3,910,360
Prior period adjustment	6,087
Fund balance - ending	\$ 3,074,391

See accompanying notes

ALBANY REVITALIZATION AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (842,056)

*Amounts reported for governmental activities in the statement of activities
is difference because of the following*

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds.

Property taxes	13,915	
Loans receivable	<u>369,165</u>	383,080

The issuance of long-term obligations provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt consumes
current financial resources of governmental funds. Neither transaction, however, has
on net assets.

Long-term loans payable		333,000
-------------------------	--	---------

The change in accrued interest payable affect the interest expense reported in the
statement of activities, but does not require the use of current financial resources
and, therefore, not reported as expenditures in the governmental funds.

Interest payable		<u>673</u>
------------------	--	------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (125,303)

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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 (CARA), 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, CARA was renamed the Albany Revitalization Agency. 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 for which the City Council serves as the governing body. 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 GASB, the Agency is considered a component unit of the City of Albany and the Agency's financial activities are included as a blended component unit in the basic financial statements of the City.

The Agency has no potential component units.

Basic Financial Statements

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 position and the statement of activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements (continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial transactions of the Agency are recorded in a single 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.

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 position) 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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 are generally

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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.

Cash and Investments

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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 unavailable 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.

Unavailable Revenues

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

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 Position. 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
Notes to the Basic Financial Statements
for the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

In the government-wide and proprietary fund financial statements equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets – 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.
- 2) Restricted net position – 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.
- 3) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund balances are reported within one of the fund balance categories listed below:

- 1) Non-spendable– Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- 2) 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.
- 3) 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 Agency. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.
- 4) 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 Finance Director to assign fund balance amounts.
- 5) 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 purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity (continued)

funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Excess of Expenditures over Appropriations

The Agency operated within its adopted budget for the year ended June 30, 2016.

3. DETAILED NOTES

Cash and Investments

The City pools its cash, including those of the Agency, for investment purposes. The Agency's portion is displayed on the balance sheet as "Cash and investments pooled with the City of Albany." The total amount, \$3,225,245, is invested with the State of Oregon Treasurer's short-term investment pool, financial institutions, bonds, and US Government obligations.

The City has implemented GASB Statement No. 72, Fair Value Measurement and Application as of June 30, 2016. This statement addresses accounting and financial reporting issues related to fair value measurement. It defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date," and is determined using one of three valuation approaches: market, cost, or income. 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 reports all investments at fair market value.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The City's US Treasury notes are classified as Level 1, and have values based on institutional bond quotes – evaluations based on various market and industry inputs.

Level 2 are valued using the following approaches: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable for an asset. The City's US government agency mortgage-backed pools are based on mortgage-backed securities pricing, with evaluations based on various market and industry inputs. Corporate bond values are based on institutional bond quotes, with evaluations based on various market and industry inputs.

Level 3 inputs are unobservable and should reflect the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. The City does not currently hold any

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

3. DETAILED NOTES (continued)

Cash and Investments (continued)

Fair Value of Investments (continued)

Level 3 investments.

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 2015-2016 Comprehensive Annual Financial Report.

Loans Receivable

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

In December 2004, the Agency approved a loan of \$82,500 to Allan and Jacqueline Swoboda to make improvements to property located in the urban renewal district. The loan was modified as of June 1, 2012 to a five-year amortization plan with interest accruing at the rate of four percent annually. The new modified loan and amount outstanding at June 30, 2016 is \$23,088 which consists of the original disbursement \$82,500 (which was disbursed before June 30, 2007) less repayments of \$59,412.

In October 2006, the Agency approved a ten-year loan of \$42,500 to Allan and Jacqueline Swoboda to make improvements to the Frager Building. The loan, with an annual interest rate of 6.9 percent, is secured by a trust deed. The first payment was due on January 19, 2012, in the amount of \$14,365 principal and interest, with four similar payments due after that. During the year ended June 30, 2011 the Agency loaned an additional \$21,990 for this project. As of June 30, 2016 the balance outstanding was \$4,774.

In March 2009, the Agency approved a ten-year loan of \$307,500 to Cameron House, LLC, and Herb Yamamoto, Principal, to renovate the structure known as CADD Connection Building at 705 Lyon Street. 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 principal and accrued interest is fully due and payable on March 13, 2016. The second and third loan amounts are each \$97,500, one of which is in the forgivable category, and is secured by a promissory note and trust deed. A total of \$112,612 has been received against these loans, leading to a June 30, 2016 outstanding balance of \$97,388.

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

3. DETAILED NOTES (continued)

Loans Receivable (continued)

In fiscal year 2012 the Agency approved a modification to the \$148,000 loan to Flinn Block, LLC, Marc and Anni Manley, personally. The original loan, dated February 12, 2008, was to make further improvements to the structure known as the Flinn and Ames Building. The modification, dated August 11, 2011, changed 50% of the loan (\$74,000) to a forgivable loan, and changed the interest rate on the remaining \$74,000 to two percent annually. Both portions are secured by a trust deed and promissory note. The second of five payments (\$16,660.67, principal and interest) was paid, resulting in an outstanding balance of \$47,105 at June 30, 2016.

In fiscal year 2012 the Agency approved a three-year loan of \$235,000 to Albany Redevelopment, LLC to refinance existing debt and make further improvements to the structure known as the Woods Apartment Building. The loan, with an annual interest rate of 11 percent, is secured by a trust deed and personal guarantees of the husband and wife owners of LLC. The first monthly payment was due on December 10, 2011, in the amount of \$2,238 principal and interest, with a total of 36 payments and a balloon payment due November 10, 2012. In fiscal year 2016, the City foreclosed on the property.

In May 2011, the Agency approved a three-year loan of \$120,000 to Albany Redevelopment, LLC for redevelopment of the historic Woods Apartment building. The loan, with an interest rate of 6 percent, is secured by a trust deed in second position behind the Agency's 2012 loan (above), promissory note, and personal guarantees of the husband and wife owners of the LLC. The loan called for a balloon payment on May 10, 2014 on the principal and interest accrued over the 3 years. In fiscal year 2016, the City foreclosed on the property.

In fiscal year 2016, ARA approved a three-year loan of \$105,307, with an annual interest rate of 1.5 percent to Scott and Jennifer Cowan to relocate a house that was on the property purchased for the new fire station. Two annual interest-only payments will begin on February 15, 2017. A balloon payment of \$107,307 plus accrued interest is due on February 15, 2019.

In fiscal year 2016, ARA approved a zero-interest twenty-year loan of \$175,000 to Novak's Hungarian Restaurant for further improvements to the property located at 208 Second Avenue. This loan is secured by a promissory note and trust deed. Monthly payments of \$729.17 began on January 15, 2016. The balance at June 30, 2016 is \$170,622.

In fiscal year 2016, ARA approved a twenty-year loan of \$500,000 to Rick Mikesell for renovations to the First Avenue Century Building. This zero-interest loan is secured by a promissory note and trust deed. Annual payments of \$25,000 will begin on September 15, 2016.

	July 1, 2015	Increases	Decreases	June 30, 2016
Total loans receivable	\$ 579,120	\$ 780,307	\$ (411,143)	\$ 948,284

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

3. DETAILED NOTES (continued)

Loans Receivable (continued)

The following is a schedule of loans that the Agency has made which are forgivable if certain conditions are met. The City believes that these conditions will be met, and thus does not report them as loans receivable.

<u>Borrower</u>	<u>Loan draws to date</u>	<u>Forgiven</u>	<u>Balance yet to be forgiven</u>
Flinn Block LLC - Manley	\$ 74,000	\$ -	\$ 74,000
CADD Connection - Yamamoto	97,500	27,857	69,643
Edgewater Village	2,400,000	-	2,400,000
Albany Carousel	110,000	-	110,000
Eaton, Emma and Jacho	25,000	25,000	-
Van Rossman, Robyn and Rusty	3,360	2,688	672
Vaughan, Timothy	28,900	11,740	17,160
	<u>\$ 2,738,760</u>	<u>\$ 67,285</u>	<u>\$ 2,671,475</u>

Capital Assets

The Agency has begun the process of investing in repairs to the City of Albany's infrastructure. 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, 2016, all projects have been completed and the assets were transferred to the City of Albany.

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, 2016, is \$2,363,000. The table below presents current year changes and the current portions due for this issue:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Urban Renewal Bonds:					
2007 CARA Series A Tax-exempt	<u>\$ 2,696,000</u>	<u>\$ -</u>	<u>\$ 333,000</u>	<u>\$ 2,363,000</u>	<u>\$ 349,000</u>

Albany Revitalization Agency
Notes to the Basic Financial Statements
for the year ended June 30, 2016

3. DETAILED NOTES (continued)

Long-Term Obligations (continued)

Annual debt service requirements to maturity long-term obligations are as follows:

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 349,000	\$ 114,606	\$ 463,606
2018	366,000	97,679	463,679
2019	383,000	79,928	462,928
2020	402,000	61,352	463,352
2021	421,000	41,855	462,855
2022	<u>442,000</u>	<u>21,437</u>	<u>463,437</u>
Totals	<u>\$2,363,000</u>	<u>\$ 416,857</u>	<u>\$2,779,857</u>

4. OTHER INFORMATION

Property Tax Limitation

The state of Oregon has a constitutional limit on property taxes for schools and non-school government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations. The limitation specifies \$10 as the maximum allowable tax for each \$1,000 of property real market value imposed by local governments other than schools. Urban renewal debt is not 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.

Subsequent Event

On October 26, 2016, Council approved through resolution an \$8,400,000 loan from the Oregon Infrastructure Authority (IFA) for the financing of projects in the Central Albany Revitalization Area. The interest rate is 2.55 percent and payment will be made from the transfer of ARA incremental tax receipts. The agreement with the IFA was signed on November 17, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

**ALBANY REVITALIZATION AGENCY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**
For the Year Ended June 30, 2016

Revenues	Original Budget	Final Budget	Actual	Over (Under)
Property taxes - current	\$ 2,274,700	\$ 2,274,700	\$ 2,544,723	\$ 270,023
Property taxes - delinquent	40,000	40,000	73,546	33,546
Miscellaneous	-	-	5,000	5,000
Property management	-	-	15,754	15,754
Loan repayment-principal	63,000	63,000	50,270	(12,730)
Loan repayment-interest	5,500	5,500	-	(5,500)
Interest on investments	5,500	5,500	33,553	28,053
Total revenues	2,388,700	2,388,700	2,722,846	334,146
Other financing sources				
Issuance of short-term debt	3,030,000	3,030,000	-	(3,030,000)
Fund balance, beginning	3,038,800	3,038,800	3,910,360	871,560
Prior period adjustment	-	-	6,087	6,087
Amount available for appropriation	<u>\$ 8,457,500</u>	<u>\$ 8,457,500</u>	<u>6,639,293</u>	<u>\$ (1,824,294)</u>

Expenditures	Original Budget	Final Budget	Actual	(Over) Under
ARA	\$ 5,711,500	\$ 5,545,500	1,516,446	\$ 4,029,054
ARA debt service	1,291,000	1,291,000	463,756	827,244
Special payments	1,455,000	1,621,000	1,584,700	36,300
Total expenditures	<u>\$ 8,457,500</u>	<u>\$ 8,457,500</u>	<u>3,564,902</u>	<u>\$ 4,892,598</u>
Fund balance, ending			<u>\$ 3,074,391</u>	

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials
ALBANY REVITAZATION AGENCY
Albany, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **ALBANY REVITALIZATION AGENCY** as of and for the year ended June 30, 2016, and have issued our report thereon dated January 30, 2017.

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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Compliance (continued)

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

Internal Control OAR 162-10-0230

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

This report is intended solely for the information and use of the Agency Officials and management of the ALBANY REVITAZATION 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
Certified Public Accountants
Salem, Oregon
January 30, 2017

By:



Bradley G. Bingenheimer, Member