

City of Keizer
Marion County, Oregon
Urban Renewal Agency
Annual Financial Report
FY14-15



***CITY OF KEIZER
URBAN RENEWAL AGENCY
(A component unit of the
City of Keizer, Oregon)
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2015***

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
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CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
AGENCY OFFICIALS
JUNE 30, 2015

MAYOR

Cathy Clark

Term Expires

January 2017

CITY COUNCIL

Kim Freeman

January 2017

Roland Herrera

January 2019

Dennis Koho

January 2017

Marlene Parsons

January 2017

Amy Ryan

January 2019

Brandon Smith

January 2019

Mailing Address
930 Chemawa Road NE
Keizer, Oregon 97303
www.keizer.org

STAFF

CITY MANAGER
Chris Eppley

HUMAN RESOURCES DIRECTOR
Machell DePina

CHIEF OF POLICE
John Teague

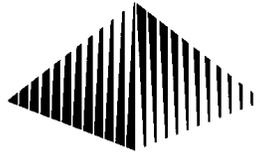
COMMUNITY DEVELOPMENT DIRECTOR
Nathan Brown

CITY RECORDER
Tracy Davis

PUBLIC WORKS DIRECTOR
Bill Lawyer

INTERIM FINANCE DIRECTOR
Tim Wood

CITY ATTORNEY
E. Shannon Johnson



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Keizer Urban Renewal Agency
930 Chemawa Road NE
Keizer, Oregon 97303

We have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Keizer, Oregon (a component unit of the City of Keizer, Oregon) as of and for the year ended June 30, 2015 (end of operations), 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 Agency'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 Agency'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 each major fund of the Urban Renewal Agency of the City of Keizer, Oregon, as of June 30, 2015 (end of operations), and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

On June 15, 2015, the governing body of the City of Keizer, acting in its capacity as the governing body of the City of Keizer Urban Renewal Agency voted to dissolve. All assets and related liabilities, if any, were transferred to the City of Keizer as of that date.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) on pages 3-6 and the schedule of revenues, expenditures and changes in fund balances - budget to actual on pages 18-19 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 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 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 budgetary schedules described above were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have been subject 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 18, 2015, 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 results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
December 18, 2015

Keizer Urban Renewal Agency, Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015

As management of the City of Keizer Urban Renewal Agency, we offer readers this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2015.

In June 2015, the City of Keizer Urban Renewal Agency was closed with all remaining assets transferred to the City of Keizer.

Financial Highlights

Urban renewal districts in the state of Oregon are required to establish a maximum indebtedness which is the total cost to complete all of the projects in the Urban Renewal Plan. Once it reaches its maximum indebtedness the district has theoretically completed its purpose and stops collecting tax increment revenue for new projects. After the outstanding debt has been paid off, the district dissolves. The District was close to reaching its maximum indebtedness of \$22,390,384 in fiscal year 2004-05. In fiscal year 2005-06 the District defeased its general obligation debt of \$3,445,000 outstanding at June 30, 2005.

In November 2005, the City Council passed the sixth amendment to the Keizer Urban Renewal District which increased the maximum indebtedness an additional \$23,500,000 extending the life of the District through fiscal year 2011-12 (estimated). The sixth amendment also removed approximately one-third of the property values from the District boundaries, reducing the tax increment revenue an estimated \$1.6 million in fiscal year 2005-06.

In February 2012, the City Council passed the ninth amendment to the Keizer Urban Renewal District which increased the maximum indebtedness by \$5,763,507 to \$51,653,891. The increase in maximum indebtedness will be used solely for the purposes of addressing the default by property owners in making payments on the Keizer Station Local Improvement District (LID) assessments and the Keizer Urban Renewal Agency costs for the administration and legal issues in dealing with the default of this LID. The affected taxing jurisdictions will be reimbursed their direct forgone revenues caused by the increase of the maximum indebtedness authorized by the Ninth Amendment, with the exception of the City of Keizer.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements and required supplementary information. The Agency's basic financial statements are comprised of three components:

1. Agency-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Agency-wide financial statements - The agency-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements include all assets of the Agency (including infrastructure such as streets, traffic signals, street lights, buildings, bridges, etc) as well as all liabilities (including long-term debt).

The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows or outflows in a future fiscal period.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information including schedules of revenues, expenditures and changes in fund balances – budget and actual.

Government-Wide Financial Analysis

	Statements of Net Position		
	June 30,		
	2015	2014	Change
Cash and investments	\$ -	\$ 178,544	\$ (178,544)
Other assets	-	152,640	(152,640)
Capital assets	-	33,816,488	(33,816,488)
Total Assets	-	34,147,672	(34,147,672)
Other liabilities	-	282	(282)
Long-term debt	-	1,260,000	(1,260,000)
Total Liabilities	-	1,260,282	(1,260,282)
Net Position			
Net investment in capital assets	-	32,556,488	(32,556,488)
Unrestricted	-	330,902	(330,902)
Total Net Position	<u>\$ -</u>	<u>\$ 32,887,390</u>	<u>\$(32,887,390)</u>

Statements of Activities

	For the years ended June 30,		Change
	2015	2014	
Revenues			
Taxes and assessments	\$ 1,077,200	\$ 1,144,748	\$ (67,548)
Miscellaneous	401	35,348	(34,947)
	1,077,601	1,180,096	(102,495)
Expenses			
Programs	123,318	1,682,130	(1,558,812)
Interest	25,185	54,752	(29,567)
Depreciation	1,126,923	1,150,526	(23,603)
	1,275,426	2,887,408	(1,611,982)
Revenue over (under)			
Expenses	(197,825)	(1,707,312)	1,509,487
Transfers Out - City of Keizer	(32,689,565)	-	(32,689,565)
Change in Net Position	(32,887,390)	(1,707,312)	(31,180,078)
Beginning Net Position	32,887,390	34,594,702	(1,707,312)
Ending Net Position	\$ -	\$ 32,887,390	\$(32,887,390)

Capital Assets

At June 30, 2015, the Agency had transferred all of its remaining capital assets to the City of Keizer.

	June 30,		Change
	2015	2014	
Land	\$ -	\$ 10,702,795	\$(10,702,795)
Buildings and improvements	-	26,583,078	(26,583,078)
Infrastructure	-	10,741,242	(10,741,242)
Accumulated depreciation	-	(14,210,627)	14,210,627
Net Capital Assets	\$ -	\$ 33,816,488	\$(33,816,488)

The following table is a summarized reconciliation of the change in capital assets.

	For the years ended June 30,		Change
	2015	2014	
Beginning balance	\$ 33,816,488	\$ 31,241,821	\$ 2,574,667
Additions	-	3,725,193	(3,725,193)
Transfers Out	(32,689,565)	-	(32,689,565)
Depreciation	(1,126,923)	(1,150,526)	23,603
Ending balance	<u>\$ -</u>	<u>\$ 33,816,488</u>	<u>\$(33,816,488)</u>

Debt Outstanding

As of June 30, 2015 the Agency had no debt outstanding.

	June 30,		Change
	2015	2014	
URA Credit Facility	<u>\$ -</u>	<u>\$ 1,260,000</u>	<u>\$ (1,260,000)</u>

Current Year Budgetary Highlights

During fiscal year 2015 the Urban Renewal Agency budget was adjusted to transfer \$45,800 from capital outlay to materials and services to provide for reimbursement payments to the overlapping tax jurisdictions for tax increment revenue forgone as the result of the extension of the district.

Economic Factors and Next Year's Budgets and Rates

Since the City of Keizer Urban Renewal Agency was closed with all remaining assets transferred to the City of Keizer there is not an adopted budget for fiscal year 2016.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Finance Director at 930 Chemawa Road, Keizer, Oregon 97303. Financial information for current and prior years is also available at www.keizer.org.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

REVENUES

Tax increment revenue	\$ 1,077,200
Miscellaneous	<u>401</u>
Total Revenues	1,077,601

EXPENSES

Materials and services	123,318
Interest	25,185
Depreciation	<u>1,126,923</u>
Total Expenses	<u>1,275,426</u>

REVENUES OVER EXPENSES BEFORE TRANSFERS

(197,825)

Transfers Out - City of Keizer

(32,689,565)

CHANGE IN NET POSITION

(32,887,390)

NET POSITION, July 1, 2014

32,887,390

NET POSITION, June 30, 2015

\$ -

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

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue		Debt Service	Total
	Urban Renewal Project	Urban Renewal Program Income	Urban Renewal Tax Increment	
REVENUES				
Tax increment revenue	\$ -	\$ -	\$ 1,175,799	\$ 1,175,799
Miscellaneous	-	-	401	401
Total Revenues	-	-	1,176,200	1,176,200
EXPENDITURES				
Current operating:				
Materials and services	71,481	51,837	-	123,318
Debt service:				
Principal	-	-	1,260,000	1,260,000
Interest	-	-	25,185	25,185
Total Expenditures	71,481	51,837	1,285,185	1,408,503
REVENUES OVER (UNDER)				
EXPENDITURES	(71,481)	(51,837)	(108,985)	(232,303)
OTHER FINANCING SOURCES (USES)				
Transfers in	71,481	-	-	71,481
Transfers out	-	-	(71,481)	(71,481)
Total Other Financing Sources (Uses)	71,481	-	(71,481)	-
NET CHANGE IN FUND BALANCES	-	(51,837)	(180,466)	(232,303)
FUND BALANCES, Beginning of year	-	51,837	180,466	232,303
FUND BALANCES, End of year	\$ -	\$ -	\$ -	\$ -

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

CITY OF KEIZER URBAN RENEWAL AGENCY

(A Component Unit of the City of Keizer, Oregon)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

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

Net Change in Fund Balances \$ (232,303)

Amounts reported in the statement of activities are different because:

Governmental funds defer revenues that do not provide current financial resources.

However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. (98,599)

Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.

Depreciation (1,126,923)

Transfers Out - City of Keizer (32,689,565)

Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, the payment of debt principal does not affect the Statement of Activities, but is reported as a decrease in noncurrent liabilities in the Statement of Net Assets.

Repayment of debt 1,260,000

Change in Net Position \$ (32,887,390)

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

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Urban Renewal Agency (Agency) of the City of Keizer, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the Agency's accounting policies are described below.

Reporting Entity

The City of Keizer Urban Renewal Agency was created on September 10, 1990 to promote the economic welfare and prosperity of the City's inhabitants. The Agency is governed by a seven-member board of directors that include the City's mayor and council members and is included as a blended component unit in the City's financial statements as special revenue and debt service funds. In June 2015, the City of Keizer Urban Renewal Agency was closed with all remaining assets transferred to the City of Keizer.

Basic Financial Statements

Basic financial statements are presented at both the agency-wide and fund financial level. All activities of the Agency are categorized as governmental activities.

Agency-wide financial statements display information about the Agency as a whole. These statements focus on the sustainability of the Agency as an entity reporting the change in aggregate financial position 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 Net Position demonstrates the entity's financial position by displaying the difference between its total assets and total liabilities. Net Position is further subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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 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 or fiduciary. Currently, the Agency has three governmental funds consisting of two special revenue funds and a debt service fund.

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

Governmental accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds. For purposes of presentation, each of the Agency's funds is presented as a major fund.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

Fund Accounting

The accounts of the Agency are organized and operated as three funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A minimum number of funds are maintained consistent with legal and managerial requirements.

The Agency reports the following major governmental funds:

Urban Renewal Project – Accounts for the acquisition and development of capital assets. The principal revenue sources are bond proceeds and interest earnings. Expenditures are for the acquisition and development of capital assets and costs associated with the ongoing operations of the Agency.

Urban Renewal Program Income – Accounts for the proceeds from the sale of property within the Urban Renewal Agency. Expenditures are for the acquisition and development of capital assets.

Urban Renewal Tax Increment – Accounts for the accumulation of resources and payment of principal and interest on the Urban Renewal Bonds. The principal sources of revenue are tax increment revenues and interest earnings.

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental Fund type fund balances are reported in the following classifications.

Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally or contractually required to be maintained intact. Resources in non-spendable form include inventories, prepaid amounts, deposits, and assets held for sale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Agency takes formal action that places specific constraints on how the resources may be used. The Agency can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the Agency approves which resources should be "reserved" during the adoption of the annual budget.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

Measurement Focus and Basis of Accounting

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

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

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers tax increment revenues as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

Cash and Investments

The Agency maintains its cash balance with the City. State statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, certain commercial paper and the state treasurer’s investment pool, among others. Required disclosures about the City’s cash can be found in the Comprehensive Annual Financial Report of the City of Keizer.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables/Deferred Inflows of Resources

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Tax increment revenue receivable for the governmental fund types, which have been collected within 30 days subsequent to year end, are considered measurable and available and are recognized as revenues.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, represents an acquisition that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one item that qualifies for reporting in this category. It arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond five years. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure consists of roads, bridges, sidewalks, traffic and lighting systems, water, stormwater and wastewater collection systems.

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of capital assets are included in operations.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The estimated useful lives of the various categories of assets are as follows:

Buildings	20-50 years
Improvements other than buildings	20 years
Infrastructure	20-75 years
Equipment	5 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

Unavailable Revenues

Unavailable revenues represent uncollected tax increment revenue not deemed available to finance operations of the current period.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities. Bond premiums, discounts and issuance costs are reported as expenditures when paid.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs at the time of issuance. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Budgetary Information

The Agency budgets in accordance with the requirements of State law. Annual appropriated budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The Agency begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the Budget committee. The budget is then published in proposed form and is presented for public hearings to obtain citizen comments and approval from the Budget Committee. The budget is legally adopted by the Agency's Board by resolution prior to the beginning of the Agency's fiscal year. The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the object level. Appropriations lapse at year-end.

Appropriation authority may be transferred from one level of control to another by Board resolution. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

The Agency does not use encumbrances.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

TAX INCREMENT REVENUE RECEIVABLE

Tax increment revenue transactions for the year were as follows:

	<u>Balance July 1, 2014</u>	<u>2014-15 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts and Adjustments</u>	<u>Turnovers</u>	<u>Balance June 30, 2015</u>
2014-15	\$ -	\$ 1,245,385	\$ 115	\$ (136,397)	\$ (1,109,103)	\$ -
2013-14	58,269	-	-	(39,003)	(19,266)	-
2012-13	23,586	-	-	(12,571)	(11,015)	-
2011-12	39,821	-	-	(14,342)	(25,479)	-
2010-11	14,605	-	-	(5,531)	(9,074)	-
2009-10	5,359	-	-	(4,150)	(1,209)	-
Prior	11,000	-	-	(10,347)	(653)	-
	<u>\$ 152,640</u>	<u>\$ 1,245,385</u>	<u>\$ 115</u>	<u>\$ (222,341)</u>	<u>\$ (1,175,799)</u>	<u>\$ -</u>

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS

The changes in the capital assets for the year ended June 30, 2015 are as follows:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
NON-DEPRECIABLE				
Land	\$ 10,702,795	\$ -	\$ (10,702,795)	\$ -
DEPRECIABLE				
Buildings and improvements	26,583,078	-	(26,583,078)	-
Infrastructure	10,741,242	-	(10,741,242)	-
Total depreciable	37,324,320	-	(37,324,320)	-
Total Cost of Capital Assets	48,027,115	-	(48,027,115)	-
ACCUMULATED DEPRECIATION				
Buildings and improvements	(8,596,693)	(765,563)	9,362,256	-
Infrastructure	(5,613,934)	(361,360)	5,975,294	-
Total Accumulated Depreciation	(14,210,627)	(1,126,923)	15,337,550	-
Capital Assets, Net	<u>\$ 33,816,488</u>	<u>\$ (1,126,923)</u>	<u>\$ (32,689,565)</u>	<u>\$ -</u>

LONG-TERM OBLIGATIONS

Long-term debt transactions for the year were as follows:

	<u>Outstanding July 1, 2014</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2015</u>
URA Credit Facility	<u>\$ 1,260,000</u>	<u>\$ -</u>	<u>\$ (1,260,000)</u>	<u>\$ -</u>

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2015

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, including property, liability, vehicles, fidelity bond, worker's compensation and unemployment. All policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2015, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEIZER URBAN RENEWAL AGENCY

(A Component Unit of the City of Keizer, Oregon)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL PROJECT FUND
YEAR ENDED JUNE 30, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
EXPENDITURES				
Materials and services	\$ 82,500	\$ 85,400	\$ 71,481	\$ 13,919
Capital outlay	1,000	1,000	-	1,000
Contingency	5,000	2,100	-	2,100
<i>Total Expenditures</i>	<u>88,500</u>	<u>88,500</u>	<u>71,481</u>	<u>17,019</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(88,500)	(88,500)	(71,481)	17,019
OTHER FINANCING SOURCES (USES)				
Issuance of debt	<u>88,600</u>	<u>88,600</u>	<u>71,481</u>	<u>(17,119)</u>
NET CHANGE IN FUND BALANCES	100	100	-	(100)
FUND BALANCE, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ (100)</u>

Certain amounts have been reclassified in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, the reclassifications had no effect on the net change in fund balance or ending fund balance.

CITY OF KEIZER URBAN RENEWAL AGENCY

(A Component Unit of the City of Keizer, Oregon)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL PROGRAM INCOME FUND
YEAR ENDED JUNE 30, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
EXPENDITURES				
Materials and services	\$ 6,000	\$ 51,800	\$ 51,837	\$ (37)
Capital outlay	45,800	-	-	-
<i>Total Expenditures</i>	<u>51,800</u>	<u>51,800</u>	<u>51,837</u>	<u>(37)</u>
NET CHANGE IN FUND BALANCES	(51,800)	(51,800)	(51,837)	(37)
FUND BALANCE, Beginning of year	<u>51,800</u>	<u>51,800</u>	<u>51,837</u>	<u>37</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Certain amounts have been reclassified in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, the reclassifications had no effect on the net change in fund balance or ending fund balance.

OTHER SUPPLEMENTARY INFORMATION

CITY OF KEIZER URBAN RENEWAL AGENCY

(A Component Unit of the City of Keizer, Oregon)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

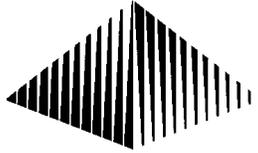
BUDGET AND ACTUAL - URBAN RENEWAL TAX INCREMENT FUND

YEAR ENDED JUNE 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,413,500	\$ 1,413,500	\$ 1,175,799	\$ (237,701)
Miscellaneous	1,000	1,000	401	(599)
<i>Total Revenues</i>	1,414,500	1,414,500	1,176,200	(238,300)
EXPENDITURES				
Debt service				
Repayment to overlapping tax jurisdictions	735,100	735,100	-	735,100
Principal	1,348,600	1,348,600	1,331,481	17,119
Interest	34,700	34,700	25,185	9,515
<i>Total Expenditures</i>	2,118,400	2,118,400	1,356,666	761,734
REVENUES OVER (UNDER)				
EXPENDITURES	(703,900)	(703,900)	(180,466)	523,434
FUND BALANCE, Beginning of year	703,900	703,900	180,466	(523,434)
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

Certain amounts have been reclassified in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, the reclassifications had no effect on the net change in fund balance or ending fund balance.

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
City of Keizer Urban Renewal Agency
930 Chemawa Road NE
Keizer, Oregon 97303

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Urban Renewal Agency of the City of Keizer, Oregon as of and for the year ended June 30, 2015 and have issued our report thereon dated December 18, 2015.

Compliance and Other Matters

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.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.**

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

Internal Control Over Financial Reporting

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 opinion 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.

Restriction on Use

This report is intended solely for the information and use of the council members and management of the Urban Renewal Agency of the City of Keizer and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Ryan T. Pasquarella, A Shareholder
December 18, 2015