



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2006

RIVER ROAD
URBAN RENEWAL AGENCY
MARION COUNTY, OREGON

***CITY OF KEIZER
URBAN RENEWAL AGENCY
(A component unit of the
City of Keizer, Oregon)
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006***

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
AGENCY OFFICIALS
JUNE 30, 2006

CHAIR

Term Expires

Lore Christopher
6598 Stone Mason Lane NE
Keizer, Oregon 97303

January 2007

AGENCY BOARD

Jacque Moir
6745 McLeod Lane NE
Keizer, Oregon 97303

January 2007

Richard Walsh
5945 Shoreview Lane N
Keizer, Oregon 97303

January 2007

James Taylor
1986 Meadowlark Drive NE
Keizer, Oregon 97303

January 2007

David McKane
674 Fall Creek Drive N
Keizer, Oregon 97303

January 2007

Troy Nichols
1085 Fir Cone Lane NE
Keizer, Oregon 97303

January 2009

Charles E. Lee
3445 Willamette Drive N
Keizer, Oregon 97303

January 2009

CITY ATTORNEY

E. Shannon Johnson
Lien & Johnson
4855 River Road N
Keizer, Oregon 97303

STAFF

CITY MANAGER
Chris Eppley

HUMAN RESOURCES DIRECTOR
Dianne Hunt

CHIEF OF POLICE
Marc Adams

COMMUNITY DEVELOPMENT DIRECTOR
Nathan Brown

CITY RECORDER
Tracy Davis

PUBLIC WORKS DIRECTOR
Rob Kissler

FINANCE DIRECTOR
Susan Gahlsdorf

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
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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
Keizer, Oregon 97370

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, 2006, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2006 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

By:  _____

Charles A. Swank, A Shareholder

November 8, 2006

Keizer Urban Renewal Agency, Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2006

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, 2006.

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 has been paid off, the district dissolves. The District reached its maximum indebtedness of \$22,390,384 in fiscal year 2004-05. In fiscal year 2005-06 the District collected a sufficient amount of tax increment revenue to pay off its existing debt, and preceded to defease the full 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.

The following projects during fiscal year 2006 included:

- Completed construction of Chemawa Road improvements from 7th Avenue to Rickman Road, coinciding with the improvements from Rickman Road to Verda Lane. Urban Renewal funding was used in conjunction with state grants and Gas Tax revenues.
- Completed land acquisition and construction of the District's share of Keizer Station improvements.
- Continued development of the River Road Renaissance plan.
- Property tax increment revenue for fiscal year 2006 was over \$3.9 million.

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

Government-wide financial statements - The government-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 general obligation long-term debt).

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

Government-Wide Financial Analysis

Table 1
Statements of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Cash and investments	\$ 1,825,397	\$ 3,967,255	\$ (2,141,858)
Other assets	222,485	1,371,850	(1,149,365)
Capital assets	<u>18,810,195</u>	<u>17,657,547</u>	<u>1,152,648</u>
<i>Total Assets</i>	<u>20,858,077</u>	<u>22,996,652</u>	<u>(2,138,575)</u>
Other liabilities	20,630	1,316,337	1,295,707
Long-term debt	<u>-</u>	<u>3,445,000</u>	<u>3,445,000</u>
<i>Total Liabilities</i>	<u>20,630</u>	<u>4,761,337</u>	<u>4,740,707</u>
Net assets			
Investment in capital assets, net of debt	18,810,195	14,212,547	4,597,648
Unrestricted	<u>2,027,252</u>	<u>4,022,768</u>	<u>(1,995,516)</u>
<i>Total Net Assets</i>	<u>\$ 20,837,447</u>	<u>\$ 18,235,315</u>	<u>\$ 2,602,132</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$20,837,447 at the close of fiscal year 2006.

A portion of the Agency's net assets reflects its investment of \$18,810,195 or 90 percent, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation), less any related outstanding debt used to acquire those assets, if any. These capital assets primarily represent infrastructure improvements. Consequently, these assets are not available for future spending.

The remaining balance is unrestricted net assets totaling \$2,027,252 or approximately 10 percent.

Table 2
Changes in Net Assets

	<i>Fiscal Year Ended June 30, 2006</i>	<i>Fiscal Year Ended June 30, 2005</i>	<i>Change</i>
<i>Revenues</i>			
Taxes and assessments	\$ 3,963,693	\$ 3,707,135	\$ 256,558
Miscellaneous	118,072	113,852	4,220
Gain on Sale of Land	(157,196)	733,908	(891,104)
<i>Total Revenues</i>	<u>3,924,569</u>	<u>4,554,895</u>	<u>(630,326)</u>
<i>Expenses</i>			
Programs	564,147	1,363,026	(798,879)
Depreciation	758,290	721,704	36,586
<i>Total Expenses</i>	<u>1,322,437</u>	<u>2,084,730</u>	<u>(762,293)</u>
<i>Change in Net Assets</i>	2,602,132	2,470,165	131,967
<i>Beginning Net Assets</i>	<u>18,235,315</u>	<u>15,765,150</u>	2,470,165
<i>Ending Net Assets</i>	<u>\$ 20,837,447</u>	<u>\$ 18,235,315</u>	<u>\$ 2,602,132</u>

The Agency's overall net assets increased by \$2,602,132 during fiscal year 2006. The increase was related to the net increase of tax increment revenue over program expenses.

Capital Assets

At June 30, 2006, the Agency had approximately \$18.8 million invested in capital assets, primarily related to building and infrastructure improvements.

Table 3
Capital Assets
(net of depreciation)

	<i>June 30, 2006</i>	<i>June 30, 2005</i>	<i>Change</i>
Land	\$ 5,683,329	\$ 4,623,633	22.92 %
Building and improvements	7,384,764	6,989,336	5.66
Equipment and vehicles	26,726	26,726	-
Infrastructure	11,144,532	10,699,946	4.16
Accumulated depreciation	(5,429,156)	(4,682,094)	15.96
<i>Net Capital Assets</i>	<u>\$ 18,810,195</u>	<u>\$ 17,657,547</u>	<u>6.53 %</u>

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

Table 4
Changes in Capital Assets
For the Year Ended June 30, 2006

Beginning balance	\$ 17,657,547
Additions	2,068,134
Retirements	(157,196)
Depreciation	<u>(758,290)</u>
Ending balance	<u>\$ 18,810,195</u>

Debt Outstanding

As of June 30, 2006 the Agency had no debt outstanding compared to the \$3,445,000 last year. The Agency had a debt defeasance during fiscal year 2005 as part of the district's major plan amendment.

Current Year Budgetary Highlights

During fiscal year 2006 the Board passed a resolution authorizing a supplemental budget to purchase property for the District. Additionally, the Agency made budget amendments during the year ended June 30, 2006 to account for a loan repayment between funds.

Economic Factors and Next Year's Budgets and Rates

The Agency's adopted budget for fiscal year 2007 reflects total estimated resources of \$6,541,100 which exceeds total estimated expenditures by \$608,100.

Projects planned for fiscal year 2007 include:

- \$1 million for property acquisition.
- \$1 million for engineering and design of a new civic center.
- \$500 thousand for River Road Renaissance Projects.

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.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Cash and investments	\$ 1,825,397
Property taxes receivable	222,485
Capital assets, net of depreciation	18,810,195
	<hr/>
<i>Total Assets</i>	20,858,077

LIABILITIES

Accounts payable	20,230
Deposits	400
	<hr/>
<i>Total Liabilities</i>	20,630

NET ASSETS

Investment in capital assets (net of related debt)	18,810,195
Unrestricted	2,027,252
	<hr/>
<i>Total Net Assets</i>	<u><u>\$ 20,837,447</u></u>

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

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

REVENUES

Property taxes	\$ 3,963,693
Miscellaneous	118,072

<i>Total Revenues</i>	4,081,765
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EXPENSES

Personal services	237,497
Materials and services	126,763
Interest on long-term debt	199,887
Depreciation	758,290

<i>Total Expenses</i>	1,322,437
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REVENUES IN EXCESS OF EXPENSES	2,759,328
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OTHER FINANCING SOURCES (USES)

Loss on disposal of assets	(157,196)
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CHANGE IN NET ASSETS	2,602,132
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NET ASSETS, July 1, 2005	18,235,315
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NET ASSETS, June 30, 2006	\$ 20,837,447
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The accompanying notes are an integral party of the financial statements.

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Urban Renewal Project</u>	<u>Urban Renewal Tax Increment</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 1,494,079	\$ 331,318	\$ 1,825,397
Property taxes receivable	-	222,485	222,485
	<u>1,494,079</u>	<u>553,803</u>	<u>2,047,882</u>
<i>Total Assets</i>	<u>\$ 1,494,079</u>	<u>\$ 553,803</u>	<u>\$ 2,047,882</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 20,230	\$ -	\$ 20,230
Deposits	400	-	400
Deferred revenue	-	174,898	174,898
	<u>20,630</u>	<u>174,898</u>	<u>195,528</u>
<i>Total Liabilities</i>	20,630	174,898	195,528
Fund Balances			
Unreserved	<u>1,473,449</u>	<u>378,905</u>	<u>1,852,354</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,494,079</u>	<u>\$ 553,803</u>	<u>\$ 2,047,882</u>

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

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2006

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS

<i>Fund Balances</i>	\$ 1,852,354
Amounts reported in the Statement of Net Assets are different because:	
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.	174,898
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	18,810,195
<i>Net Assets</i>	<u>\$ 20,837,447</u>

The accompanying notes are an integral party 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, 2006

	<u>Urban Renewal Project</u>	<u>Urban Renewal Tax Increment</u>	<u>Totals</u>
REVENUES			
Property taxes	\$ -	\$ 3,975,235	\$ 3,975,235
Miscellaneous	66,090	51,982	118,072
<i>Total Revenues</i>	<u>66,090</u>	<u>4,027,217</u>	<u>4,093,307</u>
EXPENDITURES			
Current operating:			
Personal services	237,497	-	237,497
Materials and services	199,500	-	199,500
Capital outlay	1,995,397	-	1,995,397
Debt service	-	3,644,887	3,644,887
<i>Total Expenditures</i>	<u>2,432,394</u>	<u>3,644,887</u>	<u>6,077,281</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,366,304)	382,330	(1,983,974)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	1,000,000	-	1,000,000
Loan repayment	-	(1,000,000)	(1,000,000)
Interfund loan	1,126,953	-	1,126,953
<i>Total Other Financing Sources (Uses)</i>	<u>2,126,953</u>	<u>(1,000,000)</u>	<u>1,126,953</u>
NET CHANGE IN FUND BALANCES	(239,351)	(617,670)	(857,021)
FUND BALANCES, Beginning of year	<u>1,712,800</u>	<u>996,575</u>	<u>2,709,375</u>
FUND BALANCES, End of year	<u>\$ 1,473,449</u>	<u>\$ 378,905</u>	<u>\$ 1,852,354</u>

The accompanying notes are an integral party 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, 2006**

**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 \$ (857,021)

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. (11,542)

The Statement of Activities reports gains and losses arising from the disposal of existing
capital assets, while governmental funds do not report any gains and losses on the
disposal of existing capital assets. (157,196)

Governmental funds report repayments from other funds as revenues. However,
these items are not considered revenues for the Statement of Activities. (1,126,953)

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. 1,309,844

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. 3,445,000

Change in Net Assets \$ 2,602,132

The accompanying notes are an integral party 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, 2006

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. 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 a special revenue fund and a debt service fund.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function 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 two governmental (general and debt service) funds.

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. Major individual funds are reported as separate columns in the fund financial statements.

The Agency reports the following major governmental funds:

- Urban Renewal Project
- Urban Renewal Tax Increment

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-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 property taxes 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.

Fund Accounting

The accounts of the Agency are organized and operated as two 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 has a general fund and a debt service fund. The Urban Renewal Project Fund is used to account for all financial resources, except those required to be accounted for in another fund. The primary source of revenue is from investment earnings. The Urban Renewal Tax Increment Fund is used to account for the accumulation of tax resources for payment of principal and interest.

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 and disclosures. Accordingly, actual results may differ from those estimates.

Receivables and Deferred Revenues

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

Property taxes receivable for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the Agency and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the Agency represent the Agency's allocated share of delinquent property taxes and other amounts to be collected from property owners.

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, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Agency spends considerable resources on projects which are primarily capital in nature. All capital assets acquired or paid by the Agency are transferred to the City of Keizer and are not separately reported on the Agency's financial statements.

Long-Term Obligations

In the government-wide financial statements, and in proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type Statement of Net Assets. 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.

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.

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 taxpayer 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 function 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, 2006

PROPERTY TAXES RECEIVABLE

Property tax transactions for the year were as follows:

	<i>Balance July 1, 2005</i>	<i>2005-06 Levy</i>	<i>Added to Rolls</i>	<i>Discounts and Adjustments</i>	<i>Turnovers</i>	<i>Balance June 30, 2006</i>
Current	\$ -	\$ 4,071,262	\$ 1,549	\$ (109,476)	\$ (3,834,734)	\$ 128,601
Prior	244,333	-	-	(19,524)	(130,925)	93,884
	<u>\$ 244,333</u>	<u>\$ 4,071,262</u>	<u>\$ 1,549</u>	<u>\$ (129,000)</u>	<u>\$ (3,965,659)</u>	<u>\$ 222,485</u>

CAPITAL ASSETS

The changes in the capital assets for the year ended June 30, 2006 are as follows:

	<i>Balances July 1, 2005</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2006</i>
NON-DEPRECIABLE				
Land	\$ 4,623,633	\$ 1,059,696	\$ -	\$ 5,683,329
DEPRECIABLE				
Buildings and improvements	6,989,336	395,428	-	7,384,764
Equipment and vehicles	26,726	-	-	26,726
Infrastructure	10,699,946	613,010	(168,424)	11,144,532
<i>Total Depreciable</i>	<u>17,716,008</u>	<u>1,008,438</u>	<u>(168,424)</u>	<u>18,556,022</u>
<i>Total Cost of Capital Assets</i>	<u>22,339,641</u>	<u>2,068,134</u>	<u>(168,424)</u>	<u>24,239,351</u>
ACCUMULATED DEPRECIATION				
Buildings and improvements	(2,369,613)	(399,583)	-	(2,769,196)
Equipment and vehicles	(21,413)	(1,838)	-	(23,251)
Infrastructure	(2,291,068)	(356,869)	11,228	(2,636,709)
<i>Total Accumulated Depreciation</i>	<u>(4,682,094)</u>	<u>(758,290)</u>	<u>11,228</u>	<u>(5,429,156)</u>
<i>Capital Assets, Net</i>	<u>\$ 17,657,547</u>	<u>\$ 1,309,844</u>	<u>\$ (157,196)</u>	<u>\$ 18,810,195</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, 2006

LONG-TERM DEBT

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

	<i>Outstanding July 1, 2005</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2006</i>	<i>Due in One Year</i>
2001 URA, Series A	\$ 2,505,000	\$ -	\$ (2,505,000)	\$ -	\$ -
2001 URA, Series B	940,000	-	(940,000)	-	-
	<u>\$ 3,445,000</u>	<u>\$ -</u>	<u>\$ (3,445,000)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL PROJECT FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 37,200	\$ 37,200	\$ 66,090	\$ 28,890
<i>Total Revenues</i>	37,200	37,200	66,090	28,890
EXPENDITURES				
Personal services	234,600	239,600	237,497	2,103
Materials and services	154,600	204,600	199,500	5,100
Capital outlay	3,452,300	3,772,300	1,995,397	1,776,903
Contingency	-	622,800	-	622,800
<i>Total Expenditures</i>	3,841,500	4,839,300	2,432,394	2,406,906
REVENUES OVER (UNDER)				
EXPENDITURES	(3,804,300)	(4,802,100)	(2,366,304)	2,435,796
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,000,000	1,000,000	-
Interfund loan	-	-	1,126,953	1,126,953
Transfers out	-	(2,200)	-	2,200
<i>Total Other Financing Sources (Uses)</i>	-	997,800	2,126,953	1,129,153
NET CHANGE IN FUND BALANCE	(3,804,300)	(3,804,300)	(239,351)	3,564,949
FUND BALANCE, Beginning of year	4,056,400	4,056,400	1,712,800	(2,343,600)
FUND BALANCE, End of year	\$ 252,100	\$ 252,100	\$ 1,473,449	\$ 1,221,349

CITY OF KEIZER URBAN RENEWAL AGENCY

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

**COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL TAX INCREMENT FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 3,939,600	\$ 3,939,600	\$ 3,975,235	\$ 35,635
Miscellaneous	33,500	33,500	51,982	18,482
<i>Total Revenues</i>	3,973,100	3,973,100	4,027,217	54,117
EXPENDITURES				
Debt service	933,400	3,718,600	3,644,887	73,713
Contingency	3,882,000	96,800	-	96,800
<i>Total Expenditures</i>	4,815,400	3,815,400	3,644,887	170,513
REVENUES OVER (UNDER) EXPENDITURES	(842,300)	157,700	382,330	224,630
OTHER FINANCING SOURCES (USES)				
Loan repayment	-	(1,000,000)	(1,000,000)	-
<i>Total Other Financing Sources (Uses)</i>	-	(1,000,000)	(1,000,000)	-
NET CHANGE IN FUND BALANCE	(842,300)	(842,300)	(617,670)	224,630
FUND BALANCE, Beginning of year	842,300	842,300	996,575	154,275
FUND BALANCE, End of year	\$ -	\$ -	\$ 378,905	\$ 378,905

CITY OF KEIZER URBAN RENEWAL AGENCY
COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
YEAR ENDED JUNE 30, 2006

State of Oregon Compliance Section

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules are set forth on the following pages.

Significant Accounting Policies

The significant accounting policies followed in preparing the Agency's financial statements are summarized in the notes to the financial statements.

Organization and Fund Structure

The organization and fund structure of the Agency is documented on the title page and in the notes to the financial statements.

Internal Accounting Control and Accounting Records

We have audited the fund financial statements of the City of Keizer Urban Renewal Agency as of and for the year ended June 30, 2006, and have issued our report thereon dated November 8, 2006. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Agency's fund financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the Agency taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

Adequacy of Collateral Securing Depository Balances

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient for the year ended June 30, 2006.

Investments

Our review of deposit and investment balances indicated that, during the year ended June 30, 2006, the Agency was in compliance with ORS 295, as it pertains to investment of public funds.

Budget Compliance

The Agency appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation and adoption of its budget and tax levy for the years ending June 30, 2006 and 2007. A description of the budgeting process is in the notes to the financial statements.