

City of Keizer
Urban Renewal Agency
Marion County, OR



**ANNUAL
FINANCIAL
REPORT**

Fiscal Year 2010-2011



PRIDE SPIRIT VOLUNTEERISM

***CITY OF KEIZER
URBAN RENEWAL AGENCY
(A component unit of the
City of Keizer, Oregon)
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011***

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

	<u>Page</u>
<i>INDEPENDENT AUDITOR'S REPORT</i>	1
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	2-7
<i>BASIC FINANCIAL STATEMENTS</i>	
Government-wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements - Governmental Funds	
Balance Sheet	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Basic Financial Statements	14-21
<i>REQUIRED SUPPLEMENTAL INFORMATION</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Urban Renewal Project Fund	22
<i>OTHER SUPPLEMENTAL INFORMATION</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Urban Renewal Tax Increment Fund	23
<i>COMPLIANCE SECTION</i>	
Independent Auditor's Report Required by Oregon State Regulations	24-25

CITY OF KEIZER URBAN RENEWAL AGENCY
(A Component Unit of the City of Keizer, Oregon)
AGENCY OFFICIALS
JUNE 30, 2011

MAYOR

Term Expires

Lore Christopher
6598 Stone Mason Lane NE
Keizer, Oregon 97303

January 2013

CITY COUNCIL

David McKane
674 Fall Creek Drive N
Keizer, Oregon 97303

January 2013

Brandon Smith
1716 Brian Ct NE
Keizer, Oregon 97303

January 2013

Mark Caillier
1388 Marigold Street NE
Keizer, Oregon 97303

January 2013

Cathy Clark
715 Ventura Street N.
Keizer, Oregon 97303

January 2015

Joe Egli
PO Box 20133
Keizer, Oregon 97307

January 2015

James Taylor
1986 Meadowlark Drive NE
Keizer, Oregon 97303

January 2015

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

STAFF

CITY MANAGER
Chris Eppley

HUMAN RESOURCES DIRECTOR
Machell DePina

CHIEF OF POLICE
Marc Adams

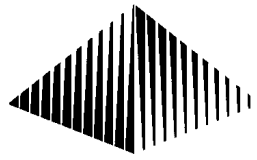
COMMUNITY DEVELOPMENT DIRECTOR
Nathan Brown

CITY RECORDER
Tracy Davis

PUBLIC WORKS DIRECTOR
Rob Kissler

FINANCE DIRECTOR
Susan Gahlsdorf

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
Urban Renewal Agency of the City of Keizer
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, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Urban Renewal Agency of the City of Keizer as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, during the year ended June 30, 2011, the Agency adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 2 through 7) and the budgetary comparison information (page 22) 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 MD&A 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. The budgetary comparison information (page 22) is presented for purpose of additional analysis and is not a required part of the financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urban Renewal Agency of the City of Keizer's financial statements as a whole. The other supplementary information is presented for purpose of additional analysis and is not a required part of the financial statements. The other 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



By: _____
Charles A. Swank, A Shareholder
December 20, 2011

Keizer Urban Renewal Agency, Marion County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2011

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, 2011.

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.

Projects during fiscal year 2011 included:

- Continued development of the River Road Renaissance program.
- Property acquisition at Keizer Station.

Property tax increment revenue for fiscal year 2011 was \$4.1 million and is restricted to repayment of the debt. This revenue decreased 2.7% from the prior year.

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 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

Statements of Net Assets

	June 30,		Change
	2011	2010	
Cash and investments	\$ 1,321,556	\$ 126,285	\$ 1,195,271
Other assets	335,251	340,422	(5,171)
Capital assets	<u>33,253,630</u>	<u>34,380,449</u>	<u>(1,126,819)</u>
Total Assets	34,910,437	34,847,156	63,281
Other liabilities	3,294	177,672	(174,378)
Long-term debt	<u>2,660,000</u>	<u>5,500,000</u>	<u>(2,840,000)</u>
Total Liabilities	<u>2,663,294</u>	<u>5,677,672</u>	<u>(3,014,378)</u>
Net assets			
Investment in capital assets, net of debt	30,593,630	28,880,449	1,713,181
Restricted	<u>1,653,513</u>	<u>289,035</u>	<u>1,364,478</u>
Total Net Assets	<u>\$ 32,247,143</u>	<u>\$ 29,169,484</u>	<u>\$ 3,077,659</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 \$32.2 million at the close of fiscal year 2011 as compared to \$29.2 million in the prior year. The increase in net assets is primarily due to paying off \$2.9 million in long term debt.

A portion of the Agency's net assets reflects its investment of \$30.6 million or 94.5 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 restricted net assets totaling \$1.7 million or approximately 5.5 percent.

Statements of Activities			
For the years ended June 30,			
	2011	2010	Change
Revenues			
Taxes and assessments	\$ 4,051,447	\$ 4,161,934	\$ (110,487)
Miscellaneous	11,653	11,664	(11)
Total Revenues	<u>4,063,100</u>	<u>4,173,598</u>	<u>(110,498)</u>
Expenses			
Programs	369,335	433,884	(64,549)
Interest	144,870	132,093	12,777
Depreciation	1,244,658	1,241,128	3,530
Total Expenses	<u>1,758,863</u>	<u>1,807,105</u>	<u>(48,242)</u>
Revenue over (under)			
Expenses	2,304,237	2,366,493	(62,256)
Nonoperating Revenue			
Gain on the sale of land	773,422	-	773,422
Change in Net Assets	3,077,659	2,366,493	711,166
Beginning Net Assets	<u>29,169,484</u>	<u>26,802,991</u>	<u>2,366,493</u>
Ending Net Assets	<u>\$ 32,247,143</u>	<u>\$ 29,169,484</u>	<u>\$ 3,077,659</u>

The change in net assets increased from \$2.4 million in fiscal year 2009-10 to \$3.1 million in fiscal year 2010-11 as the result of a \$0.8 million one-time gain from the sale of land in the Keizer Station area. Recurring tax increment revenue and program expenses remained consistent with prior year.

Capital Assets

At June 30, 2011, the Agency had approximately \$33.3 million invested in capital assets, primarily related to building and infrastructure improvements.

Capital Assets (net of depreciation)

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>
Land	\$ 6,624,121	\$ 6,587,284	\$ 36,837
Buildings and improvements	26,473,701	26,406,079	67,622
Infrastructure	10,741,242	10,727,862	13,380
Accumulated depreciation	<u>(10,585,434)</u>	<u>(9,340,776)</u>	<u>(1,244,658)</u>
Net Capital Assets	<u>\$ 33,253,630</u>	<u>\$ 34,380,449</u>	<u>\$ (1,126,819)</u>

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

Changes in Capital Assets

	<u>For the years ended June 30,</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	
Beginning balance	\$ 34,380,449	\$ 33,465,115	\$ 915,334
Additions	1,598,336	2,156,462	(558,126)
Disposals	(1,480,497)	-	(1,480,497)
Depreciation	<u>(1,244,658)</u>	<u>(1,241,128)</u>	<u>(3,530)</u>
Ending balance	<u>\$ 33,253,630</u>	<u>\$ 34,380,449</u>	<u>\$ (1,126,819)</u>

Debt Outstanding

As of June 30, 2011, the Agency had \$2,660,000 debt outstanding.

Outstanding Debt at Year End

	<u>For the years ended June 30,</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	
URA Credit Facility	<u>\$ 2,660,000</u>	<u>\$ 5,500,000</u>	<u>\$ (2,840,000)</u>

Current Year Budgetary Highlights

There were no material changes from the original budget to the final budget in fiscal year 2011.

Economic Factors and Next Year's Budgets and Rates

The Agency's adopted budget for fiscal year 2012 reflects total estimated resources of \$8,434,800 which exceeds total estimated expenditures by \$451,400. The 2012 adopted budget provides for ongoing 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. 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 NET ASSETS
JUNE 30, 2011

ASSETS

Cash and investments	\$ 1,321,556
Receivables	335,251
Nondepreciable capital assets	6,624,121
Capital assets, net of depreciation	<u>26,629,509</u>
 Total Assets	 34,910,437

LIABILITIES

Accounts payable	540
Accrued expenses payable	2,754
Noncurrent liabilities:	
Due in more than one year	
Loan payable	<u>2,660,000</u>
 Total Liabilities	 <u>2,663,294</u>

NET ASSETS

Investment in capital assets (net of related debt)	30,593,630
Restricted	<u>1,653,513</u>
 Total Net Assets	 <u><u>\$ 32,247,143</u></u>

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 ACTIVITIES
YEAR ENDED JUNE 30, 2011

REVENUES

Tax increment revenue	\$ 4,051,447
Miscellaneous	<u>11,653</u>
Total Revenues	4,063,100

EXPENSES

Personnel services	90,632
Materials and services	278,703
Interest	144,870
Depreciation	<u>1,244,658</u>
Total Expenses	<u>1,758,863</u>

REVENUES OVER EXPENSES 2,304,237

NONOPERATING REVENUES

Gain on the sale of land	<u>773,422</u>
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CHANGE IN NET ASSETS 3,077,659

NET ASSETS, July 1, 2010 29,169,484

NET ASSETS, June 30, 2011 \$ 32,247,143

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)
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Special Revenue</u> <u>Urban Renewal</u> <u>Project</u>	<u>Debt Service</u> <u>Urban Renewal</u> <u>Tax Increment</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 913,329	\$ 408,227	\$ 1,321,556
Receivables	-	335,251	335,251
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 913,329	\$ 743,478	\$ 1,656,807
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 540	\$ -	\$ 540
Accrued expenses payable	2,754	-	2,754
Deferred revenue	-	279,324	279,324
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,294	279,324	282,618
	<hr/>	<hr/>	<hr/>
Fund Balances			
Restricted	910,035	464,154	1,374,189
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 913,329	\$ 743,478	\$ 1,656,807
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011

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

Fund Balances	\$ 1,374,189
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.	279,324
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	33,253,630
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	<u>(2,660,000)</u>
Net Assets	<u>\$ 32,247,143</u>

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, 2011

	<u>Special Revenue</u> <u>Urban Renewal</u> <u>Project</u>	<u>Debt Service</u> <u>Urban Renewal</u> <u>Tax Increment</u>	<u>Total</u>
REVENUES			
Tax increment revenue	\$ -	\$ 4,045,836	\$ 4,045,836
Miscellaneous	6,997	4,656	11,653
Total Revenues	6,997	4,050,492	4,057,489
EXPENDITURES			
Current operating:			
Personnel services	90,632	-	90,632
Materials and services	278,703	-	278,703
Capital outlay	1,598,336	-	1,598,336
Debt service	-	3,244,870	3,244,870
Total Expenditures	1,967,671	3,244,870	5,212,541
REVENUES OVER (UNDER)			
EXPENDITURES	(1,960,674)	805,622	(1,155,052)
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of land	2,253,919	-	2,253,919
Issuance of debt	260,000	-	260,000
Transfers in	356,790	-	356,790
Transfers out	-	(356,790)	(356,790)
Total Other Financing Sources (Uses)	2,870,709	(356,790)	260,000
NET CHANGE IN FUND BALANCES	910,035	448,832	1,358,867
FUND BALANCES, Beginning of year	-	15,322	15,322
FUND BALANCES (DEFICIT), End of year	<u>\$ 910,035</u>	<u>\$ 464,154</u>	<u>\$ 1,374,189</u>

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, 2011**

**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	\$ 1,358,867
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.	
	5,611
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.	
Capitalized assets	1,598,336
Depreciation	(1,244,658)
Remove the cost of land sold	(1,480,497)
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.	
Issuance of debt	(260,000)
Repayment of debt	3,100,000
	<hr/>
Change in Net Assets	<u>\$ 3,077,659</u>

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, 2011

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.

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 Assets and the Statement of Activities.

The Statement of Net Assets demonstrates the entity's financial position by displaying the difference between its total assets and total liabilities. Net assets are further subdivided into three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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 funds, a special revenue and 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, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

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 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.

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 year ended June 30, 2011, the Agency adopted GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. 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. Although not a major impact on the financial statements, Governmental Fund type fund balances are now 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, 2011

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, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

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

Tax Increment Revenues

Property taxes 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.

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

Buildings	2-50 years
Improvements other than buildings	20 years
Infrastructure	20-75 years
Equipment	5 years

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, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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.

Deferred Revenues

Deferred 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 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 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, 2011

TAX INCREMENT REVENUE RECEIVABLE

Tax increment revenue transactions for the year were as follows:

	<u>Balance July 1, 2010</u>	<u>2010-11 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts and Adjustments</u>	<u>Turnovers</u>	<u>Balance June 30, 2011</u>
2010-11	\$ -	\$ 4,192,017	\$ 539	\$ (114,230)	\$ (3,905,567)	\$ 172,759
2009-10	211,915	-	-	(861)	(120,987)	90,067
2008-09	76,927	-	-	(659)	(29,216)	47,052
2007-08	30,796	-	-	(386)	(16,867)	13,543
2006-07	9,447	-	-	(198)	(6,454)	2,795
2005-06	3,303	-	-	(383)	(567)	2,353
Prior	8,034	-	-	(484)	(868)	6,682
	<u>\$ 340,422</u>	<u>\$ 4,192,017</u>	<u>\$ 539</u>	<u>\$ (117,201)</u>	<u>\$ (4,080,526)</u>	<u>\$ 335,251</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, 2011

CAPITAL ASSETS

The changes in the capital assets for the year ended June 30, 2011 are as follows:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
NON-DEPRECIABLE				
Land	\$ 6,587,284	\$ 1,517,334	\$ (1,480,497)	\$ 6,624,121
DEPRECIABLE				
Buildings and improvements	26,406,079	67,622	-	26,473,701
Infrastructure	<u>10,727,862</u>	<u>13,380</u>	<u>-</u>	<u>10,741,242</u>
Total depreciable	<u>37,133,941</u>	<u>81,002</u>	<u>-</u>	<u>37,214,943</u>
Total Cost of Capital Assets	<u>43,721,225</u>	<u>1,598,336</u>	<u>(1,480,497)</u>	<u>43,839,064</u>
ACCUMULATED DEPRECIATION				
Buildings and improvements	(5,172,282)	(883,298)	-	(6,055,580)
Infrastructure	<u>(4,168,494)</u>	<u>(361,360)</u>	<u>-</u>	<u>(4,529,854)</u>
Total Accumulated Depreciation	<u>(9,340,776)</u>	<u>(1,244,658)</u>	<u>-</u>	<u>(10,585,434)</u>
Capital Assets, Net	<u>\$ 34,380,449</u>	<u>\$ 353,678</u>	<u>\$ (1,480,497)</u>	<u>\$ 33,253,630</u>

LONG-TERM OBLIGATIONS

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

	<u>Outstanding July 1, 2010</u>	<u>Issued</u>	<u>Redeemed During Year</u>	<u>Outstanding June 30, 2011</u>	<u>Due in One Year</u>
URA Credit Facility	<u>\$ 5,500,000</u>	<u>\$ 260,000</u>	<u>\$ (3,100,000)</u>	<u>\$ 2,660,000</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, 2011

LONG-TERM OBLIGATIONS (Continued)

The URA Credit Facility debt is serviced through the use of revenues generated from tax increment revenues. The assessed values of these properties have been found to be stable within the City and management feels that there will not be significant changes to this trend in the future. Therefore, management feels it is reasonable to estimate that this debt instrument will be paid back in full by the end of fiscal year ended June 30, 2012, with estimated interest costs to the Agency of approximately \$70,000.

Future debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 106,400	\$ 106,400
2013	-	106,400	106,400
2014	-	106,400	106,400
2015	-	106,400	106,400
2016	-	106,400	106,400
2017	2,660,000	53,200	2,713,200
	<u>\$ 2,660,000</u>	<u>\$ 585,200</u>	<u>\$ 3,245,200</u>

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

The Agency adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 20, 2011, 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, 2011**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 600	\$ 600	\$ 6,997	\$ 6,397
EXPENDITURES				
Personnel services	91,400	91,400	90,632	768
Materials and services	309,900	316,800	304,471	12,329
Capital outlay	2,308,800	2,303,100	1,572,568	730,532
Contingency	598,500	597,300	-	597,300
<i>Total Expenditures</i>	<u>3,308,600</u>	<u>3,308,600</u>	<u>1,967,671</u>	<u>1,340,929</u>
REVENUES OVER (UNDER) EXPENDITURES				
	(3,308,000)	(3,308,000)	(1,960,674)	1,347,326
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of land	2,273,000	2,273,000	2,253,919	(19,081)
Issuance of debt	1,100,000	1,100,000	616,790	483,210
<i>Total Other Financing Sources (Uses)</i>	<u>3,373,000</u>	<u>3,373,000</u>	<u>2,870,709</u>	<u>464,129</u>
NET CHANGE IN FUND BALANCES	65,000	65,000	910,035	845,035
FUND BALANCE, Beginning of year	<u>87,600</u>	<u>87,600</u>	-	(87,600)
FUND BALANCE, End of year	<u>\$ 152,600</u>	<u>\$ 152,600</u>	<u>\$ 910,035</u>	<u>\$ 757,435</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 -

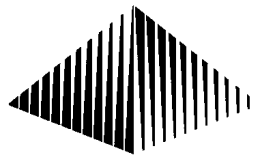
BUDGET AND ACTUAL - URBAN RENEWAL TAX INCREMENT FUND

YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 4,220,900	\$ 4,220,900	\$ 4,045,836	\$ (175,064)
Miscellaneous	6,400	6,400	4,656	(1,744)
<i>Total Revenues</i>	4,227,300	4,227,300	4,050,492	(176,808)
EXPENDITURES				
Debt service				
Principal	4,130,000	4,130,000	3,456,790	673,210
Interest	97,500	97,500	144,870	(47,370)
<i>Total Expenditures</i>	4,227,500	4,227,500	3,601,660	625,840
REVENUES OVER (UNDER)				
EXPENDITURES	(200)	(200)	448,832	449,032
FUND BALANCE, Beginning of year	21,800	21,800	15,322	(6,478)
FUND BALANCE, End of year	\$ 21,600	\$ 21,600	\$ 464,154	\$ 442,554

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
Urban Renewal Agency of the City of Keizer
930 Chemawa Road NE
Keizer, Oregon 97303

We have audited the basic financial statements of the Urban Renewal Agency of the City of Keizer, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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.**
- **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.

OAR 162-10-0230 Internal Control


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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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, Oregon 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: 
Charles A. Swank, A Shareholder
December 20, 2011