

# **ALBANY REVITALIZATION AGENCY**

**Annual Financial Report**

**For the Fiscal Year Ended**

**June 30, 2018**

**\* \* \* \* \***

**Albany, Oregon**

**Prepared by:**

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

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**ALBANY REVITALIZATION AGENCY**  
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# **INTRODUCTORY SECTION**

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**ALBANY REVITALIZATION AGENCY**  
Officers and Members of the Governing Body

For the Year Ended June 30, 2018

**Agency Members**

Chair  
Bill Coburn

Sharon Konopa  
Bessie Johnson  
Rich Kellum

Dick Olsen  
Ray Kopczynski  
Michael Sykes

**Advisory Board Members**

Chair  
Rich Catlin

David Abarr  
James Dufour  
Mark Spence

Maura Wilson  
Russ Allen  
Sam Flande

**City Manager**

Peter Troedsson

**Finance Director**

Jeanna Yeager

**Urban Renewal Manager**

Seth Sherry

**Agency Address**

333 Broadalbin Street NW  
Albany, OR 97321

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Agency Officials  
ALBANY REVITALIZATION AGENCY  
Albany, Oregon

### Report on the Financial Statements

We have audited the accompanying governmental activities and major fund of ALBANY REVITALIZATION AGENCY, a component unit of the City of Albany, as of and for the year ended June 30, 2018, 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*

The Agency's 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 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 from material misstatement.

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of ALBANY REVITALIZATION AGENCY as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the budgetary comparison schedule on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Oregon State Regulations**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 31, 2019, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 31, 2019

By:



Bradley G. Bingenheimer, Member

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the Albany Revitalization Agency (the Agency) financial activities based on currently known facts, decisions, and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

### 1. REPORT LAYOUT

The report consists of agency-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information. The agency-wide financial statements include the statement of net position and the statement of activities.

#### STATEMENT OF NET POSITION

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

#### STATEMENT OF ACTIVITIES

The statement of activities focuses on program expenses and their matching revenues. To the extent a program's expense is not recovered by grants and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

#### FUND STATEMENTS

Following the agency-wide statements is a section containing fund financial statements. The Agency presents its only fund as a major fund; for this major fund a budgetary comparison statement is presented.

#### FUND BALANCE

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

Non-spendable – includes items not immediately converted to cash, such as prepaid items or inventories.

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

Committed – includes items committed by the agency members through formal resolution.

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

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

## 2. AGENCY AS A WHOLE

### FINANCIAL HIGHLIGHTS

The assets of the Agency fell behind its liabilities at the close of the most recent fiscal year by \$2,172,131 (net position). As of the close of the current fiscal year, the Agency reported an ending fund balance of (\$1,756,298), a decrease of \$4,147,157 in comparison with the previous year.

### AGENCY-WIDE FINANCIAL STATEMENTS

A condensed version of the statement of net position at June 30, 2018 and 2017 follows.

**TABLE 1**

**Net Position at Year End**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Assets:</u>		
Cash and investments	\$ (1,243,614)	\$ 2,564,044
Other assets	<u>1,253,503</u>	<u>1,437,072</u>
Total assets	<u>9,889</u>	<u>4,001,116</u>
 <u>Liabilities</u>		
Other liabilities	534,020	227,263
Liabilities due in one year	383,000	366,000
Liabilities due in mre than one year	<u>1,265,000</u>	<u>1,648,000</u>
Total liabilities	<u>2,182,020</u>	<u>2,241,263</u>
 <u>Net Position</u>		
Unrestricted	<u>\$ (2,172,131)</u>	<u>\$ 1,759,853</u>

### STATEMENT OF NET POSITION AT JUNE 30, 2018:

Total net position decreased by \$(3,931,984) during the year ended June 30, 2018.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018:

A summary version of the statement of activities follows:

**TABLE 2**

### Governmental Activities for the years ended June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
REVENUES		
General revenues		
Taxes	\$ 3,377,563	\$ 2,799,774
Miscellaneous	131,656	361,421
Interest	41,156	21,869
Total revenues	<u>3,550,375</u>	<u>3,183,064</u>
EXPENSES		
Governmental activities	<u>7,482,359</u>	<u>3,287,885</u>
Change in net position	(3,931,984)	(104,821)
Beginning net position	<u>1,759,853</u>	<u>1,864,674</u>
Ending net position	<u><u>\$ (2,172,131)</u></u>	<u><u>\$ 1,759,853</u></u>

### Governmental Activities

For the 2017-18 fiscal year, revenues increased \$367,311 due to an increase in property taxes received. Governmental activities expenses increased \$4,194,474 due to a large project, the CARA Streetscape Project.

### 3. BUDGETARY HIGHLIGHTS

During the year, the Agency did not change appropriations. Total budgeted resources available for appropriation were \$12,672,900. Actual resources available for appropriation were less than the amount budgeted by \$6,580,141 as no new debt was issued as contemplated in the adopted budget. New debt will be reported in the following year as the agreement was settled in the following fiscal year.

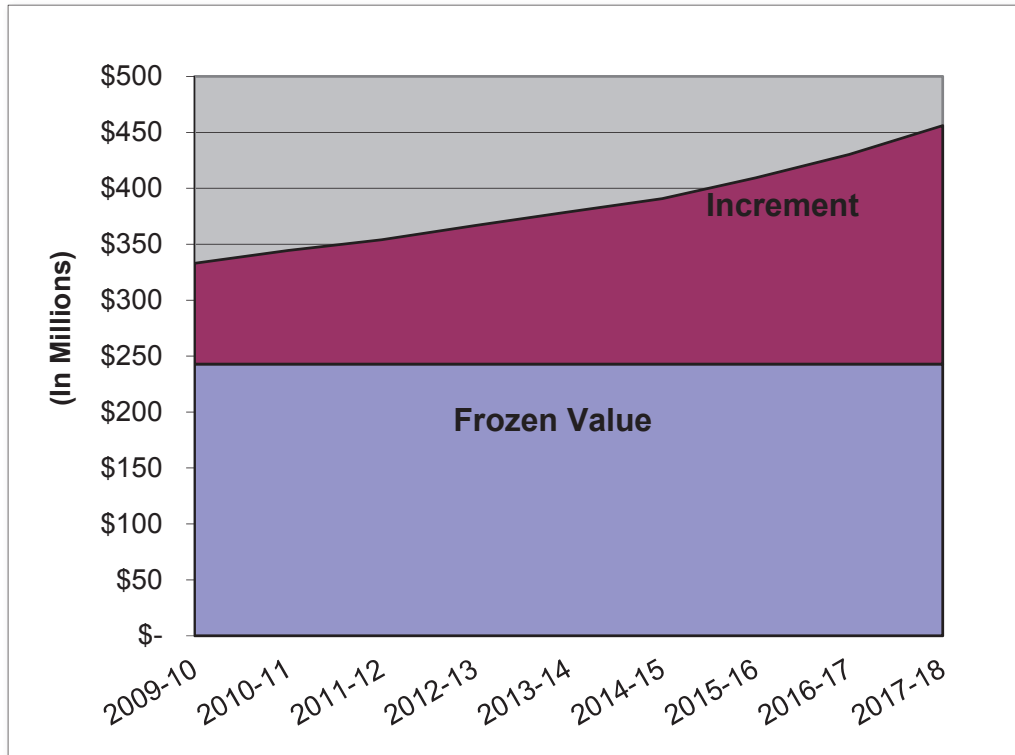
### 4. CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Debt Outstanding

As of June 30, 2018, the Agency had \$1,648,000 of outstanding debt to be paid off over 6 years. For more detailed information on the Agency's debt refer to page 22 of the notes to the basic financial statements.

## 5. ECONOMIC FACTORS

The Albany Revitalization Agency is an important partner in economic development within the City of Albany, providing necessary infrastructure improvements to support continued growth and quality of service to those within the Agency's boundaries. Increasing property values within the boundaries of the Agency translate into increasing tax increment available. That tax increment is used to pay debt service on bonds issued to fund projects and improvements. The following table illustrates growth of assessed values within the Agency's area. Since inception, there has been steady growth of at least six percent.



The frozen value represents the assessed value at the time the district was created (and adjusted by Measure 50). As development occurs the increased assessed value is included as an increment value (above the frozen value). Taxes assessed on the increment flow to the Agency while taxes on the frozen value flow to the respective taxing jurisdictions.

## 6. FINANCIAL CONTACT

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, you should contact the City of Albany's Finance Department at 333 Broadalbin Street SW, Albany, Oregon 97321.



# **BASIC FINANCIAL STATEMENTS**

**ALBANY REVITALIZATION AGENCY**

**STATEMENT OF NET POSITION**

June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments pooled with the City of Albany	\$ (1,243,614)
Receivables:	
Property taxes	304,209
Accounts receivable, net	729
Interest	237
Loans	<u>948,328</u>
<b>TOTAL ASSETS</b>	<u>9,889</u>
<b>LIABILITIES</b>	
Accounts payable	530,690
Interest payable	3,330
Long-term obligations:	
Due within one year	383,000
Due in more than one year	<u>1,265,000</u>
<b>TOTAL LIABILITIES</b>	<u>2,182,020</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ (2,172,131)</u></u>

*See accompanying notes*

**ALBANY REVITALIZATION AGENCY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

	Governmental Activities
Program expenses:	
General government	\$ 7,225,162
Assets acquired for benefit of the City of Albany	160,216
Interest	96,981
 Total program expenses	 7,482,359
 General revenues:	
Property taxes	3,377,563
Miscellaneous	131,656
Unrestricted investment earnings	41,156
 Total general revenues	 3,550,375
 Change in net position	 (3,931,984)
Net position - beginning	1,759,853
Net position - ending	\$ (2,172,131)

*See accompanying notes*

**ALBANY REVITALIZATION AGENCY  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2018**

	<b>General</b>
<b>ASSETS</b>	
Cash and investments pooled with the City of Albany	\$ (1,243,614)
Receivables:	
Property taxes	304,209
Accounts receivable, net	729
Interest	237
Loans	948,328
<b>TOTAL ASSETS</b>	<b>\$ 9,889</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 530,690
<b>TOTAL LIABILITIES</b>	<b>530,690</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	1,235,497
 <b>FUND BALANCE</b>	
Unrestricted	(1,756,298)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 9,889</b>

*See accompanying notes*

**ALBANY REVITALIZATION AGENCY**  
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2018

FUND BALANCE - GOVERNMENTAL FUND		\$ (1,756,298)
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
 Other long-term assets are not available to pay current period expenditures and therefore are reported as unavailable revenue in the funds		
Property taxes	287,169	
Loans	948,328	1,235,497
 Some liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds		
Long term obligations	(1,648,000)	
Interest payable	(3,330)	(1,651,330)
 NET POSITION OF GOVERNMENTAL ACTIVITIES		 \$ (2,172,131)

*See accompanying notes*

**ALBANY REVITALIZATION AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
For the Year Ended June 30, 2018

	General
<b>REVENUES</b>	
Property taxes	\$ 3,314,251
Miscellaneous	346,493
Interest	41,156
 TOTAL REVENUES	 3,701,900
 <b>EXPENDITURES</b>	
Current - general government	6,965,162
Capital outlay	160,216
Bond principal and interest	463,679
Special payments	260,000
 TOTAL EXPENDITURES	 7,849,057
 Net change in fund balance	 (4,147,157)
Fund balance - beginning	2,390,859
Fund balance - ending	\$ (1,756,298)

*See accompanying notes*

**ALBANY REVITALIZATION AGENCY**

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

For the Year Ended June 30, 2018

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$(4,147,157)

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

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

Property taxes	63,312	
Loans receivable	<u>(214,837)</u>	(151,525)

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

Long-term loans payable	366,000
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The change in accrued interest payable affect the interest expense reported in the  
statement of activities, but does not require the use of current financial resources  
and, therefore, not reported as expenditures in the governmental funds.

Interest payable	<u>698</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$(3,931,984)

*See accompanying notes*

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Albany Revitalization Agency (a component unit of the City of Albany, Oregon) was organized on August 8, 2001, as the Central Albany Revitalization Area (CARA), and commenced operations during fiscal Year 2001 under the provisions of Oregon Revised Statutes, Chapter 457, to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. As provided by ORS 457, the City Council of the City of Albany is the governing body of the Agency. The principal funding source is from bond sales, which will be repaid from property tax increment revenues and interest earnings. The personnel of the City of Albany provide project management and administration.

On July 18, 2007, CARA was renamed the Albany Revitalization Agency. The City of Albany may only have one governing agency over any and all Urban Renewal Districts and in an effort to resolve any confusion the agency was renamed.

The Agency is a legally separate entity for which the City Council serves as the governing body. The City Council can impose its will over the Agency as determined based on budget adoption, taxing authority, and funding for the Agency. Therefore, under the criteria of the GASB, the Agency is considered a component unit of the City of Albany and the Agency's financial activities are included as a blended component unit in the basic financial statements of the City.

The Agency has no potential component units.

**Basic Financial Statements**

*Government-wide Financial Statements* display information about the Agency as a whole. For the most part, the effect of inter-fund activity has been removed from these statements. The focus is on its financial sustainability. As such, the reporting presents the change in the aggregate financial position of the Agency, resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.



**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basic Financial Statements (continued)**

*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 included among program revenues are reported as general revenues.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial transactions of the Agency are recorded in a single fund. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The fund is reported using generic classifications within the financial statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

**General Fund**

A governmental fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The principal sources of revenue are tax increment revenues and interest earnings.

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

The government-wide financial statements are presented on a *full* accrual basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The fund financial statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the agency-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the agency-wide presentation.

**Cash and Investments**

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

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

**Receivables**

Property taxes that have been collected within sixty days of fiscal year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as unavailable revenue as it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes receivable are due from property owners within the urban renewal area.

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Unavailable Revenues**

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

**Long-Term Obligations**

In the agency-wide financial statements, long-term obligations are reported as a liability of the governmental activities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Equity**

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

- 1) Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

- 1) Non-spendable– Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- 2) Restricted– Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equity (continued)**

- 3) Committed– Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the Agency. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.
  
- 4) Assigned–Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has granted authority to the Finance Director to assign fund balance amounts.
  
- 5) Unassigned– The residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

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

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**Budgetary Information (continued)**

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

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

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes.

Additional resources that are unexpected may be added to the budget through a supplemental budget, which requires publication in a local newspaper, a public hearing, and approval by the Board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control.

**Excess of Expenditures over Appropriations**

The Agency operated within its adopted budget for the year ended June 30, 2018.

**3. DETAILED NOTES**

**Cash and Investments**

The City pools its cash, including those of the Agency, for investment purposes. The Agency's portion is displayed on the balance sheet as "Pooled cash and investments with the City of Albany." The total amount, (\$1,243,614), is invested with the State of Oregon Treasurer's short-term investment pool, financial institutions, bonds, and US Government obligations.

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**3. DETAILED NOTES (continued)**

**Cash and Investments (continued)**

The City has implemented GASB Statement No. 72, *Fair Value Measurement and Application*, as of June 30, 2016. This statement addresses accounting and financial reporting issues related to fair value measurement. It defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date,” and is determined using one of three valuation approaches: market, cost, or income. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement or other statement of activities, of the fund holding the underlying investments.

The equity position of the fund in the internal investment pool is reported as assets of that fund. The City reports all investments at fair market value.

Fair Value of Investments

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

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

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

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

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

Oregon Revised Statutes, Chapter 294, authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies, bankers’ acceptances issued by Oregon financial institutions, repurchase agreements, State of Oregon Local Government Investment Pool, certain high-grade commercial paper, and various interest-bearing bonds of Oregon municipalities, among others. In addition, the City’s investments are governed by written investment policy.

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**3. DETAILED NOTES (continued)**

**Cash and Investments (continued)**

For a discussion on interest rate, credit and concentration of credit, and custodial risk, please refer to the City of Albany's 2017-2018 Comprehensive Annual Financial Report.

**Loans Receivable**

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

In March 2009, ARA approved a ten-year loan of \$307,500 to Cameron House, LLC, and Herb Yamamoto, Principal, to renovate the structure known as CADD Connection Building at 705 Lyon Street. The first loan amount of \$112,500, with an annual interest rate of 4.85 percent, is secured by a promissory note and trust deed. The principal and accrued interest are fully due and payable on March 13, 2016. The second and third loan amounts are each \$97,500, one of which is in the forgivable category, and is secured by a promissory note and trust deed. As of June 30, 2018 only the forgivable loan has a remaining balance as the other was paid in full.

In fiscal year 2012 ARA approved a modification to the \$148,000 loan to Flinn Block, LLC, Marc and Anni Manley, personally. The original loan, dated February 12, 2008, was to make further improvements to the structure known as the Flinn and Ames Building. The modification, dated August 11, 2011, changed 50% of the loan (\$74,000) to a forgivable loan, and changed the interest rate on the remaining \$74,000 to two percent annually. Both portions are secured by a trust deed and promissory note. Interest for the loan will accrue from the modification date until the loan is paid in full. The third of five payments (\$15,699.72 principal and interest) was paid, resulting in an outstanding balance of \$16,013 at June 30, 2018.

In fiscal year 2016 ARA approved a three-year loan of \$105,307, with an annual interest rate of 1.5 percent, to Scott and Jennifer Cowan to relocate a house that was on the property of the new fire station. This loan was paid in full and does not have a balance owing at June 30, 2018.

In fiscal year 2016 ARA approved a zero interest twenty-year loan of \$175,000, to Novak's Hungarian Restaurant, for further improvements to the property located at 208 Second Avenue. This loan is secured by a promissory note and trust deed. Monthly payments of \$729.17 began on January 15, 2016. The outstanding balance at June 30, 2018 totaled \$152,971.

In fiscal year 2016 ARA approved a twenty-year loan of \$500,000, to Rick Mikesell, for renovations to the 1st Avenue Century Building. This no interest loan is secured by a promissory note and trust deed. Monthly payments of \$2,083.33 started in September 2016, resulting in an outstanding balance of \$454,167.

ARA converted a \$200,000 forgivable loan to R3 Development to repayable in July 2016. The twenty-year loan has zero interest and monthly payments of \$833.33. Payments began in August 2016, resulting in an ending balance of \$180,833 at June 30, 2018.

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**3. DETAILED NOTES (continued)**

**Loans Receivable (continued)**

In fiscal year 2017 ARA approved a five-year loan to Dawson House. Annual interest only payments begin on May 22, 2018 with a balloon payment of principal and interest payable due on May 22, 2023. This \$42,666 loan is secured by a promissory note and trust deed.

Signs of Victory received a five-year \$50,000 loan from ARA on April 28, 2017, and another \$50,000 loan that was finalized July 13, 2017. This loan is secured by a promissory note and trust deed. Annual payments of \$20,000 plus interest will begin on December 31, 2018.

3 Sheets Brewery was approved for a \$10,000 loan on July 7, 2017. This was originally going to be a storefront grant, but was later agreed upon as a loan with the first payment being due on September 1, 2017 and a maturity date of August 1, 2018.

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

	July 1, 2017	Increases	Decreases	June 30, 2018
Total loans receivable	\$ 1,163,164	\$ 60,000	\$ (274,836)	\$ 948,328

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

	Loan draws to date	Forgiven	Balance yet to be forgiven
Borrower			
Flinn Block LLC - Manley	\$ 74,000	\$ 74,000	\$ -
CADD Connection - Yamamoto	97,500	55,714	41,786
Edgewater Village	2,400,000	96,000	2,304,000
Albany Carousel	110,000	110,000	-
Vaughan, Timothy	28,900	23,120	5,780
	\$ 2,710,400	\$ 358,834	\$ 2,351,566



**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**3. DETAILED NOTES (continued)**

**Capital Assets**

The Agency has begun the process of investing in repairs to the City of Albany’s infrastructure. The project costs associated with this are accounted for as capital projects and once the projects are completed, they are transferred to the City of Albany. As of June 30, 2018, all projects have been completed and the assets were transferred to the City of Albany.

**Long Term Obligations**

In October 2007, the Agency issued Urban Renewal Tax Increment bonds in the amount of \$4,687,000 to finance authorized projects in the renewal area. Debt service requirements are payable from tax increment revenues. The interest rates range from 4.85% to 6.25% for the 15-year bonds, and final maturity is June 15, 2022. The balance outstanding at June 30, 2018, is \$1,648,000. The table below presents current year changes and the current portions due for this issue:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Urban Renewal Bonds:					
2007 CARA Series A Tax-exempt	<u>\$ 2,014,000</u>	<u>\$ -</u>	<u>\$ 366,000</u>	<u>\$ 1,648,000</u>	<u>\$ 383,000</u>

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

	<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 383,000	\$ 79,928	\$ 462,928	
2020	402,000	61,352	463,352	
2021	421,000	41,855	462,855	
2022	<u>442,000</u>	<u>21,437</u>	<u>463,437</u>	
<b>Totals</b>	<u>\$1,648,000</u>	<u>\$ 204,572</u>	<u>\$1,852,572</u>	

**Albany Revitalization Agency**  
**Notes to the Basic Financial Statements**  
for the year ended June 30, 2018

**4. OTHER INFORMATION**

**Property Tax Limitation**

The state of Oregon has a constitutional limit on property taxes for schools and non-school government operations. Under the provisions of the limitation, tax revenues are separated into those for the public-school system and those for local government operations. The limitation specifies \$10 as the maximum allowable tax for each \$1,000 of property real market value imposed by local governments other than schools. Urban renewal debt is not exempt from the limitation and must be levied within the \$10 cap. The local government rates are at or near the \$10 cap for this limitation, but it has not adversely affected the Agency.

In May 1997 Oregon voters approved a property tax measure that rolled back assessed values to 90% of the 1995-96 amounts and limits future years growth to 3% with exceptions for substantial improvements. The measure also fixed the property tax rate for each government's operating levies. Additionally, the measure states that the Legislative Assembly shall enact laws that allow collection of ad valorem property taxes sufficient to pay indebtedness incurred to carry out urban renewal plans. These collections shall cease when the indebtedness is paid.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**ALBANY REVITALIZATION AGENCY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended June 30, 2018

<b>Revenues</b>	Original Budget	Final Budget	Actual	Over (Under)
Property taxes - current	\$ 2,758,200	\$ 2,758,200	\$ 3,247,705	\$ 489,505
Property taxes - delinquent	40,000	40,000	66,546	26,546
Settlement proceeds	-	-	1,200	1,200
Miscellaneous	-	-	32,573	32,573
Property management	18,500	18,500	33,973	15,473
Loan repayment-principal	87,500	87,500	270,580	183,080
Loan repayment-interest	4,200	4,200	8,167	3,967
Interest on investments	7,000	7,000	41,156	34,156
<b>Total revenues</b>	<b>2,915,400</b>	<b>2,915,400</b>	<b>3,701,900</b>	<b>786,500</b>
<b>Other financing sources</b>				
Issuance of short-term debt	7,500,000	7,500,000	-	(7,500,000)
<b>Fund balance, beginning</b>	<b>2,257,500</b>	<b>2,257,500</b>	<b>2,390,859</b>	<b>133,359</b>
Amount available for appropriation	<u>\$ 12,672,900</u>	<u>\$ 12,672,900</u>	<u>6,092,759</u>	<u>\$ (6,580,141)</u>

<b>Expenditures</b>	Original Budget	Final Budget	Actual	(Over) Under
ARA	\$ 10,067,200	\$ 10,067,200	7,125,378	\$ 2,941,822
ARA debt service	2,345,700	2,345,700	463,679	1,882,021
Special payments	260,000	260,000	260,000	-
<b>Total expenditures</b>	<b>\$ 12,672,900</b>	<b>\$ 12,672,900</b>	<b>7,849,057</b>	<b>\$ 4,823,843</b>
<b>Fund balance, ending</b>			<u>\$ (1,756,298)</u>	

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## **COMPLIANCE SECTION**

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## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials  
ALBANY REVITAZATION AGENCY  
Albany, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **ALBANY REVITALIZATION AGENCY** as of and for the year ended June 30, 2018, and have issued our report thereon dated January 31, 2019.

### Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS**

**Compliance (continued)**

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

**Internal Control OAR 162-10-0230**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

**Restriction on Use**

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

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 31, 2019

By:



Bradley G. Bingenheimer, Member