

**CITY OF INDEPENDENCE
URBAN RENEWAL AGENCY –
A COMPONENT UNIT OF THE
CITY OF INDEPENDENCE, OREGON**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended

June 30, 2015

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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CITY OF INDEPENDENCE URBAN RENEWAL AGENCY

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INTRODUCTORY SECTION

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY

AGENCY OFFICIALS

June 30, 2015

John McArdle
675 Monmouth Street
Independence, Oregon 97351

BOARD MEMBERS

Forrest Peck
727 Luscombe Street
Independence, Oregon 97351

Diana Lindskog
111 S. Gun Club Road
Independence, Oregon 97351

Marilyn Morton
1312 B Street
Independence, Oregon 97351

Tom Takacs
386 Monmouth Street
Independence, Oregon 97351

Nancy Lodge
1220 D Street
Independence, Oregon 97351

Jerry Hoffman
1302 B Street
Independence, Oregon 97351

CITY ADMINISTRATION

David Clyne, City Manager

Robert Mason, Chief of Police

Gloria Butsch, Finance Director

Karin Johnson, City Recorder

Mike Danko, Community Development Director/
Public Works Director

Ken Perkins, Public Works Supervisor

Robin Puccetti, Community Services Director

Carolyn Connelly, City Attorney

Shawn Irvine, Economic Development Director

555 South Main
P.O. Box 7
Independence, Oregon 97351
503-838-1312

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Independence Urban Renewal Agency
Independence, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of the City of Independence Urban Renewal Agency (Agency), a component unit of the City of Independence, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison schedule as listed in the table of contents under required supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 30, 2015, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Merina & Company, LLP
West Linn, Oregon
December 30, 2015

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS:	
Current assets:	
Property taxes receivable	\$ 32,497
Loans receivable	195,136
	<hr/>
Total current assets	\$ 227,633
	<hr/>
Noncurrent assets:	
Capital assets:	
Nondepreciable	934,003
	<hr/>
Total noncurrent assets	934,003
	<hr/>
Total assets	\$ 1,161,636
	<hr/> <hr/>
LIABILITIES:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 7,611
Due to City of Independence	2,392,836
Interest payable	25,214
Current portion of long-term debt	305,000
	<hr/>
Total current liabilities	2,730,661
	<hr/>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	12,810,000
	<hr/>
Total noncurrent liabilities	12,810,000
	<hr/>
Total liabilities	15,540,661
	<hr/>
NET POSITION:	
Net investment in capital assets	(12,180,997)
Unrestricted	(2,251,290)
	<hr/>
Total net position	(14,432,287)
	<hr/>
Total liabilities and net position	\$ 1,108,374
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Expenses</u>	<u>Net Revenue (Expenses) and Changes in Net Position</u>
EXPENSES:		
General government	\$ 317	\$ (317)
Interest on long-term debt	<u>621,681</u>	<u>(621,681)</u>
Total activities	<u><u>\$ 621,998</u></u>	<u>(621,998)</u>
GENERAL REVENUES:		
Property taxes		412,789
Special assessments		5,604
Interest		39
Transfers from City of Independence		<u>395,250</u>
Total general revenues		<u>813,682</u>
Change in net position		191,684
NET POSITION, BEGINNING		(1,134,776)
PRIOR PERIOD ADJUSTMENT		<u>(13,435,933)</u>
NET POSITION, ENDING		<u><u>\$ (14,379,025)</u></u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS
Major Governmental Funds

Urban Renewal Projects Fund

This fund accounts for the acquisition and construction of facilities by the issuance of bonds.

Urban Renewal Debt Service Fund

This fund accounts for the payment of principal and interest on the Agency's bonded debt.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
ASSETS:			
Property taxes receivable	\$ -	\$ 32,497	\$ 32,497
Loan receivable	195,136	-	195,136
Due from other funds	-	46,012	46,012
	<u>195,136</u>	<u>78,509</u>	<u>273,645</u>
Total assets	<u>\$ 195,136</u>	<u>\$ 78,509</u>	<u>\$ 273,645</u>
LIABILITIES:			
Accounts payable and other	7,611	-	7,611
Due to City of Independence	2,392,836	-	2,392,836
Due to other funds	46,012	-	46,012
	<u>2,446,459</u>	<u>-</u>	<u>2,446,459</u>
Total liabilities	<u>2,446,459</u>	<u>-</u>	<u>2,446,459</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue- property taxes	-	25,247	25,247
Unavailable revenue- other receivables	195,136	-	195,136
	<u>195,136</u>	<u>25,247</u>	<u>220,383</u>
Total deferred inflows of resource	<u>195,136</u>	<u>25,247</u>	<u>220,383</u>
FUND BALANCES:			
Assigned	-	53,262	53,262
Unassigned	(2,446,459)	-	(2,446,459)
	<u>(2,446,459)</u>	<u>53,262</u>	<u>(2,393,197)</u>
Total fund balance	<u>(2,446,459)</u>	<u>53,262</u>	<u>(2,393,197)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 195,136</u>	<u>\$ 78,509</u>	

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. 934,003

Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred inflows in the funds. 220,383

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (25,214)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (13,115,000)

Net position \$ (14,379,025)

The accompanying notes are an integral part of these financial statements

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes	\$ -	\$ 415,903	\$ 415,903
Special assessments	5,000	-	5,000
Interest	-	39	39
	<hr/>	<hr/>	<hr/>
Total revenues	5,000	415,942	420,942
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Capital outlay	934,320	-	934,320
Debt service:			
Principal	-	295,000	295,000
Interest	-	622,400	622,400
	<hr/>	<hr/>	<hr/>
Total expenditures	934,320	917,400	1,851,720
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(929,320)	(501,458)	(1,430,778)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Transfers in	200,000	400,000	600,000
Transfers out	(4,750)	(200,000)	(204,750)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	195,250	200,000	395,250
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(734,070)	(301,458)	(1,035,528)
	<hr/>	<hr/>	<hr/>
FUND BALANCE, BEGINNING	(1,712,389)	354,720	(1,357,669)
	<hr/>	<hr/>	<hr/>
Prior period adjustment	-	-	-
	<hr/>	<hr/>	<hr/>
RESTATEMENT DUE TO CHANGE IN BASIS	-	-	-
	<hr/>	<hr/>	<hr/>
FUND BALANCE, ENDING	<u>\$ (2,446,459)</u>	<u>\$ 53,262</u>	<u>\$ (2,393,197)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

Amounts reported in the statement of activities are different because:

Net change in fund balance \$ (1,035,528)

The statement of revenues, expenditures, and changes in fund balances report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital asset additions 934,003

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. (2,510)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 719

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which payments exceeded proceeds. 295,000

Changes in net position \$ 191,684

The accompanying notes are an integral part of these financial statements

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

(1) Organization and Summary of Significant Accounting Policies

These financial statements of the City of Independence Urban Renewal 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. The financial statements have incorporated all applicable GASB pronouncements.

A. Description of Reporting Entity

The Agency (a component unit of the City of Independence) was created to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. The Agency is governed by a seven-member board of directors that includes the City's mayor and is included as a component unit in the City's financial statements.

The financial statements of the Agency include all funds of the Agency, and the Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a component unit of the City of Independence and, as such is included in the financial statements of the City of Independence for the year ended June 30, 2015.

B. Basic Financial Statements

The Agency's financial operations are presented at both the government-wide and fund financial levels. All activities of the Agency are categorized as governmental.

Government-Wide Financial Statements

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

These 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, and fiduciary. Currently the Agency has only governmental fund types.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

C. Basis of Presentation

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, fund equity, deferred inflows and outflows of resources, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds.

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The General Fund is used to account for all financial resources not accounted for in another fund. All transactions not reported in the Debt Service Fund are reported in the Projects Fund, which functions as the General Fund of the Agency.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities. The Projects fund is a capital projects fund.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with 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 *full 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of 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.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

E. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The Agency does not have deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item “unavailable revenue,” is reported only in the governmental funds balance sheet. The governmental funds reports unavailable revenues from property taxes and loan receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

G. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represent net position restricted by parties outside of the Agency (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets.

H. Fund Balance

In the fund financial statements, 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 purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

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

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

Committed – Includes amounts that have been committed by resolution by the Agency’s Board of Directors which is the Agency’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the Board of Directors removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by Agency action. Assigned fund balance is established by the Agency through adoption or amendment of the budget as intended for specific purpose.

Unassigned – This is the residual classification used for those balances not assigned to another category.

I. Use of Restricted Resources

Use of restricted resources, 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. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Agency’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

J. Use of Estimates

In preparing the Agency’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Capital Assets

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

Agency	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, non-depreciable:				
Land	\$ -	\$ 934,003	\$ -	\$ 934,003

(3) Long-Term Debt

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

Agency	Beginning Balance	Transfer	Additions	Deletions	Ending Balance	Due in One Year
Bonds						
2010 Civic Center Bond	\$ -	\$ 13,410,000	\$ -	\$ 295,000	\$ 13,115,000	\$ 305,000

In April 2010, the City issued \$13,410,000 Full Faith and Credit Obligation bonds. Proceeds were used for the construction and to equip a new City Hall (Civic Center). Interest rates range from 3.00% to 5.00%. The bonds mature in 2040.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

Annual debt service requirements to maturity for bonds payable are as follows:

Fiscal Year	2010 Civic Center Bond	
	Principal	Interest
2016	\$ 305,000	\$ 613,550
2017	315,000	604,400
2018	325,000	593,375
2019	335,000	582,000
2020	350,000	568,600
2021-25	1,965,000	2,622,000
2026-30	2,435,000	2,148,250
2031-35	3,110,000	1,475,250
2036-40	3,975,000	615,500
	<u>\$13,115,000</u>	<u>\$ 9,822,925</u>

(4) Risk Management

The Agency purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

(5) Deficit Fund Balance

At June 30, 2015, the following fund had a deficit fund balance:

Projects Fund	\$ (2,446,459)
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(6) Prior Period Adjustment

For the year ended June 30, 2015, the Agency is reporting the debt for the Full Faith and Credit Obligation bonds. As this debt was only reported in the City's financial statements, a prior period adjustment of \$13,435,933 was made to report the debt and interest payable in the Agency's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedules
 - Projects Fund - General Fund

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
PROJECTS FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Special assessments	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Total revenues	5,000	5,000	5,000	-
EXPENDITURES:				
Capital outlay		950,000	934,320	15,680
Total expenditures	-	950,000	934,320	15,680
Revenues over (under) expenditures	5,000	(945,000)	(929,320)	15,680
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	-	500,000	500,000	-
Transfers in	-	-	76,500	76,500
Total other financing sources (uses)	-	500,000	576,500	76,500
Net change in fund balances	5,000	(445,000)	(352,820)	92,180
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>(762,390)</u>	<u>(312,390)</u>	<u>(762,389)</u>	<u>(449,999)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ (757,390)</u>	<u>\$ (757,390)</u>	(1,115,209)	<u>\$ (357,819)</u>
Due to City of Independence			<u>(1,331,250)</u>	
FUND BALANCES, ENDING			<u>\$ (2,446,459)</u>	

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

1. Stewardship, Compliance, and Accountability

A. Budgetary Information

On or before June 30 of each year, the Agency enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Board of Directors for budget hearings prior to enactment of the resolution. The Agency budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end.

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

The budgetary comparison schedule includes the following:

Debt Service Funds

Urban Renewal Debt Service Fund

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
 URBAN RENEWAL DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 423,699	\$ 423,699	\$ 415,903	\$ (7,796)
Interest	40	40	39	(1)
Total revenues	423,739	423,739	415,942	(7,797)
EXPENDITURES:				
Debt service:				
Principal	295,000	295,000	295,000	-
Interest	622,400	622,400	622,400	-
Contingency	10,000	10,000	-	10,000
Total expenditures	927,400	927,400	917,400	10,000
Revenues over (under) expenditures	(503,661)	(503,661)	(501,458)	2,203
OTHER FINANCING SOURCES (USES):				
Transfers in	400,000	400,000	400,000	-
Transfers out	-	(200,000)	(200,000)	-
Total other financing sources (uses)	400,000	200,000	200,000	-
Net change in fund balances	(103,661)	(303,661)	(301,458)	2,203
FUND BALANCE, BEGINNING	340,418	540,418	354,720	(185,698)
FUND BALANCE, ENDING	<u>\$ 236,757</u>	<u>\$ 236,757</u>	<u>\$ 53,262</u>	<u>\$ (183,495)</u>

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

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

We have audited the basic financial statements of the City of Independence Urban Renewal Agency (Agency), a component unit of the City of Independence, Oregon, as of and for the year ended June 30, 2015 and have issued our report thereon dated December 30, 2015. 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 the 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 statement 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- 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. The Agency does not receive highways funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Agency does not have any elected officials collecting or receiving money.

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 the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

The Urban Renewal Projects Fund has a budgetary basis deficit fund balance of \$1,115,209.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Agency's internal control over financial reporting (internal control) 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Board of Directors, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
December 30, 2015