

RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

\*\*\*\*\*

FINANCIAL REPORT

For the Year Ended June 30, 2005

**AUDITS MUNICIPALITIES**

	Date	Initial
Rec'd	<u>12-21-05</u>	<u>BH</u>
DIS	<u>12-21-05</u>	<u>BH</u>
Muni	_____	_____
Scanned	_____	_____
Comments	_____	_____

RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

GOVERNING BODY UNDER ORS 457

COUNCIL MEMBERS AS OF JUNE 30, 2005

<u>NAME</u>	<u>TERM EXPIRES</u>
Mike Avent, Chair	January 31, 2006
Sloan Nelson, Vice Chair	January 31, 2009
Terry Grice	January 31, 2007
Terry Deaton	January 31, 2009
Ralph Painter	January 31, 2009
David Qualman	January 31, 2007
Tim Navarro	January 31, 2009

Council Members receive mail at the address listed below.

COUNCIL ADDRESS

P.O. BOX 100  
RAINIER, OR 97048

RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	I
INDEPENDENT AUDITORS' REPORT	1
COMPONENT UNIT BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets (Cash Basis)	2
Statement of Cash Receipts and Disbursement Activities	3
Fund Financial Statements:	
Combined Statement of Assets, Liabilities and Fund Equities From Cash Transactions - All Fund Types	4
Combined Statement of Receipts, Disbursements and Changes in Cash Balances - All Governmental Fund Types	5
Notes to Component Unit Basic Financial Statements	6
REQUIRED SUPPLEMENTARY DATA:	
General Fund:	
Schedule of Receipts, Disbursements and Changes in Cash Balance - Actual and Budget	11
Debt Service Fund:	
Schedule of Receipts, Disbursements and Changes in Cash Balances Actual and Budget	12
SUPPLEMENTARY INFORMATION:	
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	13
AUDITORS COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	14

**RAINIER ECONOMIC DEVELOPMENT COUNCIL  
RAINIER, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the Rainier Economic Development Council's annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the Agency's financial statements and notes, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The Agency's total net assets were \$910,385 at June 30, 2005 and \$671,516 at June 30, 2004, an increase of \$238,869.
- The general fund reported a fund balance of \$408,385 at June 30, 2005 and \$419,516 at June 30, 2004, a decrease of \$11,131.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management has determined that the cash basis of accounting is appropriate for the Agency due to its lack of complexity and the necessity to account for, and plan for, the cash needed to operate the Agency.

This annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include two kinds of statements that present different views of the Agency:

- The first two statements are *government-wide financial statements* that provide information about the Agency's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Agency's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-wide Statements**

The Agency only provides "governmental activities" as defined in GASB 34, and has no substantial business-type activities. The Agency has only two funds, and each are considered to be major funds under the provisions of GASB 34.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Agency's most significant *funds* - not the Agency as a whole. Funds are accounting devices that the Agency uses to keep track of specific sources of funding and spending for particular purposes.



**CHANGES IN GOVERNMENTAL FUND BALANCES**

	June 30, 2005	June 30, 2004	Change
General Fund	\$ 408,385	\$ 419,516	\$ (11,131)
Debt Service Fund	502,000	252,000	250,000
Total	<u>\$ 910,385</u>	<u>\$ 671,516</u>	<u>\$ 238,869</u>

**CAPITAL ASSETS**

The Agency does not maintain any fixed assets on its books. Fixed assets are the property of the City of Rainier when the project is completed.

**LONG TERM DEBT**

At June 30, 2005, the Agency had \$3,410,000 in outstanding bonds payable. More detailed information about the Agency's long term debt is presented in the notes to the financial statements.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the Agency's finances. If you have any questions about this report or need any clarification of information please contact the Rainier Economic Development Council. Our address is: PO Box 100, Rainier, Oregon, 97048.

*Nancy Neuman*



**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

August 3, 2005

Board of Councilors  
Rainier Economic Development Council  
The Urban Renewal Agency of the City of Rainier, Oregon  
Rainier, Oregon

### INDEPENDENT AUDITORS' REPORT

We have audited the component unit basic financial statements of the Rainier Economic Development Council - The Urban Renewal Agency of the City of Rainier, Oregon, as of and for the year ended June 30, 2005. These component unit basic financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these component unit basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in the notes to the basic financial statements, Rainier Economic Development Council - The Urban Renewal Agency of the City of Rainier, Oregon, prepares its basic financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Rainier Economic Development Council - The Urban Renewal Agency of the City of Rainier, Oregon, as of June 30, 2005, and the results of its operations for the year then ended, on the cash basis of accounting.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data of individual fund statements and other financial schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management Discussion and Analysis, as listed on the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.

RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

COMPONENT UNIT BASIC FINANCIAL STATEMENTS



RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)  
COLUMBIA COUNTY, OREGON

Government-Wide Statement of Net Assets (Cash Basis)  
June 30, 2005

---

ASSETS	
Cash and cash equivalents	\$ 910,385
Property taxes and other receivables	<u>29,633</u>
Total Assets	<u>940,018</u>
LIABILITIES AND CASH BASIS NET ASSETS:	
Deferred Tax Revenue	<u>29,633</u>
Total Liabilities	<u>29,633</u>
NET ASSETS:	
Restricted for Debt Service	502,000
Unrestricted	<u>408,385</u>
Total Net Assets	<u>\$ 910,385</u>

See accompanying notes to basic financial statements



RAINIER ECONOMIC DEVELOPMENT COUNCIL  
 THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
 (A Component Unit of the City of Rainier)  
COLUMBIA COUNTY, OREGON

COMBINED STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITIES FROM CASH TRANSACTIONS  
 - ALL FUND TYPES  
 June 30, 2005

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>2005</u>
<b>ASSETS:</b>			
Cash and Investments	\$ 408,385	\$ 502,000	\$ 910,385
Taxes Receivable	29,633	0	29,633
<b>Total Assets</b>	<b><u>\$ 438,018</u></b>	<b><u>\$ 502,000</u></b>	<b><u>\$ 940,018</u></b>
<b>LIABILITIES AND FUND EQUITY:</b>			
<b>Liabilities:</b>			
Deferred Revenue	29,633	0	29,633
<b>Total Liabilities</b>	<b><u>29,633</u></b>	<b><u>0</u></b>	<b><u>29,633</u></b>
<b>Fund Equity:</b>			
Reserved for Future Debt Service Payments	0	502,000	502,000
Unreserved	408,385	0	408,385
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 438,018</u></b>	<b><u>\$ 502,000</u></b>	<b><u>\$ 940,018</u></b>

See accompanying notes to basic financial statements.



RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. THE FINANCIAL REPORTING ENTITY

On April 19, 1993, the City of Rainier's City Council adopted ordinance No. 944 establishing the Rainier Economic Development Council – Urban Renewal Agency of the City of Rainier, Oregon (REDCO). Provisions of ordinance No. 944 require the Mayor, subject to approval of the City Council, to appoint seven people to the governing board of REDCO. The seven people serve at the pleasure of the City Council and may be removed at any time by a majority vote of the City Council. REDCO was formed as a municipal corporation pursuant to ORS 457 to have urban renewal authority under Oregon law. The Agency is undertaking a planning and economic development program that focuses on the Rainier Waterfront.

The Rainier Economic Development Council, a component unit of the City of Rainier, is a municipal corporation governed by the appointed seven member council. Generally accepted accounting principles require that these basic financial statements present the Rainier Economic Development Council and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the Agency's reporting entity because of the significance of their operational or financial relationships with the Agency. All significant activities and organizations with which the Agency exercises oversight responsibility have been considered for inclusion in the basic financial statements. The Rainier Economic Development Council has no component units. REDCO is a component unit of the City of Rainier because the Rainier City Council exercises oversight authority over the Agency as demonstrated by the designation of REDCO Council Members and economic dependency.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide statements report information on the Agency irrespective of fund activity, and the fund financial statements report information using the Agency's funds. In total, the results presented using both of these methods are the same. Additionally, each of the Agency's two funds are considered a "major fund" in accordance with GASB34. Accordingly, there is no need for reconciling statements, except that the interfund transfers between the General and Debt Service funds are eliminated in the government wide statement of cash receipt and disbursement activities.

General receipts are property and related taxes and interest. All disbursements of the Agency are categorized as program disbursements.

FUND FINANCIAL STATEMENTS

The accounts of the Agency are organized and operated on the basis of 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. The minimum number of funds is maintained consistent with legal and managerial requirements.



RAINIER ECONOMIC DEVELOPMENT COUNCIL  
 THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
 (A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

D. BUDGETS (CONTINUED)

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amounts.

Expenditures in all funds were within authorized appropriations.

E. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers. Interfund transactions are eliminated in the government wide financial statements.

F. PROPERTY TAXES

Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected taxes are deemed to be substantially collectible or recoverable through liens.

G. 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Cash and Investments consisted of:

	Reported Amount	Fair Amount
Deposits With Financial Institutions:		
Demand Deposits	\$ 11,207	\$ 11,207
State of Oregon Treasurer's Local Government		
Investment Pool	899,178	899,178
	\$ 910,385	\$ 910,385





RAINIER ECONOMIC DEVELOPMENT COUNCIL  
 THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
 (A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

3. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. The Agency is covered by the City of Rainier's commercial insurance to minimize its exposure to these risks. Settled claims for the Agency has not exceeded this commercial coverage.

4. OPERATIONS

During 2004-05 the operations of REDCO were handled by REDCO council members and consultants. Council members are responsible for adopting the budget and performing management functions as required by state law. Consultants provide services necessary for implementing the improvements authorized by management.

5. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

6. LONG-TERM DEBT

The Agency entered into a promissory note not to exceed a principal amount of \$3,410,000 during 1999-2000. The payments are due on December 1 and June 1 beginning December 1, 2006. The note payable below is a loan from the United States Gypsum Company. The applicable interest rate on the loan is 6% per annum.

<u>PAYMENTS DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
6/30/2006	-	-	-
6/30/2007	385,395	217,617	603,012
6/30/2008	360,315	237,718	598,033
6/30/2009	339,633	258,402	598,035
6/30/2010	322,840	280,176	603,016
6/30/2011-6/30/2015	1,360,973	1,664,100	3,025,073
6/30/2016-6/30/2019	640,844	1,168,213	1,809,057
TOTALS	<u>\$ 3,410,000</u>	<u>\$ 3,826,226</u>	<u>\$ 7,236,226</u>

7. PAYROLL

The Agency does not have any employees. Services are performed by contracted labor through the City of Rainier.

RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

SUPPLEMENTARY DATA

Individual Funds and Other Schedules

RAINIER ECONOMIC DEVELOPMENT COUNCIL  
 THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
 (A Component Unit of the City of Rainier)  
COLUMBIA COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 GENERAL FUND -ACTUAL AND BUDGET  
 For the Year Ended June 30, 2005

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	FAVORABLE -UNFAVORABLE
REVENUES:				
County Taxes	\$ 385,850	\$ 385,850	\$ 360,428	\$ -25,422
Interest	5,000	5,000	19,872	14,872
Total Revenues	<u>390,850</u>	<u>390,850</u>	<u>380,300</u>	<u>-10,550</u>
EXPENDITURES:				
Materials and Services	44,800	44,800	37,317 (1)	7,483
Capital Outlay	358,050	358,050	104,114 (1)	253,936
Contingency	10,000	10,000	0 (1)	10,000
Total Expenditures	<u>412,850</u>	<u>412,850</u>	<u>141,431</u>	<u>271,419</u>
Excess of Revenues, Over -Under Expenditures	-22,000	-22,000	238,869	260,869
Other Financing Uses, Transfers Out	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Total Other Financing Sources, Uses	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over, -Under Expenditures	-272,000	-272,000	-11,131	260,869
Beginning Fund Balance	<u>272,000</u>	<u>272,000</u>	<u>419,516</u>	<u>147,516</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 408,385</u>	<u>\$ 408,385</u>

(1) Appropriation Level



RAINIER ECONOMIC DEVELOPMENT COUNCIL  
COLUMBIA COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For The Year Ended June 30, 2005

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/04	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/05
CURRENT:						
2004-05	\$ 368,324	\$ 9,286	\$ -1,221	\$ 161	\$ 341,607	\$ 16,371
PRIOR YEARS:						
2003-04	17,477	0	-268	409	10,359	7,259
2002-03	7,826	0	-25	378	3,942	4,237
2001-02	3,956	0	-91	408	2,904	1,369
2000-01	1,570	0	-16	243	1,541	256
1999-00 & Prior	208	0	-6	14	75	141
<b>TOTAL</b>	<b>\$ 399,361</b>	<b>\$ 9,286</b>	<b>\$ -1,627</b>	<b>\$ 1,613</b>	<b>\$ 360,428</b>	<b>\$ 29,633</b>

RAINIER ECONOMIC DEVELOPMENT COUNCIL  
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON  
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

2004-05 AUDITORS' COMMENTS AND DISCLOSURES



**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

August 3, 2005

---

**AUDITORS' COMMENTS AND DISCLOSURES**

---

Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, enumerate the basic financial statements, schedules, comments and disclosures required in audit reports. Certain required disclosures, statements and schedules are set forth in preceding pages of this report. Additional required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of Rainier Economic Development Council - The Urban Renewal Agency of the City of Rainier, Oregon, for the year ended June 30, 2005, and have issued our report thereon dated August 3, 2005.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements.

In planning and performing our audit of the basic financial statements of Rainier Economic Development Council - The Urban Renewal Agency of the City of Rainier, Oregon, for the year ended June 30, 2005, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of Rainier Economic Development Council - The Urban Renewal Agency of the City of Rainier, Oregon, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.





AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

---

INVESTMENTS

The Agency's investments at June 30, 2005, are amounts with the State Treasurer's Local Government Investment Pool.

PUBLIC CONTRACTS AND PURCHASING

The Agency's procedures for awarding public contracts were reviewed and based on our testing appeared to be in compliance with ORS Chapter 279.

INSURANCE AND FIDELITY BONDS

The Agency is covered by insurance held by the City of Rainier. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

The Agency does not have bonded debt subject to the statutory bonded debt limitation outstanding at June 30, 2005.

OUTSTANDING WARRANTS

The Agency did not have any outstanding endorsed warrants at June 30, 2005.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

The Agency did not receive federal funding for the year ended June 30, 2005.

STATE HIGHWAY FUNDS

There were no programs funded by State Highway Funds for the year ended June 30, 2005.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.

