

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, 2006

AUDITS MUNICIPALITIES

	Date	initial
Rec'd	11-9-07	DK
DIS	11-9-07	DIS
Muni	1-9-07	Jmc
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Comments		

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THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
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COLUMBIA COUNTY, OREGON

GOVERNING BODY UNDER ORS 457

COUNCIL MEMBERS AS OF JUNE 30, 2006

<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
Ralph Painter	January 31, 2009
David Qualman	January 31, 2007
Tim Navarro	January 31, 2009
Terry Deaton	January 31, 2009

Council Members receive mail at the address listed below.

COUNCIL ADDRESS

P.O. BOX 100
RAINIER, OR 97048

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RAINIER ECONOMIC DEVELOPMENT COUNCIL
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COLUMBIA COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

July 25, 2006

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, 2006. 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, 2006, 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's 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.

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**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, 2006. 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 \$1,048,589 at June 30, 2006 and \$910,385 at June 30, 2005, an increase of \$138,204.
- The general fund reported a fund balance of \$478,825 at June 30, 2006 and \$408,385 at June 30, 2005, an increase of \$70,440.

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.

Most of the Agency's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

GOVERNMENT-WIDE CASH BALANCES

	2006	2005	% change
ASSETS:			
Cash and Investments	\$ 1,048,589	\$ 910,385	15%
Taxes Receivable	27,580	29,633	-7%
Total Assets	<u>1,076,169</u>	<u>940,018</u>	14%
LIABILITIES			
Deferred Tax Revenues	27,580	29,633	-7%
Total Liabilities	<u>27,580</u>	<u>29,633</u>	
NET ASSETS			
Restricted for Debt Service	569,764	502,000	13%
Unrestricted	<u>478,825</u>	<u>408,385</u>	17%
Total Net Assets	<u>\$ 1,048,589</u>	<u>\$ 910,385</u>	15%

CHANGES IN CASH-BASIS NET ASSETS

	2006	2005	% change
REVENUES:			
General Revenues:			
Property Taxes	\$ 357,333	\$ 360,428	-1%
Interest	40,546	19,872	104%
Miscellaneous	51	-	n/a
Total Revenues	<u>397,930</u>	<u>380,300</u>	5%
EXPENSES:			
Materials and Supplies	24,498	37,317	-34%
Capital Outlay	235,228	104,114	126%
Total Expenses	<u>259,726</u>	<u>141,431</u>	84%
Change in Net Assets	138,204	238,869	-42%
Beginning Net Assets	<u>910,385</u>	<u>671,516</u>	36%
Ending Net Assets	<u>\$ 1,048,589</u>	<u>\$ 910,385</u>	15%

The Agency's main sources of revenue are property taxes, and interest on reserve accounts. The Agency's main disbursements are operating emergency services, capital and Agency operations.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

Governmental fund balances totaled \$1,048,589 at June 30, 2006. A summary of changes in governmental fund balances follows:

CHANGES IN GOVERNMENTAL FUND BALANCES

	June 30, 2006	June 30, 2005	Change
General Fund	\$ 478,825	\$ 408,385	\$ 70,440
Debt Service Fund	569,764	502,000	67,764
Total	<u>\$ 1,048,589</u>	<u>\$ 910,385</u>	<u>\$ 138,204</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 projects are completed.

LONG TERM DEBT

At June 30, 2006, 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.

SIGNED:

Chad Olsen

TITLE:

City Administrator

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RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
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COLUMBIA COUNTY, OREGON

COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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RAINIER ECONOMIC DEVELOPMENT COUNCIL
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COLUMBIA COUNTY, OREGON

Government-Wide Statement of Net Assets (Cash Basis)
June 30, 2006

ASSETS	
Cash and cash equivalents	\$ 1,048,589
Property taxes	<u>27,580</u>
Total Assets	<u>1,076,169</u>
LIABILITIES AND CASH BASIS NET ASSETS:	
Deferred Tax Revenue	<u>27,580</u>
Total Liabilities	<u>27,580</u>
NET ASSETS:	
Restricted for Debt Service	569,764
Unrestricted	<u>478,825</u>
Total Net Assets	<u>\$ 1,048,589</u>

See accompanying notes to basic financial statements

RAINIER ECONOMIC DEVELOPMENT COUNCIL
 THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
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Government-Wide Statement of Cash Receipt and Disbursement Activities
 For the Year Ended June 30, 2006

FUNCTIONS	<u>FUNCTION REVENUES</u>			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Materials and Services	\$ 24,498	\$ 0	\$ 0	\$ -24,498
Capital Outlay	<u>235,228</u>	<u>0</u>	<u>0</u>	<u>-235,228</u>
Total Governmental Activities	<u>\$ 259,726</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>-259,726</u>
General Revenues:				
				357,333
				40,546
				<u>51</u>
				<u>397,930</u>
				138,204
				<u>910,385</u>
				<u>\$ 1,048,589</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, 2006

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUNDS</u>	<u>2006</u>
ASSETS:			
Cash and Investments	\$ 478,825	\$ 569,764	\$ 1,048,589
Taxes Receivable	27,580	0	27,580
Total Assets	<u>\$ 506,405</u>	<u>\$ 569,764</u>	<u>\$ 1,076,169</u>
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Deferred Revenue	27,580	0	27,580
Total Liabilities	<u>27,580</u>	<u>0</u>	<u>27,580</u>
Fund Equity:			
Reserved for Future Debt Service Payments	0	569,764	569,764
Unreserved	478,825	0	478,825
Total Liabilities and Fund Equity	<u>\$ 506,405</u>	<u>\$ 569,764</u>	<u>\$ 1,076,169</u>

See accompanying notes to basic financial statements.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
 THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
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COLUMBIA COUNTY, OREGON

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN CASH BALANCES- ALL GOVERNMENTAL FUND TYPES
 For the Year Ended June 30, 2006

	GENERAL FUND	DEBT SERVICE	2006
REVENUES:			
County Taxes	\$ 357,333	\$ 0	\$ 357,333
Interest	22,782	17,764	40,546
Miscellaneous	51	0	51
Total Revenues	<u>380,166</u>	<u>17,764</u>	<u>397,930</u>
EXPENDITURES:			
Material and Services	24,498	0	24,498
Capital Outlay	<u>235,228</u>	<u>0</u>	<u>235,228</u>
Total Expenditures	<u>259,726</u>	<u>0</u>	<u>259,726</u>
Excess of Revenues Over, -Under Expenditures	120,440	17,764	138,204
Other Financing Sources, -Uses			
Transfers In	0	50,000	50,000
Transfers Out	<u>-50,000</u>	<u>0</u>	<u>-50,000</u>
Total Other Financing Sources, -Uses	<u>-50,000</u>	<u>50,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources, -Uses Over, -Under Expenditures	70,440	67,764	138,204
Beginning Fund Balance	<u>408,385</u>	<u>502,000</u>	<u>910,385</u>
Ending Fund Balance	<u>\$ 478,825</u>	<u>\$ 569,764</u>	<u>\$ 1,048,589</u>

See accompanying notes to basic financial statements.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
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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 GASB 34. Accordingly, there is no need for reconciling statements, except that any 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
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NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION (CONTINUED)

Financial operations of the Agency are accounted for in the following governmental funds:

GENERAL FUND

This fund accounts for the general operations of the Agency. It is used to account for all transactions not specifically related to the Agency's other funds. Its primary source of revenue is Urban Renewal Tax collections. Disbursements are made to finance planning and economic development.

DEBT SERVICE FUND

This fund is primarily reserved for the payment of debt due starting in 2006-2007. Its primary revenue source is transfers from the General Fund. In the 2006-2007 year the debt service fund will also begin receiving revenues from the intergovernmental agreements as mentioned in note 6.

C. BASIS OF ACCOUNTING

The Agency's governmental funds are maintained using the cash basis of accounting whereby revenues are recognized when collected rather than when measurable and available, and expenditures are recognized when paid rather than when incurred. For disclosure purposes only taxes receivable are disclosed on the statement of net assets. Governmental funds include the general fund and debt service fund. Governmental funds are accounted for on a spending measurement focus. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in cash.

The above basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America, which requires the modified accrual basis for governmental fund types.

D. BUDGETS

A budget is prepared for each governmental fund type in accordance with the cash basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The Agency begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The Agency may amend the budget prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30.

The expenditure budgets are appropriated at the following levels:

LEVEL OF CONTROL

- Materials and Services
- Debt Service
- Capital Outlay
- Operating Contingency

RAINIER ECONOMIC DEVELOPMENT COUNCIL
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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. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements is \$1,696, all of which is covered by federal depository insurance. Oregon Revised Statutes require depository institutions to maintain on deposit, with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
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NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

Statutes authorize REDCO to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record (A-2/P-2 if Oregon commercial paper) and the state treasurer's investment pool. REDCO's investments at June 30, 2006, as listed above were invested in the state treasurer's investment pool. REDCO's investments during the year were also invested in the state treasurer's investment pool.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2006.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the REDCO's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2006. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2006
 (recorded at fair value) consisted of:

	2006
Deposits With Financial Institutions:	
Demand Deposits	\$ 1,684
State of Oregon Treasurer's Local Government Investment Pool	1,046,905
	\$ 1,048,589

The Agency had the following investments and maturities:

Investment Type	Fair Value	Less than 3	3 - 18	18-59
State Treasurer's Investment Pool	\$ 1,046,905	\$ 1,046,905	\$ -	\$ -
Total	\$ 1,046,905	\$ 1,046,905	\$ -	\$ -

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NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. REDCO does not have any investments that have a maturity date.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2006, REDCO had 100% of total investments in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

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 2005-06 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.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
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NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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 (USGC). The applicable interest rate on the loan is 6% per annum.

<u>PAYMENTS DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
6/30/2007	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	304,310	298,706	603,016
6/30/2012-6/30/2016	1,281,198	1,738,893	3,020,091
6/30/2017-6/30/2018	416,309	794,714	1,211,023
TOTALS	<u>\$ 3,410,000</u>	<u>\$ 3,826,226</u>	<u>\$ 7,236,226</u>

In June of 1998, REDCO capped the amount of tax increment financing revenues it receives at \$300,000 per year. In order for REDCO to be able to make the approximately \$600,000 yearly payment to the USGC, it entered into several intergovernmental agreements. These intergovernmental agreements with various districts and governments split up the burden of the loan payment between those who will benefit from the property taxes paid by the USGC.

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

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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 BALANCES
 GENERAL FUND -ACTUAL AND BUDGET
 For the Year Ended June 30, 2006

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	FAVORABLE -UNFAVORABLE
REVENUES:				
County Taxes	\$ 369,850	\$ 369,850	\$ 357,333	\$ -12,517
Interest	12,250	12,250	22,782	10,532
Miscellaneous	0	0	51	51
Total Revenues	<u>382,100</u>	<u>382,100</u>	<u>380,166</u>	<u>-1,934</u>
EXPENDITURES:				
Materials and Services	33,500	33,500 (1)	24,498	9,002
Capital Outlay	681,985	681,985 (1)	235,228	446,757
Contingency	10,000	10,000 (1)	0	10,000
Total Expenditures	<u>725,485</u>	<u>725,485</u>	<u>259,726</u>	<u>465,759</u>
Excess of Revenues, Over -Under Expenditures	-343,385	-343,385	120,440	463,825
Other Financing Uses, Transfers Out	<u>-50,000</u>	<u>-50,000 (1)</u>	<u>-50,000</u>	<u>0</u>
Total Other Financing Sources	<u>-50,000</u>	<u>-50,000</u>	<u>-50,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over, -Under Expenditures	-393,385	-393,385	70,440	463,825
Beginning Fund Balance	<u>393,385</u>	<u>393,385</u>	<u>408,385</u>	<u>15,000</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 478,825</u>	<u>\$ 478,825</u>

(1) Appropriation Level

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 BALANCES
 -ACTUAL AND BUDGET
 For the Year Ended June 30, 2006

DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE -UNFAVORABLE</u>
REVENUES:				
County Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Interest	0	0	17,764	17,764
Total Revenues	\$ 0	\$ 0	\$ 17,764	\$ 17,764
EXPENDITURES:				
Debt Service				
Principal	200,000	200,000	0	200,000
Total Expenditures	200,000	200,000 (1)	0	200,000
Excess of Revenues Over, -Under Expenditures	-200,000	-200,000	17,764	217,764
Other Financing Sources, -Uses				
Transfers In	50,000	50,000	50,000	0
Total Other Financing Sources, -Uses	50,000	50,000	50,000	0
Excess of Revenues and Other Financing Sources, Over, -Under Expenditures	-150,000	-150,000	67,764	217,764
Beginning Fund Balance	502,000	502,000	502,000	0
Ending Fund Balance	<u>\$ 352,000</u>	<u>\$ 352,000</u>	<u>\$ 569,764</u>	<u>\$ 217,764</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, 2006

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/05	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OF UNSEGREGATED 6/30/06
<u>GENERAL FUND</u>						
CURRENT:						
2005-06	\$ 363,290	9,153	-543	416	339,121	14,889
PRIOR YEARS:						
2004-05	16,371	0	-842	1,064	9,990	6,602
2003-04	7,259	0	-885	996	3,720	3,649
2002-03	4,237	0	-939	1,143	2,822	1,621
2001-02	1,369	0	-60	529	1,464	375
2000-01 & Prior	397	0	-239	112	216	444
TOTAL	<u>\$ 392,923</u>	<u>\$ 9,153</u>	<u>\$ -3,508</u>	<u>\$ 4,260</u>	<u>\$ 357,333</u>	<u>\$ 27,580</u>

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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

2005-06 AUDITORS' COMMENTS AND DISCLOSURES

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

July 25, 2006

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, 2006, and have issued our report thereon dated July 25, 2006.

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, 2006, 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)

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

Because of a limited number of available personnel, it is not always possible to adequately segregate certain duties so that no one individual has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of financial duties and responsibilities.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

ACCOUNTING RECORDS

The Agency's accounting records are adequate for audit.

BUDGET TRANSACTIONS

Amounts expended were within their authorized appropriation levels.

2005-2006 and 2006-2007 BUDGETS

The budgets adopted by the Agency for the current and ensuing fiscal year were examined during the audit. Based on our testing the budget preparation and adoption procedures followed by the Agency were in compliance with the Oregon Local Budget Law.

COLLATERAL SECURING BANK DEPOSITS

Collateral pledged by the depositories appeared to be adequate at all times during the year to meet requirements of Oregon Law, based on our testing. Each depository is required by ORS Chapter 295 to maintain securities having a value of not less than 25% of the face amount of the collateral certificate issued by the pool manager, for funds deposited in the depository in excess of the amounts insured by the Federal Deposit Insurance Corporation.

AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

INVESTMENTS

The Agency's investments at June 30, 2006, 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, 2006.

OUTSTANDING WARRANTS

The Agency did not have any outstanding endorsed warrants at June 30, 2006.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

The Agency did not receive federal funding for the year ended June 30, 2006.

STATE HIGHWAY FUNDS

There were no programs funded by State Highway Funds for the year ended June 30, 2006.

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

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