

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012



**12700 SW 72nd Ave.
Tigard, OR 97223**

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

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For the Year Ended June 30, 2012

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COLUMBIA COUNTY, OREGON

GOVERNING BODY UNDER ORS 457

COUNCIL MEMBERS AS OF JUNE 30, 2012

Mike Avent, Chair

Sloan Nelson, Secretary

James Bradfield

David Sills

Scott Cooper

Phil Butcher

William Vilardi

Council Members receive mail at the address listed below.

COUNCIL ADDRESS

Debra Dudley, Staff Administrator
P.O. BOX 100
RAINIER, OR 97048

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COLUMBIA COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	I
COMPONENT UNIT BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets (Cash Basis)	3
Statement of Cash Receipts and Disbursements	4
Fund Financial Statements:	
Combined Statement of Assets, Liabilities and Fund Equities From Cash Transactions – All Fund Types	5
Combined Statement of Receipts, Disbursements and Changes in Cash Balances – All Governmental Fund Types	6
Notes to Component Unit Basic Financial Statements	7
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Receipts, Disbursements and Changes in Cash Balances Actual and Budget:	
General Fund	14
Debt Service Fund	15
SUPPLEMENTARY INFORMATION:	
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	16
REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS:	
INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	17

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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

February 10, 2014

To the City Council
Rainier Economic Development Council
Rainier, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rainier Economic Development Council as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Rainier Economic Development Council prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Rainier Economic Development Council, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rainier Economic Development Council's basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information for all appropriated funds and supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rainier Economic Development Council's financial statements. The listing of board members is located before 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 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.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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

This section of the Rainier Economic Development (REDCO's) annual financial report presents our discussion and analysis of the REDCO's financial performance during the fiscal year ended Jun 30, 2012. Please read it in conjunction with the REDCO's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The REDCO's total net assets were \$1,266,636 at June 30, 2011 and \$489,503 at June 30, 2012, a decrease of \$777,133, which is a direct result of the settlement of the USG law suit and subsequent payment on the outstanding loan balance.
- The general fund reported a fund balance of \$565,030 at June 30, 2011 and \$430,194 at June 30, 2012, a decrease of \$134,836, which primarily was due to the cost of litigation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 REDCO:

- The first two statements are *government-wide financial statements* that provide information about the REDCO's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the REDCO'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

REDCO only provides "governmental activities" as defined in GASB 34, and has no substantial business-type activities. The REDCO 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 REDCO's most significant *funds*— not REDCO as a whole. Funds are accounting devices that the REDCO uses to keep track of specific sources of funding and spending for particular purposes.

REDCO'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 REDCO's programs. Because this information does not encompass the additional long-term focus on 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 REDCO AS A WHOLE

GOVERNMENT-WIDE CASH BALANCES

	2011	2012	% Change
ASSETS:			
Cash and Investments	\$ 1,266,636	\$ 489,503	-61%
Taxes Receivable	29,809	31,508	6%
Total Assets	<u>1,296,445</u>	<u>521,011</u>	-60%
LIABILITIES			
Deferred Tax Revenues	29,809	31,508	6%
Total Liabilities	<u>29,809</u>	<u>31,508</u>	6%
NET ASSETS			
Restricted for Debt Service	701,606	59,309	-92%
Unrestricted	<u>565,030</u>	<u>430,194</u>	-24%
Total Net Assets	<u>\$ 1,266,636</u>	<u>\$ 489,503</u>	-61%

CHANGES IN CASH-BASIS NET ASSETS

	2011	2012	% Change
REVENUES:			
General Revenues:			
Property Taxes	267,358	278,823	4%
Interest	6,127	6,042	-1%
Total Revenues	<u>273,485</u>	<u>284,865</u>	4%
EXPENSES:			
Materials and Supplies	31,115	140,034	350%
Debt Service	-	888,246	
Capital Projects	<u> </u>	<u>33,718</u>	
Total Expenses	<u>31,115</u>	<u>1,061,998</u>	3313%
Change in Net Assets	242,370	(777,133)	-421%
Beginning Net Assets	<u>1,024,266</u>	<u>1,266,636</u>	24%
Ending Net Assets	<u>\$ 1,266,636</u>	<u>\$ 489,503</u>	-61%

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

FINANCIAL ANALYSIS OF THE REDCO'S FUNDS

Governmental fund balances totaled \$489,503 at June 30, 2012. A summary of changes in governmental fund balances follows:

CHANGES IN GOVERNMENTAL FUND BALANCES

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>
General Fund	\$ 565,030	\$ 430,194	\$(134,836)
Debt Service Fund	701,606	59,309	(642,297)
Total	<u>\$ 1,266,636</u>	<u>\$ 489,503</u>	<u>\$(777,133)</u>

CAPITAL ASSETS

REDCO 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, 2012, REDCO had \$3,750,000 in outstanding debt payable. More detailed information about REDCO's long term debt is presented in the notes to the financial statements.

CONTACTING THE REDCO'S FINANCIAL MANAGEMENT

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

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COLUMBIA COUNTY, OREGON

COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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COLUMBIA COUNTY, OREGON

Government-Wide Statement of Net Assets (Cash Basis)
June 30, 2012

ASSETS:	
Cash and cash equivalents	\$ 489,503
Property taxes	<u>31,508</u>
Total Assets	<u>521,011</u>
LIABILITIES AND CASH BASIS NET ASSETS:	
Unearned Tax Revenue	<u>31,508</u>
Total Liabilities	<u>31,508</u>
NET ASSETS:	
Restricted for Debt Service	59,309
Unrestricted	<u>430,194</u>
Total Net Assets	<u>\$ 489,503</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

Government-Wide Statement of Cash Receipts and Disbursements Activities
 For the Year Ended June 30, 2012

<u>FUNCTIONS</u>	<u>DISBURSEMENTS</u>	<u>PROGRAM RECEIPTS</u>		<u>NET (DISBURSEMENTS) RECEIPTS AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Materials and Services	\$ 140,034	\$ -	\$ -	\$ (140,034)
Capital Projects	33,718	-	-	(33,718)
Debt Service	<u>888,246</u>	<u>-</u>	<u>-</u>	<u>(888,246)</u>
Total Governmental Activities	<u>\$ 1,061,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,061,998)</u>
General Receipts:				
				278,823
				6,042
				<u>284,865</u>
				(777,133)
				<u>1,266,636</u>
				<u>\$ 489,503</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 ASSETS, LIABILITIES, AND FUND BALANCES FROM CASH TRANSACTIONS
 ALL FUND TYPES
 June 30, 2012

	GOVERNMENTAL FUND TYPES		
	GENERAL FUND	DEBT SERVICE FUND	TOTAL
ASSETS:			
Cash and Investments	\$ 430,194	\$ 59,309	\$ 489,503
Taxes Receivable	-	31,508	31,508
Total Assets	\$ 430,194	\$ 90,817	\$ 521,011
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Unearned Revenue	\$ -	\$ 31,508	\$ 31,508
Fund Balances:			
Restricted for Future Debt Service Payments	-	59,309	59,309
Unassigned	430,194	-	430,194
Total Liabilities and Fund Balances	\$ 430,194	\$ 90,817	\$ 521,011

See accompanying notes to basic financial statements

RAINIER ECONOMIC DEVELOPMENT COUNCIL
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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, 2012

	GENERAL FUND	DEBT SERVICE FUND	TOTAL
RECEIPTS:			
County Taxes	\$ -	\$ 278,823	\$ 278,823
Interest	5,198	844	6,042
Total Receipts	5,198	279,667	284,865
DISBURSEMENTS:			
Material and Services	140,034	-	140,034
Capital Outlay	-	33,718	33,718
Debt Service	-	888,246	888,246
Total Disbursements	140,034	921,964	1,061,998
Excess of Revenues and Other Financing Sources, (Uses) Over, (Under) Expenditures	(134,836)	(642,297)	(777,133)
Beginning Fund Balance	565,030	701,606	1,266,636
Ending Fund Balance	<u>\$ 430,194</u>	<u>\$ 59,309</u>	<u>\$ 489,503</u>

See accompanying notes to basic financial statements

RAINIER ECONOMIC DEVELOPMENT COUNCIL
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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 Council is undertaking a planning and economic development program that focuses on the Rainier Waterfront.

REDCO is a component unit of the City of Rainier because the Rainier City Council exercises oversight authority as demonstrated by the designation of Council Members and economic dependency. Generally accepted accounting principles require that these basic financial statements present the Council and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 61, are separate organizations that are included in the Council's reporting entity because of the significance of their operational or financial relationships with the Council. All significant activities and organizations with which the Council exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using funds. In total, the results presented using both of these methods are the same. Additionally, each of the 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 are categorized as program disbursements.

FUND FINANCIAL STATEMENTS

The accounts 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.

Financial operations are accounted for in the following governmental funds:

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
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NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

GENERAL FUND

This fund accounts for the general operations. It is used to account for all transactions not specifically related to other funds. Disbursements are made to finance planning and economic development.

DEBT SERVICE FUND

This fund is primarily reserved for the payment of debt. Its primary source of revenue is Urban Renewal Tax collection and transfers from the General Fund.

C. BASIS OF ACCOUNTING

The governmental funds are maintained using the cash basis of accounting whereby receipts are recognized when collected rather than when measurable and available, and disbursements are recognized when paid rather than when incurred. For disclosure purposes only, taxes receivable and an offset to deferred taxes 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 (receipts and other financing sources) and decreases (disbursements 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 and accrual for government-wide statements.

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 budget process begins 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 Council 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

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

RAINIER ECONOMIC DEVELOPMENT COUNCIL
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COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 for the year ended June 30, 2012, except for the Materials and Services in the General Fund which was over expended by \$16,434.

E. FUND BALANCE

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balance as Assigned is granted to the City Manager and Mayor.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
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COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FUND BALANCE (CONTINUED)

There were no nonspendable, committed or assigned fund balances at year end.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

F. 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.

G. 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 by management to be substantially collectible or recoverable through liens so there is no allowance for uncollectible amounts.

H. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements is \$71,494. The entire amount of these deposits is covered by federal deposit insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. At June 30, 2012 all depository accounts were held at approved depositories identified by the Treasury.

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

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

The policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government 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.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. At June 30, 2012 the fair value of the REDCO's position in the State Treasurer's Local Government Investment Pool is approximate to the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2012
 (recorded at fair value) consisted of:

	2012
Deposits With Financial Institutions:	
Demand Deposits	\$ 71,491
State of Oregon Treasurer's Local Government Investment Pool	418,012
	\$ 489,503

There are the following investments and maturities:

Investment Type	Fair Value	Less than 3 Months
State Treasurer's Investment Pool	\$ 418,012	\$ 418,012
Total	\$ 418,012	\$ 418,012

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

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. There are no investments that have a maturity date of more than three months.

Credit Risk – Investments

Oregon Revised Statutes do 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, 2012, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in the Local Government Investment Pool. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2012, investments were in compliance with all percentage restrictions.

3. RISK MANAGEMENT

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

4. OPERATIONS

During 2011-12 the operations were handled by council members and consultants. Council members are responsible for adopting the budget and performing management functions. 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
 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

6. LONG-TERM DEBT

A promissory note was entered into during 1999-2000 for a principal amount not to exceed \$3,410,000. 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.

During the FY 2008-09, litigation was entered into against the USGC regarding the interpretation of the note's payment terms. A settlement was reached in FY 2011-12 with an immediate payment of \$1,000,000 and the below updated payment schedule.

<u>PAYMENTS DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
06/30/13	\$ 190,856	\$ 84,144	\$ 275,000
06/30/14	168,226	106,774	275,000
06/30/15	173,272	101,728	275,000
06/30/16	178,472	96,528	275,000
06/30/17	183,825	91,175	275,000
2018-2022	1,005,228	369,772	1,375,000
2023-2027	1,165,336	209,664	1,375,000
2028-2030	<u>684,785</u>	<u>38,501</u>	<u>723,286</u>
TOTALS	<u>\$ 3,750,000</u>	<u>\$ 1,098,286</u>	<u>\$ 4,848,286</u>

Total long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Notes Payable	<u>\$ 2,841,785</u>	<u>\$ 1,908,215</u>	<u>\$ 1,000,000</u>	<u>\$ 3,750,000</u>	<u>\$ 190,856</u>
Total Long-term Liabilities	<u>\$ 2,841,785</u>	<u>\$ 1,908,215</u>	<u>\$ 1,000,000</u>	<u>\$ 3,750,000</u>	<u>\$ 190,856</u>

Additions to the long term debt are due to a settlement reached during the year with USG and no debt proceeds were received.

7. PAYROLL

There are no employees. Services are performed by contracted labor through consultants.

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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

SUPPLEMENTARY INFORMATION

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, 2012

	<u>GENERAL FUND</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
RECEIPTS				
Interest	\$ -	\$ -	\$ 5,198	\$ 5,198
DISBURSEMENTS				
Materials and Services	123,600	123,600	(1) 140,034	(16,434)
Contingency	276,000	276,000	(1) -	276,000
Total Disbursements	<u>399,600</u>	<u>399,600</u>	<u>140,034</u>	<u>259,566</u>
Other Financing Sources, (Uses)				
Transfers Out	<u>(162,100)</u>	<u>(162,100)</u>	(1) -	<u>162,100</u>
Net Change in Fund Balance	(561,700)	(561,700)	(134,836)	426,864
Beginning Fund Balance	<u>561,700</u>	<u>561,700</u>	<u>565,030</u>	<u>3,330</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,194</u>	<u>\$ 430,194</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, 2012

	<u>DEBT SERVICE FUND</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
RECEIPTS:				
County Taxes	\$ 280,000	\$ 280,000	\$ 278,823	\$ (1,177)
Interest	5,500	5,500	844	(4,656)
Total Receipts	<u>285,500</u>	<u>285,500</u>	<u>279,667</u>	<u>(5,833)</u>
DISBURSEMENTS				
Debt Service	300,000	933,618 (1)	888,246	45,372
Capital Outlay	591,218	591,218 (1)	33,718	557,500
Contingency	366,382	732,764 (1)	-	732,764
Total Disbursements	<u>1,257,600</u>	<u>2,257,600</u>	<u>921,964</u>	<u>1,335,636</u>
Other Financing Sources, (Uses)				
Transfers In	<u>162,100</u>	<u>162,100</u>	-	<u>(162,100)</u>
Net Change in Fund Balance	(810,000)	(1,810,000)	(642,297)	1,167,703
Beginning Fund Balance	<u>810,000</u>	<u>810,000</u>	<u>701,606</u>	<u>(108,394)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ 59,309</u>	<u>\$ 1,059,309</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, 2012

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/12
DEBT SERVICE FUND						
CURRENT:						
2011-12	\$ 279,738	\$ (6,904)	\$ (2,303)	\$ 124	\$ 256,543	\$ 14,112
PRIOR YEARS:						
2010-11	14,167	(4)	(60)	329	5,952	8,481
2009-10	8,026	-	(28)	386	3,028	5,356
2008-09	4,745	-	(32)	608	3,157	2,163
2007-08	2,002	-	(37)	349	1,571	743
2006-07 & Prior	868	-	(103)	54	166	653
TOTAL	\$ 309,546	\$ (6,908)	\$ (2,563)	\$ 1,850	\$ 270,417	\$ 31,508

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	270,417
Taxes withheld for prior overpayment	8,406
	<u>278,823</u>
	<u>\$ 278,823</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

Independent Auditors' Report Required by Oregon State Regulations

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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

February 10, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Rainier Economic Development Council as of and for the year ended June 30, 2012, and have issued our report thereon dated February 10, 2014. 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 Rainier Economic Development Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

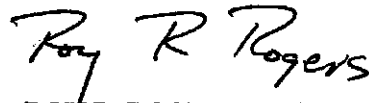
1. Expenditures were within authorized appropriations, except as noted on page 9.
2. We found no indication of when budget committee approved the proposed budget in the minutes.
3. We found that the budget does not identify each debt issue by principal and interest payments nor were requirements shown in unappropriated ending fund balances.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated February 10, 2014.

This report is intended solely for the information and use of the council members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Roy R Rogers". The signature is written in a cursive, slightly slanted style.

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

