

WOODBURN URBAN RENEWAL AGENCY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

WOODBURN URBAN RENEWAL AGENCY

**BOARD OF DIRECTORS
Year Ended June 30, 2006**

TERM EXPIRES

Kathryn Figley
601 S Settlemier
Woodburn OR 97071

December 2006

Walter Nichols
413 Willow Street
Woodburn OR 97071

December 2008

Richard Bjelland
888 Wilson Street
Woodburn OR 97071

December 2008

Peter McCallum
370 Ironwood Terrace
Woodburn OR 97071

December 2006

Jim Cox
1530 Ranier Way
Woodburn OR 97071

December 2006

Frank Lonergan
245 N 2nd Street
Woodburn OR 97071

December 2006

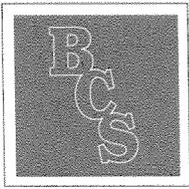
Elida Sifuentez
860 E Lincoln Street
Woodburn OR 97071

December 2008

WOODBURN URBAN RENEWAL AGENCY

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Year Ended June 30, 2006**

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BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

INDEPENDENT AUDITOR'S REPORT

Agency Officials

WOODBURN URBAN RENEWAL AGENCY

WOODBURN, Oregon

We have audited the accompanying financial statements of the governmental activities and the major fund of **WOODBURN URBAN RENEWAL AGENCY**, *component unit of the City of WOODBURN* as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of **WOODBURN URBAN RENEWAL AGENCY**, as of June 30, 2006, the respective changes in financial position thereof, and the budgetary comparison for the General (Debt Service) Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages a through c is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Boldt, Carlisle & Smith, LLC

Certified Public Accountants

Salem, Oregon

September 22, 2006

By:

Douglas C. Parham, Member

A

www.bcslc.com

Established - 1968

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Woodburn Urban Renewal Agency (Agency), we offer readers of the Agency's basic financial statements this narrative overview and analysis of the financial activities of the Agency as of June 30, 2006 and for the fiscal year then ended. We encourage readers to consider the information presented here in conjunction with the Agency's basic financial statements in the financial section of this report.

FINANCIAL HIGHLIGHTS

The Agency's assets exceeded its liabilities at June 30, 2006 by \$68,351 (*net assets*). All of this amount is restricted for debt service.

The only assets of the Agency are Cash and Investments (\$1,787,799) and Receivables (\$20,170).

Liabilities include a bank-qualified loan in the amount of \$1,736,565 and accrued interest payable of \$3,053.

NET ASSETS

	<u>2005-06</u>	<u>2004-05</u>
Assets		
Cash and investments	\$ 1,787,799	\$ 308,247
Receivables	<u>20,170</u>	<u>16,310</u>
Total assets	<u>1,807,969</u>	<u>324,557</u>
Liabilities		
Long-term obligations	1,579,654	-
Other liabilities	<u>159,964</u>	<u>-</u>
Total liabilities	<u>1,739,618</u>	<u>-</u>
Net assets		
Restricted for debt service	<u>\$ 68,351</u>	<u>\$ 324,557</u>

Property Taxes (\$427,663) comprise 89% of the Agency's revenue and are derived from the tax increment in the Agency's boundaries. The remaining revenue is investment earnings.

Expenditures (a repayment of debt to the City of Woodburn) for the year ended June 30, 2006 were \$736,376. This is comprised of principal repayment of \$675,959 and interest expense of \$60,417.

The Agency's only fund is a governmental fund used to account for activities supported by the property tax increment.

CHANGES in NET ASSETS

	2005-06	2004-05
Revenue		
Property taxes levied for debt service	\$ 427,663	\$ 315,122
Unrestricted investment earning	52,507	-
Total revenues	480,170	315,122
Expenses		
General Government	675,959	285,947
Interest on long-term debt	60,417	-
Total expenses	736,376	285,947
Increase (decrease) in net assets	(256,206)	29,175
Net assets - beginning	324,557	295,382
Net assets - ending	\$ 68,351	\$ 324,557

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the Agency's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year.

Fund financial statements. The fund financial statements focus on current available resources and are organized on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages.

FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2006 the Agency's governmental fund reported a fund balance of \$1,792,695, which is an increase of \$1,480,606 from June 30, 2005. The increase is the result of receipt of a bank-qualified loan of \$1,850,000. Fund balance and cash will decrease as projects funded by Urban Renewal are constructed.

BUDGETARY HIGHLIGHTS

Beginning fund balance was increased \$42,228 to reflect actual fund balance on July 1, 2005. Of that amount \$40,000 was appropriated for debt service for construction budgeted originally in 2004-05 but completed in 2005-06. The remainder increased contingencies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Agency had no capital assets. All assets constructed with urban renewal funds are the property of the City.

During the year the Agency issued \$1,850,000 of bank-qualified notes payable over 10 years.

FINANCIAL CONTACT

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability.

If you have questions about the report or need additional financial information, please contact the Agency Finance Director at 270 Montgomery, Woodburn, Oregon.

BASIC FINANCIAL STATEMENTS

WOODBURN URBAN RENEWAL AGENCY

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,787,799
Receivables	<u>20,170</u>
TOTAL ASSETS	<u>1,807,969</u>
LIABILITIES	
Accrued interest payable	3,053
Long-term obligations	
Due within one year	156,911
Due in more than one year	<u>1,579,654</u>
TOTAL LIABILITIES	<u>1,739,618</u>
NET ASSETS	
Restricted for debt service	<u>\$ 68,351</u>

See notes to basic financial statements

WOODBURN URBAN RENEWAL AGENCY

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2006**

	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Functions/Programs</u>		<u>Governmental Activities</u>
Governmental activities		
General government	\$ 675,959	\$ (675,959)
Interest on long-term obligations	<u>60,417</u>	<u>(60,417)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 736,376</u>	<u>\$ (736,376)</u>
General revenues		
Property taxes levied for debt service		427,663
Unrestricted investment earnings		<u>52,507</u>
TOTAL GENERAL REVENUES		<u>480,170</u>
Change in net assets		(256,206)
Net assets - beginning		<u>324,557</u>
Net assets - ending		<u>\$ 68,351</u>

See notes to basic financial statements

WOODBURN URBAN RENEWAL AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

ASSETS

Cash and investments	\$ 1,787,799
Receivables	<u>20,170</u>
TOTAL ASSETS	<u>\$ 1,807,969</u>

LIABILITIES

Deferred revenue	\$ 15,274
<u>FUND BALANCE</u>	
Reserved for debt service	<u>1,792,695</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,807,969</u>

FUND BALANCE - RESERVED FOR DEBT SERVICE	\$ 1,792,695
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*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Deferred revenue represents assets that were not available to pay for current-period expenditures and therefore were not reported in the governmental funds	15,274
Long-term obligations, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(1,739,618)</u>
TOTAL NET ASSETS	<u>\$ 68,351</u>

See notes to basic financial statements

WOODBURN URBAN RENEWAL AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General (Debt Service) Fund
REVENUES	
Property taxes	\$ 424,857
Interest	<u>52,507</u>
TOTAL REVENUES	477,364
EXPENDITURES	
Debt service	<u>846,758</u>
Excess (deficiency) of revenues over expenditures	(369,394)
OTHER FINANCING SOURCES (USES)	
Proceeds from long-term obligations	<u>1,850,000</u>
Net change in fund balance	1,480,606
Fund balance at beginning of year	<u>312,089</u>
Fund balance at end of year	<u>\$ 1,792,695</u>

See notes to basic financial statements

WOODBURN URBAN RENEWAL AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS

TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,480,606

*Amounts reported for governmental activities in the
Statement of Activities are different because of the following:*

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Taxes 2,806

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net assets. This is the amount by which proceeds exceeded repayments:

Bond proceeds (1,850,000)
Principal payments 113,435 (1,736,565)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 3,053

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (256,206)

See notes to basic financial statements

WOODBURN URBAN RENEWAL AGENCY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL (DEBT SERVICE) FUND
Year Ended June 30, 2006**

	Original and Final		
	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 330,000	\$ 424,857	\$ 94,857
Interest	--	52,507	52,507
TOTAL REVENUES	<u>330,000</u>	<u>477,364</u>	<u>147,364</u>
EXPENDITURES			
Debt service	1,297,500	846,758	450,742
Contingency	2,228	--	2,228
TOTAL EXPENDITURES	<u>1,299,728</u>	<u>846,758</u>	<u>452,970</u>
Excess (deficiency) of revenues over expenditures	(969,728)	(369,394)	600,334
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term obligations	714,000	1,850,000	1,136,000
Net change in fund balance	(255,728)	1,480,606	1,736,334
Fund balance at beginning of year	<u>327,228</u>	<u>312,089</u>	<u>(15,139)</u>
Fund balance at end of year	<u>\$ 71,500</u>	<u>\$ 1,792,695</u>	<u>\$ 1,721,195</u>

See notes to basic financial statements

WOODBURN URBAN RENEWAL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2006

1. Summary of Significant Accounting Policies

A. Organization

The Agency, a component unit of the City of Woodburn, was organized under ORS 457 and is a municipal corporation created by the City of Woodburn to facilitate urban renewal within the boundaries of the City. The city council serves as the governing body and is accountable for the fiscal matters of the Agency.

B. Urban Renewal Areas

Tax Allocation Bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The Agency (City Council) selects an urban renewal plan area and defines its boundaries.
- The County Assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance the Urban Renewal Project.
- Urban Renewal Tax Increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$29,300,000.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation, Measurement Focus, and Basis of Accounting

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The Statement of Activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Agency's fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The single major fund, General (Debt Service) Fund, accounts for general administration of the Agency's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas, and repayment of debt incurred for these activities.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation, Measurement Focus, and Basis of Accounting (continued)

Governmental fund financial statements are reporting using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

D. Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally overexpended.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

E. Long-term Obligations

In the government-wide financial statements' long-term obligations are reported as liabilities in the governmental activities' Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Deposits and Investments

The Agency's deposits and investments are held by the City of Woodburn in pooled deposit and investment accounts that are available for use by all funds and the Agency. The Agency's portion of this pool is displayed on the financial statements as cash and investments. Additionally, several funds hold separate cash and investment accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and Investments (continued)

Credit risk: Oregon statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2006, investments were as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Oregon State Local Government Investment Pool	<u>\$ 26,699,542</u>	<u>\$ 26,699,542</u>
Amount allocable to Agency	<u>\$ 1,763,936</u>	<u>\$ 1,763,936</u>

Interest Rate Risk: The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. Investments, except those in the Local Investment Pool have custodial credit risk because the related securities are uninsured, unregistered and held by the City's brokerage firm, which is the counterparty to those securities. The Agency does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits: This is the risk that, in the event of a bank failure, the City's deposits may not be returned. Oregon statute requires collateralization of deposits in excess of amounts insured by the Federal Depository Insurance Corporation. As of June 30, 2006, \$706,039 of the City's bank balance of \$1,041,385 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's deposits and investments and the amount allocable to the Agency as of June 30, 2006 are as follows:

	<u>City of Woodburn</u>	<u>Allocable to Agency</u>
Deposits	\$ 361,199	\$ 23,863
Investments	<u>27,224,772</u>	<u>1,763,936</u>
Total deposits and investments	<u>\$ 27,585,971</u>	<u>\$ 1,787,799</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

A. The Agency's receivables at June 30, 2006 are shown below:

Property taxes \$ 20,170

B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Marion County bills and collects property taxes for the Agency.

ii. Transactions

	Balances July 1, 2004	2004-05 Levy	Adjust- ments	Net Interest (Discounts)	Collec- tions	Balances June 30, 2006
Current	\$ --	\$ 439,051	\$ (810)	\$ (11,010)	\$ 413,363	\$ 13,868
Prior	<u>16,310</u>	<u>--</u>	<u>31</u>	<u>2</u>	<u>10,041</u>	<u>6,302</u>
Totals	<u>\$ 16,310</u>	<u>\$ 439,051</u>	<u>\$ (779)</u>	<u>\$ (11,008)</u>	<u>\$ 423,404</u>	<u>\$ 20,170</u>

iii. Ensuing year's levy

The Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2006-06.

The tax rate limit of \$10 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

4. Deferred Revenue

Resources owned by the Agency, which are measurable, but not available, and therefore, deferred in the funds, consist of the following:

Property taxes \$ 15,274

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Long-term obligations

A. Transactions for the governmental activities for the year ended June 30, 2006

Loan	Balances			Balances June 30, 2006	Due Within One year
	July 1, 2005	Additions	Reductions		
Bank of America					
Urban Renewal - due in quarterly install- ments of \$56,933; interest at 4.22 percent					
Principal	\$ -	\$1,850,000	\$ 113,435	\$ 1,736,565	\$156,911
Interest	-	60,417	57,364	3,053	-
Total long-term obligations	-	1,910,417	170,799	1,739,618	<u>\$156,911</u>
Interest	-	60,417	57,364	3,053	
Principal	<u>\$ -</u>	<u>\$1,850,000</u>	<u>\$ 113,435</u>	<u>\$ 1,736,565</u>	

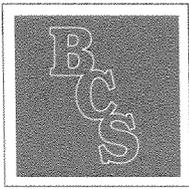
B. The future maturities of obligations outstanding as of June 30, 2006 are as follows:

Fiscal Year	Loan	
	Bank of America	
	Principal	Interest
2007	\$ 156,911	\$ 70,822
2008	163,638	64,094
2009	170,653	57,079
2010	177,970	49,763
2011	185,600	42,133
2012-16	<u>881,794</u>	<u>86,068</u>
	<u>\$ 1,736,565</u>	<u>\$ 369,958</u>

**DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

- *Accounting and Internal Controls*
- *Collateral*
- *Indebtedness*
- *Budget*
- *Insurance and Fidelity Bonds*
- *Programs Funded from Outside Sources*
- *Investments*
- *Public Contracts and Purchasing*



BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

WOODBURN URBAN RENEWAL AGENCY

**DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
Year Ended June 30, 2006**

Accounting and Internal Controls

The broad objectives of internal accounting control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and that financial records are reliable to permit the preparation of financial statements. The following operative objectives are necessary to achieve the broad objectives:

- a. Transactions are executed in accordance with management's general or specific authorization.
- b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- c. Access to assets is permitted only in accordance with management's authorization.
- d. The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. Any projection of a current evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with prescribed procedures may deteriorate.

The accounting records and internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Collateral

The Agency does not maintain separate cash accounts. Instead, the Agency's cash is pooled with the cash of the City of Woodburn. During the year, deposits of the City were adequately secured.

**DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)**

Indebtedness

The legal debt limitation has not been exceeded.

Budget

1. Preparation and Adoption

The budgets for the years ended June 30, 2007 and 2006 were prepared and adopted in compliance with legal requirements.

2. Execution

The budget for the year ended June 30, 2006 was executed in compliance with legal requirements.

Insurance and Fidelity Bonds

The Agency does not have separate coverage. Instead the Agency's risks are insured by policies owned by the City of Woodburn. The City's insurance agent confirmed that the following policies were in force at June 30, 2006:

Company	Policy Number	Coverage	Limit	Term
City County Insurance	05LWDB	General and Auto Liability	\$5,000,000 CSL	07-01-05/06
	05APDWBD	Auto Physical Damage	Per Agreement	07-01-05/06
	05PWBD	Property/Mobile Equipment	\$52,255,226	07-01-05/06
	05BWBD	Boiler and Machinery	Per Property Schedule	07-01-05/06
NLC Mutual	05E	Excess Earthquake	N/A	07-01-05/06
Fidelity and Deposit	05C	Excess Crime	N/A	07-01-05/06

Insurance coverage appears to comply with legal requirements.

Programs Funded from Outside Sources

The Agency did not operate any programs funded wholly or partially by other governmental agencies.

Investments

Funds of the Agency were invested in compliance with ORS 294.035.

**DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
(Continued)**

Public Contracts and Purchasing

1. Awarding of public contracts

The Agency did not award public contracts subject to ORS 279.

2. Construction of public improvements

The Agency did not construct any public improvements subject to ORS 279.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
September 22, 2006