

**WOODBURN URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE
CITY OF WOODBURN, OREGON)
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014**

WOODBURN URBAN RENEWAL AGENCY
(A Component Unit of the City of WOODBURN, Oregon)
AGENCY OFFICIALS
June 30, 2014

MAYOR AND COUNCIL MEMBERS

<u>Name</u>	<u>Term Expires</u>
<i>Mayor</i>	
Kathryn Figley 270 Montgomery Street Woodburn, Oregon 97071	December 31, 2014
<i>Council Members</i>	
Peter McCallum, President 270 Montgomery Street Woodburn, Oregon 97071	December 31, 2014
Jim Cox 270 Montgomery Street Woodburn, Oregon 97071	December 31, 2014
Lisa Ellsworth 270 Montgomery Street Woodburn, Oregon 97071	December 31, 2016
Frank Lonergan 270 Montgomery Street Woodburn, Oregon 97071	December 31, 2014
Eric Morris 270 Montgomery Street Woodburn, Oregon 97071	December 31, 2016
Teresa Alonso Leon 270 Montgomery Street Woodburn, Oregon 97071	December 31, 2016

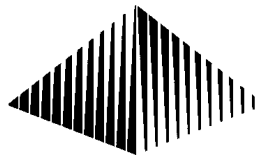
Staff

Scott Derickson, City Administrator
N. Robert Shields, City Attorney
Sarah Head, Finance Director

City of Woodburn, Oregon
270 Montgomery Avenue
Woodburn, Oregon 97071

WOODBURN URBAN RENEWAL AGENCY
(A Component Unit of the City of Woodburn, Oregon)
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Woodburn Urban Renewal Agency
270 Montgomery Street
Woodburn, Oregon 97071

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Woodburn, Oregon (a component unit of the City of Woodburn, Oregon) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Urban Renewal Agency of the City of Woodburn, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) (pages iv through vi) and the schedule of revenues, expenditures and changes in fund balances - budget to actual on page 18 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 management's discussion and analysis 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 or audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 Agency's basic financial statements. The budgetary schedule described above was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedule has been subject 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 schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

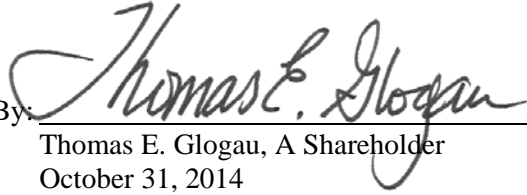
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 31, 2014, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Thomas E. Glogau, A Shareholder
October 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WOODBURN URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Woodburn Urban Renewal Agency (the 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, 2014 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 net assets exceeded liabilities by \$1,651,516. This is due to the continued retirement of the Agency's outstanding debt.

The Agency currently has two assets, cash and investments (\$1,908,678) and receivables (\$44,362). The Agency's receivables are comprised solely of property taxes due at June 30, 2014.

Liabilities are comprised of the balance on Agency accounts payable of \$25,532, debt of \$275,872, and the accrued interest due at June 30, 2014 of \$120.

Statements of Net Position

	June 30,	
	2014	2013
ASSETS		
Cash and investments	\$ 1,908,678	\$ 1,817,541
Other assets	44,362	49,402
Total Assets	1,953,040	1,866,943
LIABILITIES		
Other liabilities	25,652	20,429
Long-term liabilities	275,872	486,381
Total Liabilities	301,524	506,810
NET POSITION		
Restricted	227,732	210,509
Unrestricted	1,423,784	1,149,624
Total Net Position	\$ 1,651,516	\$ 1,360,133

Property taxes totaling \$596,003 comprise 98 % of the Agency's revenue and are derived from the tax increment assessment within the Agency's boundaries. The remaining revenue of \$10,266 is from interest earnings. Expenses for the year ended June 30, 2014 were \$16,636 for interest on long-term debt. Additionally, the Agency expended \$122,885 on personnel costs and \$175,365 on the Agency's Downtown Grant and Loan program.

The Agency maintains a single fund used to account for activities supported by the property tax increment.

Statements of Activities

	Year Ended June 30,	
	2014	2013
REVENUES		
Property taxes	\$ 596,003	\$ 625,577
Miscellaneous	10,266	8,188
Total Revenues	606,269	633,765
EXPENSES		
Community development	298,250	199,927
Interest on long-term debt	16,636	26,287
Total Expenses	314,886	226,214
CHANGE IN NET POSITION	291,383	407,551
NET POSITION, beginning of year	1,360,133	952,582
NET POSITION, end of year	\$ 1,651,516	\$ 1,360,133

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 Position 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(s) 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 (i.e. uncollected revenues and accrued but unpaid interest).

The Statement of Net Position 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 position. Over time, increases or decreases in net position 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 present information showing how the Agency's net position 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 11-17.

Financial Analysis of Funds

As of June 30, 2014 the Agency's governmental fund reported a fund balance of \$1,888,700 or an increase of \$86,631 over the prior year. This is due to tax revenues in excess of payments of the Agency for approved Downtown Grant and Loan projects and annual debt service.

Budgetary Highlights

There were no changes to the adopted budget in the current year.

Capital Assets and Debt Administration

The Agency has no capital assets. All assets constructed with urban renewal funds are property of the City (see the City of Woodburn financial statements).

As of June 30, 2014 the Agency has \$275,872 of long-term debt outstanding. Additional information on the long-term debt can be found in the notes to the basic financial statements.

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.

Any questions or request for additional information should be directed to the Agency's Finance Director at 270 Montgomery Street, Woodburn, Oregon.

BASIC FINANCIAL STATEMENTS

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

ASSETS

Cash and investments	\$ 1,908,678
Property taxes receivable	<u>44,362</u>
<i>Total Assets</i>	1,953,040

LIABILITIES

Accounts payable	18,321
Accrued payroll and payroll liabilities	7,211
Accrued interest payable	120
Noncurrent liabilities	
Due within one year	
Bonds payable	219,534
Due in more than one year	
Bonds payable	<u>56,338</u>
<i>Total Liabilities</i>	<u>301,524</u>

NET POSITION

Restricted	227,732
Unrestricted	<u>1,423,784</u>
TOTAL NET POSITION	<u><u>\$ 1,651,516</u></u>

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2014

Revenues	
Taxes and assessments	\$ 596,003
Miscellaneous	<u>10,266</u>
Total Revenues	606,269
Expenses	
Community development	298,250
Interest on long-term debt	<u>16,636</u>
Total Expenses	<u>314,886</u>
CHANGE IN NET POSITION	291,383
NET POSITION, June 30, 2013	<u>1,360,133</u>
NET POSITION, June 30, 2014	<u><u>\$ 1,651,516</u></u>

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2014

	<u>Urban Renewal Debt Service Fund</u>
ASSETS	
Cash and investments	\$ 1,908,678
Property taxes receivable	44,362
	<hr/>
<i>Total Assets</i>	\$ 1,953,040
	<hr/> <hr/>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 18,321
Accrued payroll and payroll liabilities	7,211
	<hr/>
<i>Total Liabilities</i>	25,532
Deferred Inflows	
Unavailable revenue	38,808
Fund Balance	
Restricted	
Debt service	227,732
Unrestricted	1,660,968
	<hr/>
<i>Total Liabilities, Deferred Inflows, and Fund Balance</i>	\$ 1,953,040
	<hr/> <hr/>
RECONCILIATION TO THE STATEMENT OF NET POSITION	
<i>Fund Balance</i>	\$ 1,888,700
The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are reported as unavailable revenue in governmental funds.	38,808
All liabilities are reported in the Statement of Net Position. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	
Bonds payable	(275,872)
Accrued interest payable	(120)
	<hr/>
<i>Net Position of Governmental Activities</i>	\$ 1,651,516
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2014

	<i>Urban Renewal Debt Service Fund</i>
REVENUES	
Taxes and assessments	\$ 602,347
Miscellaneous	10,266
	<hr/>
<i>Total Revenues</i>	612,613
EXPENDITURES	
Personal services	122,885
Materials and services	175,365
Debt service	
Principal	210,509
Interest	17,223
	<hr/>
<i>Total Expenditures</i>	525,982
	<hr/>
NET CHANGE IN FUND BALANCE	86,631
FUND BALANCE, Beginning of year	1,802,069
	<hr/>
FUND BALANCE, End of year	\$ 1,888,700
	<hr/> <hr/>
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	
<i>Net Change in Fund Balance</i>	\$ 86,631
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund financial statements as follows:	
Property taxes	(6,344)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increses long-term liabilities in the statment of net position. Repayment of long-term debt obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term oblaigions in the statement of net position. This is the amount of repay- ments in the current year.	210,509
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 government funds.	586
	<hr/>
<i>Change in Net Position</i>	\$ 291,382
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Woodburn Urban Renewal Agency (the Agency) was created to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal areas. Through the Downtown Grant and Loan program the Agency enables property owners to rehabilitate properties. The Agency is governed by a seven-member board of directors that include the City's mayor and other council members and is included as a component unit in the City's financial statements.

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.

Measurement Focus and Basis of Accounting

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Governmental activities are normally supported by taxes and intergovernmental revenues.

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Net Position presents all the assets and liabilities of the Agency, including related debt. Net position, representing assets less liabilities and is shown as restricted. Restricted represents amounts which must be spent in accordance with legal restrictions.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basic Financial Statements (Continued)

The Statement of Activities indicate how net position changed during the current period.

Fund financial statements display information about the Agency's fund. The single major fund, Urban Renewal 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.

Basis of Presentation

The financial transactions of the Agency are recorded in a single fund. The fund's activity is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications.

Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally or contractually required to be maintained intact. Resources in non-spendable form include inventories, prepaid amounts, deposits, and assets held for sale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Agency takes formal action that places specific constraints on how the resources may be used. The Agency can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the Agency approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned fund balance is the residual classification. This classification represents fund balance that has not been restricted, committed or assigned.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide and proprietary fund financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

Cash and Investments

The City of Woodburn maintains the Agency's cash and investments in a common pool.

Oregon Revised Statutes and the City of Woodburn investment policy authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon Municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

Receivables and Deferred Revenues

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current and prior years are recorded as receivable at year-end. The Agency's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Property tax receivables not available are recognized as deferred inflows in the governmental funds balance sheet.

Long-Term Debt

All unmatured long-term debt is recorded on the Statement of Net Position. Urban Renewal Agency bonded debt is paid from the Urban Renewal Agency Debt Service Fund.

Budget and Budgetary Accounting

The Agency budgets in accordance with requirements of State law. Annual appropriated budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The Agency begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the Budget Committee. The budget is then published in proposed form and is presented for public hearings to obtain taxpayer comments and approval from the Budget Committee. The budget is legally adopted by the Agency's Board by resolution prior to the beginning of the Agency's fiscal year.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting (Continued)

The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the object level. Appropriations lapse at year end.

Appropriation authority may be transferred from one level of control to another by Board resolution. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

There were no changes to the adopted budget in the current year.

Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

CASH AND INVESTMENTS

The Agency's deposits with financial institutions and investments and are pooled with the City of Woodburn. Cash and investments for the City of Woodburn are disclosed in the City's financial statements. Other disclosures about the City's cash and investment that are applicable to the Agency are as follows.

Deposits

Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides unlimited insurance for the City's deposits with financial institutions for the aggregate of all non-interest bearing accounts and up to \$250,000 for the aggregate of all interest bearing accounts at each institution.

Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

CASH AND INVESTMENTS *(Continued)*

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2014, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

LONG-TERM DEBT

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

	<i>Outstanding July 1, 2013</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2014</i>	<i>Due Within One Year</i>
2005 Urban Renewal Bonds due in quarterly installments with interest at 4.22%	\$ 486,381	\$ -	\$ (210,509)	\$ 275,872	\$ 219,534

Future debt service requirements are as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 219,534	\$ 8,198	\$ 227,732
2016	56,338	595	56,933
	<u>\$ 275,872</u>	<u>\$ 8,793</u>	<u>\$ 284,665</u>

CONTINGENCIES

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

NEW PRONOUNCEMENTS

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” The objective of the statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The statement was implemented in the current year.

The Agency will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27.” The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2014

NEW PRONOUNCEMENTS (continued)

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations.” The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. The statement amends transition provisions of GASB Statement No. 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability and implementation of GASB Statement No. 68. The statement is effective for fiscal years beginning after June 15, 2014.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL - URBAN RENEWAL DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2014

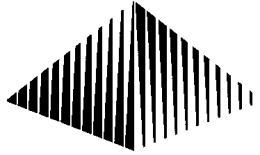
	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 550,000	\$ 550,000	\$ 602,347	\$ 52,347
Miscellaneous	10,500	10,500	10,266	(234)
<i>Total Revenues</i>	560,500	560,500	612,613	52,113
EXPENDITURES				
Personal services	154,487	154,487	119,992	34,495
Materials and services	309,500	309,500	175,365	134,135
Debt service				
Principal	251,855	251,855	210,509	41,346
Interest	375,877	375,877	17,223	358,654
Contingency	1,393,781	1,393,781	-	1,393,781
<i>Total Expenditures</i>	6,985,500	6,985,500	523,089	6,462,411
REVENUES OVER (UNDER) EXPENDITURES	(6,425,000)	(6,425,000)	89,524	6,514,524
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	4,500,000	4,500,000	-	(4,500,000)
NET CHANGE IN FUND BALANCE	(1,925,000)	(1,925,000)	89,524	2,014,524
FUND BALANCE, Beginning of year	1,925,000	1,925,000	1,802,069	(122,931)
FUND BALANCE, End of year (budgetary basis)	\$ -	\$ -	1,891,593	\$ 1,891,593
Accrued payroll			(2,893)	
FUND BALANCE, End of year (GAAP basis)			\$ 1,888,700	

SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2014

<i>Tax Year</i>	<i>2013-2014 Levy</i>	<i>Uncollected Balance July 1, 2013</i>	<i>Discounts and Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balance June 30, 2014</i>
2013-2014	\$ 611,035	\$ -	\$ (17,090)	\$ (575,727)	\$ 18,218
2012-2013		22,115	(236)	(11,606)	10,273
2011-2012	-	11,143	(143)	(5,187)	5,813
2010-2011	-	7,140	(210)	(4,688)	2,242
2009-2010	-	2,364	26	(1,641)	749
2008-2009	-	744	(141)	(205)	398
2007-2008	-	431	(117)	(101)	213
Prior Years	-	1,245	(249)	(94)	902
Total	\$ 611,035	\$ 45,182	\$ (18,160)	\$ (599,249)	38,808
			Unsegregated Taxes		5,554
			Total Receivable at June 30, 2014		\$ 44,362

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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

Honorable Mayor and Members of the City Council
City of Woodburn Urban Renewal Agency
270 Woodburn, Oregon
Woodburn, Oregon 97071

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Urban Renewal Agency of the City of Woodburn, Oregon as of and for the year ended June 30, 2014, and have issued our report thereon dated October 31, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Urban Renewal Agency of the City of Woodburn, Oregon'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).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **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 Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

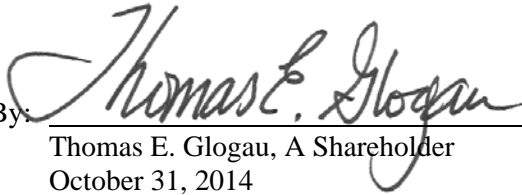
Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Restriction on Use

This report is intended solely for the information and use of the governing body and management of the Urban Renewal Agency of the City of Woodburn, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Thomas E. Glogau, A Shareholder
October 31, 2014