

**WOODBURN URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE
CITY OF WOODBURN, OREGON)
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012**

WOODBURN URBAN RENEWAL AGENCY
(A Component Unit of the City of WOODBURN, Oregon)
AGENCY OFFICIALS
June 30, 2012

MAYOR

Kathryn Figley
601 S. Settlemeier
Woodburn, OR 97071

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1880 Woodland Avenue
Woodburn, OR 97071

J. Mel Schmidt
840 Hermanson Street
Woodburn, OR 97071

Eric Morris
1505 Hardcastle Avenue
Woodburn, OR 97071

Peter MaCallum
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Woodburn, OR 97071

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1530 Ranier Way
Woodburn, OR 97071

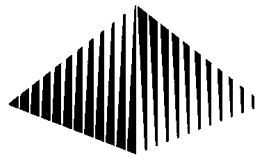
Frank Lonergan
245 N 2nd Street
Woodburn, OR 97071

Staff

Scott Derickson, City Administrator
N. Robert Shields, City Attorney

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

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, 2012, 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.

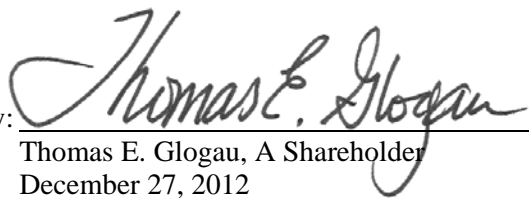
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Urban Renewal Agency of the City of Woodburn as of June 30, 2012, and the respective changes in financial position for the year then ended in accordance with accounting policies generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages iii through v) and the budgetary comparison information (page 17) 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 MD&A 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 basics 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. The budgetary comparison information (page 17) is presented for purpose of additional analysis and is not a required part of the financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respected in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urban Renewal Agency of the City of Woodburn's financial statements as a whole. The other supplementary information is presented for purpose of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

By: 
Thomas E. Glogau, A Shareholder
December 27, 2012

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, 2012 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 \$952,582. This is due to the continued retirement of the Agency's outstanding debt.

The Agency currently has two assets, cash and investments (\$1,590,160) and receivables (\$50,956). The Agency's receivables are comprised solely of property taxes due at June 30, 2012.

Liabilities are comprised of the balance on Agency debt of \$688,236 and the accrued interest due at June 30, 2012 of \$298.

Net Assets

| | June 30, | |
|---------------------------|--------------|--------------|
| | 2012 | 2011 |
| ASSETS | | |
| Cash and investments | \$ 1,590,160 | \$ 1,348,233 |
| Property tax receivable | 50,956 | 51,275 |
| Total Assets | 1,641,116 | 1,399,508 |
| LIABILITIES | | |
| Accounts payable | - | 445 |
| Accrued interest payable | 298 | 382 |
| Noncurrent liabilities | | |
| Due within one year | | |
| Bonds payable | 201,855 | 193,557 |
| Due in more than one year | | |
| Bonds payable | 486,381 | 688,236 |
| Total Liabilities | 688,534 | 882,620 |
| NET ASSETS | | |
| Unrestricted | \$ 952,582 | \$ 516,888 |

Property taxes totaling \$614,590 comprise 99 % of the Agency's revenue and are derived from the tax increment in the Agency's boundaries. The remaining revenue of \$6,485 is from interest earnings. Expenses for the year ended June 30, 2012 were \$34,091 for interest on long-term debt. Additionally, the Agency expended \$44,006 on personnel costs and \$107,285 on the Agency's Downtown Grant and Loan program.

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

Statement of Activities

| | Year Ended June 30, | |
|---------------------------------------|---------------------|------------|
| | 2012 | 2011 |
| REVENUES | | |
| Property taxes | \$ 614,590 | \$ 593,163 |
| Miscellaneous | 6,485 | 3,755 |
| Total Receipts | 621,075 | 596,918 |
| EXPENSES | | |
| Personal services | 44,006 | - |
| Materials and services | 107,284 | 54,456 |
| Interest on long-term debt | 34,091 | 42,051 |
| Total Expenses | 185,381 | 96,507 |
| REVENUES OVER (UNDER) EXPENSES | 435,694 | 500,411 |
| NET ASSETS, July 1, 2011 | 516,888 | 16,477 |
| NET ASSETS, June 30, 2012 | \$ 952,582 | \$ 516,888 |

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(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 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 present 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 10-16.

Financial Analysis of Funds

As of June 30, 2012 the Agency's governmental fund reported a fund balance of \$1,595,080 or an increase of \$243,639 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 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, 2012 the Agency has \$688,236 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 St, 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 ASSETS – GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

ASSETS

| | |
|---------------------------|---------------|
| Cash and investments | \$ 1,590,160 |
| Property taxes receivable | <u>50,956</u> |
| <i>Total Assets</i> | 1,641,116 |

LIABILITIES

| | |
|---------------------------|----------------|
| Accrued interest payable | 298 |
| Noncurrent liabilities | |
| Due within one year | |
| Bonds payable | 201,855 |
| Due in more than one year | |
| Bonds payable | <u>486,381</u> |
| <i>Total Liabilities</i> | <u>688,534</u> |

NET ASSETS

| | |
|--------------|--------------------------|
| Unrestricted | <u><u>\$ 952,582</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, 2012

| | |
|----------------------------------|--------------------------|
| Revenues | |
| Taxes and assessments | \$ 614,590 |
| Miscellaneous | <u>6,485</u> |
| Total Revenues | 621,075 |
| Expenses | |
| Community development | 151,290 |
| Debt service interest | <u>34,091</u> |
| Total Expenses | <u>185,381</u> |
| CHANGE IN NET ASSETS | 435,694 |
| NET ASSETS, July 1, 2011 | <u>516,888</u> |
| NET ASSETS, June 30, 2012 | <u><u>\$ 952,582</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 FUNDS
 JUNE 30, 2012

| | <u>Urban Renewal Debt Service Fund</u> |
|--|--|
| ASSETS | |
| Cash and investments | \$ 1,590,160 |
| Property taxes receivable | 50,956 |
| | <hr/> |
| <i>Total Assets</i> | <u>\$ 1,641,116</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Deferred revenue | \$ 46,036 |
| Fund Balances | |
| Unassigned | 1,595,080 |
| | <hr/> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 1,641,116</u> |

RECONCILIATION TO THE STATEMENT OF NET ASSETS

| | |
|----------------------|--------------|
| <i>Fund Balances</i> | \$ 1,595,080 |
|----------------------|--------------|

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.

46,036

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.

| | |
|--------------------------|-----------|
| Bonds payable | (688,236) |
| Accrued interest payable | (298) |
| | <hr/> |

| | |
|--|-------------------|
| <i>Net Assets of Governmental Activities</i> | <u>\$ 952,582</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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

| | <i>Urban Renewal Debt Service Fund</i> |
|--|--|
| REVENUES | |
| Taxes and assessments | \$ 616,177 |
| Miscellaneous | 6,485 |
| <i>Total Revenues</i> | <u>622,662</u> |
| EXPENDITURES | |
| Current | |
| Personal services | 44,006 |
| Materials and services | 107,285 |
| Debt service | |
| Principal | 193,557 |
| Interest | 34,175 |
| <i>Total Expenditures</i> | <u>379,023</u> |
| REVENUES OVER (UNDER) | |
| EXPENDITURES | 243,639 |
| FUND BALANCE, Beginning of year | 1,351,441 |
| FUND BALANCE, End of year | <u>\$ 1,595,080</u> |
| 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> | \$ 243,639 |
| 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 | (1,587) |
| 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 of repayments in the current year. | 193,557 |
| 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. | 85 |
| <i>Change in Net Assets</i> | <u>\$ 435,694</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)
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Woodburn Urban Renewal Agency (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 Assets presents all the assets and liabilities of the Agency, including capital assets and related debt. Net assets, 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, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basic Financial Statements (Continued)

The Statement of Activities indicate how the net assets 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, reserves, fund equity, receipts and disbursements.

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, 2012

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.

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

Cash and Investments

The Agency maintains cash and investments in a common City pool that is available for use by all funds. Each fund type's portion of this pool is displayed as cash and investments.

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 offset by deferred revenue have not been recorded as revenues.

Long-Term Debt

All unmatured long-term debt is recorded on the Statement of Net Assets. 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.

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, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting (Continued)

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. 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

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, 2012

CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits (Continued)

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.

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, 2012, 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, 2012

LONG-TERM DEBT

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

| | <i>Outstanding July 1, 2011</i> | <i>Issued</i> | <i>Matured/ Redeemed During Year</i> | <i>Outstanding June 30, 2012</i> | <i>Due Within One Year</i> |
|---|---|---------------|--|--|--------------------------------|
| 2005 Urban Renewal Bonds due in quarterly installments with interest at 4.22% | \$ 881,793 | \$ - | \$ (193,557) | \$ 688,236 | \$ 201,855 |

Future debt service requirements are as follows:

| <i>Fiscal Year Ending June 30,</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|--|-------------------|------------------|-------------------|
| 2013 | \$ 201,855 | \$ 25,877 | \$ 227,732 |
| 2014 | 210,509 | 17,223 | 227,732 |
| 2015 | 219,534 | 8,198 | 227,732 |
| 2016 | 56,338 | 594 | 56,932 |
| | <u>\$ 688,236</u> | <u>\$ 51,892</u> | <u>\$ 740,128</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

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. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.” This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement is effective for fiscal years beginning after June 15, 2012.

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, 2012

NEW PRONOUNCEMENTS *(continued)*

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement is effective for fiscal years beginning after December 15, 2011.

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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 27, 2012, 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, 2012

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 540,000 | \$ 540,000 | \$ 616,177 | \$ 76,177 |
| Miscellaneous | 2,000 | 2,000 | 6,485 | 4,485 |
| <i>Total Revenues</i> | 542,000 | 542,000 | 622,662 | 80,662 |
| EXPENDITURES | | | | |
| Current | | | | |
| Personal services | 44,964 | 44,964 | 44,006 | 958 |
| Materials and services | 355,000 | 355,000 | 107,284 | 247,716 |
| Debt service | | | | |
| Principal | 193,557 | 193,557 | 193,557 | - |
| Interest | 34,175 | 34,175 | 34,175 | - |
| Contingency | 1,114,304 | 1,114,304 | - | 1,114,304 |
| <i>Total Expenditures</i> | 1,742,000 | 1,742,000 | 379,022 | 1,362,978 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (1,200,000) | (1,200,000) | 243,640 | 1,443,640 |
| FUND BALANCE, Beginning of year | 1,200,000 | 1,200,000 | 1,351,440 | 151,440 |
| FUND BALANCE, End of year | \$ - | \$ - | \$ 1,595,080 | \$ 1,595,080 |

OTHER SUPPLEMENTARY INFORMATION

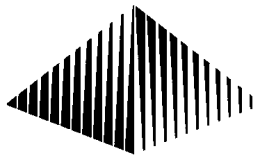
URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2012

| <i>Tax Year</i> | <i>2011-12 Levy</i> | <i>Uncollected Balance July 1, 2011</i> | <i>Discounts & Adjustments</i> | <i>Turnovers</i> | <i>Uncollected Balance June 30, 2012</i> |
|-----------------|-------------------------|---|--|---------------------|--|
| 2011-2012 | \$ 631,867 | \$ - | \$ (18,175) | \$ (590,955) | \$ 22,737 |
| 2010-2011 | - | 25,303 | (2,522) | (10,846) | 11,935 |
| 2009-2010 | - | 12,665 | (2,021) | (3,547) | 7,097 |
| 2008-2009 | - | 6,297 | (54) | (3,720) | 2,523 |
| 2007-2008 | - | 1,974 | (26) | (1,363) | 585 |
| 2006-2007 | - | 448 | (28) | (101) | 319 |
| 2005-2006 | - | 254 | (16) | (40) | 198 |
| Prior Years | - | 682 | (8) | (32) | 642 |
| Total | \$ 631,867 | \$ 47,623 | \$ (22,850) | \$ (610,604) | 46,036 |
| | | | Unsegregated Taxes | | 4,920 |
| | | | Total Receivable at June 30 | | \$ 50,956 |

URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON
(A Component Unit of the City of Woodburn, Oregon)
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST TRANSACTIONS
YEAR ENDED JUNE 30, 2012

| | <i>Interest</i> | <i>Date of</i> | <i>Fiscal Year</i> | <i>Outstanding</i> | | | <i>Outstanding</i> |
|-------------------------------|-----------------|----------------|---------------------|--------------------|-----------------|----------------------|--------------------|
| | <i>Rates</i> | <i>Issue</i> | <i>of Maturity</i> | <i>July 1,</i> | <i>Issued</i> | <i>Paid</i> | <i>June 30,</i> |
| <i>PRINCIPAL TRANSACTIONS</i> | | | | <i>2011</i> | | | <i>2012</i> |
| 2005 Urban Renewal Bonds | 4.22% | 2005 | 2015-16 | \$ 881,793 | \$ - | \$ (193,557) | \$ 688,236 |
| | | | <i>Unmatured</i> | <i>New</i> | <i>Interest</i> | <i>Unmatured</i> | |
| | <i>Interest</i> | <i>Date of</i> | <i>Interest</i> | <i>Issues</i> | <i>Paid</i> | <i>Interest</i> | |
| | <i>Rates</i> | <i>Issue</i> | <i>July 1, 2011</i> | | | <i>June 30, 2012</i> | |
| <i>INTEREST TRANSACTIONS</i> | | | | | | | |
| 2005 Urban Renewal Bonds | 4.22% | 2005 | \$ 86,067 | \$ - | \$ (34,175) | \$ 51,892 | |

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 the basic financial statements of the Urban Renewal Agency of the City of Woodburn, Oregon as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. 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 Urban Renewal Agency of the City of Independence, 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).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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.

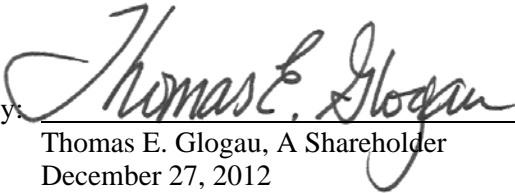
OAR 162-10-0230 Internal Control

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

Comments and findings related to internal control are presented in the City of Woodburn's report.

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
December 27, 2012