

**RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF
RAINIER, OREGON**
(A Component Unit of the City of Rainer)

COLUMBIA COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



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

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
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For the Year Ended June 30, 2016

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COLUMBIA COUNTY, OREGON

GOVERNING BODY UNDER ORS 457

COUNCIL MEMBERS AS OF JUNE 30, 2016

TERM EXPIRES

William Vilardi, President	December 31, 2016
James Bradfield, Vice President	December 31, 2018
Steve Massey, Treasurer	December 31, 2016
Doug Aske, Secretary	December 31, 2016
Robert Duplesses	December 31, 2018
Sloan Nelson	December 31, 2018
Dan Wayne Smith	December 31, 2018

Council Members receive mail at the address listed below.

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

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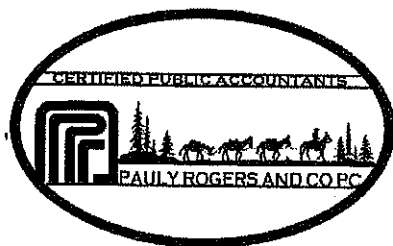
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COLUMBIA COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u>
Accountants' Review Report	1
SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3
COMPONENT UNIT BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	6
Statement of Activities – Modified Cash Basis	7
Fund Financial Statements:	
Balance Sheet- Governmental Funds- Modified Cash Basis	8
Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis	9
Notes to Component Unit Basic Financial Statements	10
SUPPLEMENTARY INFORMATION:	
Schedule of Receipts, Disbursements and Changes in Modified Cash Balances Actual and Budget:	
General Fund	19
Debt Service Fund	20
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	21
REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS:	
Management Representation of Fiscal Affairs Required by Oregon Regulations	22

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PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX

February 1, 2017

Board of Directors
Rainier Economic Development Council
Rainier, Oregon

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying modified cash basis basic financial statements of Rainier Economic Development Council as of and for the year ended June 30, 2016, which comprise the basic financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the basic financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the basic financial statements in the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement whether due to error or fraud.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the basic financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modification that should be made to the accompanying modified cash basis basic financial statements in order for them to be in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The basic financial statements are prepared in accordance with the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Other Information

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with the basis of accounting described in Note 1. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

The Management Discussion and Analysis, as listed in the table of contents, has not been subjected to any auditing or review procedures, and accordingly, we express no opinion or any assurance on the information.

Reports on Other Legal and Regulatory Requirements

In accordance with Oregon Minimum Standards, a letter was issued by the Council regarding compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. We did not audit or review the report or its conclusions and we therefore do not express an opinion or any assurance on the information.

A handwritten signature in cursive script that reads "Roy R Rogers".

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

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

This section of the Rainier Economic Development (REDCO's) annual financial report presents our discussion and analysis of the REDCO's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the REDCO's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- REDCO's total net position was \$852,387 at June 30, 2015 and \$906,682 at June 30, 2016, an increase of \$54,295.
- The general fund reported a fund balance of \$794,316 at June 30, 2015 and \$845,918 at June 30, 2016, an increase of \$51,602, which was primarily due to fewer capital improvement projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

This annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include two kinds of statements that present different views of REDCO:

- The first two statements are *government-wide financial statements* that provide information about REDCO's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of REDCO, reporting the operations in more detail than the government-wide statements. *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

REDCO only provides "governmental activities" as defined in GASB 34, and has no substantial business-type activities. REDCO has only two funds, and each are considered to be major funds under the provisions of GASB 34.

Fund Financial Statements

The fund financial statements provide more detailed information about REDCO's most significant *funds* – not REDCO as a whole. Funds are accounting devices that REDCO uses to keep track of specific sources of funding and spending for particular purposes.

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

FINANCIAL ANALYSIS OF THE REDCO AS A WHOLE

GOVERNMENT-WIDE CASH BALANCES

	2015	2016	% Change
ASSETS:			
Cash and Investments	\$ 852,387	\$ 906,682	6%
Taxes Receivable	20,385	18,490	-9%
Total Assets	<u>872,772</u>	<u>925,172</u>	6%
LIABILITIES			
Deferred Tax Revenues	20,385	18,490	-9%
Total Liabilities	<u>20,385</u>	<u>18,490</u>	-9%
NET POSITION			
Restricted for Debt Service	58,071	60,764	5%
Unrestricted	794,316	845,918	6%
Total Net Position	<u>\$ 852,387</u>	<u>\$ 906,682</u>	6%

CHANGES IN CASH-BASIS NET POSITION

	2015	2016	% Change
REVENUES:			
General Revenues:			
Property Taxes	281,883	277,693	-1%
Miscellaneous	99	-	-100%
IGA/City	75,000	75,000	0%
Interest	4,248	5,340	26%
Total Revenues	<u>361,230</u>	<u>358,033</u>	-1%
EXPENSES:			
Materials, Supplies & Projects	118,154	13,872	-88%
Debt Service	275,000	275,000	
Capital Projects	-	14,866	
Total Expenses	<u>393,154</u>	<u>303,738</u>	-23%
Change in Net Position	(31,924)	54,295	-270%
Beginning Net Position	<u>884,311</u>	<u>852,387</u>	-4%
Ending Net Position	<u>\$ 852,387</u>	<u>\$ 906,682</u>	6%

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

FINANCIAL ANALYSIS OF THE REDCO'S FUNDS

Governmental fund balances totaled \$906,682 at June 30, 2016. A summary of changes in governmental fund balances follows:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>Change</u>
General Fund	\$ 794,316	\$ 845,918	\$ 51,602
Debt Service Fund	58,071	60,764	2,693
Total	<u>\$ 852,387</u>	<u>\$ 906,682</u>	<u>\$ 54,295</u>

CAPITAL ASSETS

REDCO does not maintain any fixed assets on its books. Fixed assets are the property of the City of Rainier when projects are completed.

LONG TERM DEBT

At June 30, 2016, REDCO had \$3,039,174 in outstanding debt payable. More detailed information about REDCO's long term debt is presented in the notes to the financial statements.

CONTACTING THE REDCO'S FINANCIAL MANAGEMENT

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

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COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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COLUMBIA COUNTY, OREGON

Statement of Net Position (Modified Cash Basis)
June 30, 2016

ASSETS:

Cash and cash equivalents	\$ 906,682
Property taxes receivable	<u>18,490</u>
Total Assets	<u>\$ 925,172</u>

LIABILITIES AND CASH BASIS NET POSITION:

Unearned Tax Revenue	\$ 18,490
Total Liabilities	<u>18,490</u>

NET POSITION:

Restricted for Debt Service	60,764
Unrestricted	<u>845,918</u>
Total Net Position	<u>\$ 906,682</u>

See accompanying notes and independent accountants' review report.

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Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2016

FUNCTIONS	DISBURSEMENTS	PROGRAM RECEIPTS		NET (DISBURSEMENTS) RECEIPTS AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Materials and Services	\$ 13,872	\$ -	\$ -	\$ (13,872)
Capital Projects	14,866	-	-	(14,866)
Debt Service	275,000	-	-	(275,000)
Total Governmental Activities	<u>\$ 303,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(303,738)</u>

General Receipts:

Taxes	277,693
Intergovernmental - City of Rainier	75,000
Income Not Restricted to Specific Programs:	
Interest and Investment Earnings	<u>5,340</u>
Total General Receipts	<u>358,033</u>
Changes in Net Position	54,295
Net Position - Beginning	<u>852,387</u>
Net Position - Ending	<u>\$ 906,682</u>

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BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS

June 30, 2016

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and Investments	\$ 845,918	\$ 60,764	\$ 906,682
Taxes Receivable	-	18,490	18,490
Total Assets	<u>\$ 845,918</u>	<u>\$ 79,254</u>	<u>\$ 925,172</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Unearned Revenue	\$ -	\$ 18,490	\$ 18,490
Total Liabilities	<u>-</u>	<u>18,490</u>	<u>18,490</u>
Fund Balances:			
Restricted for Future Debt Service Payments	-	60,764	60,764
Unassigned	845,918	-	845,918
Total Liabilities and Fund Balances	<u>\$ 845,918</u>	<u>\$ 79,254</u>	<u>\$ 925,172</u>

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 COLUMBIA COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES- MODIFIED CASH BASIS

For the Year Ended June 30, 2016

	GENERAL FUND	DEBT SERVICE FUND	TOTAL
RECEIPTS:			
County Taxes	\$ -	\$ 277,693	\$ 277,693
Intergovernmental - City of Rainier	75,000	-	75,000
Interest	5,340	-	5,340
Total Receipts	<u>80,340</u>	<u>277,693</u>	<u>358,033</u>
DISBURSEMENTS:			
Material and Services	13,872	-	13,872
Capital Outlay	14,866	-	14,866
Debt Service	-	275,000	275,000
Total Disbursements	<u>28,738</u>	<u>275,000</u>	<u>303,738</u>
Excess of Revenues and Other Financing Sources, (Uses) Over, (Under) Expenditures	51,602	2,693	54,295
Beginning Fund Balance	<u>794,316</u>	<u>58,071</u>	<u>852,387</u>
Ending Fund Balance	<u>\$ 845,918</u>	<u>\$ 60,764</u>	<u>\$ 906,682</u>

See accompanying notes and independent accountants' review report.

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NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

On April 19, 1993, the City of Rainier's City Council adopted ordinance No. 944 establishing the Rainier Economic Development Council – Urban Renewal Agency of the City of Rainier, Oregon (REDCO). Provisions of ordinance No. 944 require the Mayor, subject to approval of the City Council, to appoint seven people to the governing board of REDCO. The seven people serve at the pleasure of the City Council and may be removed at any time by a majority vote of the City Council. REDCO was formed as a municipal corporation pursuant to ORS 457 to have urban renewal authority under Oregon law. The Council is planning the economic development program that focuses on the Rainier Waterfront.

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

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide statements report information irrespective of fund activity, and the fund financial statements report information using funds. In total, the results presented using both of these methods are the same due to the use of the modified cash basis of accounting. Accordingly, there is no need for reconciling statements, except that any interfund transfers between the General and Debt Service funds are eliminated in the government wide statement of cash receipts and disbursements activities.

General receipts are property and related taxes and interest. All disbursements are categorized as program disbursements.

FUND FINANCIAL STATEMENTS

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

See independent accountants' review report.

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NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Financial operations are accounted for in the following governmental funds:

GENERAL FUND

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

DEBT SERVICE FUND

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

Each of the two funds is considered a "major fund" in accordance with GASB 34.

C. BASIS OF ACCOUNTING

The governmental funds are maintained using the modified cash basis of accounting whereby receipts are recognized when collected rather than when measurable and available, and disbursements are recognized when paid rather than when incurred. For disclosure purposes only, taxes receivable and an offset to unearned tax revenue are disclosed on the Statement of Net Position. Governmental funds include the general fund and debt service fund. Governmental funds are accounted for on a spending measurement focus. Governmental fund operating statements present increases (receipts and other financing sources) and decreases (disbursements and other financing uses) in cash.

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

D. BUDGETS

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

The expenditure budgets are appropriated at the following levels:

See independent accountants' review report.

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COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS (CONTINUED)

LEVEL OF CONTROL

Materials and Services
Debt Service
Capital Outlay
Operating Contingency
Transfers

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amounts.

Expenditures in all funds were within authorized appropriations for the year ended June 30, 2016.

E. FUND BALANCE

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

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

See independent accountants' review report.

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COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FUND BALANCE (CONTINUED)

- Unassigned is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

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

F. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers. Interfund transactions are eliminated in the government wide financial statements.

G. PROPERTY TAXES

Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens so there is no allowance for uncollectible amounts.

H. CAPITAL ASSETS

Capital assets are owned and maintained by the City of Rainier and accordingly, are not included in the financial statements.

I. ESTIMATES

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

See independent accountants' review report.

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COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. NET POSITION

Net position comprises the various net earnings from operations, nonoperating receipts and disbursements. Net position is classified in the following three categories:

1. Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Since capital assets are not shown in the statement of net position there is no investment in capital assets recorded.
2. Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

K. FAIR VALUE INPUTS AND METHODOLOGIES AND HEIRARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

See independent accountants' review report.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements is \$91,891. The entire amount of these deposits is covered by federal deposit insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. At June 30, 2016 all depository accounts were held at approved depositories identified by the Treasury.

INVESTMENTS

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

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon.

See independent accountants' review report.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments at June 30, 2016
(recorded at fair value) consisted of:

	<u>2016</u>
Deposits With Financial Institutions:	
Demand Deposits	\$ 88,467
State of Oregon Treasurer's Local Government Investment Pool	<u>818,215</u>
	<u>\$ 906,682</u>

There are the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 3 Months</u>
State Treasurer's Investment Pool	\$ 818,215	\$ 818,215
Total	<u>\$ 818,215</u>	<u>\$ 818,215</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, unless the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date of more than three months.

Credit Risk – Investments

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

Concentration of Credit Risk

At June 30, 2016, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in the Local Government Investment Pool. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2016, investments appear to be in compliance with all percentage restrictions.

See independent accountants' review report.

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

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

3. RISK MANAGEMENT

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

4. OPERATIONS

During 2015-16 the operations were handled by council members and consultants. Council members are responsible for adopting the budget and performing management functions. Consultants provide services necessary for implementing the improvements authorized by management.

5. PROPERTY TAX LIMITATIONS

The State of Oregon voters imposed a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

6. LONG-TERM DEBT

A promissory note was entered into during 1999-2000 for a principal amount not to exceed \$3,410,000. The payments are due on December 1 and June 1 beginning December 1, 2006. The note payable below is a loan from the United States Gypsum Company (USGC). The applicable interest rate on the loan is 6% per annum.

During the FY 2008-09, litigation was entered into against the USGC regarding the interpretation of the note's payment terms. A settlement of \$4,750,000 was reached in FY 2011-12 with an immediate payment of \$1,000,000 and the below updated payment schedule. Since the council uses the modified cash basis of accounting debt is not shown on the basic financial statements.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

<u>PAYMENTS DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	183,825	91,175	275,000
2018	189,339	85,661	275,000
2019	195,020	79,980	275,000
2020	200,870	74,130	275,000
2021	206,896	68,104	275,000
2022-2026	1,131,394	243,606	1,375,000
2027-2030	<u>931,830</u>	<u>66,456</u>	<u>998,286</u>
	\$ <u>3,039,174</u>	\$ <u>709,112</u>	\$ <u>3,748,286</u>

Total long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>BALANCE</u> <u>July 1, 2015</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>June 30, 2016</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Notes Payable	\$ <u>3,217,646</u>	\$ <u>-</u>	\$ <u>178,472</u>	\$ <u>3,039,174</u>	\$ <u>183,825</u>
Total Long-term Liabilities	\$ <u>3,217,646</u>	\$ <u>-</u>	\$ <u>178,472</u>	\$ <u>3,039,174</u>	\$ <u>183,825</u>

7. PAYROLL

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

See independent accountants' review report.

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RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
(A Component Unit of the City of Rainier)

COLUMBIA COUNTY, OREGON

Individual Funds and Other Schedules

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RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
(A Component Unit of the City of Rainier)
COLUMBIA COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GENERAL FUND -ACTUAL AND BUDGET
For the Year Ended June 30, 2016

	<u>GENERAL FUND</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
RECEIPTS				
Intergovernmental - City of Rainier	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Interest	3,500	3,500	5,340	1,840
Total Receipts	<u>78,500</u>	<u>78,500</u>	<u>80,340</u>	<u>1,840</u>
DISBURSEMENTS				
Materials and Services	96,200	96,200 (1)	13,872	82,328
Capital Outlay	739,312	739,312 (1)	14,866	724,446
Total Disbursements	<u>835,512</u>	<u>835,512</u>	<u>28,738</u>	<u>806,774</u>
Net Change in Fund Balance	(757,012)	(757,012)	51,602	808,614
Beginning Fund Balance	<u>757,012</u>	<u>757,012</u>	<u>794,316</u>	<u>37,304</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 845,918</u>	<u>\$ 845,918</u>

(1) Appropriation Level

See independent accountants' review report.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
(A Component Unit of the City of Rainier)
COLUMBIA COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
-ACTUAL AND BUDGET-
For the Year Ended June 30, 2016

	<u>DEBT SERVICE FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
RECEIPTS:				
County Taxes	\$ 275,000	\$ 275,000	\$ 277,693	\$ 2,693
Total Receipts	<u>275,000</u>	<u>275,000</u>	<u>277,693</u>	<u>2,693</u>
DISBURSEMENTS				
Debt Service	275,000	275,000 (1)	275,000	-
Contingency	<u>220,095</u>	<u>220,095</u> (1)	<u>-</u>	<u>220,095</u>
Total Disbursements	<u>495,095</u>	<u>495,095</u>	<u>275,000</u>	<u>220,095</u>
Other Financing Sources, (Uses)				
Transfers In	<u>75,000</u>	<u>75,000</u> (1)	<u>-</u>	<u>(75,000)</u>
Net Change in Fund Balance	(145,095)	(145,095)	2,693	147,788
Beginning Fund Balance	<u>145,095</u>	<u>145,095</u>	<u>58,071</u>	<u>(87,024)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,764</u>	<u>\$ 60,764</u>

(1) Appropriation Level

See independent accountants' review report.

RAINIER ECONOMIC DEVELOPMENT COUNCIL
THE URBAN RENEWAL AGENCY OF THE CITY OF RAINIER, OREGON
(A Component Unit of the City of Rainier)
COLUMBIA COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2016

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/15</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/16</u>
<u>DEBT SERVICE FUND</u>						
CURRENT:						
2015-16	\$ 281,862	\$ (7,371)	\$ (1,215)	\$ 123	\$ 264,309	\$ 9,090
PRIOR YEARS:						
2014-15	9,558	-	(40)	288	4,937	4,869
2013-14	4,991	-	(21)	374	2,936	2,408
2012-13	3,448	-	(41)	522	2,799	1,130
2011-12	721	-	181	253	1,155	-
2010-11	524	-	(28)	86	291	291
Prior	1,143	-	(249)	102	294	702
TOTAL	<u>\$ 302,247</u>	<u>\$ (7,371)</u>	<u>\$ (1,413)</u>	<u>\$ 1,748</u>	<u>\$ 276,721</u>	<u>\$ 18,490</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	276,721
Taxes in Lieu	<u>972</u>
Total Revenue	<u>\$ 277,693</u>

See independent accountants' review report.

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

Management Representation of Fiscal Affairs Required by Oregon Regulation

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RAINIER ECONOMIC DEVELOPMENT COUNCIL
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www.redco-or.org • redco@redco-or.org

February 1, 2017

Management Representation of Fiscal Affairs Required by Oregon Regulation

Rainier Economic Development Council is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operation and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, division 40) including, but not limited to:

- 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, purchasing, and improvements (ORS Chapters 279A, 279B, and 279C).

The directors of Rainier Economic Development Council are aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements for the year ended June 30, 2016. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.


Signature

Steve Massey Treasurer 2-8-17
Printed Name Title Date

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