

*CITY OF LEBANON
NORTHWEST URBAN RENEWAL AGENCY
(A Component Unit of the City of Lebanon, Oregon)
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012*

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON

(A Component Unit of the City of Lebanon, Oregon)

AGENCY OFFICIALS

JUNE 30, 2012

MAYOR

Ken Toombs
1299 Franklin Street
P.O. Box 400
Lebanon, Oregon 97370

COUNCIL MEMBERS

Ray Weldon
1610 S. 4th Street
Lebanon, Oregon 97370

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97370

Ron Miller
1115 Franklin St.
Lebanon, Oregon 97370

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97370

Margaret Campbell
701 N. 5th Street
Lebanon, Oregon 97370

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97370

CITY MANAGER

John Hitt
925 S. Main
Lebanon, Oregon 97370

FINANCE DIRECTOR

Dean Baugh
925 S. Main
Lebanon, Oregon 97355

URBAN RENEWAL AGENCY OF THE CITY OF LEBANON
(A Component Unit of the City of Lebanon, 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

Honorable Mayor and Members of the City Council
City of Lebanon Northwest Urban Renewal Agency
925 South Main Street
Lebanon, Oregon 97355

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northwest Urban Renewal Agency of the City of Lebanon, Oregon (a Component Unit of the City of Lebanon, 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

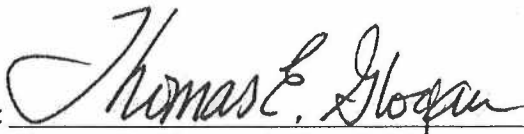
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northwest Urban Renewal Agency of the City of Lebanon, Oregon as of June 30, 2012 and the changes in financial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

The budgetary comparison information on page 14 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 financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The other financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Accounting standards generally accepted in the United States of America require that financial statements include Management's Discussion and Analysis as required supplemental information. Management has not presented the required Management's Discussion and Analysis.

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

By: 
Thomas E. Glogau, A Shareholder
December 7, 2012

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Cash and investments	\$ 5,312,307
Property taxes receivable	238,354
Assessments receivable	2,683
	<hr/>
<i>Total Assets</i>	5,553,344

LIABILITIES

Accounts payable	895
Noncurrent liabilities:	
Due within one year:	
Loan payable	108,234
Bonds payable	300,000
Due in more than one year:	
Loan payable	3,116,801
Bonds payable	2,415,000
	<hr/>
<i>Total Liabilities</i>	5,940,930

NET ASSETS

Unrestricted	\$ (387,586)
	<hr/> <hr/>

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

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Expenses:

Urban renewal	\$	66,737
Interest on long-term debt		234,834

Total Expenses 301,571

General Revenues:

Property taxes - urban renewal	2,828,602
Property taxes - debt service	636,865
Miscellaneous	30,624

Total Revenues 3,496,091

Transfers to City of Lebanon (432,843)

Change in Net Assets 2,761,677

Net Assets, July 1, 2011 (3,149,263)

Net Assets, June 30, 2012 \$ (387,586)

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

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS

Cash and investments	\$ 5,312,307
Property taxes receivable	238,354
Assessments receivable	2,683

<i>Total Assets</i>	<u>\$ 5,553,344</u>
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LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 895
Deferred revenue	176,169

<i>Total Liabilities</i>	177,064
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Fund Balance

Unrestricted	5,376,280
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<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,553,344</u>
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Fund balances as above	\$ 5,376,280
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A portion of property taxes and assessments receivable is not available to pay for current-period expenditures and, therefore, is deferred	176,169
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Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the government funds	(5,940,035)
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Total net assets	<u>\$ (387,586)</u>
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The accompanying notes are an integral part of the financial statements.

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

REVENUES

Property taxes - urban renewal	\$ 2,798,643
Property taxes - debt service	649,565
Miscellaneous	30,624
	<hr/>
<i>Total Revenues</i>	3,478,832

EXPENDITURES

Northwest URD	66,737
NW URD bonds	
Principal	397,533
Interest	234,834
	<hr/>
<i>Total Expenditures</i>	699,104

**REVENUES OVER (UNDER)
EXPENDITURES**

2,779,728

OTHER FINANCING SOURCES (USES)

Transfers to City of Lebanon	(432,843)
	<hr/>

NET CHANGE IN FUND BALANCE

2,346,885

FUND BALANCE, Beginning of year

3,029,395

FUND BALANCE, End of year

\$ 5,376,280

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

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON

(A Component Unit of the City of Lebanon, Oregon)

***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012***

Net change in fund balance - total governmental fund	\$ 2,346,885
Governmental funds defer revenues that do not provide current financial resources. However, the statement of activities recognizes such revenues at the net realizable value when earned, regardless of when received.	17,259
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources. Neither transaction has any effect on net assets.	
Debt principal paid	<u>397,533</u>
Change in net assets	<u><u>\$ 2,761,677</u></u>

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

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northwest Urban Renewal Agency (Agency) of the City of Lebanon, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the Agency's accounting policies are described below.

Reporting Entity

The Northwest Urban Renewal Agency was created in 1989 to promote the economic welfare and prosperity of the City's inhabitants. The Agency is governed by a seven-member board of directors that are the City's mayor and council members and is included as a blended component unit in the City's financial statements as a special revenue fund.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level.

Government-wide financial statements display information about the reporting governmental entity as a whole. For the most part, the effect of interfund activity has been removed from these statements. 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 current fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the Agency has one governmental fund.

The financial transactions of the Agency are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenses. The various funds are reported by generic classification within the financial statements.

GAAP set forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds. Major individual funds are reported as separate columns in the fund financial statements.

Fund Balance

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

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

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used.

The Board of Directors 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 Board of Directors approves which resources should be "reserved" during the adoption of the annual budget. The Agency's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the Agency's Annual Financial Report.

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Fund Accounting

The accounts of the Agency are organized and operated as one fund. 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. The General Fund is used to account for all financial resources. The primary source of revenue is from property taxes. The General Fund is used to reimburse the City's General Fund for administrative costs of operating the Agency to expend funds on urban renewal projects and to account for the accumulation of resources for payment of principal and interest on debt.

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Property taxes receivable for the governmental fund, which have been collected within 30 days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on 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. Property taxes receivable by the Agency represent the Agency's allocated share of delinquent property taxes and other amounts to be collected from property owners.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities on the Statement of Net Assets.

In the fund financial statements bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Cash and Investments

The Agency maintains its cash balance as a part of the City's pooled cash. State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others. Required disclosures about the City's cash can be found in the annual financial report of the City of Lebanon.

Budgetary Information

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

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (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 function 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.

The Agency does not use encumbrances.

Use of Restricted Assets

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the Agency deems restricted assets to be spent first.

PROPERTY TAXES RECEIVABLE

Tax Year	<u>2011-2012 Levy</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Adjustment & Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balance June 30, 2012</u>
2010-2011	\$ 3,634,664	\$ -	\$ 765	\$ (120,427)	\$ (3,362,577)	\$ 152,425
2009-2010	-	88,909	98	(8,988)	(30,188)	49,831
2008-2009	-	30,588	1	(5,831)	(5,663)	19,095
2007-2008	-	25,381	-	(368)	(12,410)	12,603
2006-2007	-	7,808	-	(222)	(5,392)	2,194
2005-2006	-	1,915	-	(207)	(815)	893
2004-2005	-	718	-	(181)	(294)	243
Prior years	-	1,373	-	(108)	(195)	1,070
Total	<u>\$ 3,634,664</u>	<u>\$ 156,692</u>	<u>\$ 864</u>	<u>\$ (136,332)</u>	<u>\$ (3,417,534)</u>	<u>\$ 238,354</u>

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, 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:

	<u>Outstanding July 1, 2011</u>	<u>Issued</u>	<u>Paid During Year</u>	<u>Outstanding June 30, 2012</u>	<u>Due within One year</u>
SPWF loan, series 2006 original amount \$3,677,462 with interest from 4.0% to 4.375%	\$ 3,327,568	\$ -	\$ (102,533)	\$ 3,225,035	\$ 108,234
Urban Renewal refunding bonds, series 2010 with interest from 2.0% to 3.5% Original issue amount of \$3,310,000	3,010,000	-	(295,000)	2,715,000	300,000
	<u>\$ 6,337,568</u>	<u>\$ -</u>	<u>\$ (397,533)</u>	<u>\$ 5,940,035</u>	<u>\$ 408,234</u>

Future debt service requirements are as follows:

<i>Fiscal Year</i> <i>Ending</i> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 408,234	\$ 223,358	\$ 631,592
2014	423,963	210,028	633,991
2015	434,722	196,220	630,942
2016	450,511	182,031	632,542
2017	471,331	167,310	638,641
2018-2022	1,805,268	588,986	2,394,254
2023-2027	867,893	352,472	1,220,365
2028-2032	1,078,113	145,800	1,223,913
	<u>\$ 5,940,035</u>	<u>\$ 2,066,205</u>	<u>\$ 8,006,240</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.

From time to time, the Agency is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the Agency's financial position.

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2012

SUBSEQUENT EVENTS

The Agency follows the provisions of Statement of Financial Accounting Standards (ASC 855), "Subsequent Events". ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 7, 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.

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. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement is effective for fiscal years beginning after December 15, 2011.

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.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – NW URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2012

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Property taxes - urban renewal	\$ 2,315,000	\$ 2,315,000	\$ 2,798,643	\$ 483,643
Property taxes - debt service	625,367	625,367	649,565	24,198
Miscellaneous	16,250	16,250	30,624	14,374
<i>Total Revenues</i>	<u>2,956,617</u>	<u>2,956,617</u>	<u>3,478,832</u>	<u>522,215</u>
EXPENDITURES				
Northwest URD	525,862	525,862	66,737	459,125
Wetlands mitigation	927,566	927,566	-	927,566
Project construction	159,750	159,750	-	159,750
NW URD bonds	632,367	632,367	632,367	-
Contingency	3,397,532	3,403,872	-	3,403,872
<i>Total Expenditures</i>	<u>5,643,077</u>	<u>5,649,417</u>	<u>699,104</u>	<u>4,950,313</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,686,460)	(2,692,800)	2,779,728	5,472,528
OTHER FINANCING SOURCES (USES)				
Transfers out	(439,183)	(432,843)	(432,843)	-
NET CHANGE IN FUND BALANCE	<u>(3,125,643)</u>	<u>(3,125,643)</u>	<u>2,346,885</u>	<u>5,472,528</u>
FUND BALANCE, Beginning of year	<u>3,125,643</u>	<u>3,125,643</u>	<u>3,029,395</u>	<u>(96,248)</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,376,280</u>	<u>\$ 5,376,280</u>

OTHER SUPPLEMENTARY INFORMATION

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
SCHEDULE OF LONG TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2012

Debt principal transactions:

	<i>Outstanding July 1, 2011</i>	<i>Issued</i>	<i>Paid During Year</i>	<i>Outstanding June 30, 2012</i>
SPWF loan, series 2006 original amount \$3,677,462 with interest from 4.0% to 4.375%	\$ 3,327,568	\$ -	\$ (102,533)	\$ 3,225,035
Urban Renewal refunding bonds, series 2010 with interest from 2.0% to 3.5% Original issue amount of \$3,310,000	3,010,000	-	(295,000)	2,715,000
	<u>\$ 6,337,568</u>	<u>\$ -</u>	<u>\$ (397,533)</u>	<u>\$ 5,940,035</u>

Debt interest transactions:

	<i>Outstanding July 1, 2011</i>	<i>Issued</i>	<i>Paid During Year</i>	<i>Outstanding June 30, 2012</i>
SPWF loan, series 2006 original amount \$3,677,462 with interest from 4.0% to 4.375%	\$ 1,792,549	\$ -	\$ (140,919)	\$ 1,651,630
Urban Renewal refunding bonds, series 2010 with interest from 2.0% to 3.5% Original issue amount of \$3,310,000	508,490	-	(93,915)	414,575
	<u>\$ 2,301,039</u>	<u>\$ -</u>	<u>\$ (234,834)</u>	<u>\$ 2,066,205</u>

NORTHWEST URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON
(A Component Unit of the City of Lebanon, Oregon)
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
YEAR ENDED JUNE 30, 2012

Fiscal Year Ending June 30,	2010 GO Urban Renewal refunding			NWURD SPWF			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 300,000	\$ 86,540	\$ 386,540	\$ 108,234	\$ 136,818	245,052	\$ 408,234	\$ 223,358	\$ 631,592
2014	315,000	77,540	392,540	108,963	132,488	241,451	423,963	210,028	633,991
2015	320,000	68,090	388,090	114,722	128,130	242,852	434,722	196,220	630,942
2016	330,000	58,490	388,490	120,511	123,541	244,052	450,511	182,031	632,542
2017	345,000	48,590	393,590	126,331	118,720	245,051	471,331	167,310	638,641
2018	355,000	36,515	391,515	132,184	113,667	245,851	487,184	150,182	637,366
2019	370,000	25,510	395,510	133,072	108,380	241,452	503,072	133,890	636,962
2020	380,000	13,300	393,300	138,994	103,057	242,051	518,994	116,357	635,351
2021	-	-	-	144,984	97,323	242,307	144,984	97,323	242,307
2022	-	-	-	151,034	91,234	242,268	151,034	91,234	242,268
2023	-	-	-	157,140	84,815	241,955	157,140	84,815	241,955
2024	-	-	-	168,293	78,137	246,430	168,293	78,137	246,430
2025	-	-	-	174,510	70,900	245,410	174,510	70,900	245,410
2026	-	-	-	180,801	63,265	244,066	180,801	63,265	244,066
2027	-	-	-	187,149	55,355	242,504	187,149	55,355	242,504
2028	-	-	-	198,555	47,167	245,722	198,555	47,167	245,722
2029	-	-	-	205,023	38,481	243,504	205,023	38,481	243,504
2030	-	-	-	216,556	29,511	246,067	216,556	29,511	246,067
2031	-	-	-	223,155	20,367	243,522	223,155	20,367	243,522
2032	-	-	-	234,824	10,274	245,098	234,824	10,274	245,098
	<u>\$ 2,715,000</u>	<u>\$ 414,575</u>	<u>\$ 3,129,575</u>	<u>\$ 3,225,035</u>	<u>\$ 1,651,630</u>	<u>\$ 4,876,665</u>	<u>\$ 5,940,035</u>	<u>\$ 2,066,205</u>	<u>\$ 8,006,240</u>

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



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members of the City Council
City of Lebanon Northwest Urban Renewal Agency
925 South Main Street
Lebanon, Oregon 97355

We have audited the basic financial statements of the City of Lebanon Northwest Urban Renewal Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 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 City of Lebanon Northwest Urban Renewal Agency'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

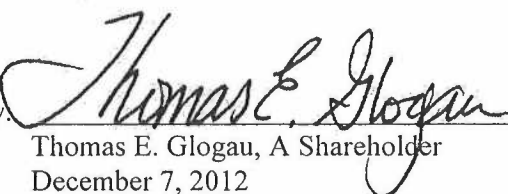
In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the mayor, council members, and management of the City of Lebanon Northwest Urban Renewal Agency 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 7, 2012