

**CITY OF TALENT**

**CASH BASIS FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**CASH BASIS FINANCIAL STATEMENTS**

**WITH**  
**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

<b><u>Mayor and City Council</u></b>	<b><u>TERM EXPIRES</u></b>
Darby Stricker, Mayor	December 2018
Emily Berlant	December 2020
Ken Baker	December 2018
Stephanie Dolan	December 2020
Ryan Pederson	December 2018
Daniel Wise	December 2018
John Harrison	December 2020

All councilors receive their mail at the address listed below

**REGISTERED AGENT AND ASSISTANT SECRETARY**

**ADMINISTRATIVE**

Thomas J. Corrigan, City Manager

**Physical Address**  
110 E. Main Street  
Talent, OR 97540

**Mailing Address**  
P.O. Box 445  
Talent, OR 97540

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

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**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

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**CITY OF TALENT  
TALENT, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the City of Talent's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements and notes, which follow this section. Comparative information is provided between the prior fiscal year ended June 30, 2016 and June 30, 2017.

**FINANCIAL HIGHLIGHTS**

- The City's Governmental and Business Type net assets were \$3,698,075 and \$650,372 respectively, at June 30, 2017.
- During the year, the City's Governmental net assets decreased by \$344,108 and Business Type net assets decreased by \$68,411.
- The general fund reported a fund balance this year of \$748,009.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's 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.
- *Proprietary fund* statements offer short-term and long-term financial information about the activities the government operates *like businesses*.

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 required 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

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how they have changed. Net position (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, parks, streets, and water. Property taxes, service charges, franchise taxes, permits and fees, and intergovernmental revenues finance most of these activities.

## Fund Financial Statements

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

The City has the following kinds of funds:

- *Governmental funds* – Most of the City'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 City's programs. Because this information does not encompass the long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or difference) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

## **FINANCIAL ANALYSIS OF THE CITY GOVERNMENTAL FUNDS**

This section of this document will analyze the changes in the City's revenue, expenditures, fund balances, and net assets between the fiscal year (FY16) and the fiscal year (FY17). The last column indicates the change in the two years.

<b>CITY OF TALENT - CHANGES IN NET ASSETS - GOVERNMENTAL FUNDS</b>			
	2017	2016	CHANGE
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 969,715	\$ 1,058,563	\$ (88,848)
Operating Grants	48,876	4,220	44,656
General Revenues:			
Property Taxes	1,043,467	1,016,401	27,066
Other Taxes	423,192	417,671	5,521
Intergovernmental	546,663	1,584,635	(1,037,972)
Bond Proceeds	-	-	-
Other	177,422	70,353	107,069
Total Revenues	3,209,335	4,151,843	(942,508)
<b>EXPENSES</b>			
Administration	672,697	634,630	38,067
Community Development	387,838	341,637	46,201
TAP Operations	-	-	-
Library Operations	-	-	-
Police	1,179,260	1,114,695	64,565
Street	450,783	430,744	20,039
Parks	117,991	98,135	19,856
Capital Improvements	883,606	1,522,636	(639,030)
Debt Service Payments	161,268	108,724	52,544
Water	-	-	-
Total Expenses	3,853,443	4,251,201	(397,758)
Change in Net Assets			
Before Transfers	(644,108)	(99,358)	(544,750)
Transfers	200,000	(47,288)	247,288
Change in Net Assets	(444,108)	(146,646)	(297,462)
Beginning Net Assets	4,042,183	4,188,829	(146,646)
Ending Net Assets	\$ 3,598,075	\$ 4,042,183	\$ (444,108)

The next chart shows the same data for FY16 and FY17 for the business type funds. The last column indicates the change between the two years.

<b>CITY OF TALENT - CHANGES IN NET ASSETS - BUSINESS TYPE FUNDS</b>			
	2017	2016	CHANGE
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$1,365,316	\$1,297,720	\$67,596
Operating Grants	-	-	-
General Revenues:			
Property Taxes	-	-	-
Other Taxes	-	-	-
Intergovernmental	-	-	-
Other	6,345	9,538	(3,193)
Total Revenues	1,371,661	1,307,258	64,403
<b>EXPENSES</b>			
Administration	-	-	-
Community Development	-	-	-
Police	-	-	-
Street	-	-	-
Parks	-	-	-
Capital Improvements	-	-	-
Debt Service Payments	-	-	-
Water	1,240,072	1,189,339	50,733
Total Expenses	1,240,072	1,189,339	50,733
Change in Net Assets before Transfers	131,589	117,919	(167,523)
Transfers	(200,000)	(50,000)	118,367
Change in Net Assets	(68,411)	67,919	(49,156)
Beginning Net Assets	718,783	650,864	117,075
Ending Net Assets	\$650,372	\$718,783	\$67,919

## **FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

### **Changes in Program Revenues**

**Charges for Services (-\$44,192):** Charges for Services decreased in FY17 after an increase of \$83,390 in FY16 and a decrease of \$111,354 in FY15. The majority of the decrease in FY17 is from Community Development Fees and System Development Charge Fees. These fees are dependent on the level and type of building construction and substantially less building occurred in Talent in FY17 compared to FY16. Grants increased by \$44,656 which included a \$20,000 grant from the State of Oregon for the Economic Element as well as grants for Police and for the City's R.A.R.E. participant.

**General Revenues (-\$898,316):** General revenues showed an overall decrease in FY17 after an increase in FY16. Property tax revenues increased by \$27,066 in FY17 compared to increases of \$25,183 and \$36,220 in FY16 and FY15, respectively. Franchise fee collections increased by \$5,521 in FY17 after an increase of \$10,936 in FY16. Intergovernmental revenues decreased by \$1,037,972 after an increase of \$980,196 in FY16. The large decrease in FY17 was because of the large increase in federal grant revenues for the building of the Talent Community Center in FY16. Other revenues increased in FY17 by \$107,069 after a decrease of \$390,516 in FY16.

### **Changes in Program Expenditures**

**General Administration (\$38,067):** This increase can be attributed primarily to increases in Personnel Services. Administration Personnel Services increased by \$32,055 in FY17. Regular Salaries increased by \$21,200, and Fringe Benefits increased by \$10,855. Materials & Services increased in FY17 by \$6,627. Technical Support Services increased by \$11,941, Attorney Services increased by \$3,561, and general supplies increased by \$3,783.

**Community Development (\$46,201):** Community Development expenses increased in FY17 in both Personnel Services and Materials & Services. Personnel Services increased by \$33,655, which was mostly attributed to the Community Development Clerk moving from part-time to full-time. Materials & Services increased by \$12,546 in FY17. Business Consulting Services increased by \$30,970 and Attorney Services increased by \$6,912 while Building Inspection Services and Technical Support Services decreased by \$23,643 and \$2,085, respectively.

**Police (\$64,565):** Police expenses increased in FY17. Personnel Services increased by \$64,378.70 compared to FY16. Materials & Services increased in FY17 by \$187. Attorney services decreased by \$19,939 and Repair & Maintenance decreased by \$6,361 while Property & Casualty Insurance and Fuel increased by \$7,061 and \$5,835, respectively.

**Street (\$20,039):** Street expenses increased in FY17. Personnel Services increased by \$26,975 from FY16 to FY17. Materials & Services decreased by \$6,936 in FY17. Contracted Personnel Services decreased by \$10,020 and Engineering Services decreased by \$5,259 while Business Consulting Services and Repair & Maintenance increased by \$6,615 and \$7,346, respectively.

**Parks (\$19,856):** Parks expenses increased in FY17. Personnel Services increased by \$14,533 from FY16 to FY17. Materials & Services increased by \$5,323 in FY17. Contracted Personnel Services increased by \$5,928 and General Supplies increased by \$2,528.

**Capital Improvements (\$-639,030):** The Capital Improvements Fund was initially established in FY2005. A combination of System Development Charges, grants, transfers from other funds and funding from outside agencies has allowed the City to take on major improvements to the City's infrastructure. Major capital construction projects taking place in FY17 included the completion of the North Front Street project, the finishing of the finance software migration to Incode, the ADA accessible ramp to Town Hall, the completion of Heritage Trail, Wagner Street sidewalks, and the completion of the SCADA system. The major decrease in Capital Improvement costs are due to the construction of the Community Center in FY16.

## **FINANCIAL ANALYSIS OF THE PROPRIETARY FUND**

### **Change in Program Revenues**

**Charges for Services (\$67,596):** Charges for services increased in FY17 after an increase of \$39,504 in FY16. Water revenue is based on consumption as well as being highly dependent on weather and conservation efforts. Water sales increased by \$58,095 in FY17 after an increase of \$4,859 in FY16. New connections increased in FY17 by \$9,405 after an increase of \$7,895 in FY16.

**General Revenues (-\$3,193):** General revenues decreased in FY17 by \$3,193 after an increase of \$7,259 in FY16.

### **Change in Program Expenditures**

**Water (\$50,733):** This fund includes salaries and benefits for Utility Billing staff and Public Works employees whose time is accounted for in several funds depending on the type of work being performed. Water expenses increased in FY17. Personnel Services increased by \$15,959. Materials & Services increased by \$32,124. Banking Fees increased by \$5,560 and Business Consulting Services increased by \$7,560 while General Supplies and Repair & Maintenance decreased by \$7,940 and \$11,210, respectively.

The proprietary fund balance totaled \$650,372 at the end of FY17. This represents a \$68,411 decrease over the previous year. The majority of the difference can be attributed to the increase in transfers out. Transfers for FY16 were \$50,000 and for FY17 were \$200,000. This represents an increase of \$150,000 in FY17.

### **LONG TERM DEBT**

More detailed information about the City's long term debt is presented in the notes to the financial statements.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our taxpayers, ratepayers, and creditors with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the City's Finance Director at 541-535-1566 or P.O. Box 445, Talent, Oregon, 97540.



**PAULY, ROGERS AND CO., P.C.**  
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www.paulyrogersandcocpas.com

September 21, 2017

To the City Council  
City of Talent  
Talent, Oregon

## **INDEPENDENT AUDITORS' REPORT**

### **Report on Financial Statements**

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Talent as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Talent, as of June 30, 2017, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

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

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, 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.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 21, 2017 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Kenneth Allen, CPA  
Municipal Auditor  
**PAULY, ROGERS and CO., P.C.**

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF NET POSITION - CASH BASIS  
June 30, 2017**

	PRIMARY GOVERNMENT		
ASSETS	GOVERNMENTAL	BUSINESS TYPE	TOTALS
Current Assets:			
Cash and Investments	\$ 3,698,075	\$ 650,372	\$ 4,348,447
Total Assets	\$ 3,698,075	\$ 650,372	\$ 4,348,447
 NET POSITION:			
Restricted for -			
Debt Payments	\$ 25,819	\$ -	\$ 25,819
System Development	1,195,072	-	1,195,072
Unrestricted	2,477,184	650,372	3,127,556
Net Position	\$ 3,698,075	\$ 650,372	\$ 4,348,447

See accompanying notes to the basic financial statements

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES - CASH BASIS  
For the Year Ended June 30, 2017**

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net Receipts (Disbursements) And Changes In Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 572,697	\$ 83,562	\$ 21,366	\$ -	\$ (467,769)
Community Development	387,838	203,077	-	-	(184,761)
Police	1,179,260	231,539	23,743	-	(923,978)
Street	450,783	211,256	-	-	(239,527)
Transportation	-	13,458	-	-	13,458
Stormwater	-	60,504	-	-	60,504
Parks	117,991	166,319	3,767	-	52,095
Capital Outlay	883,606	-	-	-	(883,606)
Debt Service Payments	161,268	-	-	-	(161,268)
<b>Total Governmental Activities</b>	<b>3,753,443</b>	<b>969,715</b>	<b>48,876</b>	<b>-</b>	<b>(2,734,852)</b>
Business-Type Activities					
Water	1,240,072	1,365,316	-	-	-
<b>Total Business Activities</b>	<b>1,240,072</b>	<b>1,365,316</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 4,993,515</b>	<b>\$ 2,335,031</b>	<b>\$ 48,876</b>	<b>\$ -</b>	<b>(2,734,852)</b>
General Receipts:					
Property Taxes					1,043,467
Franchise Taxes					423,192
State Shared Revenue					70,623
Intergovernmental					476,040
Assessments					18,822
Interest					43,546
Miscellaneous					115,054
Transfers					200,000
<b>Total General Receipts and Transfers</b>					<b>2,390,744</b>
Change in Cash Basis Net Position					(344,108)
Beginning Cash Basis Net Position					4,042,183
Ending Cash Basis Net Position					<b>\$ 3,698,075</b>

See accompanying notes to the basic financial statements

Business-Type Activities	Total
\$ -	\$ (467,769)
-	(184,761)
-	(923,978)
-	(239,527)
-	13,458
-	60,504
-	52,095
-	(883,606)
-	(161,268)
-	(2,734,852)
125,244	125,244
125,244	125,244
125,244	(2,609,608)
-	1,043,467
-	423,192
-	70,623
-	476,040
-	18,822
5,538	49,084
807	115,861
(200,000)	-
(193,655)	2,197,089
(68,411)	(412,519)
718,783	4,760,966
\$ 650,372	\$ 4,348,447

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**BALANCE SHEET - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<u>GENERAL</u>	<u>SDC</u>	<u>STREET</u>
<b>ASSETS</b>			
Cash and Investments	\$ 748,009	\$ 1,195,072	\$ 391,560
Total Assets	<u>\$ 748,009</u>	<u>\$ 1,195,072</u>	<u>\$ 391,560</u>
<b>CASH BASIS FUND BALANCES</b>			
Cash Basis Fund Balances:			
Restricted for -			
Debt Payments	\$ -	\$ -	\$ -
System Development	-	1,195,072	-
Committed for -			
Furture Capital Improvements	-	-	-
Parks Maintenance	-	-	-
Assigned - Street Expenses	-	-	391,560
Unassigned	<u>748,009</u>	<u>-</u>	<u>-</u>
Total Cash Basis Fund Balances	<u>748,009</u>	<u>1,195,072</u>	<u>391,560</u>
Total Liabilities and Cash Basis Fund Balances	<u>\$ 748,009</u>	<u>\$ 1,195,072</u>	<u>\$ 391,560</u>

See accompanying notes to the basic financial statements

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<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NONMAJOR</u>	<u>TOTAL</u>
\$ 1,276,786	\$ 86,648	\$ 3,698,075
<u>\$ 1,276,786</u>	<u>\$ 86,648</u>	<u>\$ 3,698,075</u>
\$ -	\$ 25,819	\$ 25,819
-	-	1,195,072
1,276,786	-	1,276,786
-	60,829	60,829
-	-	391,560
-	-	748,009
<u>1,276,786</u>	<u>86,648</u>	<u>3,698,075</u>
<u>\$ 1,276,786</u>	<u>\$ 86,648</u>	<u>\$ 3,698,075</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	<u>GENERAL</u>	<u>SDC</u>	<u>STREET</u>
<b>Receipts</b>			
Taxes	\$ 961,976	\$ -	\$ -
Franchise Taxes	423,192	-	-
Licenses and Permits	203,077	-	920
Intergovernmental Receipts	197,458	-	372,948
Charges for Services	183,633	134,259	210,336
Assessments	-	-	-
Interest	4,348	15,326	3,334
Fines and Forfeitures	84,068	-	-
Miscellaneous	159,868	-	1,002
Total Receipts	<u>2,217,620</u>	<u>149,585</u>	<u>588,540</u>
<b>Disbursements</b>			
Administration	672,697	-	-
Community Development	387,838	-	-
Police	1,179,260	-	-
Street	-	-	450,783
Parks	-	-	-
Capital Outlay	4,099	-	2,977
Debt Service Payments	-	-	51,425
Total Disbursements	<u>2,243,894</u>	<u>-</u>	<u>505,185</u>
Excess of Receipts Over, -Under Disbursements	(26,274)	149,585	83,355
<b>Other Financing Sources, -Uses</b>			
Loan to Talent URA	(500,000)	-	-
Principal and Interest - Talent URA Loan	606,000	-	-
Transfers In	-	-	-
Transfers Out	(59,500)	-	(58,000)
Total Other Financing Sources, -Uses	<u>46,500</u>	<u>-</u>	<u>(58,000)</u>
Net Change in Cash Basis Fund Balance	20,226	149,585	25,355
Beginning Cash Basis Fund Balance	<u>727,783</u>	<u>1,045,487</u>	<u>366,205</u>
Ending Cash Basis Fund Balance	<u>\$ 748,009</u>	<u>\$ 1,195,072</u>	<u>\$ 391,560</u>

See accompanying notes to the basic financial statements

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<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NON MAJOR</u>	<u>TOTAL</u>
\$ -	\$ 81,491	\$ 1,043,467
-	-	423,192
-	18,266	222,263
-	3,767	574,173
-	110,594	638,822
-	18,822	18,822
13,688	850	37,546
-	-	84,068
-	112	160,982
<u>13,688</u>	<u>233,902</u>	<u>3,203,335</u>
-	-	672,697
-	-	387,838
-	-	1,179,260
-	-	450,783
-	117,991	117,991
875,215	1,315	883,606
-	109,843	161,268
<u>875,215</u>	<u>229,149</u>	<u>3,853,443</u>
(861,527)	4,753	(650,108)
-	-	(500,000)
-	-	606,000
312,000	5,500	317,500
-	-	(117,500)
<u>312,000</u>	<u>5,500</u>	<u>306,000</u>
(549,527)	10,253	(344,108)
<u>1,826,313</u>	<u>76,395</u>	<u>4,042,183</u>
<u>\$ 1,276,786</u>	<u>\$ 86,648</u>	<u>\$ 3,698,075</u>

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**STATEMENT OF NET POSITION - CASH BASIS**  
**PROPRIETARY FUND**  
**June 30, 2017**

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ASSETS:

Current Assets

Cash and Investments

\$ 650,372

Total Assets

\$ 650,372

Cash Basis Net Position

Unrestricted

\$ 650,372

Net Position

\$ 650,372

See accompanying notes to the basic financial statements

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CASH BASIS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2017**

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OPERATING RECEIPTS	
Service Charges	\$ 1,365,316
Miscellaneous	807
	<hr/>
Total Operating Receipts	1,366,123
	<hr/>
OPERATING DISBURSEMENTS	
Personal Service	423,358
Materials and Services	507,828
	<hr/>
Total Operating Disbursements	931,186
	<hr/>
Operating Income -Loss	434,937
	<hr/>
NONOPERATING RECEIPTS (DISBURSEMENTS)	
Interest	5,538
Transfers Out	(200,000)
Bond / Interest Expense	(308,886)
	<hr/>
Total Nonoperating Receipts (Disbursements)	(503,348)
	<hr/>
Change in Cash Basis Net Position	(68,411)
	<hr/>
Beginning Cash Basis Net Position	718,783
	<hr/>
Ending Cash Basis Net Position	\$ 650,372
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with the cash basis of accounting as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the city's accounting policies are described below.

**A. THE FINANCIAL REPORTING ENTITY**

The City of Talent was incorporated in 1910. The City presently operates under a charter which took effect January 1, 1998, and which was amended with effective dates of January 1, 2003 and January 2005. The Charter provides for a Council-Manager form of government and provides such services as are authorized by the Charter. The City is governed by the City Council, consisting of six elected at-large members and an elected mayor. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, as defined under GASB Statements 14, 39 and 61. There are other governmental agencies, the Phoenix-Talent School District, Fire District #5, Rogue Valley Sanitary Services, and the Talent Irrigation District, which provide services within the City. The City has no component units.

**B. BASIS OF PRESENTATION - FUND ACCOUNTING**

Financial operations of the City are accounted for in the following major funds:

**GENERAL FUND**

This fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. The principal source of revenue is property taxes.

**STREET FUND**

This fund accounts for monies expended for maintenance and improvement of the City's roads and streets. Receipts are State of Oregon gasoline taxes.

**SDC FUND**

This fund accounts for various system development charges.

**CAPITAL IMPROVEMENT FUND**

This fund consolidates all the City Capital Improvement Projects. Revenues for this fund are primarily provided by transfers from the other Funds.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)**

**WATER FUND (MAJOR PROPRIETARY FUND)**

This proprietary fund is self-supporting with the purpose of providing water and water services to the general public. This fund accounts for the operation of the water system for the City. Revenue is derived from charges for services to water users and expenses account for the costs of operation.

**C. BASIS OF ACCOUNTING**

The City follows the cash basis of accounting. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. This basis of accounting is applied to both the government-wide financial statements and the governmental and business type fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets is capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the cash basis of accounting is preferable for the City due to the City's small size and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Oregon Local Budget Law.

The cash basis proprietary fund distinguishes operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for the enterprise fund includes the cost of sales and services, administrative disbursements, and capital outlay. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

**D. FUND BALANCE**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. 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 of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. FUND BALANCE (CONTINUED)**

- Nonspendable fund balance represents amounts that are not in a spendable form. No portion of the City's fund balance is considered to be nonspendable.
- Restricted fund balance 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 fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance 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. This authority has been granted to the City Manager and the Director of Finance.
- Unassigned fund balance 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.

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.

**E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS**

The City has adopted, at July 1, 2003, the principles of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), as they are applicable to cash basis financial statements. The Statement requires that the City present both government-wide and fund financial statements, and reconcile the two types of statements, if necessary.

The government-wide statements report information on the City irrespective of fund activity, and the fund financial statements report information using the City's funds. In total, the results presented using both of these methods are the same. Accordingly, there is no need for reconciling schedules.

The government-wide financial statement reports information on the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segments is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. BUDGET**

A budget is prepared and legally adopted for each fund on cash basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with cash basis accounting. The City begins its budget process 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 published generally in early spring with a public hearing being held approximately three weeks later. The board 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 adopted and appropriations are made no later than June 30th.

Expenditures budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Interfund Transactions, Debt Service, and Operating Contingency. Expenditures cannot legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. 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.

Budget amounts shown in the basic financial statements reflect the original appropriations, and several appropriation transfers. Expenditures of the various funds were within authorized appropriation levels for the year ended June 30, 2017.

**G. PROPERTY TAXES RECEIVABLE**

Property taxes receivable is recorded in the General Fund to indicate the amount of uncollected taxes that the City can expect to receive in the future. Such taxes are offset by a liability to indicate that these amounts have not been recorded as receipts. Real and personal property are assessed and property taxes become a lien against the property as of July 1 of each year. Property taxes are payable in three installments, following the lien date on November 15, February 15, and May 15. Taxes not received by May 15<sup>th</sup> are considered delinquent. As required by law, Jackson County manages tax collections for the City. Substantially all taxes receivable are considered collectible through liens on the underlying property.

**H. CAPITAL ASSETS**

Non-expendable equipment purchased is usually recorded as a capital outlay disbursement in the governmental and proprietary funds. The original historical cost of such assets has been estimated or tracked and is recorded by the City, but, under the cash basis of accounting the cost of capital assets of the City are not required to be displayed in the financial statements. The costs of significant betterments to capital assets are similarly recorded as disbursements and not capitalized. Depreciation is not recorded. When assets are donated, the estimated value is used to increase the balances of the capital assets. No receipts or disbursements are recorded since no cash was received or used when assets are donated. Normal repairs and maintenance are charged to disbursements as capital outlay or as materials and services. When property is retired or sold, any related proceeds are recorded in a governmental or proprietary fund.

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. LONG-TERM DEBT**

Although the cash basis of accounting does not require that debt be displayed, the City believes that presentation of this information is important. Accordingly, the details of debt are presented in these notes to the financial statements.

**J. RETIREMENT PLANS**

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

**2. CASH AND INVESTMENTS**

State statutes govern the City's cash management policies. Statutes authorize the City to invest 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**

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's compliance with all portfolio guidelines can be found in their annual report when issued. 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. (Removed sentence was here.) Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due to/from Other Funds. Cash and Investments (recorded at fair value) consisted of:

		2017	
Deposits with Financial Institutions:			
Demand Deposits	\$	779,702	
Petty Cash		850	
Investments		3,567,895	
Total	\$	4,348,447	

The City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 3,567,895	\$ 3,567,895	\$ -
Total	\$ 3,567,895	\$ 3,567,895	\$ -

**Interest Rate Risk**

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City does not have any investments that have a maturity date.

**Credit Risk**

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The State Treasurer's Investment Pool is an open-ended, no-load diversified portfolio. The fund is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated.

**Concentration of Deposit Risk**

At year-end, the City's net carrying amount of deposits was \$779,702 and the bank balance was \$844,272. Of these deposits, \$250,000 was covered by federal depository insurance; the remainder is collateralized under the Oregon Public Funds Collateralization Program (PFCP).

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**3. PENSION PLAN**

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
  - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
  - ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
    - member was employed by PERS employer at the time of death,
    - member died within 120 days after termination of PERS covered employment,
    - member died as a result of injury sustained while employed in a PERS-covered job, or
    - member was on an official leave of absence from a PERS-covered job at the time of death.
  - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disable from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
  - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**3. PENSION PLAN (CONTINUED)**

b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

*Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

*General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

**Contributions** – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were \$123,192, excluding amounts to fund employer specific liabilities.

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**3. PENSION PLAN (CONTINUED)**

Since the City's financial statements are reported on the cash basis, no amounts are reported on the balance sheet for pension related assets, deferred outflows, liabilities or deferred inflows. Had the City's financial statements been reported in accordance with GAAP, it would have reported a net pension liability of \$1,987,393 at June 30, 2017 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the City's proportion was .01 percent.

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financial.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx).

**Actuarial Valuations** – The employer contribution rates effective July 1, 2015 through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. PENSION PLAN (CONTINUED)**

**Actuarial Methods and Assumptions:**

Valuation date	December 31, 2014 rolled forward to June 30, 2016 measurement date
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.5 percent (reduced from 2.75 percent)
Investment rate of return	7.5 percent (reduced from 7.75 percent)
Projected salary increase	3.5 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.5 percent)
Cost of Living Adjustment	Blend of 2.0 percent COLA and graded COLA (1.25/0.15 percent) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

Source: June 30, 2014 PERS CAFR; p. 54 – 55

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. PENSION PLAN (CONTINUED)**

**Long-Term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<b>Asset Class</b>	<b>Target</b>	<b>Compound Annual Return (Geometric)</b>
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

*Source: June 30, 2014 PERS CAFR; p. 54 – 55)*

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**3. PENSION PLAN (CONTINUED)**

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	Decrease (6.50%)	Rate (7.50%)	Increase (8.50%)
City's proportionate share of the net pension liability	\$ 3,208,977	\$ 1,987,393	\$ 966,362

**Changes Subsequent to the Measurement Date**

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer’s reporting date that are expected to have a significant effect on the employer’s share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS’ members retain their existing OPERS accounts, but any future member contributions are deposited into the member’s IAP, not the member’s OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan that is invested in the IAP. The District makes this contribution on behalf of its employees.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**4. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**5. INTERFUND TRANSFERS**

Interfund Transfers were done to finance operations between funds.

	<u>Transfers Out</u>	<u>Transfers In</u>
General	\$ 59,500	\$ -
Streets	58,000	-
Capital Improvements	-	312,000
West Valley View Debt	-	5,500
Water Utility	<u>200,000</u>	<u>-</u>
	<u>\$ 317,500</u>	<u>\$ 317,500</u>

**6. PROPERTY TAX LIMITATIONS**

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 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 further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is 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, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

**7. URBAN RENEWAL AGENCY FINANCING**

In May of 2017, the City Council approved the offering of a line of credit to Talent Urban Renewal Agency for an amount not to exceed \$200,000 at 2 percent per annum. All principal and accrued interest was to be paid back to the City in FY 17-18.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. LONG-TERM DEBT**

The changes in long-term debt for the year ended June 30, 2017 is comprised of the following:

	July 1, 2016	Additions	Reductions	June 30, 2017
<p>\$340,000 was issued April 1, 1998, to finance improvements related to the West Valley View Local Improvement District. The Interest rate is 5.75%. Repayments are made from the West Valley View Debt Service Fund. Bonds mature May 2018.</p>	\$ 50,000	\$ -	\$ 25,000	\$ 25,000
<p>\$2,000,000 was issued on July 17, 2002 to finance a multi-year construction project referred to as the TAP Water Intertie and Improvements Project. The interest rate is 1%. Repayments are made out of the Water Fund. The loan matures December 2031.</p>	\$ 1,140,579	\$ -	\$ 66,090	\$ 1,074,489
<p>\$800,000 of General Obligation Bonds, Series 2007 was issued to the City on August 23, 2007. The interest rate is 4.407% to 4.700%. The bonds are subject to redemption prior to maturity. Repayments are made out of the General Obligation Bond Debt Service Fund. Bonds mature January 2022.</p>	\$ 505,000	\$ -	\$ 60,000	\$ 445,000
<p>\$1,450,000 was issued on December 22, 2016 to finance projects for Talent URA to be reimbursed by Talent URA. The interest rate is 1.98% Repayments are made out of the General fund. The loan matures July 2019</p>	\$ -	\$ 1,450,000	\$ -	\$ 1,450,000
<p>\$3,605,085 was issued on June 30, 2013, to refinance debt that was used for improvements to the Water System. The interest rate is 1.7% to 4.0% Repayments are made out of the Water fund. Bonds mature June 2036.</p>	\$ 3,295,000	\$ -	\$ 120,000	\$ 3,175,000
<p style="padding-left: 20px;">Total Long Term Debt</p>	\$ 4,990,579	\$ 1,450,000	\$ 271,090	\$ 6,169,489

Future maturities of long term debt are as follows:

	West Valley View 1998 Limited Tax		2007 GO Bond	
	Principal	Interest Due	Principal	Interest Due
<b>Amounts Payable in Fiscal Year:</b>				
2017-2018	\$ 25,000	\$ 1,438	\$ 70,000	\$ 19,065
2018-2019	-	-	80,000	15,578
2019-2020	-	-	90,000	11,625
2020-2021	-	-	100,000	7,208
2021-2022	-	-	105,000	2,441
<b>Totals</b>	<b>\$ 25,000</b>	<b>\$ 1,438</b>	<b>\$ 445,000</b>	<b>\$ 55,917</b>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. LONG-TERM DEBT (CONTINUED)**

	<u>Safe Drinking Water Revolving Loan</u>		<u>2013 COP 2013B</u>	
	<u>Principal</u>	<u>Interest Due</u>	<u>Principal</u>	<u>Interest Due</u>
Amounts Payable in Fiscal Year:				
2017-2018	\$ 66,751	\$ 10,745	\$ 120,000	\$ 108,390
2018-2019	67,419	10,077	125,000	104,715
2019-2020	68,093	9,403	130,000	101,735
2020-2021	68,774	8,722	130,000	98,030
2021-2022	69,462	8,035	135,000	92,730
2022-2027	357,867	29,613	770,000	379,810
2027-2032	376,123	11,360	910,000	235,215
2032-2036	<u>-</u>	<u>-</u>	<u>855,000</u>	<u>63,090</u>
Totals	<u>\$ 1,074,489</u>	<u>\$ 87,955</u>	<u>\$ 3,175,000</u>	<u>\$ 1,183,715</u>
	<u>2016 TURA Financing</u>			
	<u>Principal</u>	<u>Interest Due</u>		
Amounts Payable in Fiscal Year:				
2017-2018	\$ 479,000	\$ 24,686		
2018-2019	481,000	14,464		
2019-2020	<u>490,000</u>	<u>4,851</u>		
Totals	<u>\$ 1,450,000</u>	<u>\$ 44,001</u>		

**9. COMMITMENTS AND CONTINGENCIES**

The City is involved in various claims and legal matters relating to its operations which have all been tended to, and are either being adjusted by the City's liability carrier, or are being defended by attorneys retained by the City's liability carrier. The City does not believe that any of these matters will have a material impact on its June 30, 2017 financial statements.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

**2016-2017 Independent Auditors'  
Comments and Disclosures**

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
Receipts				
Taxes	\$ 955,000	\$ 955,000	\$ 961,976	\$ 6,976
Licenses, Permits & Fees	594,000	594,000	626,269	32,269
Intergovernmental	188,700	188,700	197,458	8,758
Charges for Services	275,700	275,700	183,633	(92,067)
Fines & Forfeits	70,000	70,000	84,068	14,068
Miscellaneous	<u>703,125</u>	<u>733,485</u>	<u>164,216</u>	<u>(569,269)</u>
Total Receipts	<u>\$ 2,786,525</u>	<u>\$ 2,816,885</u>	<u>\$ 2,217,620</u>	<u>\$ (599,265)</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>Disbursements</b>				
Administration & Council Department				
Personal Services	\$ 500,900	\$ 500,900	\$ 475,959	\$ 24,941
Materials and Services	736,750	767,110	196,738	570,372
Capital Outlay	7,500	7,500	3,357	4,143
Total Administration Department	<u>1,245,150</u>	<u>1,275,510</u>	<u>676,054</u>	<u>599,456</u>
Community Development Department				
Personal Services	279,500	279,500	265,152	14,348
Materials and Services	183,300	183,300	122,686	60,614
Capital Outlay	350	350	-	350
Total Community Development Department	<u>463,150</u>	<u>463,150</u>	<u>387,838</u>	<u>75,312</u>
Police Department				
Personal Services	948,000	948,000	926,128	21,872
Materials and Services	236,600	236,600	253,132	(16,532)
Capital Outlay	3,000	3,000	742	2,258
Total Police Department	<u>1,187,600</u>	<u>1,187,600</u>	<u>1,180,002</u>	<u>7,598</u>
Contingency	<u>479,200</u>	<u>479,200</u>	<u>-</u>	<u>479,200</u>
Total Disbursements	<u>3,375,100</u>	<u>3,405,460</u>	<u>2,243,894</u>	<u>1,161,566</u>
Excess of Receipts Over				
-Under Disbursements	(588,575)	(588,575)	(26,274)	562,301
<b>OTHER FINANCING SOURCES</b>				
Loan to Talent URA	-	-	(500,000)	(500,000)
Principal and Interest - Talent URA Loan	-	-	606,000	606,000
Transfers Out	<u>(59,500)</u>	<u>(59,500)</u>	<u>(59,500)</u>	<u>-</u>
Total Other Financing Sources	<u>(59,500)</u>	<u>(59,500)</u>	<u>46,500</u>	<u>106,000</u>
Net Change in Cash Basis Fund Balance	(648,075)	(648,075)	20,226	668,301
Beginning Cash Basis Fund Balance	<u>725,000</u>	<u>725,000</u>	<u>727,783</u>	<u>2,783</u>
Ending Cash Basis Fund Balance	<u>\$ 76,925</u>	<u>\$ 76,925</u>	<u>\$ 748,009</u>	<u>\$ 671,084</u>

\*\*Appropriation levels are Personal Services, Materials & Services, transfers out and Capital Outlay

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

<u>SYSTEMS DEVELOPMENT CHARGE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Receipts				
System Development Charges	\$ 269,200	\$ 269,200	\$ 134,259	\$ (134,941)
Miscellaneous	2,700	2,700	15,326	12,626
Total Receipts	<u>271,900</u>	<u>271,900</u>	<u>149,585</u>	<u>(122,315)</u>
Net Change in Cash Basis Fund Balance	271,900	271,900	149,585	(122,315)
Beginning Cash Basis Fund Balance	<u>950,200</u>	<u>950,200</u>	<u>1,045,487</u>	<u>95,287</u>
Ending Cash Basis Fund Balance	<u><u>\$ 1,222,100</u></u>	<u><u>\$ 1,222,100</u></u>	<u><u>\$ 1,195,072</u></u>	<u><u>\$ (27,028)</u></u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

<u>STREET FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>Receipts</b>				
Licenses, Permits and Fees	\$ 1,000	\$ 1,000	\$ 920	\$ (80)
Intergovernmental	350,000	350,000	372,948	22,948
Charges for Services	210,000	210,000	210,336	336
Interest	-	-	3,334	3,334
Miscellaneous	500	500	1,002	502
<b>Total Receipts</b>	<u>561,500</u>	<u>561,500</u>	<u>588,540</u>	<u>27,040</u>
<b>Disbursements</b>				
<b>Street Maintenance and Repair</b>				
Personal Services	287,000	287,000 (1)	278,131	8,869
Materials and Services	250,850	250,850 (1)	172,652	78,198
Debt Service	51,425	51,425 (1)	51,425	-
Capital Outlay	3,550	3,550 (1)	2,977	573
<b>Total Street Maintenance and Repair</b>	<u>592,825</u>	<u>592,825</u>	<u>505,185</u>	<u>87,640</u>
Contingency	135,350	135,350 (1)	-	135,350
<b>Total Disbursements</b>	<u>728,175</u>	<u>728,175</u>	<u>505,185</u>	<u>222,990</u>
Excess of Receipts Over -Under Disbursements	(166,675)	(166,675)	83,355	250,030
<b>OTHER FINANCING SOURCES</b>				
Transfers Out	(58,000)	(58,000) (1)	(58,000)	-
<b>Net Change in Cash Basis Fund Balance</b>	(224,675)	(224,675)	25,355	250,030
<b>Beginning Cash Basis Fund Balance</b>	<u>310,000</u>	<u>310,000</u>	<u>366,205</u>	<u>56,205</u>
<b>Ending Cash Basis Fund Balance</b>	<u>\$ 85,325</u>	<u>\$ 85,325</u>	<u>\$ 391,560</u>	<u>\$ 306,235</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

CAPITAL IMPROVEMENTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
Receipts				
Interest	\$ -	\$ -	\$ 13,688	\$ 13,688
Miscellaneous	-	59,186	-	(59,186)
Total Receipts	-	59,186	13,688	(45,498)
Disbursements				
General Government				
Capital Outlay	189,480	248,666	133,003	115,663
Parks				
Capital Outlay	54,400	54,400	6,287	48,113
Streets				
Capital Outlay	1,118,415	1,118,415	397,968	720,447
Stormwater				
Capital Outlay	120,020	120,020	78,006	42,014
Water				
Capital Outlay	314,425	314,425	198,773	115,652
Equipment				
Capital Outlay	94,855	94,855	61,178	33,677
Total Disbursements	1,891,595	1,950,781 (1)	875,215	1,075,566
Excess of Receipts Over -Under Disbursements	(1,891,595)	(1,891,595)	(861,527)	1,030,068
OTHER FINANCING SOURCES				
Transfers In	312,000	312,000	312,000	-
Net Change in Cash Basis Fund Balance	(1,579,595)	(1,579,595)	(549,527)	1,030,068
Beginning Cash Basis Fund Balance	1,852,645	1,852,645	1,826,313	(26,332)
Ending Cash Basis Fund Balance	\$ 273,050	\$ 273,050	\$ 1,276,786	\$ 1,003,736

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUND - CASH BASIS**

**June 30, 2017**

	<u>PARKS</u>	<u>WEST VALLEY VIEW DEBT</u>	<u>GENERAL OBLIGATION BOND DEBT SERVICES</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and Investments	\$ 60,829	\$ 20,921	\$ 4,898	\$ 86,648
Total Assets	<u>\$ 60,829</u>	<u>\$ 20,921</u>	<u>\$ 4,898</u>	<u>\$ 86,648</u>
<b>CASH BASIS FUND BALANCES</b>				
Restricted - Debt Payments Committed for - Parks Maintenance	\$ - 60,829	\$ 20,921 -	\$ 4,898 -	\$ 25,819 60,829
Total Cash Basis Fund Balances	<u>\$ 60,829</u>	<u>\$ 20,921</u>	<u>\$ 4,898</u>	<u>\$ 86,648</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
NON MAJOR GOVERNMENTAL FUND  
For the Year Ended June 30, 2017**

	PARKS	WEST VALLEY VIEW DEBT	GENERAL OBLIGATION BOND DEBT SEVICES	Totals
Receipts				
Taxes	\$ -	\$ -	\$ 81,491	\$ 81,491
Licenses and Permits	18,266	-	-	18,266
Intergovernmental Receipts	3,767	-	-	3,767
Charges for Services	110,594	-	-	110,594
Assessments	-	18,822	-	18,822
Interest	472	240	138	850
Miscellaneous	112	-	-	112
Total Receipts	<u>133,211</u>	<u>19,062</u>	<u>81,629</u>	<u>233,902</u>
Disbursements				
Personal Services	79,475	-	-	79,475
Materials & Services	38,516	-	-	38,516
Debt Service	-	27,875	81,968	109,843
Capital Outlay	1,315	-	-	1,315
Total Disbursements	<u>119,306</u>	<u>27,875</u>	<u>81,968</u>	<u>229,149</u>
Excess of Receipts Over, -Under Disbursements	13,905	(8,813)	(339)	4,753
Other Financing Sources, -Uses				
Transfers In	-	5,500	-	5,500
Total Other Financing Sources, -Uses	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Net Change in Cash Basis Fund Balance	13,905	(3,313)	(339)	10,253
Beginning Cash Basis Fund Balance	<u>46,924</u>	<u>24,234</u>	<u>5,237</u>	<u>76,395</u>
Ending Cash Basis Fund Balance	<u>\$ 60,829</u>	<u>\$ 20,921</u>	<u>\$ 4,898</u>	<u>\$ 86,648</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

<u>PARKS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>Receipts</b>				
Licenses, Permits and Fees	\$ 7,500	\$ 7,500	\$ 18,266	\$ 10,766
Intergovernmental	3,500	3,500	3,767	267
Charges for Services	108,000	108,000	110,594	2,594
Interest	-	-	472	472
Miscellaneous	-	-	112	112
<b>Total Receipts</b>	<b>119,000</b>	<b>119,000</b>	<b>133,211</b>	<b>14,211</b>
<b>Disbursements</b>				
<b>Parks Maintenance</b>				
Personal Services	83,500	83,500 (1)	79,475	4,025
Materials and Services	51,600	51,600 (1)	38,516	13,084
<b>Total Parks Maintenance</b>	<b>135,100</b>	<b>135,100</b>	<b>117,991</b>	<b>17,109</b>
<b>Capital Construction</b>				
Capital Outlay	1,700	1,700 (1)	1,315	385
Contingency	31,200	31,200 (1)	-	31,200
<b>Total Disbursements</b>	<b>168,000</b>	<b>168,000</b>	<b>119,306</b>	<b>48,694</b>
<b>Net Change in Cash Basis Fund Balance</b>	<b>(49,000)</b>	<b>(49,000)</b>	<b>13,905</b>	<b>62,905</b>
<b>Beginning Cash Basis Fund Balance</b>	<b>49,000</b>	<b>49,000</b>	<b>46,924</b>	<b>(2,076)</b>
<b>Ending Cash Basis Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,829</b>	<b>\$ 60,829</b>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

WEST VALLEY VIEW DEBT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE</u>
Receipts				
Assessments	\$ 9,570	\$ 9,570	\$ 18,822	\$ 9,252
Interest	50	50	240	190
Total Receipts	<u>9,620</u>	<u>9,620</u>	<u>19,062</u>	<u>9,442</u>
Disbursements				
Debt Service				
Principal	25,000	25,000	25,000	-
Interest	<u>2,875</u>	<u>2,875</u>	<u>2,875</u>	<u>-</u>
Total Disbursements	<u>27,875</u>	<u>27,875</u> (1)	<u>27,875</u>	<u>-</u>
Excess of Receipts Over -Under Disbursements	(18,255)	(18,255)	(8,813)	9,442
OTHER FINANCING SOURCES				
Transfers In	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(12,755)	(12,755)	(3,313)	9,442
Beginning Cash Basis Fund Balance	<u>24,200</u>	<u>24,200</u>	<u>24,234</u>	<u>34</u>
Ending Cash Basis Fund Balance	<u>\$ 11,445</u>	<u>\$ 11,445</u>	<u>\$ 20,921</u>	<u>\$ 9,476</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

GENERAL OBLIGATION BOND- DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE</u>
Receipts				
Property Tax- PD Bond	\$ 79,270	\$ 79,270	\$ 81,491	\$ 2,221
Interest	-	-	138	138
Total Receipts	<u>79,270</u>	<u>79,270</u>	<u>81,629</u>	<u>2,359</u>
Disbursements				
Debt Service				
Principal	60,000	60,000	60,000	-
Interest	21,970	21,970	21,968	2
Total Disbursements	<u>81,970</u>	<u>81,970 (1)</u>	<u>81,968</u>	<u>2</u>
Net Change in Cash Basis Fund Balance	(2,700)	(2,700)	(339)	2,361
Beginning Cash Basis Fund Balance	<u>2,700</u>	<u>2,700</u>	<u>5,237</u>	<u>2,537</u>
Ending Cash Basis Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,898</u></u>	<u><u>\$ 4,898</u></u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET - BUDGETARY BASIS  
For the Year Ended June 30, 2017**

WATER UTILITY FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
Receipts				
Water Service	\$ 1,375,000	\$ 1,375,000	\$ 1,344,960	\$ (30,040)
New Connections	4,000	4,000	20,150	16,150
Water Sales	-	-	206	206
Interest	1,000	1,000	5,538	4,538
Miscellaneous	-	-	807	807
Total Receipts	<u>1,380,000</u>	<u>1,380,000</u>	<u>1,371,661</u>	<u>(8,339)</u>
Disbursements				
Personal Services	447,500	447,500 (1)	423,358	24,142
Materials and Services	615,200	615,200 (1)	504,671	110,529
Capital Outlay	5,600	5,600 (1)	3,157	2,443
Debt Service	309,000	309,000 (1)	308,886	114
Contingency	267,100	267,100 (1)	-	267,100
Total Disbursements	<u>1,644,400</u>	<u>1,644,400</u>	<u>1,240,072</u>	<u>404,328</u>
Excess of Receipts Over, -Under Disbursements	(264,400)	(264,400)	131,589	395,989
OTHER FINANCING SOURCES, -USES				
Transfers Out	(200,000)	(200,000) (1)	(200,000)	-
Total Other Financing Sources, -Uses	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(464,400)	(464,400)	(68,411)	395,989
Beginning Cash Basis Fund Balance	<u>700,000</u>	<u>700,000</u>	<u>718,783</u>	<u>18,783</u>
Ending Cash Basis Fund Balance	<u>\$ 235,600</u>	<u>\$ 235,600</u>	<u>\$ 650,372</u>	<u>\$ 414,772</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2017**

<u>TAX YEAR</u>	<u>IMPOSED LEVY OR UNCOLLECTED AT 7-1-16</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 AT 6-30-17</u>
<b>CURRENT:</b>						
2016-2017	\$ 1,070,325	\$ 27,155	\$ (1,783)	\$ 360	\$ 1,015,330	\$ 26,417
<b>PRIOR YEARS:</b>						
2015-2016	34,571	(1)	(6,614)	656	12,368	16,246
2014-2015	16,929	-	(794)	761	6,173	10,723
2013-2014	11,020	-	(659)	983	5,377	5,967
2012-2013	(92)	-	(1,093)	470	2,184	(2,899)
Prior	6,861	-	(501)	363	1,129	5,594
<b>TOTAL PRIOR</b>	<u>69,289</u>	<u>(1)</u>	<u>(9,661)</u>	<u>3,233</u>	<u>27,231</u>	<u>35,631</u>
<b>TOTAL TAXES</b>	<u>\$ 1,139,614</u>	<u>\$ 27,154</u>	<u>\$ (11,444)</u>	<u>\$ 3,593</u>	<u>\$ 1,042,561</u>	<u>\$ 62,048</u>

**RECONCILIATION OF REVENUE**

General Fund Tax Revenue	\$ 961,976
General Obligation Tax Revenue	81,491
Cash Basis Timing Difference	<u>(906)</u>
<b>Total Taxes Collected</b>	<u>\$ 1,042,561</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION  
For the fiscal year ended June 30, 2017**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Talent's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	\$ 0.01 %	\$ 1,987,393	\$ 1,387,341	143.3 %	80.5 %
2016	0.01	716,062	1,162,427	61.6	91.9
2015	0.01	(244,937)	1,137,383	(21.5)	103.6
2014	0.01	551,437	1,112,500	49.6	92.0

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**SCHEDULE OF CONTRIBUTIONS**

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2017	\$ 123,192	\$ 123,192	\$ -	\$ 1,434,891	8.6 %
2016	122,921	122,921	-	1,387,341	8.9
2015	86,344	86,344	-	1,162,427	7.4
2014	84,203	84,203	-	1,137,383	7.4

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.



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September 21, 2017

### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Talent as of and for the year ended June 30, 2017, and have issued our report thereon dated September 21, 2017. 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 Talent'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.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Talent 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 internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the council members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Kenneth Allen, CPA  
Municipal Auditor  
**PAULY, ROGERS AND CO., P.C.**

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**OTHER INFORMATION**

**Tax Rate History and Tax Collection Record**

Fiscal Year Ended, June 30	M5 Real Market Value	Taxable Assessed Value	Urban Renewal Excess	Assessed Value
2013	385,456,131	324,594,962	46,155,654	278,439,308
2014	393,432,899	337,982,881	50,996,702	286,986,179
2015	430,928,644	355,421,757	55,383,757	300,038,000
2016	457,953,342	365,116,826	59,456,205	305,660,621
2017	483,006,000	377,662,039	63,256,808	314,405,231

Fiscal Year Ended, June 30	Permanent Levy	Local Option Levy	Bond Levy	Additional Taxes & Penalties	Total to be Received
2012	893,708	-	65,305	(9,218)	949,795
2013	899,810	-	63,426	(20,335)	942,901
2014	927,425	-	67,394	(22,358)	972,461
2015	969,603	-	75,100	(30,643)	1,014,060
2016	987,773	-	81,894	(25,140)	1,044,527
2017	1,016,032	-	82,573	(28,399)	1,070,206

Fiscal Year Ended, June 30	Billing Rate	Local Option Levy Rate	Bond Levy Rate	Percent Collected Year of Levy	Percent Collected as of 6/30	Collected as of 6/30
2012	2.7781	-	0.2030	92.4%	95.6%	908,463
2013	2.7721	-	0.1954	93.5%	96.1%	906,494
2014	2.7440	-	0.1994	93.4%	95.0%	923,861
2015	2.7281	-	0.2113	93.8%	93.8%	951,183
2016	2.7054	-	0.2232	93.1%	94.0%	981,346
2017	2.6904	-	0.2186	93.7%	94.8%	1,014,579

- (1) The Real Market Value is commonly referred to as the "Measure 5 Real Market Value" by county assessors. It represents the value of taxable properties, including the reduction of specially assessed properties, such as farm and forestland and excludes non-taxable properties.
- (2) Value represents the value of taxable property, excluding urban renewal and other offsets, that the ad valorem tax rates for operations and voter-approved general obligation bonds and are applied to derive property taxes.
- (3) Participants may generally file three tax levies for which rates are imposed: operating levy covered by the permanent rate, a local option levy and a bond levy. The city does not currently have a local option levy.

Tax Account	Taxable Assessed Value	Percent of Total Taxable Assessed Value	Taxes and Assessments Levied
Bender Development LP	\$12,403,290	4.06%	\$201,372
Talent Parkside Apartment LLC	9,428,680	3.08%	150,548
Mountain View Estates of Talent LLC	5,213,880	1.71%	90,036
Fabricated Glass Spec Inc.	3,280,690	1.07%	51,042
West Valley View LLC	3,184,670	1.04%	49,548
YEH K Holdings LLC	2,117,620	0.69%	36,742
Avista Corp. DBA Avista Utilities	2,194,000	0.72%	34,135
Clearview Commercial Long	1,962,410	0.64%	33,508
Charter Communications	2,102,500	0.69%	32,711
Candlewood Park LLC	1,840,420	0.60%	29,986
Subtotal	43,728,160	14.31%	709,626
All other City Taxpayers	261,932,461	85.69%	250,833.92
Total City Tax Accounts	305,660,621	100.00%	\$960,460

**Jackson County**

Tax Account	Taxable Assessed Value	Percent of Total Taxable Assessed Value	Taxes and Assessments Levied
Pacificorp (PP&L)	\$266,920,000	1.47%	\$3,135,288
Avista Corp DBS Avista Utilities	119,697,000	0.66%	1,751,598
Rogue Valley Manor	105,337,170	0.58%	1,531,555
Charter Communications	80,237,300	0.44%	1,246,668
Boise Cascade Wood Products	67,268,707	0.37%	950,020
Harry & David Operations Inc.	62,803,390	0.35%	737,840
Centurylink	61,490,000	0.34%	879,501
AT&T Inc.	59,826,000	0.33%	896,438
Carestream Health Inc.	55,726,320	0.31%	831,854
Amy's Kitchen	50,351,190	0.28%	736,109
Subtotal	929,657,077	5.12%	12,696,870
All other County Taxpayers	17,215,427,452	94.88%	23,733,975
Total County Tax Accounts	\$18,145,084,529	100.00%	\$36,430,845