

**URBAN RENEWAL AGENCY  
OF THE CITY OF TALENT  
JACKSON COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**



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

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2015**

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**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

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**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**PRINCIPAL OFFICIALS**

As of June 30, 2015

<b><u>BOARD OF DIRECTORS</u></b>	<b><u>TERM EXPIRES</u></b>
Darby Stricker, Chair	December 31, 2018
Ryan Pederson, Vice-Chair/Secretary	December 31, 2018
EJ McManus	December 31, 2016
Teresa Cooke	December 31, 2016
Anthony Abshire	December 31, 2016
Daniel Wise	December 31, 2018
Christina Collins	December 31, 2018

All board members will receive mail at the following address:

Urban Renewal Agency of the City Talent  
P.O. Box 445  
102 Home Street  
Talent, Oregon 97540

ADMINISTRATION

Marla Cates, Executive Director

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**PAULY, ROGERS, AND CO., P.C.**  
12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
(503) 620-2632 ♦ (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

October 2, 2015

To the Board of Directors  
Talent Urban Renewal Agency

### **INDEPENDENT AUDITORS' REPORT**

#### **Report on the Financial Statements**

We have audited the accompanying combined cash basis financial statements of the governmental activities and each major fund of The Urban Renewal Agency of the City of Talent, Oregon, as of and for the year ended June 30, 2015 and the related notes to the financial statements which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities and each major fund of The Urban Renewal Agency of the City of Talent, Oregon at June 30, 2015, and the respective changes in financial position for the year then ended, in accordance 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**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Urban Renewal Agency of the City of Talent's financial statements. The supplementary and other information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements.

The supplementary information, as listed in the table of contents are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information for all appropriated funds and supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 2, 2015, 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.**

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**BASIC FINANCIAL STATEMENTS**

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URBAN RENEWAL AGENCY OF THE CITY OF  
TALENT, OREGON  
Government-Wide Statement of Cash Balances  
June 30 , 2015

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ASSETS

Assets:

Cash and Investments \$ 635,868

TOTAL ASSETS \$ 635,868

CASH BASIS NET POSITION

Cash Basis Net Position:

Restricted for Debt Service \$ 444,277

Unrestricted 191,591

TOTAL NET POSITION \$ 635,868

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

**URBAN RENEWAL AGENCY OF THE CITY OF  
TALENT, OREGON**  
Government-Wide Statement of Cash Receipt and Disbursement Activities  
For the Year Ended June 30 , 2015

RECEIPTS:	
Taxes	\$ 1,234,156
Interest	4,219
Miscellaneous & Reimbursements	62,667
Proceeds on Short Term Borrowing	450,000
Total General Receipts	1,751,042
DISBURSEMENTS:	
Personnel	51,420
Materials & Services	34,592
Capital Outlay	801,324
Debt Service:	
Principal	1,145,000
Interest	47,580
Total Disbursements	2,079,916
Net Change in Cash Basis Net Position	(328,874)
CASH BASIS NET POSITION - BEGINNING OF YEAR	964,742
CASH BASIS NET POSITION - END OF YEAR	\$ 635,868

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

**URBAN RENEWAL AGENCY OF THE CITY OF  
TALENT, OREGON**  
**Governmental Funds Balance Sheet - Cash Basis**  
**June 30 , 2015**

<u>ASSETS</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals Governmental Funds</u>
Assets:			
Cash and Investments	\$ 191,591	\$ 444,277	\$ 635,868
TOTAL ASSETS	<u>\$ 191,591</u>	<u>\$ 444,277</u>	<u>\$ 635,868</u>
<u>FUND EQUITY</u>			
Cash Basis Fund Equity:			
Restricted for:			
Debt Covenants	-	343,500	343,500
Future Debt Service Payments	-	100,777	100,777
Assigned for:			
Future Capital Projects	<u>191,591</u>	<u>-</u>	<u>191,591</u>
TOTAL CASH BASIS FUND EQUITY	<u>\$ 191,591</u>	<u>\$ 444,277</u>	<u>\$ 635,868</u>

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

**URBAN RENEWAL AGENCY OF THE CITY OF  
TALENT, OREGON**  
**Governmental Funds Statement of Receipts, Disbursements and Changes in Cash Balances**  
**For the Year Ended June 30 , 2015**

	Capital Projects Fund	Debt Service Fund	Totals Governmental Funds
<b>RECEIPTS:</b>			
Taxes	\$ -	\$ 1,234,156	\$ 1,234,156
Interest	-	4,219	4,219
Miscellaneous & Reimbursements	62,667	-	62,667
Total revenues	<u>62,667</u>	<u>1,238,375</u>	<u>1,301,042</u>
<b>DISBURSEMENTS:</b>			
Personnel	51,420	-	51,420
Materials & Services	34,592	-	34,592
Capital Outlay	801,324	-	801,324
Debt Service:			
Principal	-	1,145,000	1,145,000
Interest	-	47,580	47,580
Total disbursements	<u>887,336</u>	<u>1,192,580</u>	<u>2,079,916</u>
RECEIPTS OVER, (UNDER) DISBURSEMENTS	(824,669)	45,795	(778,874)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of Short Term Borrowing	450,000	-	450,000
Transfers In	490,000	-	490,000
Transfers Out	-	(490,000)	(490,000)
Total other financing sources (uses)	<u>940,000</u>	<u>(490,000)</u>	<u>450,000</u>
NET CHANGE IN FUND BALANCE	115,331	(444,205)	(328,874)
<b>CASH BASIS FUND BALANCE</b>			
- BEGINNING OF YEAR	<u>76,260</u>	<u>888,482</u>	<u>964,742</u>
<b>CASH BASIS FUND BALANCE</b>			
- END OF YEAR	<u>\$ 191,591</u>	<u>\$ 444,277</u>	<u>\$ 635,868</u>

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

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Agency have been prepared in conformity with the cash basis of accounting as applied to governmental 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 Agency's accounting policies are described below.

**A. REPORTING ENTITY**

The Urban Renewal Agency was organized by the City Council of the City of Talent, Oregon, on March 20, 1991, by Ordinance Number 539, under the provisions of ORS chapter 457. The mission of the Urban Renewal Agency is to eliminate blight and, in the process, improve the safety and quality of life of those who live, work, own property, and visit the Talent area. Further, it is the mission of the Agency to improve the area's public infrastructure, to rehabilitate and redevelop the City's core area in a manner which respects its historic past but recognizes the need for improved buildings, a greater mix of businesses and services, and the development of amenities.

The Agency's area covers 122 acres in the City of Talent, Jackson County, Oregon (expanded in 2005-06 from 121.17 acres). The urban renewal area when formed in 1990-1991 had an assessed value of \$8,359,724. The "tax-increment financing" method is being used to provide funds for the Agency. Under this method, a base year value (1990-91 in this case) within the urban renewal area is established for the duration of the urban renewal program. Any increase in the assessed value over that base year cannot be used by the Assessor to compute tax rates for local taxing bodies. The Assessor computes the tax rate on the base year of the area, and then applies that rate to the increase in assessed value. The tax on the increased value can only be used by the Agency to pay indebtedness incurred to finance the urban renewal projects.

The Agency's financial statements include all activities and organizations with which the Agency exercises oversight authority as demonstrated by financial interdependency and/or authoritative appointment of governing authority. The Agency has no potential component units.

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

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

**CAPITAL PROJECTS FUND**

This fund includes all expenditures associated with the operation of the Agency, including administration and project construction. There are three categories within this Fund: Personnel Service, Materials & Services, and Capital Outlay.

**DEBT SERVICE FUND**

This fund includes tax revenue deposits and debt payments for the bond series and short term borrowing. All long term bonds must be paid off in the year 2019. However, the Agency plans to sunset early in 2016, and will structure its borrowing and debt payments accordingly.

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

The Agency follows the cash basis of accounting with certain minor modifications. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid by check or electronic transaction. Exceptions to the cash basis are any payroll advances that are considered to be cash equivalents and are displayed as a receivable. This basis of accounting is applied to both the government-wide financial statements and the 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 expenses, including depreciation, are recorded when incurred. Management believes the cash basis of accounting is preferable for the Agency due to the Agency's small size and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Oregon Local Budget Law (ORS 294.445).

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Agency 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 Agency 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 Agency irrespective of fund activity, and the fund financial statements report information using the Agency's funds. In total, the results presented using both of these methods are the same. Additionally, each of the Agency's funds is considered a "major fund" in accordance with GASB 34.

The primary funding sources for the Agency are from the sale of urban renewal bonds, and short term borrowing against property taxes to be received, and interest on investments. Some of the Agency's projects are partially reimbursed by grants or contributions from other agencies. In prior years, the Agency used the General Fund to account for the general administration of the Agency and for the acquisition and rehabilitation activities of various properties, including improvements and debt activities. In 2001, the Agency created the Debt Service Fund. The payment of principal and interest on bonded or borrowed debt is accounted for in this fund. During 2002-03, the Agency issued Urban Renewal Series bonds. In accordance with bonding requirements, they created a new Capital Projects Fund and closed all General Fund carry forward amounts into this fund. The Capital Projects Fund now accounts for all general administration and improvement transactions.

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**D. BUDGET**

The Agency is required by state law to budget its activity. The Agency budgets its activities on the cash basis of accounting used in the financial statements. The resolution authorizing appropriations sets the level by which disbursements cannot legally exceed appropriations. Personnel, materials and services, capital outlay, debt service, contingency and debt reserve are the levels of disbursement control in the budget. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned disbursement categories. Unexpected additional expenditures may be added to the budget through the use of a supplemental budget. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the Board of Directors. Expenditures of the various funds were within authorized appropriation levels.

**E. PROPERTY TAXES RECEIVABLE**

Although the cash basis of accounting does not require that property taxes receivable be displayed, the Agency believes that presentation of this information is important. Accordingly, the detail of property taxes receivable are presented on page 17 of these financial statements. 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. Substantially all taxes receivable are considered collectible through liens on the underlying property.

**F. CAPITAL ASSETS**

Non-expendable equipment purchased is usually recorded as a disbursement in the Capital Projects Fund. The original historical cost of such assets has been estimated or tracked and is recorded by the Agency, but, under the cash basis of accounting the cost of capital assets of the Agency are not required to be displayed in the financial statements. Depreciation is not recorded. 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 the Capital Projects Fund. The Agency tracks all additions to capital assets over \$5,000, and within one year of completion on the asset, transfers the asset to the City of Talent.

**G. INVESTMENTS**

Investments are stated at fair value.

**H. LONG-TERM OBLIGATIONS**

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

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**I. NET POSITION**

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. The Agency's net position is classified in the following two categories:

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

**J. FUND EQUITY**

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.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- 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. The Executive Director is given the right to assign fund balances.
- 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: The revenues and ending balance for the Capital Projects Fund is classified as "Assigned" meaning the use is established by the governing body, its official, or officers. The ending balance for the Debt Service Fund is classified as "Restricted" meaning use of revenue and ending fund amounts are restricted to paying off debt offerings and are subject to externally enforceable legal restrictions imposed by governmental regulations and bond covenants. No minimum fund balances shall be adopted for Capital Projects or Debt Service funds. Under the terms of bond covenants, the Agency maintains an annual debt reserve amount as part of the Debt Service Fund. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**2. CASH AND INVESTMENTS**

State statutes govern the Agency's cash management policies, because the Agency does not have an official investment policy. Statutes authorize the Agency 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**

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by 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 was in compliance with all portfolio guidelines at June 30, 2015.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2015 the fair value of the position in the LGIP is 100.71% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

The Agency 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. Cash and Investments (recorded at fair value) consisted of:

Deposits with Financial Institutions:

Local Government Investment Pool	\$	509,079
Demand Deposits		<u>126,789</u>
	\$	<u>635,868</u>

The Agency had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 509,079	\$ 509,079	\$ -
Total	\$ 509,079	\$ 509,079	\$ -

**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 Agency does not have any investments that have a maturity date

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS**

Credit Risk

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

Concentration of Credit Risk

The Agency's cash management policies are governed by state statutes. Statutes authorize the Agency to invest in banker's acceptances, time certificates of deposit, commercial paper, repurchase agreements, and obligations of the United States and its agencies and instrumentalities, Local Government Investment Pools and fixed or variable life insurance or annuity contracts for funding the deferred compensation plan. Currently, the Agency only uses the Local Government Investment Pool for investments.

Deposit Risk

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. 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. As of June 30, 2015, The Agency's cash is fully covered by FDIC.

**3. CAPITAL ASSETS**

The changes in capital assets for the year ended June 30, 2015 are as follows:

	Balance Beginning of Year	Additions	Deletions & Adjustments	Balance End of Year
<b>Fixed Assets</b>				
Land	\$ 1,560,072	\$ -	\$ -	\$ 1,560,072
Construction in Progress	2,035,654	845,543	-	2,881,197
Total	\$ 3,595,726	\$ 845,543	\$ -	\$ 4,441,269

**4. LONG-TERM OBLIGATIONS**

The Agency periodically issues long term bonds to finance publicly owned and operated projects within the urban renewal area. The Agency irrevocably pledges the tax increment revenues to pay the bonds. Annual debt service on the bonds is as follows:

Issue Date	Interest Rates	Original Issue	Outstanding 7/1/2014	Issued	Matured and Redeemed	Outstanding 6/30/15
April 11, 2012	2.54%	\$ 3,435,000	\$ 2,120,000	\$ -	\$ 695,000	\$ 1,425,000
Total Bonds Payable			\$ 2,120,000	\$ -	\$ 695,000	\$ 1,425,000

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**4. LONG-TERM OBLIGATIONS**

In addition to these payments, bond covenants require a Reserve to be held in the Debt Service Fund of \$343,500.

Future maturities of bonds are payable as follows:

Fiscal Year Ending June 30,	2012 Bonds	
	Principal	Interest
2016	705,000	27,241
2017	720,000	9,144
Total	<u>\$ 1,425,000</u>	<u>\$ 36,385</u>

**5. SHORT-TERM OBLIGATIONS**

The Agency entered into an Intergovernmental Agreement with the City of Talent in October 2014 to borrow \$450,000 at 2% interest for the West Valley View Project. The entire balance of loan was repaid in 2015 using tax increment revenues.

**6. PROPERTY TAX LIMITATIONS**

Real property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Agency management believes that the amount of any uncollectable accounts included in receivables is not significant. Therefore, no provision for uncollectable accounts has been made. The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. Under the provisions of the limitation, tax revenues are separated into operations other than the public school system. The limitation specifies \$10 is the maximum allowable tax for each \$1,000 of property real market value imposed on by local governments other than the public school system. This limitation may affect the availability of future tax revenues for the Agency, as taxes levied for urban renewal debt services are subject to the \$10 limitation.

**7. RISK MANAGEMENT**

The Agency is exposed to risks of loss related to general and auto liability. The Agency has purchased general and auto liability insurance to cover any claims that may arise due to activities of the Agency from City/County Insurance Services. The coverage limit for the year ended June 30, 2015 is \$5,000,000. This amount is unchanged from the prior year.

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. CONTRACTUAL COMMITMENTS OVER \$5,000**

In Fiscal Year 14-15, there were three new project-related contracts executed, two related to the on-going West Valley View street network project and one for engineering for the Civic Center Alley, a parking lot improvement.

Occasionally, contracts with vendors are made for multi-year, phased services, with original scopes of work and contract amounts for each phase included under one master contract. In order to simplify reporting, original contract values for each phase are combined into a single figure. Values do not include any contract amendments subsequently authorized.

Original contract amounts issued by the Agency, contract dates, total payments made by the close of FY 14-15 and balances remaining on original contracts are as follows:

		Original Contract Amount s over \$5,000 <i>NTE = Not to Exceed</i>		Payments Made this Fiscal Year on Original Contract	Balance remaining on Original Contract
<b>PREVIOUS CONTRACTS:</b>	<b>Project</b>	<b>Original Amount</b>	<b>Contract Date</b>	<b>Payments this Fiscal Year</b>	<b>Balance as of July 1</b>
Seattle-Northwest Securities (now Piper Jaffray)	Miscellaneous financial analysis through June 2016	\$ 15,000	May 2013	\$ 2,222	\$ 9,908
Pilot Rock Excavation	West Valley View – Phase 1C construction	\$ 543,981	May 2014	\$ 579,946	-0-
<b>NEW CONTRACTS Over \$5,000:</b>					
RH2 Engineering	Design services for Civic Center Alley	\$ 6,583	March 2015	\$ 4,911	\$ 1,672
Ashland Nursery & Greenhouses	West Valley View – Landscape 1C	\$ 34,984	April 2015	\$ 34,376	\$ 608
Roxy Ann Rock	Civic Center Alley construction	\$ 102,399	May 2015	\$ 102,399	\$ 102,399
<b>TOTAL</b>				<b>\$ 723,854</b>	<b>\$ 114,587</b>

**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON  
SUPPLEMENTARY INFORMATION**

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**URBAN RENEWAL AGENCY OF THE CITY OF  
TALENT, OREGON**  
**Cash Basis Schedule of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Capital Projects Fund  
For the Year Ended June 30 , 2015**

	Original Budget	Final Budget	Actual	Variance To Final Budget Positive (Negative)
<b>RECEIPTS:</b>				
Donations / Grants / Reimbursements	\$ 5,800	\$ 50,800	\$ 52,873	\$ 2,073
Miscellaneous & Reimbursements	-	-	9,794	9,794
<b>Total receipts</b>	<b>5,800</b>	<b>50,800</b>	<b>62,667</b>	<b>11,867</b>
<b>DISBURSEMENTS:</b>				
Personnel	50,000	52,000 (1)	51,420	580
Materials & Services	27,000	37,000 (1)	34,592	2,408
Capital Outlay	723,300	928,300 (1)	801,324	126,976
Contingency	25,000	- (1)	-	-
<b>Total Disbursements</b>	<b>825,300</b>	<b>1,017,300</b>	<b>887,336</b>	<b>129,964</b>
<b>RECEIPTS OVER, (UNDER) DISBURSEMENTS</b>	<b>(819,500)</b>	<b>(966,500)</b>	<b>(824,669)</b>	<b>141,831</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds of Short Term Borrowing	450,000	450,000	450,000	-
Transfers In	300,000	490,000	490,000	-
<b>Total Other Financing Sources</b>	<b>750,000</b>	<b>940,000</b>	<b>940,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(69,500)</b>	<b>(26,500)</b>	<b>115,331</b>	<b>141,831</b>
<b>CASH BASIS FUND BALANCE</b>				
- BEGINNING OF YEAR	82,820	82,820	76,260	(6,560)
<b>CASH BASIS FUND BALANCE</b>				
- END OF YEAR	<u>\$ 13,320</u>	<u>\$ 56,320</u>	<u>\$ 191,591</u>	<u>\$ 135,271</u>

(1) Appropriation Level

**URBAN RENEWAL AGENCY OF THE CITY OF  
TALENT, OREGON**  
**Cash Basis Schedule of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Debt Service Fund**  
**For the Year Ended June 30 , 2015**

	Original Budget	Final Budget	Actual	Variance To Final Budget Positive (Negative)
<b>RECEIPTS:</b>				
Taxes	\$ 1,190,000	\$ 1,190,000	\$ 1,234,156	\$ 44,156
Interest and Miscellaneous	4,000	194,000	4,219	(189,781)
Total receipts	<u>1,194,000</u>	<u>1,384,000</u>	<u>1,238,375</u>	<u>(145,625)</u>
<b>DISBURSEMENTS:</b>				
Debt Service:				
Principal	1,145,000	1,145,000	1,145,000	-
Interest and Other Borrowing Costs	54,022	54,022	47,580	6,442
Total Disbursements	<u>1,199,022</u>	<u>1,199,022</u>	(1) <u>1,192,580</u>	<u>6,442</u>
RECEIPTS OVER, (UNDER) DISBURSEMENT	(5,022)	184,978	45,795	(139,183)
<b>OTHER FINANCING SOURCES</b>				
Transfers Out	<u>(300,000)</u>	<u>(490,000)</u>	<u>(490,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(305,022)	(305,022)	(444,205)	(139,183)
<b>CASH BASIS FUND BALANCE</b>				
- BEGINNING OF YEAR	<u>871,597</u>	<u>871,597</u>	<u>888,482</u>	<u>16,885</u>
CASH BASIS FUND BALANCE				
- END OF YEAR	<u>\$ 566,575</u>	<u>\$ 566,575</u>	<u>\$ 444,277</u>	<u>\$ (122,298)</u>

(1) Appropriation Level

**URBAN RENEWAL AGENCY OF THE CITY OF  
TALENT, OREGON**  
**Schedule of Property Tax Transactions**  
**For the Year Ended June 30 , 2015**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2013	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2014
Current:						
2014-15	\$ 1,265,922	\$ 31,943	\$ (3,034)	\$ 276	\$ 1,187,425	43,796
Prior Years:						
2013-14	38,363	(14)	(1,260)	1,138	25,103	13,152
2012-13	25,899	-	(176)	1,027	8,591	18,159
2011-12	10,957	-	(168)	1,081	5,659	6,211
2010-11	3,796	-	(128)	1,092	4,992	(232)
Prior	4,489	-	(293)	402	1,242	3,356
Total	<u>\$ 1,349,426</u>	<u>\$ 31,929</u>	<u>\$ (5,059)</u>	<u>\$ 5,016</u>	<u>\$ 1,233,012</u>	<u>\$ 84,442</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,233,012
Other Taxes	<u>1,144</u>
Total Revenue	<u>\$ 1,234,156</u>

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**URBAN RENEWAL AGENCY OF THE  
CITY OF TALENT, OREGON**

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

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**PAULY, ROGERS, AND Co., P.C.**  
12700 SW 72<sup>nd</sup> Ave. ♦ Tigard, OR 97223  
(503) 620-2632 ♦ (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

October 2, 2015

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

We have audited the basic financial statements of the Talent Urban Renewal Agency as of and for the year ended June 30, 2015, and have issued our report thereon dated October 2, 2015. 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 Talent Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Talent Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

#### **OAR 162-10-0230 Internal Control**

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

A handwritten signature in black ink, appearing to read "Ken Allen". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

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