

SILVERTON URBAN RENEWAL AGENCY
Silverton, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

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SILVERTON URBAN RENEWAL AGENCY

OFFICERS AND MEMBERS OF THE GOVERNING BODY

For the Year Ended June 30, 2014

	<u>Term Expires January,</u>
Stu Rasmussen 417 N Water Street Silverton, OR 97381	2015
Randal Thomas 111 Coolidge Street Silverton, OR 97381	2015
Bill Cummins 104 Breyona Way Silverton, OR 97381	2015
Jason Freilinger 1316 Frontier St. Silverton, OR 97381	2017
Ken Hector 310 Apple Ave. Silverton, OR 97381	2017
Laurie A. Carter 805 Shelokum Drive Silverton, OR 97381	2017
Scott Walker 717 Eureka Ave Silverton, OR 97381	2015

REGISTERED AGENT AND ADDRESS

Bob Willoughby
306 S. Water St.
Silverton, OR 97381

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SILVERTON URBAN RENEWAL AGENCY

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For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Agency Officials
SILVERTON URBAN RENEWAL AGENCY
Silverton, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of SILVERTON URBAN RENEWAL AGENCY, *component unit of the CITY OF SILVERTON*, as of and for the year ended June 30, 2014, 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 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 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 entity's 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 entity's 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the SILVERTON URBAN RENEWAL AGENCY as of June 30, 2014, the respective changes in financial position, and the General Fund budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *a - c* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 31, 2014, on our consideration of the SILVERTON URBAN RENEWAL AGENCY'S compliance with certain provisions of laws and regulation, 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.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 31, 2014

By:



Bradley G. Bingenheimer, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SILVERTON URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

This discussion and analysis presents the highlights of financial activities and financial position for the Silverton Urban Renewal Agency. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Agency.

FINANCIAL HIGHLIGHTS

The Agency's assets exceeded their liabilities as of June 30, 2014 by \$ 136,672.

The Agency's increase in net position as compared to the previous fiscal year's decrease is primarily related to more tax revenues than expenditures. During the current fiscal year, the Agency provided one grant for parking improvements located at the Westfield property in the amount of \$125,991 and one grant for fabrication for a kiosk in the amount of \$2,800. The agency received no requests for any small grants.

The Agency was able to make an additional payment of \$55,000 towards the debt owed to the Silver Falls School District for the Westfield land purchase.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's Annual Financial Report consists of several sections. The components of the report include the following:

Management's Discussion and Analysis. This section of the report provides financial highlights, overview and economic factors affecting the Agency.

Basic Financial Statements. They include a statement of net position, a statement of activities, fund financial statements and the notes to the financial statements.

The statements of net position and activities focus on an entity-wide presentation using the accrual basis of accounting. The agency has continued to provide funding to businesses to enhance their buildings or to assist new businesses who are looking to locate their business in Silverton.

Governmental fund statements follow the more traditional presentation of financial statements. The Agency's General Fund is a major governmental fund and is a component unit within the Special Revenue Fund section of the City of Silverton's Financial Statements.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

Independent Auditor's Report required by Oregon state regulations. These are communications on the Agency's compliance and internal controls as required by Oregon State Statutes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL SUMMARY AND ANALYSIS

As mentioned earlier, the Agency's net position as of June 30, 2014 was \$ 136,672. The Agency invested in capital assets to accomplish projects as provided for in the Urban Renewal Plan as follows:

- Provided a small grant to improve parking at the Westfield property, which is the home to the dog park, skate park and the Silverton Area Senior Center.
- Provided funding for fabrication of a kiosk.
- Made the loan payment as required to the Silver Falls School District for the purchase of the Westfield property where the Senior Center is located.
- Additional principal was also paid to Silver Falls School District for the Westfield loan.

NET POSITION

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 804,588	\$ 712,847
Liabilities		
Current	4,363	1,692
Long-term obligations	663,553	814,157
Total liabilities	667,916	815,849
Net position		
Unrestricted	\$ 136,672	\$ (103,002)

CHANGES IN NET POSITION

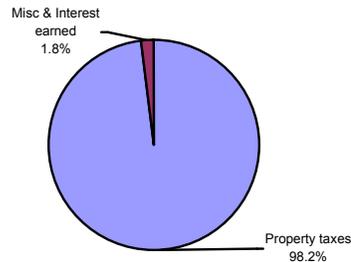
	Governmental Activities	
	2014	2013
General revenues		
Property taxes	\$ 372,045	\$ 382,699
Investment earnings	6,923	6,749
Miscellaneous	-	122
Total revenues	378,968	389,570
Expenses		
General government	139,294	10,614
Change in net position	239,674	378,956
Net position (deficit) - beginning	(103,002)	(481,958)
Net position (deficit) - ending	\$ 136,672	\$ (103,002)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL SUMMARY AND ANALYSIS (continued)

The governmental activities revenue comes primarily from property taxes, and interest earnings.

Silverton Urban Renewal Agency Governmental Activities Revenue



Property taxes are the Agency's primary source of revenue comprising 98% of the Agency's governmental revenue. The Agency does not have a permanent tax rate. The Agency receives tax revenues based on property value increases over the amount of the frozen assessed property value determined when the Agency was formed. The assessed value is expected to increase at 1% to 2%. This is less than the allowed property assessed value increase of 3% due to a decline in real market values of some homes that has caused their assessed value to be reduced below their prior year's value.

The only expenses for governmental activities are for general governmental purposes.

FINANCIAL ANALYSIS OF FUNDS

The General Fund is the primary operating fund of the Urban Renewal Agency. As of June 30, 2014, the budgetary basis General Fund balance is \$784,834.

During the 2013-14 fiscal year, no changes were made to the adopted budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The long-term debt outstanding as of June 30, 2014 was \$ 663,553 in the form of a note payable to Silver Falls School District.

ECONOMIC FACTORS

During the 2013-14, fiscal year housing construction improved, but was still below the fiscal year 2008-2009 level of new home construction. Interest rates have remained low, which is another positive factor for the housing industry. It is believed, that construction activity will continue to be slower than previous years, but will steadily increase. The other issue that influences the total real market value and/ or assessed value is the number of foreclosures and the value at which they are sold. Some properties real market value has been set at below the assessed value. This has caused the assessed value to be reset at a lower level. The assessed value has the ability to increase by only 3% each year where the real market value may increase by a greater percentage.

FINANCIAL CONTACT

The Agency's financial statements are intended to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability.

If you have questions about the report or need additional financial information, please contact Kathleen Zaragoza, Finance Director at 306 S Water St Silverton, OR 97381.

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BASIC FINANCIAL STATEMENTS

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SILVERTON URBAN RENEWAL AGENCY

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 777,730
Receivables	<u>26,858</u>
 TOTAL ASSETS	 <u>804,588</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	3,038
Accrued interest payable	1,325
Long-term obligations:	
Due within one year	95,504
Due in more than one year	<u>568,049</u>
 TOTAL LIABILITIES	 <u>667,916</u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ 136,672</u>

See accompanying notes

SILVERTON URBAN RENEWAL AGENCY

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
General government	<u>\$ 139,294</u>
GENERAL REVENUES	
Property taxes, levied for debt service	372,045
Unrestricted investment earnings	<u>6,923</u>
TOTAL GENERAL REVENUES	<u>378,968</u>
Change in net position	239,674
NET POSITION - beginning	<u>(103,002)</u>
NET POSITION - ending	<u><u>\$ 136,672</u></u>

See accompanying notes

SILVERTON URBAN RENEWAL AGENCY

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014**

	General
<u>ASSETS</u>	
Cash and investments	\$ 777,730
Receivables	26,858
TOTAL ASSETS	\$ 804,588
<u>LIABILITIES</u>	
Accounts payable	\$ 3,038
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenues	16,716
<u>FUND BALANCE</u>	
Unrestricted	784,834
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 804,588
 RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSTION	
<i>Amounts reported for governmental activities in the statement net position are different because:</i>	
Fund balance - governmental fund	\$ 784,834
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(664,878)
Long-term assets which are not available for current-period expenditures are reported as unavailable revenue in the funds. However, such amounts are recognized as revenue in the government-wide financial statements	16,716
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 136,672

See accompanying notes

SILVERTON URBAN RENEWAL AGENCY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2014**

	<u>General</u>
REVENUES	
Property taxes	\$ 376,985
Interest	<u>6,923</u>
TOTAL REVENUES	<u>383,908</u>
EXPENDITURES	
Current	
General government	135,079
Debt service	<u>155,000</u>
TOTAL EXPENDITURES	<u>290,079</u>
Net change in fund balance	93,829
Fund balance at beginning of year	<u>691,005</u>
Fund balance at end of year	<u><u>\$ 784,834</u></u>

See accompanying notes

SILVERTON URBAN RENEWAL AGENCY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND	\$	93,829
<i>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</i>		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:		
Taxes		(4,940)
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position.		150,604
Interest accrued on long-term obligations is an expense on the statement of activities, however only amounts actually paid are expenditures in the funds		<u>181</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>239,674</u>

See accompanying notes

SILVERTON URBAN RENEWAL AGENCY

GENERAL

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS - BUDGET TO ACTUAL**

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	\$ 362,170	\$ 376,985	\$ 14,815
Interest	<u>3,500</u>	<u>6,923</u>	<u>3,423</u>
TOTAL REVENUES	<u>365,670</u>	<u>383,908</u>	<u>18,238</u>
EXPENDITURES			
Materials and services	9,800	6,288	3,512
Debt service	155,100	155,000	100
Capital outlay	619,242	128,791	490,451
Contingency	<u>245,000</u>	<u>-</u>	<u>245,000</u>
TOTAL EXPENDITURES	<u>1,029,142</u>	<u>290,079</u>	<u>739,063</u>
Net change in fund balance	(663,472)	93,829	757,301
Fund balance at beginning of year	<u>663,472</u>	<u>691,005</u>	<u>27,533</u>
Fund balance at end of year	<u>\$ -</u>	<u>784,834</u>	<u>\$ 784,834</u>

See accompanying notes

SILVERTON URBAN RENEWAL AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

1. Summary of significant accounting policies

A. Organization

The Silverton Urban Renewal Agency, a component unit of the City of Silverton, was organized on November 29, 2004 under ORS 457 and is a municipal corporation created by the City of Silverton to facilitate urban renewal within the boundaries of the City. The Board of Directors serves as the governing body and is accountable for the fiscal matters of the Agency.

B. Urban renewal areas

Tax Allocation Bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in the urban renewal plan area as follows:

- The Agency (Board of Directors) selects an urban renewal plan area and defines its boundaries.
- The County Assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance Urban Renewal Projects.
- Urban Renewal Tax Increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$12,700,000.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Basis of presentation, measurement focus, and basis of accounting

Government-wide financial statements

The statement of net position and the statement of activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

Fund financial statements

The fund financial statements provide information about the Agency's fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The single major fund, General Fund, accounts for general administration of the Agency's urban renewal area, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal area, and repayment of debt incurred for these activities.

Measurement focus and basis of accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Basis of presentation, measurement focus, and basis of accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

D. Equity classification

i. *Government-wide reporting*

In the government-wide financial statements equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position– All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the government-wide financial statements when both restricted and unrestricted net position are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

D. Equity classification

ii. *Governmental fund type balance reporting*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories list below:

Non-spendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board of Directors has granted authority to the Administrative Services Director to assign fund balance amounts.

Unassigned — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

E. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally overexpended.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

E. Budget policies and budgetary control (continued)

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

F. Long-term obligations

In the government-wide financial statements' long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Deposits and investments

Investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

Credit risk: Oregon statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2014, investments were as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Oregon State Local Government Investment Pool	<u>\$ 762,100</u>	<u>\$ 762,100</u>

Interest Rate Risk: The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Concentration of Credit Risk: The Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. Investments, except those in the Local Government Investment Pool have custodial credit risk because the related securities are uninsured, unregistered and held by the Agency's brokerage firm, which is the counterparty to those securities. The Agency does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial credit risk – Deposits: This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2014, none of the Agency's bank balances were exposed to custodial risk.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

The Agency's deposits and investments at June 30, 2014 are as follows:

Total investments	\$ 762,100
Deposits with financial institutions	<u>15,630</u>
Total deposits and investments	<u>\$ 777,730</u>

3. Receivables

A. The Agency's receivables at June 30, 2014 are shown below:

Property taxes	\$ 23,278
County treasurer	<u>3,580</u>
Total receivables	<u>\$ 26,858</u>

B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15, and May 15. Marion County bills and collects property taxes for the Agency.

ii. Transactions

	Balances July 1, 2013	2013-14 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2014
2013-14	\$ -	\$ 383,272	\$ (1,856)	\$ (9,730)	\$ 360,258	\$ 11,428
2012-13	13,495	-	(145)	506	7,589	6,267
2011-12	6,638	-	(84)	580	3,671	3,463
2010-11	4,300	-	(127)	868	3,734	1,307
2009-10	1,473	-	20	334	1,361	466
2008-09	464	-	(88)	68	195	249
Prior	<u>367</u>	<u>-</u>	<u>(172)</u>	<u>80</u>	<u>177</u>	<u>98</u>
	<u>\$ 26,737</u>	<u>\$ 383,272</u>	<u>\$ (2,452)</u>	<u>\$ (7,294)</u>	<u>\$ 376,985</u>	<u>\$ 23,278</u>

iii. Ensuing year's levy

The Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2014-15.

The tax rate limit of \$10 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Unavailable revenue

Resources owned by the Agency, which are measurable, but unavailable in the funds, consist of the following:

Property taxes \$ 16,716

5. Long-term obligations

A. Transactions for the governmental activities for the year ended June 30, 2014 were as follows:

	Outstanding June 30, 2013	Additions	Reductions	Outstanding June 30, 2014	Balances Due Within One Year
Note payable - Silver Falls School District 4J, original issue of \$1,255,000, due over 14 years in annual installments payable on February 15, including interest at the prevailing rate of the Local Government Investment Pool on December 31 of each year.					
Principal	\$ 814,157	\$ -	\$ 150,604	\$ 663,553	<u>\$ 95,504</u>
Interest	<u>1,506</u>	<u>4,215</u>	<u>4,396</u>	<u>1,325</u>	
	<u>\$ 815,663</u>	<u>\$ 4,215</u>	<u>\$ 155,000</u>	<u>\$ 664,878</u>	

B. The future maturities of governmental activities long-term obligations are as follows:

Fiscal Year	<u>Silver Falls SD</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 95,504	\$ 4,496
2016	96,020	3,980
2017	96,538	3,462
2018	97,060	2,940
2019	97,584	2,416
2020-24	<u>180,847</u>	<u>4,511</u>
	<u>\$ 663,553</u>	<u>\$ 21,805</u>

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

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials
SILVERTON URBAN RENEWAL AGENCY
Silverton, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the SILVERTON URBAN RENEWAL AGENCY, *component unit of the CITY OF SILVERTON*, as of and for the year ended June 30, 2014, and have issued our report thereon dated December 31, 2014.

Compliance

As part of obtaining reasonable assurance about whether the 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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.
- 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 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.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

This report is intended solely for the information and use of the governing body and management of the SILVERTON URBAN RENEWAL AGENCY and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 31, 2014

By:



Bradley G. Bingenheimer, Member