

**SILVERTON URBAN RENEWAL AGENCY**  
**Silverton, Oregon**

**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2018**

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**SILVERTON URBAN RENEWAL AGENCY**

**OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For The Year Ended June 30, 2018**

**Board of Directors**

Kyle Palmer  
429 S Third Street  
Silverton, OR 97381

Jason Freilinger  
1316 Frontier Street  
Silverton, OR 97381

Dana Smith  
PO Box 821  
Silverton, OR 97381

Jim Sears  
701 Mill Street  
Silverton, OR 97381

Laurie A. Carter  
204 e. Main Street  
Silverton, OR 97381

Matt Plummer  
709 Hicks Street  
Silverton, OR 97381

Rhett Martin  
215 Walnut Ave  
Silverton, OR 97381

**Registered Address**

306 South Water Street  
Silverton, OR 97381

**Registered Agent**

Christy S. Wurster

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**SILVERTON URBAN RENEWAL AGENCY**

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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 major fund of **SILVERTON URBAN RENEWAL AGENCY**, a component unit of CITY OF SILVERTON, as of and for the year ended June 30, 2018, 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*

The Agency's 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 an opinion 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 opinion.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Opinion*

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 SILVERTON URBAN RENEWAL AGENCY as of June 30, 2018, the changes in its 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, 2018, on our consideration of the 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, 2018

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, 2018

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, 2018 by \$ 1,232,601.

The Agency's increase in net position as compared to the previous fiscal year is due to an increase in property tax revenue, the loans receivable and an increase in investment earnings. Expenditures for four approved projects has been budgeted to be expended in the upcoming fiscal year. During the current fiscal year, the Agency provided funding for four grants:

- \$ 3,388 to Silver Falls Brewery for Building Improvements
- \$70,000 to 403 Lewis Street for Crossfit Gym Building and Façade Improvements
- \$ 7,101 for downtown street lighting

During the fiscal year ended June 30, 2018, the Agency did not provide any new loans. All funds were matching grants.

The Agency was able to make an additional payment of \$50,000 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.

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, 2018 was \$ 1,232,601. The Agency invested in capital assets to accomplish projects as provided for in the Silverton Urban Renewal Plan as follows:

- Provided a grant and loan to Larsen Flynn Insurance, Inc. for building and façade improvements to relocate their business.
- Provided a grant to Silver Falls Brewery for building and façade improvements to open their new business.
- Made the loan payment as required to the Silver Falls School District, 4J for the purchase of the Westfield property where the Senior Center is located.
- Additional principal was paid to Silver Falls School District, 4J for the Westfield loan.

#### NET POSITION

	Governmental Activities	
	2017	2018
<u>Assets</u>		
Current	\$ 967,445	\$ 1,259,763
<u>Liabilities</u>		
Current	576	1,395
Long-term obligations	172,965	25,767
Total liabilities	173,541	27,162
<u>Net position</u>		
Unrestricted	\$ 793,904	\$ 1,232,601

#### CHANGES IN NET POSITION

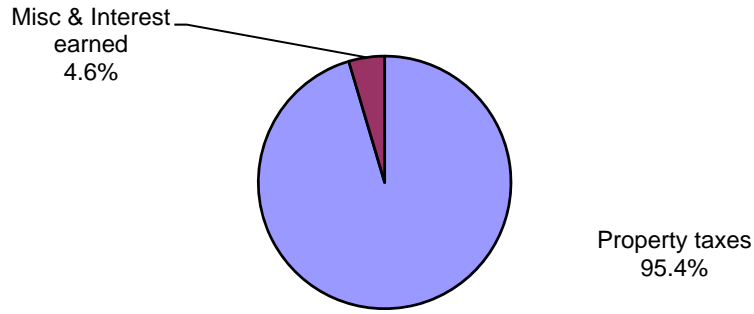
	Governmental Activities	
	2017	2018
<b>General revenues</b>		
Property taxes	\$ 418,610	\$ 501,294
Miscellaneous	1,000	775
Investment earnings	9,242	23,283
Total revenues	428,852	525,352
<b>Expenses</b>		
General government	133,566	86,655
Interest on long-term obligations	3,226	2,380
Total expenses	136,792	89,035
Change in net position	295,286	438,697
Net position - beginning	501,844	793,904
Net position - ending	\$ 797,130	\$ 1,232,601

**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 95.4% 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 assessed property value that was determined when the Agency was formed. The assessed value is expected to increase by more than the allowed property assessed value increase of 3% due to the increase in real market values of property for the new commercial businesses. The Agency is anticipating at least a 5% increase.

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 Silverton Urban Renewal Agency. As of June 30, 2018, the budgetary basis General Fund balance is \$1,113,680.

During the 2017-2018 fiscal year, there were no changes made to the adopted budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The long-term debt outstanding as of June 30, 2018 was \$25,767 in the form of a note payable to Silver Falls School District, 4J. This debt will be paid in full in the next fiscal year.

**ECONOMIC FACTORS**

During the 2017-2018, fiscal year housing construction was still improved. The City of Silverton has continued to see an increase in new home construction and new commercial construction. Interest rates have remained stable, which provides more opportunity for investment for people to become a property owner. The property tax for fiscal year 2017-2018 increased over fiscal year 2016-2017 by \$72,291, which was primarily due to the total Silverton Urban Renewal Agency excess value increasing by 18%.

**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. The agency also has an Urban Renewal Advisory Committee that review grant and loan applications for approval or denial recommendation to the Silverton Urban Renewal Agency Board

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, 2018**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 1,082,774
Receivables	<u>176,989</u>
 TOTAL ASSETS	 <u>1,259,763</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued liabilities	1,241
Accrued interest payable	154
Long-term obligations:	
Due within one year	<u>25,767</u>
 TOTAL LIABILITIES	 <u>27,162</u>
<b><u>NET POSITION</u></b>	
Unrestricted	<u><u>\$ 1,232,601</u></u>

*See accompanying notes*

**SILVERTON URBAN RENEWAL AGENCY**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES</b>	
General government	\$ 84,275
Interest on long-term obligations	<u>2,380</u>
<b>TOTAL PROGRAM EXPENSES</b>	<u>86,655</u>
<b>GENERAL REVENUES</b>	
Property taxes	501,294
Unrestricted investment earnings	23,283
Fees	<u>775</u>
<b>TOTAL GENERAL REVENUES</b>	<u>525,352</u>
Change in net position	438,697
<b>NET POSITION - beginning</b>	<u>793,904</u>
<b>NET POSITION - ending</b>	<u><u>\$ 1,232,601</u></u>

*See accompanying notes*

SILVERTON URBAN RENEWAL AGENCY

BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2018

	<u>General</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 1,082,774
Receivables	<u>176,989</u>
 TOTAL ASSETS	 <u>\$ 1,259,763</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	<u>\$ 1,241</u>
 TOTAL LIABILITIES	 <u>1,241</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Unavailable revenues	<u>\$ 144,842</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>144,842</u>
<b><u>FUND BALANCE</u></b>	
Unassigned	<u>1,113,680</u>
 TOTAL FUND BALANCE	 <u>1,113,680</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 1,259,763</u>

**RECONCILIATION OF THE BALANCE SHEET OF THE  
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSTION**

*Amounts reported for governmental activities in the statement net position are different because:*

Fund balance - governmental fund	\$ 1,113,680
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(25,921)
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	<u>144,842</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,232,601

*See accompanying notes*

**SILVERTON URBAN RENEWAL AGENCY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
For the Year Ended June 30, 2018**

	<u>General</u>
<b>REVENUES</b>	
Property taxes	\$ 491,100
Loan repayments	100,815
Fees	775
Interest	<u>23,283</u>
<b>TOTAL REVENUES</b>	<u>615,973</u>
<b>EXPENDITURES</b>	
Current	
General government	84,275
Debt service	<u>150,000</u>
<b>TOTAL EXPENDITURES</b>	<u>234,275</u>
Net change in fund balance	381,698
Fund balance at beginning of year	<u>731,982</u>
Fund balance at end of year	<u><u>\$ 1,113,680</u></u>

*See accompanying notes*

**SILVERTON URBAN RENEWAL AGENCY**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE  
GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$	381,698
<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 fund and other revenues reported in the funds are not revenues reported in the statement of activities.		
Taxes		10,194
Loan repayments		(100,815)
Repayment of long-term obligation principal is an expenditure in the governmental fund, but the repayment reduces liabilities in the statement of net position.		147,198
Interest accrued on long-term obligations is an expense on the statement of activities, however only amounts actually paid are expenditures in the fund		<u>422</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>438,697</u></u>

*See accompanying notes*

**SILVERTON URBAN RENEWAL AGENCY**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL  
For the Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 426,710	\$ 491,100	\$ 64,390
Loan repayments	22,550	100,815	78,265
Miscellaneous	150	775	625
Interest	8,827	23,283	14,456
	<u>458,237</u>	<u>615,973</u>	<u>157,736</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Materials and services	44,175	3,785	40,390
Debt service	150,000	150,000	-
Capital outlay	695,095	80,490	614,605
Contingency	215,000	-	215,000
	<u>1,104,270</u>	<u>234,275</u>	<u>869,995</u>
<b>TOTAL EXPENDITURES</b>			
Net change in fund balance	(646,033)	381,698	1,027,731
Fund balance at beginning of year	<u>646,033</u>	<u>731,982</u>	<u>85,949</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,113,680</u>	<u>\$ 1,113,680</u>

*See accompanying notes*

**SILVERTON URBAN RENEWAL AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**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. Although the Agency Board and the City Council are made up of the same members, each is a legally separate entity and conducts all business as such. Based on standards set forth in GASB Statement 61, the Agency is considered a component unit of the City. Accordingly, the financial statements of the Agency are included in the City's basic financial statements.

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 the major fund, which is 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)

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

##### 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)

#### Governmental fund type balance reporting

Governmental type fund balance is reported within one of the fund balance categories listed 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 Agency. 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 Finance 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)

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 not 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. Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and 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 each year.

Uncollected property taxes are reported in the governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred inflows of resources. Property taxes which are collected within 60 days of the end of the current period are considered available and recognized as revenue.

#### H. Risk management

The Agency 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 Agency purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Cash and cash equivalents

The Agency's cash and cash equivalents at June 30, 2018 are as follows:

State of Oregon Local Government Investment Pool	\$ 1,047,801
Deposits with financial institutions	<u>34,973</u>
Total cash and investments	<u>\$ 1,082,774</u>

#### A. Deposits with financial institutions

*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 District'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 collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2018, none of the Agency's bank balances were exposed to custodial credit risk.

#### B. State of Oregon Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) 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. 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 public funds. 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.

*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. One hundred percent of the Agency's investments are in the State of Oregon State and Local Investment Pool.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Cash and cash equivalents (continued)

*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.

*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. The Agency does not have a policy which limits the amount of investments that can be held by counterparties.

### 3. Receivables

The Agency's receivables at June 30, 2018 are shown below:

Loans	\$	126,428
Reimbursement receivable		20,389
Property taxes		28,098
County treasurer - property tax collections to be remitted		<u>2,074</u>
Total receivables	\$	<u>176,989</u>

Loans require monthly installments including interest at the rate of 2.5%. Repayment dates are set according to the loan agreements and interest does not begin accruing until the projects are completed.

### 4. Tax abatements

Marion County has established an enterprise zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the Agency will receive for the 2017-2018 levy year has been reduced by \$752.

### 5. Unavailable revenue

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

Loans	\$	119,477
Property taxes		<u>25,365</u>
Total unavailable revenue	\$	<u>144,842</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-term obligations**

A. Transactions for the governmental activities for the year ended June 30, 2018 were as follows:

	Balances July 1, 2017	Additions	Reductions	Balances June 30, 2018	Balances Due Within One Year
Long-term debt obligations					
Loan					
Silver Falls School District 4J	\$ 172,965	\$ -	\$ 147,198	\$ 25,767	\$ 25,767

B. Governmental activities long-term debt obligations

Silver Falls School District 4J – Original issue of \$1,255,000 due over 14 years in annual installment payable on February 15, interest is adjusted to the Local Government Investment Pool rate on December 31 of each year.

C. Future maturities of governmental activities long-term obligations are as follows:

Fiscal Year	Silver Falls SD, 4J	
	Principal	Interest
2019	\$ 25,767	\$ 209

**7. Commitments**

The District has entered into the following commitment as of June 30, 2018 as follows:

Project	Expenditures to Date	Remaining Commitment
100 S Water Façade Grant	\$ -	\$ 40,000
110 S 2nd Building Improvement Grant	-	15,502
104 S Water Façade Grant	-	20,000
Total	\$ -	\$ 75,502

## **COMPLIANCE SECTION**

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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, 2018, and have issued our report thereon dated December 31, 2018.

### 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, 2018

By:



Bradley G. Bingenheimer, Member