

**HARRISBURG REDEVELOPMENT AGENCY-
THE URBAN RENEWAL AGENCY OF THE
CITY OF HARRISBURG
(A Component Unit of the City of Harrisburg)
HARRISBURG, OREGON**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

HARRISBURG REDEVELOPMENT AGENCY –
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
(A Component Unit of the City of Harrisburg)

120 Smith Street
P.O. Box 378
Harrisburg, Oregon 97446
(541) 995-6655

AGENCY OFFICIALS

| | |
|------------------------------------------------------------|----------|
| ROBERT DUNCAN | Chairman |
| P.O. Box 224, Harrisburg, Oregon 97446 | |
| ROGER RAVEN (Resigned 07/23/14). | Member |
| 905 Priceboro Road, Harrisburg, Oregon 97446 | |
| KIM DOWNEY | Member |
| P.O. Box 651, Harrisburg, Oregon 97446 | |
| DON SHIPLEY | Member |
| P.O. Box 185, Harrisburg, Oregon 97446 | |
| ROBERT BOESE | Member |
| 460 North 7 th Street, Harrisburg, Oregon 97446 | |
| MIKE CAUGHEY | Member |
| 1052 Whitledge Place, Harrisburg, OR 97446 | |
| SARAH PULS | Member |
| P.O. Box 214, Junction City, OR 97448 | |
| STEVE FRANCALANCIA (7/23/14-12/10/14). | Member |
| 948 Smith Street, Harrisburg, OR 97446 | |
| JOHN LOSHBAUGH. | Member |
| 340 North 7th Street, Harrisburg, OR 97446 | |

AGENCY ADMINISTRATION

| | |
|-----------------------|---------------------|
| BRIAN LATTA | .City Administrator |
| TIM GAINES | .Financial Officer |

HARRISBURG REDEVELOPMENT AGENCY –
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
 (A Component Unit of the City of Harrisburg)
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and Members
of the Harrisburg Redevelopment Agency Board -
the Urban Renewal Agency of the City of Harrisburg, Oregon

I have audited the accompanying financial statements of the governmental activities and each major fund of the Harrisburg Redevelopment Agency of the City of Harrisburg, Oregon, (the Agency), a component unit of the City of Harrisburg, Oregon, as of and for the year ended June 30, 2015, 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 standards 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 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, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 and budgetary comparison information on pages 2 - 5 and 20 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. I have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

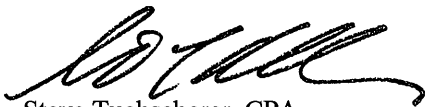
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The additional supporting schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency.

The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other schedules listed in the table of contents as Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Harrisburg Redevelopment Agency of the City of Harrisburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harrisburg Redevelopment Agency of the City of Harrisburg's internal control over financial reporting and compliance.



Steve Tuchscherer, CPA
December 1, 2015

MANAGEMENT'S

DISCUSSION

AND ANALYSIS

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2015

Unaudited

The management of the Harrisburg Redevelopment Agency (HRA) of the City of Harrisburg, Oregon, a component unit of the City of Harrisburg, Oregon presents this narrative overview and analysis to facilitate both a short and a long-term analysis of the financial activities of the Agency for the fiscal year ending June 30, 2015. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2015 are as follows:

- The Agency's total assets at June 30, 2015 were \$385,612, an increase of \$121,974 or 46.3 percent from the prior year.
- The Agency's total liabilities at June 30, 2015 were \$115,494, a decrease of \$96,508 or 85.3 percent from the prior year.
- The Agency's net position at June 30, 2015 was \$270,118, an increase of \$218,481 from the prior year.
- At June 30, 2015 the Agency reported a combined ending fund balance of \$382,223. The entire balance is restricted for Urban Renewal Projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Position*. This is the Agency-wide statement of position presenting information that includes all of the Agency's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall economic health of the Agency would extend to other non-financial factors such as the condition of buildings, and water and sewer systems facilities.

The second government-wide statement is the *Statement of Activities* which reports how the Agency's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the Agency's distinct activities or functions of the Agency that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2015

Unaudited

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the Agency's most significant funds rather than the Agency as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The Agency has one fund which is considered a governmental type fund.

Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund. This statement and schedule demonstrate compliance with the Agency's adopted and final revised budget.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund. The required supplementary information immediately follows the notes to the financial statements.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the Agency as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Agency's net position at fiscal year-end is \$270,118 this is an increase of \$218,481.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2015

Unaudited

The following table provides a summary of the Agency's net position for the current and prior year.

Summary of Net Position

| | <u>Governmental Activities</u> | |
|--------------------------|--------------------------------|-------------------------|
| | <u>2015</u> | <u>2014</u> |
| Assets | | |
| Current and Other Assets | \$ 385,612 | \$ 263,638 |
| Total Assets | <u>385,612</u> | <u>263,638</u> |
| Liabilities | | |
| Current Liabilities | 115,494 | 100,691 |
| Long-Term Liabilities | <u>-</u> | <u>111,311</u> |
| Total Liabilities | <u>115,494</u> | <u>212,002</u> |
| Net Position | | |
| Unrestricted | <u>270,118</u> | <u>51,637</u> |
| Total Net Position | <u><u>\$ 270,118</u></u> | <u><u>\$ 51,637</u></u> |

Changes in net position - The Agency's total revenues for the fiscal year ended June 30, 2015 were \$278,017. The total cost of all programs and services was \$59,536. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net position.

Summary of Changes in Net Position

| | <u>Governmental Activities</u> | |
|--------------------------------|--------------------------------|--------------------------|
| | <u>2014-15</u> | <u>2013-14</u> |
| Revenues | | |
| Taxes and Assessments | \$ 276,417 | \$ 269,780 |
| Interest & Investment Earnings | <u>1,600</u> | <u>1,004</u> |
| Total Revenues | <u>278,017</u> | <u>270,784</u> |
| Program Expenses | | |
| General Government | 49,750 | 45,836 |
| Interest on Long-Term Debt | <u>9,786</u> | <u>15,394</u> |
| Total Expenses | <u>59,536</u> | <u>61,230</u> |
| Change in Net Position | <u><u>\$ 218,481</u></u> | <u><u>\$ 209,554</u></u> |

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2015

Unaudited

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Agency's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Agency's net resources available for spending at the end of the fiscal year.

Governmental Funds

As the Agency completed the year, its governmental funds reported a combined fund balance of \$382,223, an increase of \$131,338. The fund balance constitutes committed amounts. Of the current fund balance the entire amount is committed for urban renewal projects.

Budgetary Highlights

General Fund resources were budgeted and anticipated to be collected in the amount of \$469,681 during the fiscal year. Actual resources of \$538,267 were available, \$68,586 more than budgeted. General Fund expenditures budget was under-spent by \$1,102.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Agency does not have any capital assets or infrastructure.

Long-Term Debt

At June 30, 2015 the Agency had total long-term debt outstanding of \$111,311. Existing debt was reduced by \$93,013. Interest paid on the debt amounted to \$13,281.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the Harrisburg Redevelopment Agency. The following are the major considerations used in developing the 2015-16 budget:

- A substantial amendment to the HRA was approved by City Council which increased the maximum indebtedness to \$8,177,674 and extended the life of the HRA by up to 22 years.
- There continues to be very little activity in residential construction.

The HRA's budget for the fiscal year ending June 30, 2016 represents an overall increase of \$107,819 or 23 percent when compared with the current fiscal year. This is attributable to an 18.9 percent in revenues from division of tax and a 52.4 percent increase in beginning fund balance.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Harrisburg Redevelopment Agency's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Harrisburg at (541) 995-6655. The office is located inside City Hall at 120 Smith Street, Harrisburg, Oregon 97446.

BASIC FINANCIAL
STATEMENTS

Government -Wide
Financial Statements

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
 (A Component Unit of the City of Harrisburg)

STATEMENT OF NET POSITION

June 30, 2015

| | Governmental Activities |
|-------------------------------------------|------------------------------------|
| <u>ASSETS:</u> | |
| Current Assets: | |
| Cash and Investments | \$ 380,439 |
| Property Taxes Receivable | 5,173 |
| Total Assets | \$ 385,612 |
| <u>LIABILITIES:</u> | |
| Current Liabilities: | |
| Interest Payable | \$ 4,183 |
| Current Portion of Long-Term Liabilities: | |
| Note Payable | 111,311 |
| Total Liabilities | \$ 115,494 |
| <u>NET POSITION:</u> | |
| Unrestricted | 270,118 |
| Total Net Position | \$ 270,118 |

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

| <u>Functions / Programs</u> | <u>(Expenses)</u> | <u>Program Revenues</u> | | <u>Net</u> |
|----------------------------------------|-------------------|-------------------------|----------------------|---------------------|
| | | <u>Charges</u> | <u>Operating</u> | <u>(Expense)</u> |
| | | <u>for</u> | <u>Grants</u> | <u>Revenue</u> |
| | | <u>Services</u> | <u>and</u> | <u>and</u> |
| | | | <u>Contributions</u> | <u>Change in</u> |
| | | | | <u>Net Position</u> |
| <u>GOVERNMENTAL ACTIVITIES:</u> | | | | |
| General Government | \$ 49,750 | \$ - | \$ - | \$ (49,750) |
| Interest on Long-Term Debt | 9,786 | - | - | (9,786) |
| Total Governmental Activities | \$ 59,536 | \$ - | \$ - | \$ (59,536) |

GENERAL REVENUES:

| | |
|-----------------------------------------|-------------------|
| Taxes | |
| Property Taxes, Levied for Debt Service | 276,417 |
| Interest and Investment Earnings | 1,600 |
| Subtotal - General Revenues | 278,017 |
| Change in Net Position | 218,481 |
| Net Position, July 1, 2014 | 51,637 |
| Net Position, June 30, 2015 | \$ 270,118 |

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Fund Financial Statements

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

| | | Urban Renewal General Fund |
|--------------------------------------------------------------------|-----------|-----------------------------------------------|
| <u>ASSETS:</u> | | |
| Cash and Investments | \$ | 380,439 |
| Property Taxes Receivable | | 5,173 |
| Total Assets | \$ | 385,612 |
| <u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u> | | |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred Property Tax Revenue | \$ | 3,388 |
| Total Deferred Inflows of Resources | \$ | 3,388 |
| FUND BALANCES: | | |
| Committed for: | | |
| Urban Renewal Projects | | 382,223 |
| Debt Service | | - |
| Total Fund Balances | | 382,223 |
| Total Deferred Inflows of Resources & Fund Balances | \$ | 385,611 |

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

**RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2015

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| Total Fund Balances - Governmental Funds | \$ 382,223 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Property taxes receivables not collected within 60 days of the current period ending date are deferred in the governmental funds. | 3,388 |
| Interest payable that is not recognized in the governmental fund is accrued in the Statement of Net Position. | (4,183) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. | <u>(111,311)</u> |
| Net Position of Governmental Activities | <u><u>\$ 270,117</u></u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE**

GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2015

| | Urban Renewal General Fund |
|---------------------------------------------------|-----------------------------------------------|
| <u>REVENUES:</u> | |
| Taxes and Assessments | \$ 285,782 |
| Interest and Investment Earnings | 1,600 |
| Total Revenues | 287,382 |
| <u>EXPENDITURES:</u> | |
| Current Operating: | |
| General Government | 49,750 |
| Debt Service: | |
| Principal | 93,013 |
| Interest | 13,281 |
| Total Expenditures | 156,044 |
| Excess (Deficiency) of Revenues Over Expenditures | 131,338 |
| Fund Balance - July 1, 2014 | 250,885 |
| Fund Balance - June 30, 2015 | \$ 382,223 |

The accompanying notes to the basic financial statements are an integral part of this statement.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

**RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2015

Net changes in fund balances - total governmental funds **\$ 131,338**

**Amounts reported for governmental activities in the Statement
of Activities are different because:**

Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.

The changes in amounts deferred are as follows:

Property Taxes (9,365)

Expense accruals in the governmental funds do not include all accrued interest expense payable.

The change in payables from prior to current year is reconciled here: 3,495

Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Position.

Retirement of debt principal is as follows:

General Obligations Bonds 93,013

Changes in net position of governmental activities **\$ 218,481**

BASIC FINANCIAL
STATEMENTS

Notes to the Basic
Financial Statements

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
(A Component Unit of the City of Harrisburg)
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The Urban Renewal Agency of the City of Harrisburg, Oregon (Agency) was established on November 10, 1992. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. The governing body is comprised of the Mayor and the Agency Board of the City of Harrisburg.

The Agency is a separate legal entity, governed by the City of Harrisburg. The Agency Board has the ability to impose its will over the Agency as determined on the basis of budget adoption, taxing authority and funding for the Agency. Therefore, under the criteria set by the Governmental Accounting Standards Board, the Agency is considered a component unit of the City of Harrisburg and the Agency's financial activities are included as a blended component unit in the basic financial statements of the City of Harrisburg.

Although a component unit of the City of Harrisburg, the Agency exists and operates separately from the City of Harrisburg. Accordingly, the Agency's financial statements will also be included in the financial statements of the City of Harrisburg.

The Agency has no potential component units.

B. Basis of Presentation

The financial statements of the Urban Renewal Agency (Agency) of the City of Harrisburg have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Basic financial statements are presented at both the government-wide and fund financial level. The Agency's activities are governmental and are normally supported by taxes and intergovernmental revenues.

Government-wide financial statements display information about the reporting government as a whole. The effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. The Agency has only governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
(A Component Unit of the City of Harrisburg)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

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

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Agency has elected to report its only fund, the General Fund, as a major fund in order to assist in compiling a complete and accurate picture of the financial position of the Agency.

General Fund - The General Fund is the general operating fund of the Agency. It is used to account for all the financial resources. The principal sources of revenue are tax increment revenues and interest on investments. Primary expenditures of the General Fund were made for the City's debt services.

C. Measurement Focus/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. Non-exchange transactions, in which the city 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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG
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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

C. Measurement Focus/Basis of Accounting (Cont.)

Similar to the way revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Agency's practice to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The Agency has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the Agency to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The Agency's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The Agency's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the Agency's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

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JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

E. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds."

G. Deferred Inflows of Resources:

In the governmental funds, property taxes which have not been collected within sixty days subsequent to year-end are not considered measurable and available and are therefore not recognized as revenue, but rather as deferred inflows of resources.

H. Capital Assets

All capital assets which include property and infrastructure assets (e.g. roads, bridges, sidewalks, etc.) become City of Harrisburg (primary government) capital assets and therefore are not reported on the Agency's Statement of Net Position.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 treated as period costs in the year of issue and are shown as other financing uses.

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.

J. Equity Classifications

Government-Wide Statements - Equity is classified as net position, which represents the difference between assets and liabilities. Net position is displayed in two components:

1. 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted net position - All other net position that do not meet the definition of "restricted".

The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

J. Equity Classifications (Cont).

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The Agency did not have any nonspendable resources as of June 30, 2013.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Agency has restricted funds for public works projects.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the Agency Board, and does not lapse at year-end. The Agency does not have committed resources as of June 30, 2013.
- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the Agency Board or through the Agency Board delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City's policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

K. Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HARRISBURG REDEVELOPMENT AGENCY -
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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 -Local Budget Law). The Agency is required to budget all funds. The budget is prepared for each fund on the modified accrual basis of accounting. For all fund types, inter-fund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document. The process under which the budget is adopted is described in the following paragraphs.

In early spring a preliminary budget calendar, budget preparation manual and budget worksheets are distributed to appropriate department directors. The City Administrator (Agency Director) and the Finance Director develop a proposed budget, after which the Agency Director publishes two notices of Budget Committee meetings. No less than five days, or more than thirty days after the notices are published, the Budget Committee (consisting of the Agency Board and an equal number of citizens of the City of Harrisburg) meets to consider the proposed budget. The Budget Message is delivered, explaining the proposed budget and any significant changes in the Agency's financial position.

The Budget Committee conducts public meetings for the purpose of obtaining citizens' comments, deliberates on, and subsequently approves the proposed budget, which includes any additions or deletions from the one presented by the Agency Director originally. The Budget Committee then submits the approved budget to the Agency Board for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the board without returning to the Budget Committee for a second approval. After the board adopts the budget and certifies the total of ad valorem taxes to be levied, as approved by the budget committee, no additional tax levy may be made for that fiscal year.

The Agency Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is the object group level (i.e. personal services, materials and services, capital outlay, and other expenditures). Appropriations lapse at the end of the year.

The Agency Board may change the budget throughout the year by resolution and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year.

3. CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Note 1.E.

The Agency follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

Investments, including amounts held in pool cash and 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 prices, if available; otherwise, the fair

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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

3. CASH AND INVESTMENTS (CONT.):

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.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk.

As of June 30, 2015, the reported amount of the Agency's deposits was \$3,942 and the bank balance was \$3,942. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

Investments - Oregon statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The Agency has no credit risk policy or investment policy that would further limit its investment choices.

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2015, the Agency's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2015, the Agency's investments in financial institutions are as follows:

The Agency's investments are as follows:

| <u>Type of Investment</u> | <u>Fair Value</u> | <u>Credit Rating</u> |
|---------------------------------------------------------------------|--------------------------|----------------------|
| Oregon State Treasurer's Local Government Investment Pool (LGIP) | <u>\$ 376,497</u> | N/A |
| Total Investments | <u><u>\$ 376,497</u></u> | |

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The Agency places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Agency's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the Agency's total investments.

HARRISBURG REDEVELOPMENT AGENCY -
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NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

4. LONG TERM DEBT:

In February 1996 the Agency entered into a debt arrangement with the Oregon Economic Development Department and borrowed \$432,000. Proceeds were used to finance the costs of various urban renewal projects within the Harrisburg Urban Renewal District. This debt will be repaid serially through December 1, 2015 and carries an interest rate of 6.5%.

The following is a summary of the Agency's long-term debt transactions for the year ended June 30, 2015:

| | Outstanding Balance July 1, 2014 | New Issues and Interest Matured | Principal and Interest Retired | Balance June 30, 2015 | Due within One Year |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|--------------------------------------|-----------------------------|------------------------|
| Note Payable to Oregon Economic Development Department for various Urban Renewal Projects. Original balance \$432,000 plus \$93,049 in capitalized interest. Interest rate 6.5%. Dated February 13, 1996. | | | | | |
| Principal | \$ 204,324 | \$ - | \$ 93,013 | \$ 111,311 | \$ 111,311 |
| Interest | - | 13,281 | 13,281 | - | 7,235 |
| Totals | \$ 204,324 | \$ 13,281 | \$ 106,294 | \$ 111,311 | \$ 118,546 |

The annual future requirements to amortize debt at June 30, 2015, including principal and interest are as follows:

| | Fiscal Year Ended June 30, | Total Payment | Principal | Interest |
|------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------|------------|----------|
| Urban Renewal Bonds, Series 2001 issued to finance various urban renewal projects - Original Balance \$3,360,000 | 2016 | 118,546 | 111,311 | 7,235 |
| Totals | | \$ 118,546 | \$ 111,311 | \$ 7,235 |

5. 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; and natural disasters for which the Agency carries commercial insurance. There has been no significant reduction in insurance coverage from the prior years and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years. The Agency's insurance is provided in combination with the City of Harrisburg.

6. TRANSFERS:

The Agency did not transfer any funds to the primary government, the City of Harrisburg.

REQUIRED
SUPPLEMENTARY
INFORMATION

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

(A Component Unit of the City of Harrisburg)

**Schedule of Revenues, Expenditures,
and Changes In Fund Balance - Budget and Actual**

URBAN RENEWAL GENERAL FUND

For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|------------------------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| <u>REVENUES:</u> | | | | |
| Taxes and Assessments | \$ 235,000 | \$ 235,000 | \$ 285,782 | \$ 50,782 |
| Investment Revenue | 500 | 500 | 1,600 | 1,100 |
| Total Revenues | 235,500 | 235,500 | 287,382 | 51,882 |
| <u>EXPENDITURES:</u> | | | | |
| Materials and Supplies | 50,850 | 50,850 | 49,750 | (1,100) |
| Debt Service: | | | | |
| Principal | 93,014 | 93,014 | 93,013 | (1) |
| Interest | 13,282 | 13,282 | 13,281 | (1) |
| Total Expenditures | 157,146 | 157,146 | 156,044 | (1,102) |
| Excess (Deficiency) of Revenues Over Expenditures | 78,354 | 78,354 | 131,338 | 52,984 |
| Fund Balance - July 1, 2014 | 234,181 | 234,181 | 250,885 | 16,704 |
| Fund Balance - June 30, 2015 | \$ 312,535 | \$ 312,535 | \$ 382,223 | \$ 69,688 |

OTHER
SUPPLEMENTARY
INFORMATION
AND
SCHEDULES

HARRISBURG REDEVELOPMENT AGENCY -
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SCHEDULE OF PROPERTY TAXES
For the Fiscal Year Ended June 30, 2015

| | Uncollected Balance July 1, 2014 | Adjustment & Discounts Increase (Decrease) | Collections During the Year | Uncollected Balance June 30, 2015 |
|--------------------------------------|----------------------------------------|-----------------------------------------------------|-----------------------------------|-----------------------------------------|
| 2014-15 | \$ 293,290 | \$ (18,178) | \$ 273,046 | \$ 2,066 |
| 2013-14 | 2,301 | 5,175 | 6,127 | 1,349 |
| 2012-13 | 1,525 | 3,401 | 3,889 | 1,037 |
| 2011-12 | 9,323 | (6,594) | 2,352 | 377 |
| 2010-11 | 1,473 | 315 | 1,696 | 92 |
| 2009-10 | 786 | (214) | 371 | 201 |
| 2008-09 & Prior | 829 | (778) | - | 51 |
| Total Property Taxes | \$ 309,527 | \$ (16,873) | \$ 287,481 | \$ 5,173 |
| Less Accrued Revenue - June 30, 2014 | | | (3,484) | |
| Add Accrued Revenue - June 30, 2015 | | | 1,785 | |
| Total Property Tax Revenue | | | \$ 285,782 | |
| Current Year Collections: | Current | Prior | Total | Property Taxes Receivable |
| Harrisburg Redevelopment Agency Fund | \$ 273,910 | \$ 11,872 | \$ 285,782 | \$ 5,173 |
| TOTALS | \$ 273,910 | \$ 11,872 | \$ 285,782 | \$ 5,173 |

ACCOMPANYING
INFORMATION

HARRISBURG REDEVELOPMENT AGENCY -
THE URBAN RENEWAL AGENCY OF THE CITY OF HARRISBURG

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

As of June 30, 2015

To the Governing Body of the Urban Renewal Agency of the City of Harrisburg
Harrisburg, Oregon

We have audited the basic financial statements of the Urban Renewal Agency of the City of Harrisburg (Agency) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 1, 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 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.

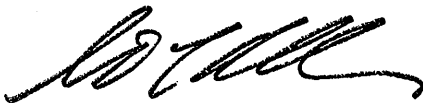
We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **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 Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency internal control over financial reporting. This report is intended solely for the information and use of the Board of Directors and management of the Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Steve Tuchscherer, CPA, PC
Roseburg, Oregon
December 1, 2015