



Home of the Tualatin River National Wildlife Refuge

URBAN RENEWAL AGENCY
OF THE CITY OF SHERWOOD, OREGON
(A COMPONENT UNIT OF THE CITY OF SHERWOOD, OREGON)

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**URBAN RENEWAL AGENCY
OF THE CITY OF SHERWOOD, OREGON**
(A component unit of the City of Sherwood, Oregon)

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

AGENCY OFFICIALS
JUNE 30, 2015

| <u>Name</u> | BOARD CHAIR | <u>Term End Date</u> |
|--|----------------------|----------------------|
| Krisanna Clark 23854 SW Aldergrove Avenue Sherwood, OR | | December 31, 2016 |
| | BOARD MEMBERS | |
| Linda Henderson 14715 SW Brooke Court Sherwood, OR 97140 | | December 31, 2016 |
| Dan King 17250 SW Sand Hill Lane Sherwood, OR 97140 | | December 31, 2016 |
| Renee Brouse 22794 SW Highland Dr Sherwood, OR 97140 | | December 31, 2016 |
| Sally Robinson 17879 SW Cereghino Ln Sherwood, OR 97140 | | December 31, 2018 |
| Jennifer Harris 21484 SW Roellich Ave Sherwood, OR 97140 | | December 31, 2018 |
| Jennifer Kuiper 17075 SW Cobblestone Dr Sherwood, OR 97140 | | December 31, 2018 |

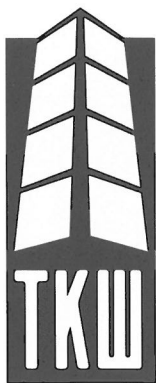
PRINCIPAL ADMINISTRATIVE OFFICIAL

Joseph Gall, Agency Manager

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

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**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board Members
Urban Renewal Agency of the City of Sherwood, Oregon
(A component unit of the City of Sherwood)
Sherwood, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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 financial statement presentation of the financial statements.

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Urban Renewal Agency of the City of Sherwood, Oregon
(A component unit of the City of Sherwood)
Sherwood, Oregon
Page 2

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, 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 Management's Discussion and Analysis 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the Urban Renewal General Fund, listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not 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. The required budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The 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.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Urban Renewal Agency of the City of Sherwood, Oregon
(A component unit of the City of Sherwood)
Sherwood, Oregon
Page 3

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 29, 2016, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By 
Angelique Whitlow, Partner

Lake Oswego, Oregon
January 29, 2016

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

This discussion and analysis of the Sherwood Urban Renewal Agency (Agency) *Annual Financial Report* for the fiscal year ended June 30, 2015 presents the highlights of financial activities and financial position for the Agency for the year ended June 30, 2015 ("FY15"). It has been prepared by management and should be read in conjunction with the financial statements and notes.

1. FINANCIAL HIGHLIGHTS

The Agency's net position decreased by \$4.4 million during the fiscal year ended June 30, 2015. This increased the Agency's deficit in net position to \$17.2 million.

Net position on June 30, 2015 consisted of \$3.7 million in assets and \$20.9 million in liabilities. The deficit in net position reflects the nature of the Agency: the Agency borrows money for projects and the completed projects are transferred to City ownership.

Of the \$17.2 million deficit in net position, \$1.6 million is restricted, (\$20.6) million is unrestricted, and \$1.8 million is invested in capital assets.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction and summary of the Agency's financial statements. It is followed by the financial statements themselves, which are comprised of four elements:

1. Government-Wide Financial Statements
 - a. Statement of Net Position
 - b. Statement of Activities
2. Fund Financial Statements – Governmental funds
 - a. Balance Sheet
 - b. Statement of Revenues, Expenditures and Changes in Fund Balance
3. Notes to the Financial Statements
4. Required Supplementary Information and Other Supplementary Information

The Government Wide Financial Statements are designed to provide the reader with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements include all assets of the Agency (including infrastructure such as streets, buildings, etc.) as well as all liabilities.

The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as "Net Position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash inflows or outflows in a future fiscal period.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund financial statements – a fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net position determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance are accompanied by reconciliations to facilitate this comparison between governmental funds and governmental activities.

Notes to basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

3. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position (summarized below) shows the Agency's net position as of the end of the last two fiscal years. The deficit in net position increased by \$4.4 million during FY15.

STATEMENT OF NET POSITION

In Thousands of Dollars

| | 2015 | 2014 restated |
|----------------------------------|--------------------|--------------------|
| ASSETS: | | |
| Restricted cash and investments | \$ 1,746 | \$ 3,685 |
| Receivables, net | 177 | 176 |
| Capital assets | 1,823 | 5,107 |
| TOTAL ASSETS | <u>3,746</u> | <u>8,969</u> |
| LIABILITIES: | | |
| Current liabilities | 1,418 | 1,213 |
| Long-term obligations | 19,484 | 20,525 |
| TOTAL LIABILITIES | <u>20,901</u> | <u>21,738</u> |
| NET POSITION: | | |
| Net investment in capital assets | 1,823 | 4,597 |
| Restricted | 1,619 | 3,657 |
| Unrestricted | (20,597) | (21,023) |
| TOTAL NET POSITION | <u>\$ (17,155)</u> | <u>\$ (12,769)</u> |

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

3. GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The Statement of Activities presents the changes in net position by detailing revenues and expenses for the Fiscal Years 2014 and 2015.

STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30,
In Thousands of Dollars

| | 2015 | 2014 |
|---|--------------------|--------------------|
| REVENUES AND CONTRIBUTIONS: | | |
| Property taxes | \$ 3,463 | \$ 3,788 |
| Intergovernmental | 17 | 216 |
| Interest earnings | 15 | 28 |
| Contribution of capital assets | (6,763) | - |
| TOTAL REVENUES AND CONTRIBUTIONS | <u>(3,268)</u> | <u>4,033</u> |
| EXPENSES: | | |
| Urban redevelopment | 436 | 7,986 |
| Interest on long term debt | 682 | 644 |
| TOTAL EXPENSES | <u>1,118</u> | <u>8,629</u> |
| CHANGE IN NET POSITION | <u>(4,386)</u> | <u>(4,597)</u> |
| BEGINNING NET POSITION, as originally stated | (12,769) | (8,165) |
| Restatement | - | (7) |
| BEGINNING NET POSITION, as restated | <u>(12,769)</u> | <u>(8,172)</u> |
| ENDING NET POSITION | <u>\$ (17,155)</u> | <u>\$ (12,769)</u> |

Expenses exceeded revenues by \$4.4 million in FY15 resulting in an increase in the reported deficit in net position.

Expenses decreased significantly this year as the Agency wraps up the major capital projects to build infrastructure within the Urban Renewal boundaries. The major project in FY15 was the completion of the Sherwood Center for the Arts which was contributed to the City.

4. CAPITAL ASSETS

At June 30, 2015 the Agency had \$1,822,920 invested in capital assets as compared to \$5,106,929 at June 30, 2014.

| | 2015 | 2014 |
|-------------------------|---------------------|---------------------|
| Land | \$ 1,822,920 | \$ 3,066,766 |
| Construction in process | - | 2,040,163 |
| | <u>\$ 1,822,920</u> | <u>\$ 5,106,929</u> |

Major capital asset events during FY15 include the following:

- Completion of the Center for the Arts
- Purchase and sale of property

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

4. CAPITAL ASSETS (Continued)

The Agency owned the following tracts of land on June 30, 2015:

- Cannery properties
- Undeveloped lot next to the Senior Center
- Two abutting properties on First Street
- Lot on Columbia St.
- Old School site
- Robin Hood Theatre lot

For additional information on the Agency's capital assets, refer to the Capital Assets Note in the Notes to Basic Financial Statements section.

5. OBLIGATIONS OUTSTANDING

During FY15 the Agency's debt obligations had a net decrease of \$0.99 million resulting from scheduled debt service payments, ending the year at \$20.5 million outstanding. No new debt was issued.

Obligations Outstanding

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|--------------|--------------|
| Long-Term Full Faith and Credit Notes | \$20,525,057 | \$21,524,626 |

All Agency debt is in the form of long term loans backed by the Full Faith and Credit of the City of Sherwood. Intergovernmental agreements between the City and the Agency obligate the Agency to pay debt service. The Agency does not have a bond rating. It relies on the City's A1 bond rating (Moody's Investors Service). For additional information on the Agency's long term obligations, refer to the Long Term Obligations Note in the Notes to Basic Financial Statements section.

6. HIGHLIGHTS OF FISCAL YEAR 2015 BUDGET

There was one mid-year change to the URA budgets to transfer appropriations between categories. Property tax revenue was less than expected due to estimates in property values. The URA sold two pieces of land and purchased other pieces of property that will be converted into a parking lot for downtown. Additionally the Center for the Arts construction was completed and the facility opened in February 2015.

7. ECONOMIC FACTORS AND FISCAL YEAR 2015 BUDGET

The anticipated economic situation for the Agency is that development will increase in FY16. Property tax revenues will increase with the increase in development. The Agency is collecting sufficient tax revenue to cover all annual operational and debt service expenditures.

8. FINANCIAL CONTACT

The Agency's financial statements are designed to present Agency taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact Joseph Gall, City Manager at 22560 SW Pine Street, Sherwood Oregon, 97140 or gallj@sherwoodoregon.gov.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

STATEMENT OF NET POSITION
JUNE 30, 2015

| | Government Activities |
|---|--------------------------|
| ASSETS: | |
| Restricted cash and investments | \$ 1,746,240 |
| Property taxes receivable | 164,454 |
| Accounts receivable | 12,635 |
| Capital assets: | |
| Land, improvements and construction in progress | 1,822,920 |
| TOTAL ASSETS | 3,746,249 |
| LIABILITIES: | |
| Accounts payable | 140,771 |
| Other accrued liabilities | 11,837 |
| Accrued interest payable | 223,426 |
| Long-term obligations: | |
| Due with in one year | 1,041,505 |
| Due in more than one year | 19,483,552 |
| TOTAL LIABILITIES | 20,901,093 |
| NET POSITION: | |
| Net investment in capital assets | 1,822,920 |
| Restricted | 1,619,259 |
| Unrestricted | (20,597,023) |
| TOTAL NET POSITION | \$ (17,154,844) |

See notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

| Function/Program | Expenses | Net (Expense) Revenue and Change in Net Position Total Governmental Activities |
|---|---------------------|--|
| Governmental activities: | | |
| Urban redevelopment | \$ 435,916 | \$ (435,916) |
| Interest on long-term obligations | 682,216 | (682,216) |
| Total | <u>\$ 1,118,132</u> | <u>(1,118,132)</u> |
| General revenues: | | |
| Property taxes | | 3,463,466 |
| Intergovernmental | | 16,900 |
| Unrestricted interest earnings | | 15,110 |
| Contribution of capital assets | | <u>(6,763,391)</u> |
| Total general revenues and contribution | | <u>(3,267,915)</u> |
| Change in net position | | <u>(4,386,047)</u> |
| Net position (deficit), June 30, 2014 as originally stated | | (12,761,055) |
| Restatement | | <u>(7,742)</u> |
| Net position (deficit), June 30, 2014 as restated | | <u>(12,768,797)</u> |
| Net position (deficit), June 30, 2015 | | <u>\$ (17,154,844)</u> |

See notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

| | <u>General Fund</u> | <u>Capital Fund</u> | <u>Totals</u> |
|--|----------------------------|---------------------|----------------------------|
| ASSETS: | | | |
| Restricted cash and investments | \$ 1,746,240 | \$ - | \$ 1,746,240 |
| Property taxes receivable | 164,453 | - | 164,453 |
| Accounts receivable | 12,636 | - | 12,636 |
| TOTAL ASSETS | <u><u>\$ 1,923,329</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,923,329</u></u> |
| LIABILITIES: | | | |
| Accounts payable | \$ 140,771 | - | \$ 140,771 |
| Other accrued liabilities | 7,939 | - | 7,939 |
| TOTAL LIABILITIES | <u>148,710</u> | <u>-</u> | <u>148,710</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue - property taxes | 155,359 | - | 155,359 |
| FUND BALANCES: | | | |
| Restricted for urban renewal projects | 1,619,259 | - | 1,619,259 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u><u>\$ 1,923,328</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,923,328</u></u> |

See notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2015**

| | | | |
|---|--|-----------------|-------------------------------|
| TOTAL FUND BALANCE | | | \$ 1,619,259 |
| Total net position shown in the Statement of Net Position are different because: | | | |
| Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds. | | | |
| | | | 1,822,920 |
| A portion of the City's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are not reported in the governmental funds. | | | |
| | | | 155,359 |
| Other accrued liabilities not payable in the current year are not recorded as governmental fund liabilities. | | | |
| | | | (3,898) |
| Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expense when it is due. These long-term assets and liabilities consist of: | | | |
| Bonds and note payable | | \$ (20,525,057) | |
| Accrued interest payable | | (223,427) | (20,748,484) |
| | | | <u>(20,748,484)</u> |
| TOTAL NET POSITION | | | <u><u>\$ (17,154,844)</u></u> |

See notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

| | General Fund | Capital Fund | Totals |
|---|---------------------|--------------------|--------------------|
| REVENUES: | | | |
| Property taxes | \$ 3,474,465 | \$ - | \$3,474,465 |
| Intergovernmental | - | 16,900 | 16,900 |
| Interest on investments | 15,110 | - | 15,110 |
| TOTAL REVENUES | <u>3,489,575</u> | <u>16,900</u> | <u>3,506,475</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Urban redevelopment | 132,341 | - | 132,341 |
| Noncurrent: | | | |
| Capital outlay | - | 4,000,985 | 4,000,985 |
| Debt service | 1,585,240 | - | 1,585,240 |
| TOTAL EXPENDITURES | <u>1,717,581</u> | <u>4,000,985</u> | <u>5,718,566</u> |
| Excess (deficiency) of revenues over expenditure | <u>1,771,994</u> | <u>(3,984,085)</u> | <u>(2,212,091)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | 182,064 | - | 182,064 |
| Transfers out | (3,988,201) | - | (3,988,201) |
| Transfers in | - | 3,988,201 | 3,988,201 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(3,806,137)</u> | <u>3,988,201</u> | <u>182,064</u> |
| NET CHANGE IN FUND BALANCES | <u>(2,034,142)</u> | <u>4,116</u> | <u>(2,030,027)</u> |
| FUND BALANCE, June 30, 2014 as originally stated | 3,657,028 | - | 3,657,028 |
| Restatement | (3,626) | (4,116) | (7,742) |
| FUND BALANCE, June 30, 2014 as restated | <u>3,653,402</u> | <u>(4,116)</u> | <u>3,649,286</u> |
| FUND BALANCE, June 30, 2015 | <u>\$ 1,619,259</u> | <u>\$ -</u> | <u>\$1,619,259</u> |

See notes to basic financial statements

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|---|-----------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ (2,030,027) |
|---|-----------------------|

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

Governmental funds report capital assets additions as expenditures while
governmental activities report depreciation expense to allocate those expenditures
over the life of the assets.

| | | |
|--------------------------------|------------------|--------------------|
| Expenditures capitalized | \$ 4,002,411 | |
| Contribution of capital assets | (6,763,391) | |
| Disposals | <u>(523,029)</u> | <u>(3,284,009)</u> |

| | |
|--|----------|
| Receivables that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned. | (10,999) |
|--|----------|

| | |
|---|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 999,570 |
|---|---------|

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and therefore are not reported as

| | | |
|---------------------------|-----------------|-----------------|
| Other accrued liabilities | 4,771 | |
| Accrued interest payable | <u>(65,353)</u> | <u>(60,582)</u> |

| | |
|--|------------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (4,386,047)</u> |
|--|------------------------------|

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, Oregon, (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the Agency's accounting policies are described below.

Reporting Entity

The Agency was created on July 1, 2001 to promote the economic welfare and prosperity of the City's inhabitants. The Agency is governed by a seven-member board of directors that include the City's mayor and council members and is reported as a blended component unit in the City's financial statements as a special revenue and a capital project fund. All significant activities over which the Agency exercises oversight responsibility have been included in the component unit financial statements.

Government-wide and Fund Financial Statements

Government-wide financial statements display information about the Agency as a whole. These statements focus on the sustainability of the Agency 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.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Currently, the Agency has two governmental funds; the General Fund and the Capital Fund. Each fund is reported as major, and is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows, fund balance, revenues and expenditures.

Measurement Focus and Basis of Accounting

The 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers amounts collected within 30 days of year end to be available, and susceptible to accrual. Property tax revenues are susceptible to accrual using the 30 day window. Expenditures are recorded when the related fund liability is incurred.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Cash Deposits and Investments

The Agency maintains its cash balance as a part of the pooled cash of the City of Sherwood. State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others. Information on the City's cash and disclosures related to cash can be found in the Comprehensive Annual Financial Report of the City. Interest earnings are allocated by the City based on the proportion of the Agency's cash to total City pooled funds.

Receivables

Property tax receivables for the governmental fund types, which have been collected within thirty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the Agency and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the Agency represent the Agency's allocated share of delinquent property taxes and other amounts to be collected from property owners.

Capital Assets

Capital assets (items lasting more than one year and costing in excess of \$5,000) are stated at historical cost. Donated capital assets are recorded at the fair market value of such assets at the date of donation. Capital assets are charged to expenditures in the governmental fund types as purchased.

Capital assets are depreciated in the government-wide statements using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Infrastructure | 20 to 100 |
| Buildings | 50 to 60 |
| Land improvements | 12 to 20 |
| Machinery and equipment | 7 to 20 |
| Licensed vehicles | 5 to 10 |

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of capital assets are included in operations.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities. Bond premiums, discounts and deferred charges are amortized over the life of the bonds on the straight line method. Bonds payable are reported net of the applicable premium or discount.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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 expenditures.

Pension Plan

The Agency's employees are employees of the City of Sherwood; therefore no pension costs are attributable to the Agency.

Budget and Budgetary Accounting

A budget is prepared for each fund in accordance with the modified accrual basis of accounting. Appropriations are made at the category level for all funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the governing board. After budget approval, the governing board may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the governing board if it exceeds 10% of a fund's expenditures.

Fund Balance

Governmental Accounting Standards Board (GASB) Statement No. 54 requires analysis and presentation of fund balance within the governmental funds in five categories. The fund balance categories are:

- Non-spendable- Includes items not in spendable form such as prepaid items and inventories.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by constitutional provisions or enabling legislation.
- Committed – Includes items committed by the Board in formal action by resolution.
- Assigned – Includes items designated for specific use as authorized by the Agency, under authority granted by the Agency Board.
- Unassigned – This is the residual classification used in the General Fund for those balances not assigned to another category, and for any deficits reported in other governmental funds.

The Agency has adopted the following order of spending regarding fund balance categories within the governmental funds. Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available; the order of spending for remaining unrestricted resources is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

DETAILED NOTES ON ALL ACCOUNTS

Capital Assets

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

| | Balances June 30, 2014 | Additions & Transfers | Deletions & Transfers | Balances June 30, 2015 |
|--|------------------------------|--------------------------|--------------------------|------------------------------|
| Land | \$ 3,066,766 | \$ 160,235 | \$ (1,404,081) | \$ 1,822,920 |
| Construction in process | 2,040,163 | 3,858,176 | (5,898,339) | - |
| Total capital assets not being depreciated | 5,106,929 | 4,018,411 | (7,302,420) | 1,822,920 |
| Total capital assets | <u>\$ 5,106,929</u> | <u>\$4,018,411</u> | <u>\$ (7,302,420)</u> | <u>\$ 1,822,920</u> |

Long-Term Obligations

| | Original Amount | Outstanding at June 30, 2014 | Issued/ Assumed | Matured/ Redeemed During Year | Outstanding at June 30, 2015 | Due within One Year |
|--|--------------------|------------------------------------|--------------------|-------------------------------------|------------------------------------|---------------------------|
| Long-term Loans | | | | | | |
| 2006 URA Streets #2 (interest variable) | | | | | | |
| Matures December 2026 | \$6,400,000 | \$ 4,748,824 | \$ - | \$ (283,378) | \$ 4,465,447 | \$ 295,313 |
| 2010 URA Cannery & Streets (interest 4.65%) | | | | | | |
| Matures June 2030 | 7,065,000 | 6,115,000 | - | (260,000) | 5,855,000 | 275,000 |
| 2010 URA Cannery Projects (interest 0.55%) | | | | | | |
| Matures December 2020 | 5,898,888 | 5,898,888 | - | - | 5,898,888 | - |
| 2012 Civic bldg & street refunding (interest 3.0%) | | | | | | |
| Matures December 2023 | 5,245,000 | 4,450,000 | - | (425,000) | 4,025,000 | 440,000 |
| Premium on bonds issued | 374,298 | 311,914 | - | (31,192) | 280,722 | 31,192 |
| Total | | <u>\$21,524,626</u> | <u>\$ -</u> | <u>\$ (999,570)</u> | <u>\$20,525,057</u> | <u>\$1,041,505</u> |

Future maturities of long-term obligations are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|--------------------|---------------------|
| 2016 | \$ 1,010,313 | \$ 709,053 | \$ 1,719,366 |
| 2017 | 2,180,846 | 658,008 | 2,838,854 |
| 2018 | 2,245,610 | 594,634 | 2,840,244 |
| 2019 | 2,310,910 | 529,109 | 2,840,019 |
| 2020 | 2,376,760 | 461,493 | 2,838,253 |
| 2021-2025 | 6,790,477 | 1,406,523 | 8,197,000 |
| 2026-2030 | 3,329,418 | 408,134 | 3,737,552 |
| | <u>\$20,244,334</u> | <u>\$4,766,954</u> | <u>\$25,011,288</u> |

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

DETAILED NOTES ON ALL ACCOUNTS (Continued)

Restatement

A restatement to correct an error of other accrued liabilities was posted as follows:

| | |
|---|------------------------|
| Net position - June 30, 2014 as originally reported | \$ (12,761,055) |
| Restatement | (7,742) |
| Net position - June 30, 2014 as restated | <u>\$ (12,768,797)</u> |

The restatement was made in the General Fund in the amount of \$3,626 and in the Capital Fund in the amount of \$4,116, totaling \$7,742.

Commitments and Contingencies

The Agency is involved in various claims and legal matters relating to its operations which have all been tendered to the Agency's liability insurer or are being defended by attorneys. The Agency does not believe that any of these matters will have a material impact on its June 30, 2015 financial statements. The Agency has outstanding commitments at June 30, 2015 totaling \$222,400 related to construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

| | Budget | | | Variance with final budget positive (negative) |
|--|--------------------|--------------------|---------------------|---|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Property taxes | \$ 3,585,535 | \$ 3,585,535 | \$ 3,474,465 | \$ (111,070) |
| Fines, interest and other | 18,000 | 18,000 | 15,110 | (2,890) |
| TOTAL REVENUES | <u>3,603,535</u> | <u>3,603,535</u> | <u>3,489,575</u> | <u>(113,960)</u> |
| EXPENDITURES: | | | | |
| Personal services | 34,357 | 54,357 | 56,390 | (2,033) |
| Materials and services | 73,502 | 76,002 | 75,951 | 51 |
| Debt service | 1,585,240 | 1,585,240 | 1,585,240 | - |
| Contingency | 1,452,911 | 1,340,411 | - | 1,340,411 |
| TOTAL EXPENDITURES | <u>3,146,010</u> | <u>3,056,010</u> | <u>1,717,581</u> | <u>1,338,429</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>457,525</u> | <u>547,525</u> | <u>1,771,994</u> | <u>1,224,469</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from sale of capital assets | - | - | 182,064 | 182,064 |
| Transfers out | (4,000,000) | (4,090,000) | (3,988,201) | 101,799 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(4,000,000)</u> | <u>(4,090,000)</u> | <u>(3,806,137)</u> | <u>283,863</u> |
| NET CHANGE IN FUND BALANCE | <u>(3,542,475)</u> | <u>(3,542,475)</u> | <u>(2,034,142)</u> | <u>1,508,333</u> |
| FUND BALANCE, June 30, 2014 as originally stated | 3,542,475 | 3,542,475 | 3,657,028 | 114,553 |
| Restatement | - | - | (3,626) | (3,626) |
| FUND BALANCE, June 30, 2014 as restated | <u>3,542,475</u> | <u>3,542,475</u> | <u>3,653,402</u> | <u>110,927</u> |
| FUND BALANCE, June 30, 2015 | <u>-</u> | <u>-</u> | <u>\$ 1,619,260</u> | <u>\$ 1,619,260</u> |

OTHER SUPPLEMENTARY INFORMATION

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

CAPITAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

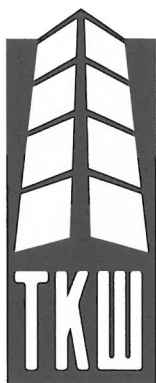
| | Budget | | Actual | Variance with final budget positive (negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 16,900 | \$ 16,900 |
| EXPENDITURES: | | | | |
| Personal services | 125,080 | 110,080 | 96,132 | 13,948 |
| Materials and services | 89,761 | 79,761 | 75,835 | 3,926 |
| Capital outlay | 3,786,262 | 3,866,262 | 3,829,018 | 37,244 |
| Contingency | 17,720 | 17,720 | - | 17,720 |
| TOTAL EXPENDITURES | 4,018,823 | 4,073,823 | 4,000,985 | 72,838 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (4,018,823) | (4,073,823) | (3,984,085) | 34,738 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 4,000,000 | 4,055,000 | 3,988,201 | (66,799) |
| NET CHANGE IN FUND BALANCE | (18,823) | (18,823) | 4,116 | 22,939 |
| FUND BALANCE, June 30, 2014 as originally stated | 18,823 | 18,823 | - | (18,823) |
| Restatement | - | - | (4,116) | (4,116) |
| FUND BALANCE, June 30, 2014 as restated | 18,823 | 18,823 | (4,116) | (22,939) |
| FUND BALANCE, June 30, 2015 | \$ - | \$ - | \$ - | \$ - |

URBAN RENEWAL AGENCY OF THE CITY OF SHERWOOD, OREGON
(A Component Unit of the City of Sherwood, Oregon)

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

| Fiscal Year | Receivable June 30, 2014 | 2014-2015 Levy | Interest, Discounts & Adjustments | Collections | Receivable June 30, 2015 |
|----------------|-----------------------------|---------------------|---|-----------------------|-----------------------------|
| 2014-15 | \$ - | \$ 3,561,323 | \$ (96,800) | \$ (3,398,893) | \$ 65,630 |
| 2013-14 | 86,153 | - | 1,099 | (51,090) | 36,162 |
| 2012-13 | 33,599 | - | (414) | (10,655) | 22,530 |
| 2011-12 | 25,059 | - | (1,018) | (8,507) | 15,534 |
| 2010-11 | 17,129 | - | (2,382) | (3,190) | 11,557 |
| 2009-10 | 12,283 | - | 96 | (1,067) | 11,312 |
| Prior Years | 2,252 | - | 483 | (1,006) | 1,729 |
| Total | <u>\$ 176,475</u> | <u>\$ 3,561,323</u> | <u>\$ (98,936)</u> | <u>\$ (3,474,408)</u> | <u>\$ 164,454</u> |

COMPLIANCE SECTION



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board Members

Urban Renewal Agency of the City of Sherwood, Oregon
(A component unit of the City of Sherwood)
Sherwood, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Sherwood, Oregon (the Agency), a component unit of the City of Sherwood, Oregon as of and for the year ended June 30, 2015, and have issued our report thereon dated January 29, 2016.

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 statement 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.
- 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* except as follows:

Over expenditure of appropriations in the General Fund for personal services of \$2,033.

An Independently Owned Member
MCGLADREY ALLIANCE



McGladrey

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

Page 2

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 were communicated separately.

RESTRICTIONS ON USE

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

Talbot, Kervola & Warwick, LLP

Lake Oswego, Oregon
January 29, 2016