

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**



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

**CITY OF TALENT  
TALENT, OREGON**

**CASH BASIS FINANCIAL STATEMENTS**

**WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

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**CITY OF TALENT**  
**TALENT, OREGON**

<b><u>Mayor and City Council</u></b>	<b><u>TERM EXPIRES</u></b>
William Cecil, Mayor	December 2014
Chris Auer	December 2014
Sherman Lamb	December 2012
Kiersten Brown	December 2014
Teresa Cooke	December 2012
Diane Glendenning	December 2014
Edwin Jerome McManus	December 2012

All councilors receive their mail at the address listed below

**REGISTERED AGENT AND ASSISTANT SECRETARY**

**ADMINISTRATIVE**

Tom Corrigan, City Manager  
110 E. Main Street  
Talent, OR 97540

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**CITY OF TALENT  
TALENT, OREGON**

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**CITY OF TALENT**  
**TALENT, OREGON**

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

October 11, 2012

To the City Council  
City of Talent  
Talent, Oregon

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying combined cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Talent, as of and for the year ended June 30, 2012 which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Talent's management. 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 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, these financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, business-type activities, discretely presented component unit, General Fund, SDC Fund, Street Fund, Capital Improvement Fund, and the aggregate remaining fund information of City of Talent at June 30, 2012, and the results of its operations and respective budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, 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, as listed in the table of contents, 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 Management's Discussion and Analysis, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Talent's financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contest, is fairly stated in all material respects in relation to the other financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Talent's financial statements. The listing of board members containing their term expiration dates, located before the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on it.

  
PAULY, ROGERS and CO., P.C.

**CITY OF TALENT  
TALENT, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the City of Talent's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements and notes, which follow this section. Comparative information is provided between the prior fiscal year ended June 30, 2011 and June 30, 2012.

**FINANCIAL HIGHLIGHTS**

- The City's Governmental and Business Type net assets were \$3,497,036 and \$276,576 respectively, at June 30, 2012.
- During the year, the City's Governmental net assets decreased by \$285,614 and Business Type net assets decreased by \$45,791.
- The general fund reported a fund balance this year of \$1,021,148.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer short-term and long-term financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## **Government-wide Statements**

The government-wide statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the city's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, parks, streets, and water. Property taxes, service charges, franchise taxes, permits and fees, and intergovernmental revenues finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or difference) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

## FINANCIAL ANALYSIS OF THE CITY GOVERNMENTAL FUNDS

This section of this document will analyze the changes in the City's revenue, expenditures, fund balances, and net assets between the fiscal year (FY11) and the fiscal year (FY12). The last column indicates the change in the two years.

<b>CITY OF TALENT - CHANGES IN NET ASSESTS - GOVERNMENTAL FUNDS</b>			
	2012	2011	CHANGE
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 1,003,605	\$ 940,024	\$ 63,581
Operating Grants	19,082	23,585	(4,503)
General Revenues:			
Property Taxes	925,943	883,215	42,728
Other Taxes	404,800	354,724	50,076
Intergovernmental	966,771	1,122,823	(156,052)
Bond Proceeds			-
Other	76,300	109,442	(33,142)
Total Revenues	3,396,502	3,433,813	(37,312)
<b>EXPENSES</b>			
Administration	506,984	531,282	(24,298)
Community Development	146,063	125,604	20,459
TAP Operations	254,440	257,545	(3,105)
Library Operations	64,879	63,141	1,738
Police	1,013,724	967,296	46,428
Street	296,827	291,314	5,513
Parks	129,723	86,912	42,811
Capital Improvements	1,405,420	848,465	556,955
Debt Service Payments	91,111	88,855	2,256
Water			-
Total Expenses	3,909,171	3,260,414	648,757
Change in Net Assets before Transfers	(512,670)	173,399	(686,069)
Transfers	227,056	274,279	(47,223)
Change in Net Assets	(285,614)	447,678	(733,292)
Beginning Net Assets	3,782,650	3,334,972	447,678
Ending Net Assets	\$ 3,497,036	\$ 3,782,650	\$ (285,614)

The next chart shows the same data for FY11 and FY12 for the business type funds. The last column indicates the change between the two years.

<b>CITY OF TALENT - CHANGES IN NET ASSESTS - BUSINESS TYPE FUNDS</b>			
	2012	2011	CHANGE
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 1,195,469	\$ 1,197,940	\$ (2,471)
Operating Grants			-
General Revenues:			
Property Taxes			-
Other Taxes			-
Intergovernmental			-
Other	2,172	2,219	(47)
Total Revenues	1,197,641	1,200,159	(2,518)
<b>EXPENSES</b>			
Administration			
Community Development			
Police			
Street			
Parks			
Capital Improvements			
Debt Service Payments			
Water	1,016,376	1,013,511	2,865
Total Expenses	1,016,376	1,013,511	2,865
Change in Net Assets before Transfers	181,265	186,648	(5,383)
Transfers	(227,056)	(274,279)	(47,223)
Change in Net Assets	(47,791)	(87,631)	41,840
Beginning Net Assets	322,367	409,998	(87,631)
Ending Net Assets	\$ 276,576	\$ 322,367	\$ (45,791)

### **Changes in Program Revenues**

**Charges for Services (\$63,581):** Charges for Services increased in fiscal year 2012. Community Development Fees and System Development Charges increased by \$59,238 after a \$122,205 decrease for FY11. Collections of Court fines were up \$9,824 and Impound fees were down \$6,950 after a \$7,494 increase in FY11.

**General Revenues (\$-96,390):** Other revenues showed a decrease over the previous year due to the FY11 receipt of \$104,755 for the Urban Renewal West Valley View Project. Property tax revenues increased by \$42,533. Included in property tax revenue is \$63,159 in receipts levied for repayment of the General Obligation Bond debt service for the Police Department renovation. Intergovernmental revenues decreased by \$156,052 of which \$131,524 was in the Capital Improvement Fund due to the timing of projects receiving government grant funding. Rental Income increased by \$3,250 for the Depot Building, All space in the Depot Building is currently being leased. Other space rental income decreased by \$6,857 due to the cancellation of the Clearwire, LLC lease during in February 2011.

### **Changes in Program Expenditures**

**General Administration (\$-24,298):** This decrease can be attributed to a \$20,224 decrease in personal services due to the transition in the City Manager position with the Interim City Manager paid from Business Consulting Services under material and supplies.

**Community Development (\$20,459):** This increase can be attributed to a one time increase in Personnel Services with the transition of the City Manager and an increase in expenditures directly associated with the level of building construction and inspections.

**Police (\$46,428):** This increase can be attributed to an increase in Personnel Services of \$58,093 with the transition of the City Manager and a general increase in salaries and benefits along with a Material and Services decrease for labor attorney services and an increase in fuel expense.

**Street (\$5,513):** This fund includes salaries and benefits for Public Works employees whose time is accounted for in several funds depending on the type of work being performed. This overall increase is a combination of an increase in Personnel Services of \$11,415 and a decrease in General Engineering and Public Works Director contract fees and labor attorney services.

**Parks (\$42,811):** This increase is due to an increase Personnel Services and in Materials and Supplies for Park maintenance.

**Capital Improvements (\$556,955):** The Capital Improvements Fund was initially established in FY2005. A combination of System Development Charges, grants, transfers from other funds and funding from outside agencies has allowed the City to take on major improvements to the City's infrastructure. Significant infrastructure improvements have been completed since FY2006. Capital construction projects taking place in FY11 included the completion of the Talent Avenue curb and sidewalk project, initial engineering on the Highway 99 Water

Main and Arnos Street improvements, and construction of the South First Street Water Line and Talent Avenue Dog Park. Capital construction projects taking place in FY12 included the Highway 99 Water Main project funded by a Community Development Block Grant, Arnos Street Improvements, a city wide pavement restoration project, and the purchase of land for as future reservoir site.

The FY11 Governmental Fund balances total \$3,497,037, which represents a decrease of \$285,613 from FY11.

## **FINANCIAL ANALYSIS OF THE PROPRIETARY FUND**

### **Change in Program Revenues**

**Charges for Services (\$-2,471):** Water revenue is based on consumption and weather which was consistent from FY11 to FY12. New connections for FY12 were \$8,887 compared to \$12,000 for FY11.

**General Revenues (\$-47):** General revenues were consistent between FY11 and FY12.

### **Change in Program Expenditures**

**Water (\$2,865):** This fund includes salaries and benefits for Public Works employees whose time is accounted for in several funds depending on the type of work being performed. This overall increase is a combination of an increase in Personnel Services and a decrease in General Engineering and Public Works Director contract fees and labor attorney services.

The proprietary fund balance totaled \$276,576 as of June 30, 2012. This represents a decrease of \$45,791 from the previous year.

## **LONG TERM DEBT**

More detailed information about the City's long term debt is presented in the notes to the financial statements.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our taxpayers, ratepayers, and creditors with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the City's Administrative Services Director at 541-535-1566 or P.O. Box 445, Talent, Oregon, 97540.

**CITY OF TALENT  
TALENT, OREGON**

**BASIC FINANCIAL STATEMENTS**



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**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF NET ASSETS - CASH BASIS  
June 30, 2012**

ASSETS	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL	BUSINESS TYPE	TOTALS	
Current Assets:				
Cash and Investments	\$ 3,497,036	\$ 276,576	\$ 3,773,612	\$ 893,440
Property Taxes Receivable	80,554	-	80,554	90,164
Total Current Assets	<u>3,577,590</u>	<u>276,576</u>	<u>3,854,166</u>	<u>983,604</u>
Capital Assets, net	-	-	-	-
Total Assets	<u>3,577,590</u>	<u>276,576</u>	<u>3,854,166</u>	<u>983,604</u>
LIABILITIES				
Current Liabilities:				
Deferred Revenue	80,554	-	80,554	90,164
Total Current Liabilities	<u>80,554</u>	<u>-</u>	<u>80,554</u>	<u>90,164</u>
NET ASSETS:				
Restricted for -				
Debt Payments	323,672	-	323,672	469,582
System Development	414,271	-	414,271	-
Unrestricted	<u>2,759,093</u>	<u>276,576</u>	<u>3,035,669</u>	<u>423,858</u>
Total Net Assets	<u>\$ 3,497,036</u>	<u>\$ 276,576</u>	<u>\$ 3,773,612</u>	<u>\$ 893,440</u>

See accompanying notes to the basic financial statements



<u>Total</u>	<u>Component Unit</u>
\$ (391,501)	\$ -
(54,418)	-
(254,440)	-
2,246	-
(707,557)	-
(80,640)	-
56,125	-
21,891	-
18,341	-
(1,405,420)	-
(91,111)	-
<u>(2,886,484)</u>	<u>-</u>
179,093	-
<u>179,093</u>	<u>-</u>
(2,707,391)	-
	(1,749,662)
925,943	1,028,724
404,800	-
8,775	-
966,771	-
18,979	-
9,567	-
22,915	5,780
-	463,800
-	-
18,236	72,386
-	-
<u>2,375,986</u>	<u>1,570,690</u>
(331,405)	(178,972)
<u>4,105,017</u>	<u>1,072,412</u>
<u>\$ 3,773,612</u>	<u>\$ 893,440</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
30-Jun-12**

	<u>GENERAL</u>	<u>SDC</u>	<u>STREET</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,021,148	\$ 414,271	\$ 573,326
Property Taxes Receivable	<u>80,554</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,101,702</u>	<u>\$ 414,271</u>	<u>\$ 573,326</u>
<b>LIABILITIES AND CASH BASIS FUND BALANCES</b>			
<b>Liabilities:</b>			
Deferred Revenue	<u>\$ 80,554</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>80,554</u>	<u>-</u>	<u>-</u>
<b>Cash Basis Fund Balances:</b>			
Restricted for -			
Debt Payments	-	-	-
System Development	-	414,271	-
Committed for -			
Future Capital Improvements	-	-	-
Parks Maintenance	-	-	-
Library Operations	-	-	-
TAP Operations	-	-	-
Assigned - Street Expenses	-	-	573,326
Unassigned	<u>1,021,148</u>	<u>-</u>	<u>-</u>
Total Cash Basis Fund Balances	<u>1,021,148</u>	<u>414,271</u>	<u>573,326</u>
Total Liabilities and Cash Basis Fund Balances	<u>\$ 1,101,702</u>	<u>\$ 414,271</u>	<u>\$ 573,326</u>

See accompanying notes to the basic financial statements

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<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NONMAJOR</u>	<u>TOTAL</u>
\$ 1,036,035	\$ 452,256	\$ 3,497,036
-	-	80,554
<u>\$ 1,036,035</u>	<u>\$ 452,256</u>	<u>\$ 3,577,590</u>
\$ -	\$ -	\$ 80,554
-	-	80,554
-	323,672	323,672
-	-	414,271
1,036,035	-	1,036,035
-	112,191	112,191
-	16,392	16,392
-	1	1
-	-	573,326
-	-	1,021,148
<u>1,036,035</u>	<u>452,256</u>	<u>3,497,036</u>
<u>\$ 1,036,035</u>	<u>\$ 452,256</u>	<u>\$ 3,577,590</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	<u>GENERAL</u>	<u>SDC</u>	<u>STREET</u>
Receipts			
Taxes	\$ 862,589	\$ -	\$ -
Franchise Taxes	404,800	-	-
Licenses and Permits	91,645	-	8,776
Intergovernmental Receipts	169,343	-	327,892
Charges for Services	161,170	150,462	216,187
Assessments	-	-	-
Interest	4,600	1,365	1,989
Fines and Forfeitures	159,033	-	-
Miscellaneous	50,123	-	1,505
Total Receipts	<u>1,903,303</u>	<u>151,827</u>	<u>556,349</u>
Disbursements			
Personal Services	1,110,847	-	119,442
Materials & Services	555,924	-	177,385
Debt Service	-	-	-
Capital Outlay	15,568	-	14,677
Total Disbursements	<u>1,682,339</u>	<u>-</u>	<u>311,504</u>
Excess of Receipts Over, -Under Disbursements	220,964	151,827	244,845
Other Financing Sources, -Uses			
Sale of Capital Assets	-	-	-
Bond Proceeds	-	-	-
Transfers In	-	-	-
Transfers Out	(32,850)	(39,000)	(155,000)
Total Other Financing Sources, -Uses	<u>(32,850)</u>	<u>(39,000)</u>	<u>(155,000)</u>
Net Change in Cash Basis Fund Balance	188,114	112,827	89,845
Beginning Cash Basis Fund Balance	<u>833,034</u>	<u>301,444</u>	<u>483,481</u>
Ending Cash Basis Fund Balance	<u>\$ 1,021,148</u>	<u>\$ 414,271</u>	<u>\$ 573,326</u>

See accompanying notes to the basic financial statements

<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NON MAJOR</u>	<u>TOTAL</u>
\$ -	\$ 63,159	\$ 925,748
-	-	404,800
-	10,714	111,135
433,526	76,770	1,007,531
-	173,213	701,032
-	9,567	9,567
6,053	7,963	21,970
-	-	159,033
26	4,031	55,685
<u>439,605</u>	<u>345,417</u>	<u>3,396,501</u>
-	80,673	1,310,962
-	368,369	1,101,678
-	91,111	91,111
<u>1,369,165</u>	<u>6,010</u>	<u>1,405,420</u>
<u>1,369,165</u>	<u>546,163</u>	<u>3,909,171</u>
(929,560)	(200,746)	(512,670)
-	-	-
-	-	-
278,049	189,457	467,506
-	(13,600)	(240,450)
<u>278,049</u>	<u>175,857</u>	<u>227,056</u>
(651,511)	(24,889)	(285,614)
<u>1,687,546</u>	<u>477,145</u>	<u>3,782,650</u>
<u>\$ 1,036,035</u>	<u>\$ 452,256</u>	<u>\$ 3,497,036</u>



CITY OF TALENT  
JACKSON COUNTY, OREGON

STATEMENT OF NET ASSETS - CASH BASIS  
PROPRIETARY FUND  
June 30, 2012

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ASSETS:

Current Assets	
Cash and Investments	\$ <u>276,576</u>
Total Assets	\$ <u><u>276,576</u></u>
Cash Basis Net Assets	
Unreserved	<u>276,576</u>
Total Cash Basis Net Assets	\$ <u><u>276,576</u></u>

See accompanying notes to the basic financial statements

CITY OF TALENT  
JACKSON COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS - CASH BASIS  
PROPRIETARY FUND  
For the Year Ended June 30, 2012

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OPERATING RECEIPTS	
Service Charges	\$ 1,195,469
Miscellaneous	<u>1,032</u>
Total Operating Receipts	<u>1,196,501</u>
OPERATING DISBURSEMENTS	
Personal Service	440,806
Materials and Services	<u>273,010</u>
Total Operating Disbursements	<u>713,816</u>
Operating Income -Loss	<u>482,685</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)	
Interest	1,140
Transfers In	3,600
Transfers Out	(230,656)
Bond / Interest Expense	<u>(302,560)</u>
Total Nonoperating Receipts (Disbursements)	<u>(528,476)</u>
Change in Cash Basis Net Assets	(45,791)
Beginning Cash Basis Net Assets	<u>322,367</u>
Ending Cash Basis Net Assets	<u>\$ 276,576</u>

See accompanying notes to the basic financial statements

**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS**  
**ACTUAL AND BUDGET**  
**For the Year Ended June 30, 2012**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u></u>
Receipts				
Taxes	\$ 810,000	\$ 810,000	\$ 862,589	\$ 52,589
Licenses, Permits & Fees	435,000	435,000	496,445	61,445
Intergovernmental	175,900	175,900	169,343	(6,557)
Charges for Services	160,900	160,900	161,170	270
Fines & Forfeits	110,000	110,000	159,033	49,033
Miscellaneous	41,900	45,627	54,723	9,096
	<u>1,733,700</u>	<u>1,737,427</u>	<u>1,903,303</u>	<u>165,876</u>
Total Receipts	<u>\$ 1,733,700</u>	<u>\$ 1,737,427</u>	<u>\$ 1,903,303</u>	<u>\$ 165,876</u>

See accompanying notes to the basic financial statements

Continued on page -10-

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>Disbursements</b>				
Administration & Council Department				
Personal Services	\$ 331,200	\$ 331,200	\$ 285,224	\$ 45,976
Materials and Services	279,125	279,125	221,760	57,365
Capital Outlay	21,900	21,900	10,937	10,963
Total Administration Department	<u>632,225</u>	<u>632,225</u> (1)	<u>517,921</u>	<u>114,304</u>
Community Development Department				
Personal Services	37,750	37,750	30,043	7,707
Materials and Services	137,900	137,900	116,020	21,880
Capital Outlay	1,000	1,000	550	450
Total Community Development Department	<u>176,650</u>	<u>176,650</u> (1)	<u>146,613</u>	<u>30,037</u>
Police Department				
Personal Services	915,000	915,000	795,580	119,420
Materials and Services	263,525	267,252	218,144	49,108
Capital Outlay	11,650	11,650	4,081	7,569
Total Police Department	<u>1,190,175</u>	<u>1,193,902</u> (1)	<u>1,017,805</u>	<u>176,097</u>
Contingency	<u>351,800</u>	<u>351,800</u> (1)	<u>-</u>	<u>351,800</u>
Total Disbursements	<u>2,350,850</u>	<u>2,354,577</u>	<u>1,682,339</u>	<u>672,238</u>
Excess of Receipts Over -Under Disbursements	(617,150)	(617,150)	220,964	838,114
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	-	-
Transfers Out	(32,850)	(32,850) (1)	(32,850)	-
Total Other Financing Sources	<u>(32,850)</u>	<u>(32,850)</u>	<u>(32,850)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(650,000)	(650,000)	188,114	838,114
Beginning Cash Basis Fund Balance	<u>650,000</u>	<u>650,000</u>	<u>833,034</u>	<u>183,034</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021,148</u>	<u>\$ 1,021,148</u>

\*\*Appropriation levels are Personal Services, Materials & Services, and Capital Outlay  
(1) - Appropriation level

See accompanying notes to the basic financial statements

Continued from page -9-

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

SYSTEMS DEVELOPMENT CHARGE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
<b>Receipts</b>				
System Development Charges	\$ 100,302	\$ 100,302	\$ 150,462	\$ 50,160
Miscellaneous	1,110	1,110	1,365	255
<b>Total Receipts</b>	<b>101,412</b>	<b>101,412</b>	<b>151,827</b>	<b>50,415</b>
<b>Disbursements</b>				
<b>Parks SDC</b>				
Other Objects (Transfers Out)	-	-	-	-
<b>Total Parks SDC</b>	<b>-</b>	<b>- (1)</b>	<b>-</b>	<b>-</b>
<b>Transportation SDC</b>				
Other Objects (Transfers Out)	-	-	-	-
<b>Total Transportation SDC</b>	<b>-</b>	<b>- (1)</b>	<b>-</b>	<b>-</b>
<b>Water SDC</b>				
Other Objects (Transfers Out)	39,000	39,000	39,000	-
<b>Total Water SDC</b>	<b>39,000</b>	<b>39,000 (1)</b>	<b>39,000</b>	<b>-</b>
<b>Storm Drain SDC</b>				
Other Objects (Transfers Out)	-	-	-	-
<b>Total Storm Drain SDC</b>	<b>-</b>	<b>- (1)</b>	<b>-</b>	<b>-</b>
<b>Total Disbursements</b>	<b>39,000</b>	<b>39,000</b>	<b>39,000</b>	<b>-</b>
Excess of Receipts Over -Under Disbursements	62,412	62,412	112,827	50,415
<b>OTHER FINANCING SOURCES</b>				
Reserve for Future Projects	(320,937)	(320,937) (1)	-	320,937
Transfers Out	-	-	-	-
<b>Total Other Financing Sources</b>	<b>(320,937)</b>	<b>(320,937)</b>	<b>-</b>	<b>(320,937)</b>
<b>Net Change in Cash Basis Fund Balance</b>	<b>(258,525)</b>	<b>(258,525)</b>	<b>112,827</b>	<b>(270,522)</b>
<b>Beginning Cash Basis Fund Balance</b>	<b>258,525</b>	<b>258,525</b>	<b>301,444</b>	<b>42,919</b>
<b>Ending Cash Basis Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 414,271</b>	<b>\$ 414,271</b>

(1) Appropriation Level

See accompanying notes to the basic financial statements

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
<b>Receipts</b>				
Licenses, Permits and Fees	\$ 500	\$ 500	\$ 8,776	\$ 8,276
Intergovernmental	295,000	295,000	327,892	32,892
Charges for Services	200,000	200,000	216,187	16,187
Interest	-	-	1,989	1,989
Miscellaneous	2,000	2,000	1,505	(495)
<b>Total Receipts</b>	<u>497,500</u>	<u>497,500</u>	<u>556,349</u>	<u>58,849</u>
<b>Disbursements</b>				
Street Maintenance and Repair				
Personal Services	193,950	193,950 (1)	119,442	74,508
Materials and Services	280,700	280,700 (1)	177,385	103,315
Capital Outlay	15,250	15,250 (1)	13,957	1,293
<b>Total Street Maintenance and Repair</b>	<u>489,900</u>	<u>489,900</u>	<u>310,784</u>	<u>179,116</u>
Capital Construction				
Capital Outlay	2,600	2,600	720	1,880
<b>Total Capital Construction</b>	<u>2,600</u>	<u>2,600</u> (1)	<u>720</u>	<u>1,880</u>
Contingency	200,000	200,000 (1)	-	200,000
<b>Total Disbursements</b>	<u>692,500</u>	<u>692,500</u>	<u>311,504</u>	<u>380,996</u>
Excess of Receipts Over -Under Disbursements	(195,000)	(195,000)	244,845	439,845
<b>OTHER FINANCING SOURCES</b>				
Transfers Out	(155,000)	(155,000) (1)	(155,000)	-
<b>Net Change in Cash Basis Fund Balance</b>	<u>(350,000)</u>	<u>(350,000)</u>	<u>89,845</u>	<u>439,845</u>
Beginning Cash Basis Fund Balance	500,000	500,000	483,481	(16,519)
<b>Ending Cash Basis Fund Balance</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 573,326</u>	<u>\$ 423,326</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with the cash basis of accounting as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the city's accounting policies are described below.

**A. THE FINANCIAL REPORTING ENTITY**

The City of Talent was incorporated in 1910. The City presently operates under a charter which took effect January 1, 1998, and which was amended with effective dates of January 1, 2003 and January 2005. The Charter provides for a Council-Manager form of government and provides such services as are authorized by the Charter. The City is governed by the City Council, consisting of six elected at-large members and an elected mayor.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, as defined under GASB Statement 39. There are other governmental agencies, the Phoenix-Talent School District, Fire District #5, Rogue Valley Sanitary Services, and the Talent Irrigation District, which provide services within the City. In addition, the Talent Urban Renewal Agency operates in a specific section of the downtown core. Based upon the application of the criteria, Urban Renewal Agency was included within the City of Talent's reporting entity, because the City is financially accountable for the Agency.

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

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

**GENERAL FUND**

This fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. The principal source of revenue is property taxes.

**STREET FUND**

This fund accounts for monies expended for maintenance and improvement of the City's roads and streets. Receipts are State of Oregon gasoline taxes.

**SDC FUND**

This fund accounts for various system development charges.

**CAPITAL IMPROVEMENT FUND**

This fund consolidates all the City Capital Improvement Projects. Revenues for this fund are primarily provided by transfers from the other Funds.

There was also the following major proprietary fund:

**WATER FUND**

This proprietary fund is self-supporting with the purpose of providing water and water services to the general public. This fund accounts for the operation of the water system for the City. Revenue is derived from charges for services to water users and expenses account for the costs of operation.

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF ACCOUNTING**

The City follows the cash basis of accounting with certain minor modifications. Under the cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. Exception to the cash basis is that payroll related liabilities are considered to be a liability when incurred and until paid. Additionally any payroll advances are considered to be cash equivalents and are displayed as a receivable. The property taxes uncollected at year-end are shown as a receivable but are not included in receipts, and are offset by a liability entitled deferred property taxes receivable. This basis of accounting is applied to both the government-wide financial statements, and the governmental and business type fund financial statements uniformly.

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets is capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and disbursements, including depreciation, are recorded when incurred. Management believes the cash basis of accounting is preferable for the City due to the City's small size and the necessity of assessing available cash resources. The cash basis of accounting is allowed under Oregon Local Budget Law.

The cash basis proprietary fund distinguishes operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for the enterprise fund includes the cost of sales and services, administrative disbursements, and capital outlay. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

**D. FUND EQUITY**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.



**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**D. FUND EQUITY**

- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. This authority has been granted to the City Manager and the Director of Finance.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

**E. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS**

The City has adopted, at July 1, 2003, the principles of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), as they are applicable to cash basis financial statements. The Statement requires that the City present both government-wide and fund financial statements, and reconcile the two types of statements, if necessary.

The government-wide statements report information on the City irrespective of fund activity, and the fund financial statements report information using the City’s funds. In total, the results presented using both of these methods are the same. Accordingly, there is no need for reconciling schedules.

The government-wide financial reports information on the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segments is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts 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 receipts are reported instead as general receipts.

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**F. BUDGET**

A budget is prepared and legally adopted for each fund on cash basis of accounting in the main program categories required by the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with cash basis accounting. The City begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30th.

Expenditures budgets are appropriated at the following levels for each fund: Personal Services, Materials and Services, Capital Outlay, Interfund Transactions, Debt Service, and Operating Contingency. Expenditures can not legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original appropriations, and several appropriation transfers. Expenditures of the various funds were within authorized appropriation levels.

**G. PROPERTY TAXES RECEIVABLE**

Property taxes receivable is recorded in the General Fund to indicate the amount of uncollected taxes that the City can expect to receive in the future. Such taxes are offset by a liability to indicate that these amounts have not been recorded as receipts. Real and personal property are assessed and property taxes become a lien against the property as of July 1 of each year. Property taxes are payable in three installments, following the lien date on November 15, February 15, and May 15. Taxes not received by May 15<sup>th</sup> are considered delinquent. As required by law, Jackson County manages tax collections for the City. Substantially all taxes receivable are considered collectible through liens on the underlying property.

**H. CAPITAL ASSETS**

Non-expendable equipment purchased is usually recorded as a capital outlay disbursement in the governmental and proprietary funds. The original historical cost of such assets has been estimated or tracked and is recorded by the City, but, under the cash basis of accounting the cost of capital assets of the City are not required to be displayed in the financial statements. The costs of significant betterments to capital assets are similarly recorded as disbursements and not capitalized. Depreciation is not recorded. When assets are donated, the estimated value is used to increase the balances of the capital assets. No receipts or disbursements are recorded since no cash was received or used when assets are donated. Normal repairs and maintenance are charged to disbursements as capital outlay or as materials and services. When property is retired or sold, any related proceeds are recorded in a governmental or proprietary fund.

**I. LONG-TERM DEBT**

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

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**J. RETIREMENT PLANS**

All of the City non-temporary employees working at least 600 hours per year are participants in the Public Employees' Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded. PERS retirees who receive a non-reduced retirement allowance are exempt from the 1,039 hour limit and may work any number of hours for a municipal police department of a city with a population with fewer than 15,000 inhabitants.

**2. CASH AND INVESTMENTS**

State statutes govern the City's cash management policies. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2012.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2012 the fair value of the position in the LGIP is 100% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due to/from Other Funds. Cash and Investments (recorded at fair value) consisted of:

	<u>2012</u>
Deposits with Financial Institutions:	
Demand Deposits	\$ 314,327
Petty Cash	850
Certificate of Deposit, Restricted	453,394
Investments	<u>3,005,041</u>
Total	<u>\$ 3,773,612</u>

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**2. CASH AND INVESTMENTS (CONTINUED)**

The City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 3,005,041	\$ 3,005,041	\$ -
Total	\$ 3,005,041	\$ 3,005,041	\$ -

**Interest Rate Risk**

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City does not have any investments that have a maturity date.

**Credit Risk**

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

**Concentration of Deposit Risk**

At year-end, the City's net carrying amount of deposits was \$767,719 and the bank balance was \$1,003,642. Of these deposits, \$800,247 was covered by federal depository insurance, the remainder is collateralized under the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and City policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS**

The changes in capital assets for the fiscal year ended June 30, 2012 are as follows:

	GOVERNMENTAL FUNDS			
	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
	Land	\$ 725,395	\$ -	\$ -
Buildings, Facilities, & Water System	10,737,201	-	-	10,737,201
Vehicles	202,999	-	-	202,999
Equipment	260,829	10,342	-	271,171
Infrastructure	8,723,825	103,097	-	8,826,922
Total	\$ 20,650,249	\$ 113,439	\$ -	\$ 20,763,688
	PROPRIETARY FUNDS			
	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Land	\$ 36,914	\$ 263,627	\$ -	\$ 300,541
Buildings, Facilities, & Water System	9,145,992	-	-	9,145,992
Vehicles	109,340	-	-	109,340
Equipment	130,728	3,448	-	134,176
Infrastructure	394,668	26,105	-	420,773
Total	\$ 9,817,642	\$ 293,180	\$ -	\$ 10,110,822

**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM**

Plan Description and Provisions:

All of the City's employees participate in the State of Oregon Public Employees Retirement System (PERS), an agent multiple-employer defined benefit, public employee pension plan. All City full-time employees become members of PERS after six months of service in any one year. Part-time and temporary employees are covered by the plan after 600 hours or 6 months of employment. Generally, employees who retire at or after age 50 with 25 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.67 percent of their final average monthly salary for each year of credited service. Final average monthly salary is based upon either the three calendar years out of the last ten calendar years of employment during which the highest salaries were earned or the last 36 calendar months of membership, whichever is larger. Benefits fully vest on reaching 5 years of service. Vested employees with fewer than 25 years of service will receive reduced benefits if retirement occurs prior to age 55. PERS also provides death and disability benefits. Benefits are established by state statute.

The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)**

Description of Funding Policy:

Covered employees are required by State statute to contribute 6% of their salary to the plan. The City is required to contribute at actuarially determined rates, as adopted by the PERS Board. The current rate effective July 1, 2011 are 6.10% for Tier I/II, 13.83% for Tier I/II Police and Fire, 4.93% for OPSRP, and 7.64% for OPSRP Police and Fire employees. The City's contribution to the plan for the years ending June 30, 2012, 2011 and 2010 were \$120,829, \$95,195, and \$96,532, respectively, and were equal to the required contributions for each year.

The actuarial information presented is the latest available according to PERS.

The City's Schedule of Funding Progress:

Dec 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Percent	Covered Payroll	Unrounded Actuarial Accrued Liability / Payroll
2011	\$ 1,539,554	\$ 843,981	\$ (695,573)	182%	\$ 965,751	-72%
2009	\$ 1,220,384	\$ 889,081	\$ (331,303)	137%	\$ 903,223	-37%
2007	\$ 2,751,000	\$ 2,030,000	\$ (910,049)	135%	\$ 996,958	-91%

**5. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**6. INTERFUND TRANSFERS**

Interfund Transfers were done to finance operations between funds.

	<u>Transfers Out</u>	<u>Transfers In</u>
General	\$ 32,850	\$ -
Parks	10,000	-
Streets	155,000	-
SDC	39,000	-
Capital Improvements	93,097	371,146
West Valley View Debt	-	5,800
Water Utility	230,656	3,600
Water Improvement Reserve	3,600	-
Tap Operating	-	183,657
	<u>\$ 564,203</u>	<u>\$ 564,203</u>

**CITY OF TALENT  
TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. LONG-TERM DEBT**

The changes in long-term debt for the year ended June 30, 2012 is comprised of the following:

	July 1, 2011	Additions	Reductions	June 30, 2012
<p>\$340,000 was issued April 1, 1998, to finance improvements related to the West Valley View Local Improvement District. The Interest rate is 5.75%. Repayments are made from the West Valley View Debt Service Fund. Bonds mature May 2018.</p>	\$ 160,000	\$ -	\$ 20,000	\$ 140,000
<p>\$2,000,000 was issued on July 17, 2002 to finance a multi-year construction project referred to as the TAP Water Intertie and Improvements Project. The interest rate is 1%. Repayments are made out of the Water Fund. The loan matures December 2031.</p>	\$ 1,461,346	\$ -	\$ 62,884	\$ 1,398,462
<p>\$800,000 of General Obligation Bonds, Series 2007 was issued to the City on August 23, 2007. The interest rate is 4.407% to 4.700%. The bonds are subject to redemption prior to maturity. Repayments are made out of the General Obligation Bond Debt Service Fund. Bonds mature January 2022.</p>	\$ 710,000	\$ -	\$ 30,000	\$ 680,000
<p>\$4,141,000 was issued on November 16, 2000 to finance improvements to the Water System. The interest rate is 4.5% Repayments are made out of the Water fund. Bonds mature December 2040.</p>	\$ 3,665,214	\$ -	\$ 60,129	\$ 3,605,085
<p>Total Long Term Debt</p>	\$ 5,996,560	\$ -	\$ 173,013	\$ 5,823,547

Future maturities of long term debt are as follows:

	Principal	Interest Due
Amounts Payable in Fiscal Year:		
2012-2013	181,347	214,200
2013-2014	189,810	207,994
2014-2015	203,405	201,440
2015-2016	217,141	194,142
2016-2017	226,022	186,381
2017-2022	1,238,877	801,277
2022-2027	891,704	621,096
2027-2032	1,041,380	471,421
2032-2037	829,030	296,289
2037-2041	804,831	92,334
Totals	\$ 5,823,547	\$ 3,286,574

**CITY OF TALENT**  
**TALENT, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. PROPERTY TAX LIMITATIONS**

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

**8. COMMITMENTS AND CONTINGENCIES**

The City is involved in various claims and legal matters relating to its operations which have all been tended to, and are either being adjusted by the City's liability carrier, or are being defended by attorneys retained by the City's liability carrier. The City does not believe that any of these matters will have a material impact on its June 30, 2012 financial statements.



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**CITY OF TALENT  
TALENT, OREGON**

**SUPPLEMENTARY INFORMATION**

**Combining, Individual Fund, and  
Other Financial Schedules**

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**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

CAPITAL IMPROVEMENTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
Receipts				
Intergovernmental	\$ 1,149,500	\$ 1,149,500	\$ 433,526	\$ (715,974)
Interest	-	-	6,053	6,053
Miscellaneous	-	-	26	26
Total Receipts	<u>1,149,500</u>	<u>1,149,500</u>	<u>439,605</u>	<u>(709,895)</u>
Disbursements				
General Government				
Capital Outlay	<u>29,604</u>	<u>29,604</u>	-	<u>29,604</u>
Parks				
Capital Outlay	<u>507,724</u>	<u>507,724</u>	<u>2,373</u>	<u>505,351</u>
Streets				
Capital Outlay	<u>773,355</u>	<u>773,355</u>	<u>354,309</u>	<u>419,046</u>
Stormwater				
Capital Outlay	<u>74,297</u>	<u>74,297</u>	<u>65,986</u>	<u>8,311</u>
Water				
Capital Outlay	<u>1,588,063</u>	<u>1,613,113</u>	<u>936,264</u>	<u>676,849</u>
Equipment				
Capital Outlay	<u>141,558</u>	<u>116,508</u>	<u>10,233</u>	<u>106,275</u>
Total Disbursements	<u>3,114,601</u>	<u>3,114,601</u>	<u>(1) 1,369,165</u>	<u>1,745,436</u>
Excess of Receipts Over -Under Disbursements	(1,965,101)	(1,965,101)	(929,560)	1,035,541
OTHER FINANCING SOURCES				
Transfers In	288,050	288,050	278,049	(10,001)
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>288,050</u>	<u>288,050</u>	<u>278,049</u>	<u>(10,001)</u>
Net Change in Cash Basis Fund Balance	(1,677,051)	(1,677,051)	(651,511)	1,025,540
Beginning Cash Basis Fund Balance	<u>1,677,051</u>	<u>1,677,051</u>	<u>1,687,546</u>	<u>10,495</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,036,035</u>	<u>\$ 1,036,035</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUND - CASH BASIS**

June 30, 2012

	PARKS	WATER DEBT SERVICE RESERVE FUND	WEST VALLEY VIEW DEBT
<b>ASSETS</b>			
Cash and Investments	\$ 112,191	\$ 238,403	\$ 76,136
Total Assets	\$ 112,191	\$ 238,403	\$ 76,136
<b>CASH BASIS FUND BALANCES</b>			
Restricted - Debt Payments	-	238,403	76,136
Committed for -			
Parks Maintenance	112,191	-	-
Library Operations	-	-	-
TAP Operations	-	-	-
Unreserved	-	-	-
Total Cash Basis Fund Balances	\$ 112,191	\$ 238,403	\$ 76,136

GENERAL OBLIGATION BOND DEBT SERVICES	LIBRARY	TAPS OPERATING FUND	Totals
\$ 9,133	\$ 16,392	\$ 1	\$ 452,256
<u>\$ 9,133</u>	<u>\$ 16,392</u>	<u>\$ 1</u>	<u>\$ 452,256</u>
9,133	-	-	323,672
-	-	-	112,191
-	16,392	-	16,392
-	-	1	1
-	-	-	-
<u>\$ 9,133</u>	<u>\$ 16,392</u>	<u>\$ 1</u>	<u>\$ 452,256</u>

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
NON MAJOR GOVERNMENTAL FUND  
For the Year Ended June 30, 2012**

	<u>PARKS</u>	<u>WATER DEBT SERVICE RESERVE FUND</u>	<u>WEST VALLEY VIEW DEBT</u>
Receipts			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	10,714	-	-
Intergovernmental Receipts	3,312	-	-
Charges for Services	106,088	-	-
Assessments	-	-	9,567
Interest	451	5,345	2,024
Miscellaneous	4,031	-	-
Total Receipts	<u>124,596</u>	<u>5,345</u>	<u>11,591</u>
Disbursements			
Personal Services	80,673	-	-
Materials & Services	49,050	-	-
Debt Service	-	-	29,794
Capital Outlay	445	-	-
Contingency	-	-	-
Total Disbursements	<u>130,168</u>	<u>-</u>	<u>29,794</u>
Excess of Receipts Over, -Under Disbursements	(5,572)	5,345	(18,203)
Other Financing Sources, -Uses			
Transfers In	-	-	5,800
Transfers Out	(10,000)	(3,600)	-
Total Other Financing Sources, -Uses	<u>(10,000)</u>	<u>(3,600)</u>	<u>5,800</u>
Net Change in Cash Basis Fund Balance	(15,572)	1,745	(12,403)
Beginning Cash Basis Fund Balance	<u>127,763</u>	<u>236,658</u>	<u>88,539</u>
Ending Cash Basis Fund Balance	<u>\$ 112,191</u>	<u>\$ 238,403</u>	<u>\$ 76,136</u>

GENERAL OBLIGATION BOND DEBT SEVICES	LIBRARY	TAP OPERATING FUND	Totals
\$ 63,159	\$ -	\$ -	\$ 63,159
-	-	-	10,714
-	-	73,458	76,770
-	67,125	-	173,213
-	-	-	9,567
81	62	-	7,963
-	-	-	4,031
<u>63,240</u>	<u>67,187</u>	<u>73,458</u>	<u>345,417</u>
-	-	-	80,673
-	64,879	254,440	368,369
61,317	-	-	91,111
-	-	5,565	6,010
-	-	-	-
<u>61,317</u>	<u>64,879</u>	<u>260,005</u>	<u>546,163</u>
1,923	2,308	(186,547)	(200,746)
-	-	183,657	189,457
-	-	-	(13,600)
-	-	183,657	175,857
1,923	2,308	(2,890)	(24,889)
<u>7,210</u>	<u>14,084</u>	<u>2,891</u>	<u>477,145</u>
<u>\$ 9,133</u>	<u>\$ 16,392</u>	<u>\$ 1</u>	<u>\$ 452,256</u>



**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

<u>PARKS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>Receipts</b>				
Licenses, Permits and Fees	\$ 13,500	\$ 13,500	\$ 10,714	\$ (2,786)
Intergovernmental	2,500	2,500	3,312	812
Charges for Services	104,000	104,000	106,088	2,088
Interest	-	-	451	451
Miscellaneous	-	-	4,031	4,031
<b>Total Receipts</b>	<b>120,000</b>	<b>120,000</b>	<b>124,596</b>	<b>4,596</b>
<b>Disbursements</b>				
<b>Parks Maintenance</b>				
Personal Services	111,400	111,400 (1)	80,673	30,727
Materials and Services	52,700	62,700 (1)	49,050	13,650
<b>Total Parks Maintenance</b>	<b>164,100</b>	<b>174,100</b>	<b>129,723</b>	<b>44,377</b>
<b>Capital Construction</b>				
Capital Outlay	3,900	3,900 (1)	445	3,455
<b>Total Capital Construction</b>	<b>3,900</b>	<b>3,900</b>	<b>445</b>	<b>3,455</b>
Contingency	22,000	22,000 (1)	-	22,000
<b>Total Disbursements</b>	<b>190,000</b>	<b>200,000</b>	<b>130,168</b>	<b>69,832</b>
Excess of Receipts Over -Under Disbursements	(70,000)	(80,000)	(5,572)	74,428
<b>OTHER FINANCING SOURCES</b>				
Transfers Out	(20,000)	(10,000)	(10,000)	-
Transfers In	-	-	-	-
<b>Net Change in Cash Basis Fund Balance</b>	<b>(90,000)</b>	<b>(90,000)</b>	<b>(15,572)</b>	<b>74,428</b>
Beginning Cash Basis Fund Balance	90,000	90,000	127,763	37,763
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,191</u>	<u>\$ 112,191</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

WATER DEBT SERVICE RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE</u>
Receipts				
Interest	\$ 3,600	\$ 3,600	\$ 5,345	\$ 1,745
Total Receipts	<u>3,600</u>	<u>3,600</u>	<u>5,345</u>	<u>1,745</u>
Disbursements				
Total Disbursements	<u>-</u>	<u>- (1)</u>	<u>-</u>	<u>-</u>
Excess of Receipts Over -Under Disbursements	3,600	3,600	5,345	1,745
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	<u>(3,600)</u>	<u>(3,600) (1)</u>	<u>(3,600)</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	-	-	1,745	1,745
Beginning Cash Basis Fund Balance	<u>233,685</u>	<u>233,685</u>	<u>236,658</u>	<u>2,973</u>
Ending Cash Basis Fund Balance	<u>\$ 233,685</u>	<u>\$ 233,685</u>	<u>\$ 238,403</u>	<u>\$ 4,718</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

WEST VALLEY VIEW DEBT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
Receipts				
Assessments	\$ 9,567	\$ 9,567	\$ 9,567	\$ -
Interest	1,475	1,475	2,024	549
Total Receipts	<u>11,042</u>	<u>11,042</u>	<u>11,591</u>	<u>549</u>
Disbursements				
Debt Service				
Principal	20,000	20,000	20,000	-
Interest	9,200	9,200	9,200	-
Fees	600	600	594	6
Total Disbursements	<u>29,800</u>	<u>29,800 (1)</u>	<u>29,794</u>	<u>6</u>
Excess of Receipts Over -Under Disbursements	(18,758)	(18,758)	(18,203)	555
OTHER FINANCING SOURCES				
Transfers In	<u>5,800</u>	<u>5,800</u>	<u>5,800</u>	<u>-</u>
Net Change in Cash Basis Fund Balance	(12,958)	(12,958)	(12,403)	555
Beginning Cash Basis Fund Balance	<u>88,500</u>	<u>88,500</u>	<u>88,539</u>	<u>39</u>
Ending Cash Basis Fund Balance	<u>\$ 75,542</u>	<u>\$ 75,542</u>	<u>\$ 76,136</u>	<u>\$ 594</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

GENERAL OBLIGATION BOND- DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
Receipts				
Property Tax- PD Bond	\$ 58,775	\$ 58,775	\$ 63,159	\$ 4,384
Interest	-	-	81	81
Total Receipts	<u>58,775</u>	<u>58,775</u>	<u>63,240</u>	<u>4,465</u>
Disbursements				
Debt Service				
Principal	30,000	30,000	30,000	-
Interest	31,350	31,350	31,317	33
Fees	425	425	-	425
Total Disbursements	<u>61,775</u>	<u>61,775 (1)</u>	<u>61,317</u>	<u>458</u>
Excess of Receipts Over -Under Disbursements	(3,000)	(3,000)	1,923	4,923
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Net Change in Cash Basis Fund Balance	(3,000)	(3,000)	1,923	4,923
Beginning Cash Basis Fund Balance	<u>3,000</u>	<u>3,000</u>	<u>7,210</u>	<u>4,210</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,133</u>	<u>\$ 9,133</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

LIBRARY OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
Receipts				
Charges for Services	\$ 66,500	\$ 66,500	\$ 67,125	\$ 625
Interest	50	50	62	12
Miscellaneous	-	-	-	-
Total Receipts	<u>66,550</u>	<u>66,550</u>	<u>67,187</u>	<u>637</u>
Disbursements				
Materials and Services	68,500	68,500 (1)	64,879	3,621
Contingency	3,350	3,350 (1)	-	3,350
Total Disbursements	<u>71,850</u>	<u>71,850</u>	<u>64,879</u>	<u>6,971</u>
Excess of Receipts Over -Under Disbursements	(5,300)	(5,300)	2,308	7,608
OTHER FINANCING SOURCES				
Transfers Out	-	- (1)	-	-
Net Change in Cash Basis Fund Balance	(5,300)	(5,300)	2,308	7,608
Beginning Cash Basis Fund Balance	<u>5,300</u>	<u>5,300</u>	<u>14,084</u>	<u>8,784</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,392</u>	<u>\$ 16,392</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2012**

TAP OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
<b>RECEIPTS</b>				
Intergovernmental	\$ 97,550	\$ 97,550	\$ 73,458	\$ (24,092)
Interest	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Receipts</b>	<b>97,550</b>	<b>97,550</b>	<b>73,458</b>	<b>(24,092)</b>
<b>DISBURSEMENTS</b>				
Materials and Services	288,550	288,550 (1)	254,440	34,110
Capital Outlay	6,000	6,000 (1)	5,565	435
Contingency	20,000	20,000 (1)	-	20,000
<b>Total Disbursements</b>	<b>314,550</b>	<b>314,550</b>	<b>260,005</b>	<b>54,545</b>
Excess of Receipts Over -Under Disbursements	(217,000)	(217,000)	(186,547)	30,453
<b>OTHER FINANCING SOURCES</b>				
Transfers In	217,000	217,000	183,657	(33,343)
Net Change in Cash Basis Fund Balance	-	-	(2,890)	(2,890)
Beginning Cash Basis Fund Balance	-	-	2,891	2,891
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS  
ACTUAL AND BUDGET - BUDGETARY BASIS  
For the Year Ended June 30, 2012**

WATER UTILITY FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE -NEGATIVE
<b>Receipts</b>				
Water Service	\$ 1,251,500	\$ 1,251,500	\$ 1,186,582	\$ (64,918)
New Connections	8,000	8,000	8,887	887
Interest	2,000	2,000	1,140	(860)
Miscellaneous	-	-	1,032	1,032
Total Receipts	<u>1,261,500</u>	<u>1,261,500</u>	<u>1,197,641</u>	<u>(63,859)</u>
<b>Disbursements</b>				
Personal Services	466,050	466,050 (1)	440,806	25,244
Materials and Services	386,850	386,850 (1)	262,837	124,013
Capital Outlay	14,850	14,850 (1)	10,173	4,677
Debt Service	302,565	302,565 (1)	302,560	5
Contingency	155,785	155,785 (1)	-	155,785
Total Disbursements	<u>1,326,100</u>	<u>1,326,100</u>	<u>1,016,376</u>	<u>309,724</u>
Excess of Receipts Over, -Under Disbursements	(64,600)	(64,600)	181,265	245,865
<b>OTHER FINANCING SOURCES, -USES</b>				
Transfers In	3,600	3,600	3,600	-
Transfers Out	(264,000)	(264,000) (1)	(230,656)	33,344
Total Other Financing Sources, -Uses	(260,400)	(260,400)	(227,056)	33,344
Net Change in Cash Basis Fund Balance	(325,000)	(325,000)	(45,791)	279,209
Beginning Cash Basis Fund Balance	<u>325,000</u>	<u>325,000</u>	<u>322,367</u>	<u>(2,633)</u>
Ending Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,576</u>	<u>\$ 276,576</u>

(1) Appropriation Level

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED - GENERAL FUND  
For the Year Ended June 30, 2012**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-12
<b>CURRENT:</b>						
2011-2012	\$ 949,840	\$ 22,576	\$ (6,385)	\$ 263	\$ 878,053	\$ 43,089
<b>PRIOR YEARS:</b>						
2010-2011	\$ 45,545	\$ 80	\$ (177)	\$ 1,111	\$ 27,744	\$ 18,655
2009-2010	18,519	-	(71)	1,089	8,795	10,742
2008-2009	10,368	-	(38)	1,247	6,813	4,764
2007-2008	4,500	-	(42)	818	3,754	1,522
Prior	2,439	-	(272)	204	589	1,782
<b>TOTAL PRIOR</b>	<b>81,371</b>	<b>80</b>	<b>(600)</b>	<b>4,469</b>	<b>47,695</b>	<b>37,465</b>
<b>TOTAL TAXES</b>	<b>\$ 1,031,211</b>	<b>\$ 22,656</b>	<b>\$ (6,985)</b>	<b>\$ 4,732</b>	<b>\$ 925,748</b>	<b>\$ 80,554</b>

RECONCILIATION OF REVENUE

General Fund Tax Revenue	\$ 862,589
General Obligation Tax Revenue	63,159
<b>Total Taxes Collected</b>	<b>\$ 925,748</b>



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**CITY OF TALENT  
TALENT, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY  
OREGON STATE REGULATIONS**

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

October 11, 2012

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Talent as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. 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 City of Talent'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.**
- **Highway revenues used for public highways, roads, and streets.**
- **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 City of Talent was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

### OAR 162-10-0230 Internal Control

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

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



PAULY, ROGERS AND CO., P.C.

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**CITY OF TALENT**  
**JACKSON COUNTY, OREGON**

**GRANT COMPLIANCE REVIEW**

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**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2012**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT PERIOD	EXPENDITURES
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Business Oregon - Infrastructure Finance Division - Oregon Business Development Department			
Highway 99 Waterline Replacement	14.228	2011-2014	\$ <u>610,945</u> (1)
TOTAL FEDERAL EXPENDITURES			\$ <u><u>610,945</u></u>

(1) Major Programs





**PAULY, ROGERS AND CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

- 
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  - (503) 620-2632 • FAX (503) 684-7523

October 11, 2012

To the Board of Directors  
The City of Talent

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

We have audited the financial statements of the City of Talent as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. We conducted our 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Talent'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 Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Talent's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
PAULY, ROGERS AND CO., P.C.



**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
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  - (503) 620-2632 • FAX (503) 684-7523

October 11, 2012

To the Board of Directors  
The City of Talent

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Compliance**

We have audited the compliance of the City of Talent with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The City of Talent's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Talent's management. Our responsibility is to express an opinion on the City of Talent's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Talent's compliance with those requirements.

In our opinion, the City of Talent complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

**Internal Control over Compliance**

The management of the City of Talent is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Talent's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Talent's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, *the Board*, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
PAULY, ROGERS AND CO., P.C.

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of Auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133?  Yes  No

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses  Yes  None reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?  Yes  No

Identification of major programs

<u>CFDA Number(s):</u> 14.228	<u>Name of Federal Program:</u> Highway 99 Waterline Replacement
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Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF TALENT  
JACKSON COUNTY, OREGON**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:**

None

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Talent and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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