

**CITY OF INDEPENDENCE
URBAN RENEWAL AGENCY –
A COMPONENT UNIT OF THE
CITY OF INDEPENDENCE, OREGON**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended

June 30, 2021

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY

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INTRODUCTORY SECTION



INDEPENDENCE

Oregon's Story Begins Here

2021 BUDGET COMMITTEE

INDEPENDENCE CITY COUNCIL

Mayor John McArdle
Shannon Corr, Position #1
Marilyn Morton, Position #2
Dawn Roden, Position #3
Tom Takacs, Position #4
Sarah Jobe, Position #5
Kathy Martin-Willis, Position #6

RESIDENT REPRESENTATIVES

Miranda Garrison, Position #1
Jessica Madronal, Position #2
Bill Boisvert, Position #3
Erin Seiler, Position #4
Nancy Lodge, Position #5
Dori Showell, Position #6
Nathan Christensen, Position #7

CITY STAFF

Tom Pessemier, City Manager
Gloria Butsch, Finance Director
Patrick Bodily, Community Services Director
Fred Evander, Senior Planner
Shawn Irvine, Economic Development Director
Karin Johnson, City Recorder
Jason Kistler, IT Manager
Robert Mason, Chief of Police

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
City of Independence Urban Renewal Agency
Independence, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Independence Urban Renewal Agency, a component unit of the City of Independence, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Independence Urban Renewal Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 City of Independence Urban Renewal Agency, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Independence Urban Renewal Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Independence Urban Renewal Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Independence Urban Renewal Agency's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Independence Urban Renewal Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Independence Urban Renewal Agency's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Reports on Other Legal and Regulatory Requirements

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 18, 2022, on our consideration of the City of Independence Urban Renewal 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.



For Merina+Co
Tualatin, Oregon
January 18, 2022

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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statement:
- Fund Financial Statements:
 - Governmental Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 499,174
Property taxes receivable	23,974
Loans receivable	178,407
	<hr/>
Total current assets	701,555
	<hr/>
Noncurrent assets:	
Property held for resale	1,404,051
	<hr/>
Total noncurrent assets	1,404,051
	<hr/>
Total assets	2,105,606
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	997,630
	<hr/>
Total deferred outflows of resources	997,630
	<hr/>
Total assets and deferred outflows of resources	\$ 3,103,236
	<hr/> <hr/>
LIABILITIES:	
Current liabilities:	
Interest payable	\$ 330,117
Current portion of long-term debt	676,429
	<hr/>
Total current liabilities	1,006,546
	<hr/>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	21,034,538
	<hr/>
Total noncurrent liabilities	21,034,538
	<hr/>
Total liabilities	22,041,084
	<hr/>
NET POSITION:	
Net investment in capital assets	99,569
Unrestricted	(19,037,417)
	<hr/>
Total net position	(18,937,848)
	<hr/>
Total liabilities and net position	\$ 3,103,236
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

		Program Revenues		Net Revenue (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
EXPENSES:				
General government	\$ 1,664	\$ -	\$ 847	\$ (817)
Transfers to City of Independence	2,555,429	-	-	(2,555,429)
Interest on long-term debt	772,904	-	-	(772,904)
Total activities	<u>3,329,997</u>	<u>-</u>	<u>847</u>	<u>(3,329,150)</u>
GENERAL REVENUES:				
Property taxes				681,842
Interest				<u>4,675</u>
Total general revenues				<u>686,517</u>
Change in net position				(2,642,633)
NET POSITION, BEGINNING				<u>(16,295,215)</u>
NET POSITION, ENDING				<u><u>\$ (18,937,848)</u></u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS
Major Governmental Funds

Urban Renewal Projects Fund

This fund accounts for the acquisition and construction of facilities by the issuance of bonds.

Urban Renewal Debt Service Fund

This fund accounts for the payment of principal and interest on the Agency's bonded debt.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 335,649	\$ 163,525	\$ 499,174
Property taxes receivable	-	23,974	23,974
Loan receivable	178,407	-	178,407
Property held for resale	1,404,051	-	1,404,051
Total assets	<u>\$ 1,918,107</u>	<u>\$ 187,499</u>	<u>\$ 2,105,606</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue- property taxes	-	18,811	18,811
Total deferred inflows of resources	-	18,811	18,811
FUND BALANCES:			
Restricted for:			
Debt service	-	168,688	168,688
Unassigned	1,918,107	-	1,918,107
Total fund balance	<u>1,918,107</u>	<u>168,688</u>	<u>2,086,795</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,918,107</u>	<u>\$ 187,499</u>	

Amounts reported in the statement of net position are different because:

Other assets are not available to pay for current period expenditures and therefore, are deferred in the funds. 997,630

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 18,811

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Interest payable (330,117)
Long-term debt (21,710,967)

Net position \$ (18,937,848)

The accompanying notes are an integral part of these financial statements

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes	\$ 170,671	\$ 511,838	\$ 682,509
Grants & donations	847	-	847
Interest	2,246	2,429	4,675
Total revenues	<u>173,764</u>	<u>514,267</u>	<u>688,031</u>
EXPENDITURES:			
Current:			
General government	839	-	839
Capital outlay	825	-	825
Debt service:			
Principal	228,571	395,000	623,571
Interest	3,813	452,456	456,269
Total expenditures	<u>234,048</u>	<u>847,456</u>	<u>1,081,504</u>
Revenues over (under) expenditures	<u>(60,284)</u>	<u>(333,189)</u>	<u>(393,473)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of debt	1,467,537	-	1,467,537
Transfers from City of Independence	25,000	423,720	448,720
Total other financing sources (uses)	<u>1,492,537</u>	<u>423,720</u>	<u>1,916,257</u>
Net change in fund balances	1,432,253	90,531	1,522,784
FUND BALANCE, BEGINNING	485,854	78,157	564,011
FUND BALANCE, ENDING	<u>\$ 1,918,107</u>	<u>\$ 168,688</u>	<u>\$ 2,086,795</u>

The accompanying notes are an integral part of these financial statements

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

For the Year Ended June 30, 2021

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ 1,522,784
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Various other transactions involving capital assets decrease of net assets	
Transfer of completed capital assets to primary government	(3,004,149)

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(667)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(317,583)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net amount of these differences.

Debt service principal payments	623,571	
Deferred charge on refunding	(28,709)	
Amortization of bond premium	29,657	
Loan proceeds	<u>(1,467,537)</u>	<u>(843,018)</u>

Changes in net position		<u><u>\$ (2,642,633)</u></u>
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The accompanying notes are an integral part of these financial statements

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

1. Organization and Summary of Significant Accounting Policies

These financial statements of the City of Independence Urban Renewal Agency (the Agency) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements.

A. Description of Reporting Entity

The Agency (a component unit of the City of Independence) was created to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. The Agency is governed by a seven-member board of directors that includes the City's mayor and is included as a component unit in the City's financial statements.

The financial statements of the Agency include all funds of the Agency, and the Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a component unit of the City of Independence and, as such is included in the financial statements of the City of Independence for the year ended June 30, 2021.

B. Basic Financial Statements

The Agency's financial operations are presented at both the government-wide and fund financial levels. All activities of the Agency are categorized as governmental.

Government-Wide Financial Statements

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Fund Financial Statements

These 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, and fiduciary. Currently the Agency has only governmental fund types.

C. Basis of Presentation

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

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds.

The Agency uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

The General Fund is used to account for all financial resources not accounted for in another fund. All transactions not reported in the Debt Service Fund are reported in the Projects Fund, which functions as the General Fund of the Agency.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities. The Projects fund is a capital projects fund.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The Agency-wide financial statements are reported using the *economic resources measurement focus* and the *full 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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

E. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The Agency has one item that qualifies for reporting in this category. A deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item “unavailable revenue,” is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

G. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Agency (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

H. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes amounts that have been committed by resolution by the Agency’s Board of Directors which is the Agency’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the Board of Directors removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by Agency action. Assigned fund balance is established by the Agency through adoption or amendment of the budget as intended for specific purpose.

Unassigned – This is the residual classification used for those balances not assigned to another category.

I. Use of Restricted Resources

Use of restricted resources, when both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Agency’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

J. Use of Estimates

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

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

(1) Capital Assets

The changes in the capital assets for the Agency for the year ended June 30, 2021 are as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable:				
Work In Progress	3,004,149	-	(3,004,149)	-
Total capital assets, non-deprec	\$ 3,004,149	\$ -	\$(3,004,149)	\$ -

(2) Long-Term Debt

Long-term debt transactions for the year were as follows:

Agency	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Bonds					
2016A FF&C Refunding Obligation	7,945,000	-	35,000	7,910,000	35,000
Bond Premium	440,298	-	23,174	417,126	-
2017A FF&C Refunding Obligation	4,035,000	-	360,000	3,675,000	370,000
Bond Premium	123,188	-	6,483	116,705	-
Note Payable					
IFA Loan	2,726,173	178,407	-	2,904,580	
City of Independence	5,626,997	1,289,130	228,571	6,687,556	271,429
	<u>\$ 20,896,656</u>	<u>\$ 1,467,537</u>	<u>\$ 653,228</u>	<u>\$ 21,710,967</u>	<u>\$ 676,429</u>

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. All of the General obligation bonds of governmental activities are insured by Assured Guaranty Municipal Corp in the event that the City is unable to make payment. General obligation bonds outstanding at June 30, 2021 are as follows:

In April of 2016, the City issued \$8,070,000 of Full Faith and Credit Obligation Refunding bonds to retire existing debt of the City. Interest rates range from 3.00% to 4.00%. The bond principal is payable annually and interest is payable semi-annually. The bonds mature in 2040.

7,910,000

In December 2017, the City issued \$4,035,000 of Full Faith and Credit Obligation Refund bonds to retire existing debt of the City. Interest rates range from 3.00% to 4.00%. The bond principal is payable annually and interest is payable semi-annually. The bonds mature in 2030.

3,675,000

Total bonds

\$ 11,585,000

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Annual debt service requirements to maturity for bonds payable are as follows:

Fiscal Year	2016A FF&C Refunding		2017A FF&C Refunding	
	Principal	Interest	Principal	Interest
2022	35,000	300,806	370,000	139,450
2023	35,000	299,406	385,000	128,350
2024				
2025	40,000	298,006	400,000	116,800
2026	40,000	296,406	415,000	100,800
2027-31	435,000	1,457,430	2,105,000	241,600
2032-36	3,310,000	1,132,230	-	-
2037-41	4,015,000	429,586	-	-
2041-46	-	-	-	-
	<u>\$ 7,910,000</u>	<u>\$ 4,213,870</u>	<u>\$ 3,675,000</u>	<u>\$ 727,000</u>

In December 2016, the City entered into an agreement with the Business Oregon Infrastructure Finance Authority to award the City a total award of \$3,250,000. The project closed in June 2021, with 2.83% interest per annum. The City has pledged incremental property tax revenues for payment of the loan. In the event of default, outstanding amounts become immediately due. The loan matures in 2046.

\$ 2,904,580

Total notes payable

\$ 2,904,580

Annual debt service requirements to maturity for loans payable are as follows:

Fiscal Year	2021 IFA SPWF	
	Principal	Interest
2022	-	333,777
2023	-	82,200
2024	91,332	82,200
2025	93,916	79,615
2026	96,574	76,957
2027-31	525,447	339,210
2032-36	604,126	263,530
2037-41	694,588	173,068
2042-46	<u>798,597</u>	<u>69,062</u>
	<u>\$ 2,904,580</u>	<u>\$ 1,499,619</u>

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

a. City of Independence – Note Payable

The City of Independence incurred debt on behalf of the Independence Urban Renewal Agency (URA) for construction of the Independence Civic Center and assisted in servicing the debt. The City does not expect to begin collecting from the Urban Renewal until 2023. The principal balance of this loan receivable is \$3,771,517. This loan receivable is reported in the General Fund.

In 2017, the Urban Renewal finalized a development & disposition agreement for the development of a hotel, apartments and townhomes at Independence Landing. As part of the agreement, the URA agreed to pay construction costs imposed by the City of Independence up to \$2,082,110. As a result, there has been created a loan receivable between the City and the URA. As of June 30, 2021, the balance of this loan is \$2,082,110. This loan receivable is reported as interfund loans in the General Fund, Transportation SDC Fund, Sewer SDC Fund, Water SDC Fund and Storm SDC Fund.

The remaining \$833,929 is from year-end cash allocations in prior years of pooled cash in order to eliminate deficit cash balances in the Urban Renewal Projects Fund.

The total balance of loans receivable between the City of Independence and the URA is \$6,687,556 as follows:

	ICC Construction and Debt Service	Independence Landing Development Agreement	Total
General Fund	\$ 3,771,517	\$ 108,744	\$ 3,880,261
Street SDC Fund	-	864,871	864,871
Parks SDC Funds	-	410,740	410,740
Water SDC Fund	-	266,732	266,732
Sewer SDC Fund	-	401,706	401,706
Storm SDC Fund	-	29,317	29,317
Cash Allocations			833,929
Loan Balance	<u>\$ 3,771,517</u>	<u>\$ 2,082,110</u>	<u>\$ 6,687,556</u>

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Annual debt service requirement to maturity for loans payable are as follows:

Fiscal Year	Note Payable City of Independence	
	Principal	Interest
2022	\$ 271,429	\$ 4,170
2023	268,889	496,612
2024	268,889	495,267
2025	402,494	499,609
2026	732,165	168,685
2027-31	3,261,068	409,895
2032-36	1,482,622	84,034
	\$ 6,687,556	\$ 2,158,272

(3) Risk Management

The Agency purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedules
 - Projects Fund - General Fund

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
PROJECTS FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 171,500	\$ 171,500	\$ 170,671	\$ (829)
Rent	3,000	3,000	847	(2,153)
Interest	-	-	2,246	2,246
Miscellaneous	180,000	180,000	-	(180,000)
Total revenues	354,500	354,500	173,764	(180,736)
EXPENDITURES:				
Personal service	-	-	-	-
Materials and service	2,500	2,500	839	1,661
Capital outlay	25,000	25,000	825	24,175
Debt service:				
Principal	228,571	228,571	228,571	-
Interest	3,813	3,813	3,813	-
Total expenditures	259,884	259,884	234,048	25,836
Revenues over (under) expenditures	94,616	94,616	(60,284)	(154,900)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	1,467,537	1,467,537
Transfers from City of Independence	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	1,492,537	1,467,537
Net change in fund balances	119,616	119,616	1,432,253	1,312,637
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>(1,084,235)</u>	<u>(1,084,235)</u>	<u>485,854</u>	<u>1,570,089</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ (964,619)</u>	<u>\$ (964,619)</u>	<u>\$ 1,918,107</u>	<u>\$ 2,882,726</u>

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2021

1. Stewardship, Compliance, and Accountability

A. Budgetary information

On or before June 30 of each year, the Agency enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Board of Directors for budget hearings prior to enactment of the resolution. The Agency budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above-mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end.

B. Deficit Fund Balances

At June 30, 2021, the following funds had a deficit budgeted fund balance:

<u>Fund</u>	<u>Amount</u>
Urban Renewal Projects Fund	\$964,620

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

The budgetary comparison schedule includes the following:

Debt Service Funds

Urban Renewal Debt Service Fund

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
URBAN RENEWAL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 511,700	\$ 511,700	\$ 511,838	\$ 138
Interest	2,000	2,000	2,429	429
Total revenues	<u>513,700</u>	<u>513,700</u>	<u>514,267</u>	<u>567</u>
EXPENDITURES:				
Debt service:				
Principal	395,000	395,000	395,000	-
Interest	452,456	452,456	452,456	-
Contingency	179,183	179,183	-	179,183
Total expenditures	<u>1,026,639</u>	<u>1,026,639</u>	<u>847,456</u>	<u>179,183</u>
Revenues over (under) expenditures	(512,939)	(512,939)	(333,189)	179,750
OTHER FINANCING SOURCES (USES):				
Transfers from City of Independence	<u>423,720</u>	<u>423,720</u>	<u>423,720</u>	<u>-</u>
Total other financing sources (uses)	<u>423,720</u>	<u>423,720</u>	<u>423,720</u>	<u>-</u>
Net change in fund balances	(89,219)	(89,219)	90,531	179,750
FUND BALANCE, BEGINNING	<u>89,219</u>	<u>89,219</u>	<u>78,157</u>	<u>(11,062)</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,688</u>	<u>\$ 168,688</u>

AUDIT COMMENTS AND DISCLOSURES

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATION**

Agency Officials
City of Independence Urban Renewal Agency
Independence, Oregon

We have audited the basic financial statements of the City of Independence Urban Renewal Agency, a component unit of the City of Independence, Oregon, as of and for the year ended June 30, 2021 and have issued our report thereon dated January 18, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether the City of Independence Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The City of Independence Urban Renewal Agency does not receive highway funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City of Independence Urban Renewal Agency does not have any elected officials collecting or receiving money.

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 *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the City of Independence Urban Renewal Agency's internal control over financial reporting (internal control) as a basis for designing 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 City of Independence Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Independence Urban Renewal Agency's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
January 18, 2022