

**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, 2020

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY**

**TABLE OF CONTENTS**

**June 30, 2020**

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	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Agency Officials .....	i
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1
<b><u>Basic Financial Statements</u></b> .....	4
Statement of Net Position .....	5
Statement of Activities.....	6
Fund Financial Statements.....	7
Governmental Funds	
Balance Sheet – Governmental Funds .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	10
<u>Notes to the Basic Financial Statements</u> .....	11
<b><u>Required Supplementary Information</u></b> .....	18
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Projects Fund - General Fund .....	19
<u>Notes to the Required Supplementary Information</u> .....	20
<b><u>Other Supplementary Information</u></b> .....	21
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Urban Renewal Debt Service Fund.....	22
<b>AUDIT COMMENTS AND DISCLOSURES</b>	
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting on an Audit of Financial Statements Performed in Accordance with <i>Oregon State Regulation</i> .....	23

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## **INTRODUCTORY SECTION**



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# INDEPENDENCE

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*Oregon's Story Begins Here*

## 2020 BUDGET COMMITTEE

### INDEPENDENCE CITY COUNCIL

Mayor John McArdle  
Shannon Cockayne, Position #1  
Marilyn Morton, Position #2  
Michael Hicks, Position #3  
Tom Takacs, Position #4  
Jennifer Ranstrom-Smith, Position #5  
Kathy Martin-Willis, Position #6

### RESIDENT REPRESENTATIVES

Miranda Garrison, Position #1  
Jessica Madronal, Position #2  
Bill Boisvert, Position #3  
Timothy Graham, Position #4  
Nancy Lodge, Position #5  
Dori Showell, Position #6  
Kay Johnson, Position #6

### CITY STAFF

Tom Pessemier, City Manager  
Gloria Butsch, Finance Director  
Kie Cottam, Public Works Director  
Fred Evander, Senior Planner  
Shawn Irvine, Economic Development Director  
Karin Johnson, City Recorder  
Jason Kistler, IT Manager  
Robert Mason, Chief of Police  
Robin Puccetti, Community Services Director

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Agency Officials  
City of Independence Urban Renewal Agency  
City of Independence, Oregon

### **Report on the Financial Statements**

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, 2020, 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.

### **Management's Responsibility for the Financial Statements**

The 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Independence Urban Renewal Agency, as of June 30, 2020, 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.

## **Other Matters**

### *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 Supplemental and Other 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 introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **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 March 31, 2021, 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  
March 31, 2021

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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, 2020**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 72,819
Property taxes receivable	<u>24,816</u>
Total current assets	<u>97,635</u>
Noncurrent assets:	
Property held for resale	1,404,051
Capital assets - nondepreciable	<u>3,004,149</u>
Total noncurrent assets	<u>4,408,200</u>
Total assets	<u>4,505,835</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	<u>1,026,339</u>
Total deferred outflows of resources	<u>1,026,339</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,532,174</u></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable and other current liabilities	\$ 918,197
Interest payable	12,534
Current portion of long-term debt	<u>595,000</u>
Total current liabilities	<u>1,525,731</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>20,301,658</u>
Total noncurrent liabilities	<u>20,301,658</u>
Total liabilities	<u>21,827,389</u>
<b>NET POSITION:</b>	
Net investment in capital assets	277,976
Unrestricted	<u>(16,573,191)</u>
Total net position	<u>(16,295,215)</u>
Total liabilities and net position	<u><u>\$ 5,532,174</u></u>

*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, 2020**

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	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>EXPENSES:</b>				
General government	\$ 509,986	\$ -	\$ 429,925	\$ (80,061)
Interest on long-term debt	469,723	-	-	(469,723)
	<u>979,709</u>	<u>-</u>	<u>429,925</u>	<u>(549,784)</u>
<b>GENERAL REVENUES:</b>				
Property taxes				595,395
Interest				4,720
Transfers from City of Independence				<u>-</u>
				<u>600,115</u>
Change in net position				50,331
<b>NET POSITION, BEGINNING</b>				<u>(16,345,546)</u>
<b>NET POSITION, ENDING</b>				<u><u>\$ (16,295,215)</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, 2020**

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 72,819	\$ 72,819
Property taxes receivable	-	24,816	24,816
Property held for resale	1,404,051	-	1,404,051
Total assets	<u>\$ 1,404,051</u>	<u>\$ 97,635</u>	<u>\$ 1,501,686</u>
<b>LIABILITIES:</b>			
Accounts payable and other current liabilities	<u>\$ 918,197</u>	<u>\$ -</u>	<u>\$ 918,197</u>
Total liabilities	<u>918,197</u>	<u>-</u>	<u>918,197</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue- property taxes	<u>-</u>	<u>19,478</u>	<u>19,478</u>
Total deferred inflows of resources	<u>-</u>	<u>19,478</u>	<u>19,478</u>
<b>FUND BALANCES:</b>			
Restricted for:			
Debt service	-	78,157	78,157
Unassigned	<u>485,854</u>	<u>-</u>	<u>485,854</u>
Total fund balance	<u>485,854</u>	<u>78,157</u>	564,011
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,404,051</u>	<u>\$ 97,635</u>	

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

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	3,004,149
Other assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	1,026,339
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	19,478
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	(12,534)
Long-term debt	<u>(20,896,658)</u>
Net position	<u>\$ (16,295,215)</u>

*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, 2020**

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Intergovernmental	\$ -	\$ 426,250	\$ 426,250
Property taxes	148,499	447,295	595,794
Grants & donations	3,675	-	3,675
Interest	-	4,720	4,720
Total revenues	<u>152,174</u>	<u>878,265</u>	<u>1,030,439</u>
<b>EXPENDITURES:</b>			
Current:			
General government	500,904	-	500,904
Capital outlay	9,082	-	9,082
Debt service:			
Principal	200,000	385,000	585,000
Interest	3,812	467,481	471,293
Total expenditures	<u>713,798</u>	<u>852,481</u>	<u>1,566,279</u>
Revenues over (under) expenditures	<u>(561,624)</u>	<u>25,784</u>	<u>(535,840)</u>
Net change in fund balances	(561,624)	25,784	(535,840)
<b>FUND BALANCE, BEGINNING</b>	(6,338,767)	52,373	(6,286,394)
<b>RESTATEMENT DUE TO CHANGE IN BASIS</b>	<u>7,386,245</u>	-	<u>7,386,245</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 485,854</u>	<u>\$ 78,157</u>	<u>\$ 564,011</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, 2020**

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Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ (535,840)
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Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	(399)
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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.	685
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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	585,000	
Deferred charge on refunding	(28,709)	
Amortization of bond premium	29,594	585,885
	<u>          </u>	<u>          </u>

Changes in net position		<u><u>\$ 50,331</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, 2020**

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**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, 2020.

**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.

**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.

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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.

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.

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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.

**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.

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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.

**2. Property Held for Resale**

Land and related buildings and improvements acquired for the purpose of redevelopment and sale are recognized as assets and stated at the lower of cost (including costs of appraisal, demolition, and relocation) or net realizable value. At June 30, 2020 property held for resale was \$1,404,051.

**3. Capital Assets**

The changes in the capital assets for the Agency for the year ended June 30, 2020 are as follows:

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

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

**4. Long-Term Debt**

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

<u>Agency</u>	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Bonds					
2010 Civic Center Bond	\$ 350,000	\$ -	\$ 350,000	\$ -	\$ -
2016A FF&C Refunding Obligation	7,980,000	-	35,000	7,945,000	35,000
Bond Premium	463,472	-	23,174	440,298	-
2017A FF&C Refunding Obligation	4,035,000	-	-	4,035,000	360,000
Bond Premium	129,671	-	6,483	123,188	-
Notes Payable					
IFA Loan	2,726,173	-	-	2,726,173	-
City of Independence	5,826,997	-	200,000	5,626,997	200,000
	<u>\$ 21,511,313</u>	<u>\$ -</u>	<u>\$ 614,657</u>	<u>\$ 20,896,656</u>	<u>\$ 595,000</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, 2020 are as follows:

In April 2010, the City issued \$13,410,000 Full Faith and Credit Obligation bonds. Proceeds were used for the construction and to equip a new City Hall (Civic Center). Interest rates range from 3.00% to 5.00%. The bonds matured in 2020.

\$ 0

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.

7,945,000

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.

4,035,000

Total bonds

\$ 11,980,000



**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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

Fiscal Year	2010 Civic Center Bond		2016A FF&C Refunding		2017A FF&C Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 35,000	\$ 302,206	\$ 360,000	\$ 150,250
2022	-	-	35,000	300,806	370,000	139,450
2023	-	-	35,000	299,406	385,000	128,350
2024	-	-	40,000	298,006	400,000	116,800
2025	-	-	40,000	296,406	415,000	100,800
2026-30	-	-	435,000	1,457,430	2,105,000	241,600
2031-35	-	-	3,310,000	1,132,230	-	-
2036-40	-	-	4,015,000	429,586	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,945,000</u>	<u>\$ 4,516,076</u>	<u>\$ 4,035,000</u>	<u>\$ 877,250</u>

In December 2016, the Agency entered into an agreement with the Business Oregon Infrastructure Finance Authority to award the Agency a total award of \$3,250,000. The Agency will repay this amount at the end of the project with 2.83% interest per annum. The loan will be drawn down first. The Agency has pledged incremental property tax revenues for payment of the loan. In the event of default, outstanding amounts become immediately due. At year end the Agency had drawn down.

\$ 2,726,173

The Agency has loans outstanding with the City of Independence. These loans are payable over future periods. Interest rate on these notes payable are approximately 2%. At year end the agency had drawn down.

5,626,997

Total notes payable

\$ 8,353,170

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

Fiscal Year	Note Payable City of Independence	
	Principal	Interest
2021	\$ 200,000	\$ 3,814
2022	200,000	3,814
2023	200,000	3,814
2024	200,000	3,814
2025	200,000	3,814
2026-30	1,000,000	19,070
2031-35	1,000,000	19,070
2036-40	1,000,000	19,070
2040-44	1,626,997	31,084
	<u>\$ 5,626,997</u>	<u>\$ 107,364</u>

The City has an unused line of credit for government activities related to the Business Oregon Infrastructure Finance Authority agreement above in the amount of \$523,827.

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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**5. 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.

**6. Restatement Due to Change in Basis**

The Agency did an adjustment to reflect a restatement of the amounts due to the City Independence as to long-term debt \$5,826,997. As well as an asset that was moved from capital assets to property held for resale in the amount of \$1,559,248.

**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, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 151,800	\$ 151,800	\$ 148,499	\$ (3,301)
Rent	-	-	3,675	3,675
Total revenues	151,800	151,800	152,174	374
<b>EXPENDITURES:</b>				
Materials and service	500,000	500,000	500,904	(904)
Capital outlay	125,000	125,000	9,082	115,918
Debt service:				
Principal	200,000	200,000	200,000	-
Interest	3,814	3,814	3,812	2
Total expenditures	828,814	828,814	713,798	115,016
Revenues over (under) expenditures	(677,014)	(677,014)	(561,624)	115,390
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	325,000	325,000	-	(325,000)
Total other financing sources (uses)	325,000	325,000	-	(325,000)
Net change in fund balances	(352,014)	(352,014)	(561,624)	(209,610)
<b>FUND BALANCE, BEGINNING BUDGETARY BASIS</b>	(1,583,184)	(1,583,184)	(511,770)	1,071,414
Restatement due to change in basis	-	-	1,559,248	1,559,248
<b>FUND BALANCE, BEGINNING AS RESTATED - BUDGET BASIS</b>	(1,583,184)	(1,583,184)	1,047,478	2,630,662
<b>FUND BALANCE, ENDING</b>	<u>\$ (1,935,198)</u>	<u>\$ (1,935,198)</u>	<u>\$ 485,854</u>	<u>\$ 2,421,052</u>

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2020**

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**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.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2020:

<u>Fund</u>	<u>Category</u>	<u>Amount</u>
Urban Renewal Projects Fund	Materials and services	\$904

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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, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 426,250	\$ 426,250	\$ 426,250	\$ -
Property taxes	455,500	455,500	447,295	(8,205)
Interest	1,200	1,200	4,720	3,520
Total revenues	882,950	882,950	878,265	(4,685)
<b>EXPENDITURES:</b>				
Debt service:				
Principal	385,000	385,000	385,000	-
Interest	467,506	467,506	467,481	25
Contingency	73,808	73,808	-	73,808
Total expenditures	926,314	926,314	852,481	73,833
Revenues over (under) expenditures	(43,364)	(43,364)	25,784	69,148
Net change in fund balances	(43,364)	(43,364)	25,784	69,148
<b>FUND BALANCE, BEGINNING</b>	43,364	43,364	52,373	9,009
<b>FUND BALANCE, ENDING</b>	\$ -	\$ -	\$ 78,157	\$ 78,157

## **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  
City of 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, 2020 and have issued our report thereon dated March 31, 2021. 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* except as follows.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2020:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount</u>
Urban Renewal Projects Fund	Materials and service	\$ 904

### **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  
March 31, 2021