

**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, 2023

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY

TABLE OF CONTENTS

June 30, 2023

	<u>Page</u>
INTRODUCTORY SECTION	
Agency Officials	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	8
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements.....	11
Governmental Funds	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	14
<u>Notes to the Basic Financial Statements</u>	15
<u>Required Supplementary Information</u>	23
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Projects Fund - General Fund	24
<u>Notes to the Required Supplementary Information</u>	25
<u>Other Supplementary Information</u>	26
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Urban Renewal Debt Service Fund.....	27
AUDIT COMMENTS AND DISCLOSURES	
Independent Auditor's Report Required by <i>Oregon State Regulations</i>	28

INTRODUCTORY SECTION

Agency Officials

Mayor John McArdle

Shannon Corr, Position #1

Marilyn Morton, Position #2

Dawn Roden, Position #3

Tom Takacs, Position #4

Kate Schwarzler, Position #4

Sarah Jobe, Position #5

Kathy Martin-Willis, Position #6

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
City of Independence Urban Renewal Agency
Independence, Oregon

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Independence Urban Renewal Agency (Agency), a component unit of the City of Independence, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2023, 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. 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 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 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 generally accepted auditing standards 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with generally accepted auditing standards, 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 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 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information basic the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The General Fund schedule of revenues, expenditures and changes in fund balance - budget and actual, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

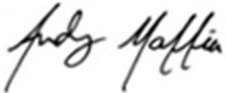
Report on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 21, 2023, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Aldrich CPAs + Advisors LLP

By:

A handwritten signature in black ink, appearing to read "Andy Maffia".

Andrew Maffia, CPA, Partner
Salem, Oregon
December 21, 2023

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023

This discussion and analysis presents the highlights of financial activities and financial position for the City of Independence Urban Renewal Agency (the Agency), a component unit of the City of Independence, Oregon. The analysis focuses on significant financial issues, major activities and resulting changes in financial position, budget variances, specific issues relating to funds, and the economic factors affecting the Agency.

Management’s Discussion and Analysis (MD&A) focuses on current year activities and resulting changes and should be read in conjunction with the Agency’s financial statements, which immediately follow this analysis.

Financial Highlights

The Agency was established in September 2001. The year ended June 30, 2023, was the twenty-first year that the Agency incurred financial transactions.

- Liabilities exceeded assets and deferred outflows of resources by approximately \$17.7 million at June 30, 2023.
- The Agency received property taxes of approximately \$1.0 million during the 2022-2023 fiscal year, used to fund interest payments on long-term obligations.

Overview of the Financial Statements

Following this MD&A, the report is organized in three sections: the basic financial statements including notes to the basic financial statements; required and other supplementary information; and reports by the independent auditor as required by the State of Oregon. The agency-wide statements include the statement of net position and the statement of activities.

The *Statement of Net Position* provides a focus on the net position of the Agency’s governmental activities. The statement reports the Agency’s assets, deferred outflows of resources, and liabilities with the difference reported as net position.

The *Statement of Activities* provides a focus on program costs and their matching resources. To the extent that program costs are not covered by intergovernmental revenues, they are paid from general taxes and other sources. This statement demonstrates the extent to which programs are self-supporting or subsidized by general revenues.

The *fund financial statements* for the individual funds follow the agency-wide statements. The Agency presents the Urban Renewal Projects Fund, which serves as the Agency’s general operating fund, and the Urban Renewal Debt Service Fund both as major funds.

Agency-wide Statements

The agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* the Agency’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. All the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2023

The two agency-wide statements report the Agency’s *net position* and how it has changed. Net position—the difference between assets, deferred outflows, and liabilities—is one way to measure the Agency’s *financial health* or *position*.

Statement of Net Position

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the Agency, liabilities exceeded assets and deferred outflows of resources by \$17.7 million at the close of the most recent fiscal year.

The following table is a summary of the City’s net position compared to the prior fiscal year.

Statement of Net Position		
	June 30,	
	2023	2022
	<u>2023</u>	<u>2022</u>
Current assets	\$ 365,330	\$ 541,752
Noncurrent assets	<u>1,404,051</u>	<u>1,404,051</u>
Total Assets	<u>1,769,381</u>	<u>1,945,803</u>
Deferred Outflows of Resources	940,214	968,922
Current Liabilities	830,519	725,819
Noncurrent liabilities	<u>19,577,443</u>	<u>20,315,991</u>
Total Liabilities	<u>20,407,962</u>	<u>21,041,810</u>
Net Position		
Restricted	356,581	78,373
Unrestricted	<u>(18,054,948)</u>	<u>(18,205,458)</u>
Total Net Position	<u>\$ (17,698,367)</u>	<u>\$ (18,127,085)</u>

The Agency’s net position increased by \$428,718 during the current fiscal year as scheduled principal payments were made to retire outstanding debt. Total liabilities of the Agency decreased by a similar amount.

Statement of Activities

As with the statement of net position, the Agency reports governmental activities on a consolidated basis. A summary version of the statement of activities is illustrated in the following table.

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

Statement of Activities

For the Fiscal Year Ended June 30,

	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Operating Grants and Contributions	\$ 423,880	\$ 422,630
General Revenues		
Property Taxes	1,027,502	868,622
Interest	<u>15,009</u>	<u>4,016</u>
Total Revenues	<u>1,466,391</u>	<u>1,295,268</u>
Expenses		
General government	-	439
Interest on Long-term Debt	<u>1,037,673</u>	<u>484,066</u>
Total Disbursements	<u>1,037,673</u>	<u>484,505</u>
Change in Net Position	428,718	810,763
Net Position, Beginning of Year	<u>(18,127,085)</u>	<u>(18,937,848)</u>
Net Position, End of Year	<u><u>\$ (17,698,367)</u></u>	<u><u>\$ (18,127,085)</u></u>

The Agency's property tax revenues of \$1 million provide the majority of revenues to the Agency, complemented by payments from the City of Independence. Scheduled interest payments on long-term obligations increased significantly during the 2022-2023 fiscal year, offsetting the increase in tax revenues.

Fund Financial Analysis

Fund accounting segregates revenues according to their intended purpose and is used to aid management in demonstrating legal and contractual compliance with revenue source spending requirements.

The entire amount of the Debt Service Fund's ending fund balance consists of property taxes collected and is restricted to debt service. Ending balances for fiscal years 2022-2023 and 2021-2022 were \$335,634 and \$66,820 respectively. The increase in fund balance of the Debt Service Fund totaling \$268,814 results from a combination of increased tax revenues and decrease in interest paid by this fund.

**CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2023

The Urban Renewal Projects Fund ending fund balance for fiscal years 2022-2023 and 2021-2022 were \$1.4 million and \$1.9 million, respectively. The decrease of \$0.5 million is the result of the increase in scheduled interest payments during the year.

Urban Renewal Fund Budgetary Highlights

There was a single budget adjustment adopted by the Agency in the 2022-23 fiscal year moving \$2,200 from contingency to debt service in the Urban Renewal Projects Fund.

Obligations Outstanding

The Agency had total debt outstanding of \$20.3 million at the end of the current fiscal year. The Agency’s total debt decreased by \$718,546 during the year as a result of scheduled principal payments.

	2023	2022
Full Faith & Credit Obligations	\$ 10,760,000	\$ 11,180,000
Bond Premiums	474,514	504,172
Notes Payable	9,051,818	9,320,706
	<u>\$ 20,286,332</u>	<u>\$ 21,004,878</u>

Additional information on the Agency’s long-term debt can be found in the notes to the financial statements Note (2) Long-Term Debt.

Economic Factors

The Agency’s purpose is to partner with private development to support growth within the Agency’s boundaries. Increasing property values translate into property tax revenue to the Agency, which in turn pays for the debt incurred to fund infrastructure projects and improvements.

In 2001 when the Agency was created, the frozen assessed value of the district was \$30 million. For the fiscal year ended June 30, 2023, the assessed value of the district was \$79 million, an increase of 163 percent. Taxes assessed on the incremental assessed value between the current and frozen assessed values are paid to the Agency, while taxes on the frozen base are paid to the respective taxing jurisdictions.

Requests for Information

This Agency’s financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency’s finances and to demonstrate the Agency’s accountability of the resources it receives and expends. For additional information, contact the Finance Department, City of Independence, 555 Main Street PO Box 7, Independence, Oregon 97351.

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 Statements
- 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, 2023

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 330,333
Property taxes receivable	34,997
	<hr/>
Total current assets	365,330
	<hr/>
Noncurrent assets:	
Property held for resale	1,404,051
	<hr/>
Total noncurrent assets	1,404,051
	<hr/>
Total assets	1,769,381
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	940,214
	<hr/>
Total deferred outflows of resources	940,214
	<hr/>
LIABILITIES:	
Current liabilities:	
Due to City of Independence	52,644
Interest payable	68,986
Current portion of long-term debt	708,889
	<hr/>
Total current liabilities	830,519
	<hr/>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	19,577,443
	<hr/>
Total noncurrent liabilities	19,577,443
	<hr/>
Total liabilities	20,407,962
	<hr/>
NET POSITION:	
Restricted for:	
Debt service	356,581
Unrestricted	(18,054,948)
	<hr/>
Total net position	\$ (17,698,367)
	<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, 2023

	Expenses	Program Revenues Operating Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position
EXPENSES:			
General government	\$ -	\$ 423,880	\$ 423,880
Interest on long-term debt	1,037,673	-	(1,037,673)
Total activities	<u>\$ 1,037,673</u>	<u>\$ 423,880</u>	<u>(613,793)</u>
GENERAL REVENUES:			
Property taxes			1,027,502
Interest			15,009
Total general revenues			<u>1,042,511</u>
Change in net position			428,718
NET POSITION, BEGINNING			<u>(18,127,085)</u>
NET POSITION, ENDING			<u><u>\$ (17,698,367)</u></u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS
Major Governmental Funds

Urban Renewal Projects - General Fund

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

Urban Renewal Debt Service Fund

This fund accounts for the payment of principal and interest on the Agency's long-term obligations.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ -	\$ 330,333	\$ 330,333
Property taxes receivable	8,749	26,248	34,997
Property held for resale	1,404,051	-	1,404,051
Total assets	<u>\$ 1,412,800</u>	<u>\$ 356,581</u>	<u>\$ 1,769,381</u>
LIABILITIES:			
Due to City of Independence	<u>\$ 52,644</u>	<u>\$ -</u>	<u>\$ 52,644</u>
Total liabilities	<u>52,644</u>	<u>-</u>	<u>52,644</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue- property taxes	<u>6,982</u>	<u>20,947</u>	<u>27,929</u>
Total deferred inflows of resources	<u>6,982</u>	<u>20,947</u>	<u>27,929</u>
FUND BALANCES:			
Nonspendable:			
Property held for resale	1,404,051	-	1,404,051
Restricted for:			
Debt service	-	335,634	335,634
Unassigned	<u>(50,877)</u>	<u>-</u>	<u>(50,877)</u>
Total fund balance	<u>1,353,174</u>	<u>335,634</u>	<u>1,688,808</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,412,800</u>	<u>\$ 356,581</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. 940,214

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 27,929

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 (68,986)
Long-term debt (20,286,332)

Net position \$ (17,698,367)

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, 2023

	Urban Renewal Projects Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Intergovernmental	\$ -	\$ 423,880	\$ 423,880
Property taxes	253,744	761,233	1,014,977
Interest	1,352	13,657	15,009
Total revenues	255,096	1,198,770	1,453,866
EXPENDITURES:			
Debt service:			
Principal	268,889	420,000	688,889
Interest	496,611	509,956	1,006,567
Total expenditures	765,500	929,956	1,695,456
Net change in fund balances	(510,404)	268,814	(241,590)
FUND BALANCE, BEGINNING	1,863,578	66,820	1,930,398
FUND BALANCE, ENDING	<u>\$ 1,353,174</u>	<u>\$ 335,634</u>	<u>\$ 1,688,808</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, 2023

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ (241,590)
----------------------------	--------------

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	12,525
--	--------

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.

Accrued interest expense	(32,056)
--------------------------	----------

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	688,889	
Deferred charge on refunding	(28,708)	
Amortization of bond premium	<u>29,658</u>	<u>689,839</u>

Changes in net position	<u>\$ 428,718</u>
-------------------------	-------------------

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, 2023

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 accounting principles generally accepted in the United States (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Reporting Entity

The Agency (a component unit of the City of Independence) was created to finance 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.

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, 2023.

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, 2023

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 Urban Renewal Projects Fund serves as the Agency's general fund for the operation and general service related to the Agency. Additionally, this fund accounts for financial resources to be used for the acquisition or construction of capital equipment and facilities.

The Urban Renewal Debt Service Fund accounts for debt-related activities of the Agency. The principal source of revenue is property taxes which will be used to pay the principal and interest on the outstanding FF&C Refunding Bond obligations and loans from the City of Independence.

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.

E. Cash, cash equivalents and investments

Cash, cash equivalents and investments, including restricted cash, cash equivalents and investments, consist of demand deposits, and the State of Oregon Local Government Investment Pool (LGIP) deposits. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

The Agency's investment policy is the same as the City's and essentially mirrors the Oregon Revised Statutes. Currently, the Agency's investment portfolio primarily includes investments in the State of Oregon Local Government Investment Pool.

F. 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.

G. 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 assets 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 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 assets 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.

H. 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. All other net position is considered unrestricted.

I. 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 – nonspendable, restricted, committed, assigned and unassigned.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Nonspendable – 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 by legal or constitutional provisions.

Committed – Includes amounts that have been committed by resolution of 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.

J. 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.

K. Use of Estimates

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

(2) Cash and Cash Equivalents and Investments

The City maintains a cash and investment pool for all cash, cash equivalents and investments in which each fund participates, including the Agency. Agency investments with the State of Oregon Local Government Investment Pool (LGIP) are not held in separate Agency accounts. The total restricted and unrestricted cash, cash equivalents and investments balance for the Agency at year-end was \$330,333, representing the Agency’s share of the City’s cash and investment pool.

The City invests in the LGIP which 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 LGIP’s investment policies. The State Treasurer is the investment officer for the LGIP and is responsible for all funds in the LGIP. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill, and caution. Investments in the LGIP 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 Oregon Audits Division audits the LGIP annually. The Division’s most recent reported audit opinion on the LGIP was unmodified. The fair value of pool shares is equal to the City’s proportionate position in the pool.

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

(3) 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	\$ 7,875,000	\$ -	\$ 35,000	\$ 7,840,000	\$ 40,000
	Bond Premium	393,950	-	23,174	370,776	-
	2017A FF&C Refunding Obligation	3,305,000	-	385,000	2,920,000	400,000
	Bond Premium	110,222	-	6,484	103,738	-
Notes Payable	2021 IFA Loan - Indy Landing	2,904,580	-	-	2,904,580	91,332
	City of Independence	6,416,126	-	268,888	6,147,238	334,694
		<u>\$ 21,004,878</u>	<u>\$ -</u>	<u>\$ 718,546</u>	<u>\$ 20,286,332</u>	<u>\$ 774,694</u>

The Agency issues debt to provide funds for the acquisition and construction of major capital facilities. Debt of the Agency outstanding at June 30, 2023 is as follows:

In April of 2016, the Agency issued \$8,070,000 of Full Faith and Credit Obligation Refunding bonds to retire existing debt of the Agency. 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.

\$ 7,840,000

In December 2017, the Agency issued \$4,035,000 of Full Faith and Credit Obligation Refund bonds to retire existing debt of the Agency. 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.

2,920,000

Total bonds

\$ 10,760,000

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

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Fiscal Year	2016A FF& C Refunding Bond		2017A FF& C Refunding Bond	
	Principal	Interest	Principal	Interest
2024	\$ 40,000	\$ 298,006	\$ 400,000	\$ 116,800
2025	40,000	296,407	415,000	100,800
2026	40,000	294,806	430,000	84,200
2027	40,000	293,206	450,000	67,000
2028	45,000	291,606	465,000	49,000
2029-33	2,220,000	1,335,432	760,000	41,400
2034-38	3,725,000	719,030	-	-
2039-43	1,690,000	86,063	-	-
2044-48	-	-	-	-
	<u>\$ 7,840,000</u>	<u>\$ 3,614,556</u>	<u>\$ 2,920,000</u>	<u>\$ 459,200</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 project closed in June 2021, with 2.83% interest per annum. The Agency 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 - Indy Landing	
	Principal	Interest
2024	\$ 91,332	\$ 82,200
2025	93,916	79,615
2026	96,574	76,957
2027	99,307	71,224
2028	102,118	71,414
2029-33	555,608	312,049
2034-38	638,803	228,852
2039-43	734,458	133,198
2044-48	492,464	28,133
	<u>\$ 2,904,580</u>	<u>\$ 1,083,642</u>

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

a. City of Independence – Note Payable

The City of Independence incurred debt on behalf of the Agency for construction of the Independence Civic Center and assisted in servicing the debt. The Agency began repayment on the loan in 2023. The principal balance of the loan payable to the City was \$3,867,234 at June 30, 2023.

In 2017, the Agency finalized a development & disposition agreement for the development of a hotel, apartments and townhomes at Independence Landing. As part of the agreement, the Agency agreed to pay construction costs imposed by the City of Independence up to \$2,082,110. As a result, there is a loan payable between the City and the Agency. As of June 30, 2023, the balance of this loan payable to the City was \$1,870,183.

The remaining \$409,821 is from loans from the City of Independence in order to eliminate deficit cash balances in the Agency. The total balance of loans payable due to the City was \$6,147,238 at June 30, 2023.

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

Note Payable		
City of Independence		
Fiscal		
Year	Principal	Interest
2024	\$ 334,694	\$ 650,228
2025	340,715	560,519
2026	693,174	208,060
2027	757,875	143,359
2028	749,869	120,619
2029-33	2,783,394	517,988
2034	487,517	14,626
	<u>\$ 6,147,238</u>	<u>\$ 2,215,399</u>

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

(4) 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.

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, 2023**

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Property taxes	\$ 240,000	\$ 240,000	\$ 253,744	\$ 13,744
Interest	1,000	1,000	1,352	352
Total revenues	241,000	241,000	255,096	14,096
EXPENDITURES:				
Debt service:				
Principal	268,889	268,889	268,889	-
Interest	496,616	498,816	496,611	2,205
Contingency	1,526,913	1,524,713	-	1,524,713
Total expenditures	2,292,418	2,292,418	765,500	1,526,918
Net change in fund balances	(2,051,418)	(2,051,418)	(510,404)	1,541,014
FUND BALANCE, BEGINNING BUDGETARY BASIS	2,051,418	2,051,418	1,863,578	(187,840)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,353,174</u>	<u>\$ 1,353,174</u>

CITY OF INDEPENDENCE URBAN RENEWAL AGENCY
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2023

1. Stewardship, Compliance, and Accountability

A. Budgetary information

On or before June 30 of each year, the Agency enacts a resolution adopting 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.

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, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Intergovernmental	\$ 423,880	\$ 423,880	\$ 423,880	\$ -
Property taxes	715,000	715,000	761,233	46,233
Interest	1,000	1,000	13,657	12,657
Total revenues	1,139,880	1,139,880	1,198,770	58,890
EXPENDITURES:				
Debt service:				
Principal	420,000	420,000	420,000	-
Interest	509,960	509,960	509,956	4
Contingency	283,502	283,502	-	283,502
Total expenditures	1,213,462	1,213,462	929,956	283,506
Net change in fund balances	(73,582)	(73,582)	268,814	342,396
FUND BALANCE, BEGINNING	73,582	73,582	66,820	(6,762)
FUND BALANCE, ENDING	\$ -	\$ -	\$ 335,634	\$ 335,634

AUDIT COMMENTS AND DISCLOSURES

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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 (Agency) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 21, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **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 Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

ORS 294.438 requires the financial summary attached to the budget hearing notice agree to the amounts presented on the detail budget sheets. The detail budget sheets show 2023-24 approved total resources and requirements of \$3,197,669. The Financial Summary attached to the budget hearing notice shows total resources and requirements of \$3,376,649 for a difference of \$178,980.

OAR 162-10-0230 Internal Control

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

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

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 or significant deficiencies may exist that were not identified.

Restriction on Use

This report is intended solely for the information and use of the Agency Official and management of the City of Independence Urban Renewal Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Salem, Oregon
December 21, 2023