

**Fairview Urban Renewal Agency**  
**(A Component Unit of the City of Fairview, Oregon)**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2020**

**FAIRVIEW URBAN REWAL AGENCY**  
(A Component Unit of the City of Fairview, Oregon)

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

**OFFICIALS OF THE AGENCY**  
**JUNE 30, 2020**

**AGENCY MEMBERS**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>
Brian Cooper	Chair	December 31, 2022
Natalie Voruz	Vice Chair	December 31, 2022
Mike Weatherby	Board Member	December 31, 2020
Cathi Forsythe	Board Member	December 31, 2020
Keith Kudrna	Board Member	December 31, 2020
Balwant Bhullar	Board Member	December 31, 2022
Darren Riordan	Board Member	December 31, 2022

**AGENCY ADDRESS**  
**FAIRVIEW URBAN RENEWAL AGENCY**  
1300 NE Village Street  
Fairview, OR 97024

[www.fairvieworegon.gov](http://www.fairvieworegon.gov)



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Pendleton, OR 97801  
Phone: (541) 276-6862  
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## **INDEPENDENT AUDITOR'S REPORT**

To Agency Members  
Fairview Urban Renewal Agency  
Fairview, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fairview Urban Renewal Agency (*a component unit of the City of Fairview, Oregon*) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Fairview Urban Renewal Agency (a component unit of the City of Fairview, Oregon), as of June 30, 2020, and the respective changes in financial position, and the budgetary comparison for the Urban Renewal General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplemental Information*

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

## Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 19, 2022, on our consideration of the Agency's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. 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.

*Dickey and Tremper, LLP*

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Dickey and Tremper, LLP  
Certified Public Accountants and Consultants

January 19, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FAIRVIEW URBAN RENEWAL AGENCY  
(A Component Unit of the City of Fairview, Oregon)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2020

This discussion and analysis of the Fairview Urban Renewal Agency (Agency) presents the highlights of financial activities and financial position for the Agency for the year ended June 30, 2020. It has been prepared by management based on currently known facts, decisions and conditions that existed and should be read in conjunction with the financial statements and notes which follow this section.

### **Financial Highlights**

- The Agency's net position is \$(559,899), indicating the Agency had more liabilities than assets on June 30, 2020
- General Government expenses were \$513,677 and Interest on Long-Term Obligations expenses were \$106,761
- Property Tax revenue levied for debt service was \$109,108
- Interest and Investment earnings totaled \$67,178

### **Overview of the Financial Statements**

The following discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements and other required supplementary information. The Agency's basic financial statements are comprised of three components:

- (1) government-wide financial statements
- (2) fund financial statements
- (3) notes to the basic financial statements.

#### **1. Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Agency's (a) assets, and deferred outflows and (b) liabilities and deferred inflows of resources. Net positions is the difference between (a) and (b). Over time, increases or decreases in net position may serve as a useful tool for assessing whether the financial position of the Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the Agency's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Examples would include earned but uncollected property taxes (future inflow), and interest accrued but not paid for debt service (future outflow).

The governmental activities of the Agency include the following:

- Acquisition and construction of capital facilities and infrastructure
- Servicing long-term debt

The Agency has no business-type activities.

## **2. Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Agency maintains one fund, the Fairview Urban Renewal Agency (URA) fund, which is a governmental fund.

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

Because the focus of governmental funds is narrower than that of the Agency-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Agency-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

## **3. Notes to the Basic Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided. They are an integral part of the financial statements and should be read in conjunction with them (pages 7–14). In addition to this discussion and analysis, this report also presents required supplementary information concerning budgetary comparison for the fund of the Agency.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Fiscal Year 2019-2020 is the first year the Agency has reported separately from the City. As such, this indicator will be more useful in coming years.



## FAIRVIEW URBAN RENEWAL AGENCY NET POSITION

	<u>Governmental Activities</u>	
	<u>2020</u>	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	3,478,862
Receivables:		
Property Taxes		492
Accounts		517
<b>TOTAL ASSETS</b>		<b>3,479,871</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses		8,367
Accrued Interest Payable		8,403
Due to the City of Fairview		650,000
Long-Term Obligations		
Due within one year		131,000
Due in more than one year		3,242,000
<b>TOTAL LIABILITIES</b>		<b>4,039,770</b>
<b>NET POSITION (DEFICIT)</b>		
Unrestricted		(559,899)
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>(559,899)</b>

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

## FAIRVIEW URBAN RENEWAL AGENCY STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>	
	<u>2020</u>	
<b>REVENUES</b>		
Property Taxes	\$	109,108
Interest		67,178
Other		-
<b>TOTAL REVENUES</b>		<b>176,286</b>
<b>EXPENSES</b>		
General Government		513,677
Interest on Long-Term Obligations		106,761
<b>TOTAL EXPENSES</b>		<b>620,438</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>		<b>(444,152)</b>
<b>PRIOR PERIOD ADJUSTMENT</b>		<b>-</b>
<b>BEGINNING NET POSITION</b>		<b>(115,747)</b>
<b>ENDING NET POSITION</b>	<b>\$</b>	<b>(559,899)</b>

## **Capital Assets and Debt Administration**

The Agency had no capital assets as of June 30,2020.

## **Obligations Outstanding**

	Fairview Urban Renewal Agency Outstanding Debt, Revenue Bonds			
	Governmental Activities		Business-Type Activities	
	2019	2020	2019	2020
Bridge Loan from City	\$ 650,000	\$ 650,000		
URA Taxable Note (Series 2019A)	\$ -	\$ 1,221,000		
URA Tax Exempt Note (Series 2019B)	\$ -	\$ 2,152,000		
Total	\$ 650,000	\$ 4,023,000	\$ -	\$ -

Additional information on the Agency's bonded debt can be found in the notes to the basic financial statements.

## **Budgetary Highlights**

Budgetary adjustments in the amount of \$106,415 were adopted during the year to cover the cost of issuance and debt service related to the URA notes obtained by the City on behalf of the Fairview Urban Renewal Agency.

## **Requests for Information**

This financial report is designed to provide a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. Questions about the report or requests for additional financial information should be addressed to:

Lesa Folger  
Finance Director  
City of Fairview  
1300 NE Village Street  
Fairview, Oregon 97024  
[folgerl@ci.fairview.or.us](mailto:folgerl@ci.fairview.or.us)

## **BASIC FINANCIAL STATEMENTS**

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**FAIRVIEW URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of Fairview, Oregon)**

**STATEMENT OF NET POSITION**  
**June 30, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,478,862
Receivables:	
Property taxes	492
Accounts	517
Total assets	3,479,871
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	8,367
Accrued interest payable	8,403
Due to the city of Fairview	650,000
Long-term obligations	
Due within one year	131,000
Due in more than one year	3,242,000
Total liabilities	4,039,770
 <b>NET POSITION (DEFICIT)</b>	
Unrestricted	(559,899)
Total Net Position	\$ (559,899)

**FAIRVIEW URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Fairview, Oregon)

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 513,677	\$ -	\$ -	\$ -	\$ (513,677)
Interest on long-term obligations	106,761	-	-	-	(106,761)
Total governmental activities	<u>\$ 620,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (620,438)</u>
General revenues:					
Property taxes levied for:					
Debt service					109,108
Interest and investment earnings					<u>67,178</u>
Total general revenues					<u>176,286</u>
Change in net position					(444,152)
Net position, beginning					<u>(115,747)</u>
Net position, ending					<u>\$ (559,899)</u>

**FAIRVIEW URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Fairview, Oregon)

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	<u>Urban Renewal General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,478,862
Receivables:	
Property taxes	492
Accounts	517
Total assets	<u>\$ 3,479,871</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 8,367
Due to City of Fairview	<u>650,000</u>
Total liabilities	<u>658,367</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	<u>492</u>
Total deferred inflows of resources	<u>492</u>
<b>FUND BALANCES</b>	
Restricted	<u>2,821,012</u>
Total fund balances	<u>2,821,012</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,479,871</u>
Fund balance at end of year - governmental funds	\$ 2,821,012
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Long-term assets that are not available to pay for current-period expenditures are deferred in the funds.	492
Long-term liabilities, including notes payable and accrued interest are not due in the current period and are not reported in the funds.	<u>(3,381,403)</u>
<b>Net position of governmental activities</b>	<u>\$ (559,899)</u>

The notes to the basic financial statements are an integral part of this statement

**FAIRVIEW URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Fairview, Oregon)

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2020**

	<b>Urban Renewal General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 108,616
Interest on investments	67,178
<b>TOTAL REVENUES</b>	175,794
<b>EXPENDITURES</b>	
Current:	
General government	220,969
Capital Outlay	292,708
Debt service	185,358
<b>TOTAL EXPENDITURES</b>	699,035
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(523,241)
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of debt	3,460,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	3,460,000
<b>NET CHANGES IN FUND BALANCE</b>	2,936,759
<b>FUND BALANCE, Beginning</b>	(115,747)
<b>FUND BALANCE, Ending</b>	\$ 2,821,012

The notes to the basic financial statements are an integral part of this statement.

**FAIRVIEW URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Fairview, Oregon)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2020**

<b>Net change in fund balance - governmental funds</b>	\$	2,936,759
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenues		492
<p>Issuance of debt is a financial resource in the governmental fund, but the issuance increases long-term liabilities in the Statement of Net Position</p>		
		(3,460,000)
<p>Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.</p>		
		87,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds.</p>		
Change in accrued interest payable		<u>(8,403)</u>
<b>Change in net position - governmental activities</b>	<b>\$</b>	<b><u>(444,152)</u></b>



**FAIRVIEW URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Fairview, Oregon)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
URBAN RENEWAL AGENCY FUND  
For the Fiscal Year Ended June 30, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 76,226	\$ 76,226	\$ 108,616	\$ 32,390
Interest on investments	13,000	13,000	67,178	54,178
<b>TOTAL REVENUES</b>	<u>89,226</u>	<u>89,226</u>	<u>175,794</u>	<u>86,568</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	1,252,750	1,200,135	220,969	979,166
Debt Service	132,745	185,360	185,358	2
Capital Outlay	760,000	760,000	292,708	467,292
Contingency	1,739,427	1,739,427	-	1,739,427
<b>TOTAL EXPENDITURES</b>	<u>3,884,922</u>	<u>3,884,922</u>	<u>699,035</u>	<u>3,185,887</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,795,696)</u>	<u>(3,795,696)</u>	<u>(523,241)</u>	<u>3,272,455</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	3,400,000	3,400,000	3,460,000	60,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,460,000</u>	<u>60,000</u>
<b>NET CHANGES IN FUND BALANCE</b>	(395,696)	(395,696)	2,936,759	3,332,455
<b>FUND BALANCE, Beginning</b>	<u>395,696</u>	<u>395,696</u>	<u>(115,747)</u>	<u>(511,443)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,821,012</u>	<u>\$ 2,821,012</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**FAIRVIEW URBAN RENEWAL AGENCY**  
(A Component Unit of the City of Fairview, Oregon)

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2020**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The accompanying financial statements present the activities of the Fairview Urban Renewal Agency. The agency was formed on November 7, 2018 for the purpose of assisting in the economic development of the City of Fairview and is responsible for the urban growth and development within its boundaries. The Agency is a component unit of the City of Fairview and is financially accountable to the City. In addition, the Agency's governing body is the same as that of the City of Fairview's governing body, giving the City the ability to significantly impose its will over the Agency. Management of the Agency consists of those individuals responsible for the day-to-day operations of the City of Fairview; and the Agency provides services wholly within the City boundaries with the intention of increasing tax revenues and employment.

The financial activities of the Agency are also presented as a blended component unit in the City of Fairview financial statements. Complete financial statements for the City of Fairview may be obtained at the City of Fairview's office located at 1300 NE Village Street, Fairview, OR 97024.

**B. Inclusion of the Agency in Fairview, Oregon, Comprehensive Annual Financial Report**

All significant activities and organizations for which the City exercises oversight responsibility have been included in the City's combined financial statements. The following criteria from Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 34 and 61, regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

- Financial interdependency – the City provides a financial benefit or burden relationship to the organization.
- Authoritative appointment of governing authority – Fairview City Council is the organization's governing authority.

City management has determined that the Agency meets the criteria set forth above, and, therefore, is a component unit of the City. This report is issued solely to meet a State of Oregon, Department of Revenue interpretation of Oregon Revised Statutes that requires a separate audit report.

**C. Agency-wide and Fund Financial Statements**

The agency-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **D. Measurement Focus, Basis of Accounting and Basis of Presentation**

The agency-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds are funded by a variety of resources, which include Restricted, Committed, Assigned, and Unassigned sources. Unless specifically tracked, expenditures are assumed to begin with Restricted, Committed, Assigned, and lastly, Unassigned.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the Agency. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgment, are recorded only when payment is due.

The Agency reports the following major governmental funds:

The *General Fund* is the primary operating fund of the Agency and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

#### **E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **F. Cash and Cash Equivalents**

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Agency's bank accounts and investments are maintained in a central pool of cash and investments with the City of Fairview that is available for use by all funds. Each fund's portion of this pool is reported on the combined balance sheet as cash and cash equivalents.

The investment policy of the Agency is to invest in the Local Government Investment Pool (LGIP), U.S. Government Obligations, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments, authorized for municipal corporations. The Agency allocates earnings on investments to each fund based on the year to date net income for each fund.

Investments in the LGIP are reported at amortized cost, which approximates fair value in accordance with GASB Statement Number 31, and are considered cash equivalents for financial reporting purposes.

## **G. Receivables and Payables**

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in paragraph D above.

## **H. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Board passes a resolution that places specific constraints on how the resources may be used. The Board can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor

committed. Intent is expressed when the Board approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the Agency's fund financial statements.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

## **I. Long-Term Obligation**

In the agency-wide financial statements, long-term debt obligations are reported as liabilities in the Statement of Net Position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of Directors adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Agency established the levels of budgetary control at the materials and services, capital outlay, debt service, and all other requirement levels for all funds.

Unexpected additional resources may be added to the budget and appropriated for expenditure. Management must obtain Board authorization for all appropriation transfers and budgetary appropriations.

During the year ended June 30, 2020, an appropriation transfer was approved and no supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the Agency lapses as of year-end.

## **B. Excess of Expenditures over Appropriations**

There were no expenditures that exceeded appropriations.

## **III. DETAILED NOTES ON ALL FUNDS**

### **A. Deposits and Investments**

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Agency at June 30, 2020. If bank deposits at year end are not entirely insured or collateralized with securities held by the district or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists.

The Agency maintains a cash pool with the City of Fairview that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as cash and cash equivalents. Please refer to the City's basic financial statements, issued under a separate cover, for additional information pertaining to the nature and collateralization of the City's deposits and investments.

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

**Investments.** In connection with their shared funds with the City of Fairview, the Agency has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the Agency's cash position.

Investments in the Oregon State Treasury LGIP are made under the provision of ORS 194.180. These funds are held in the Agency's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at cost, which approximates fair value.

Credit risk. State statutes authorize the Agency to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial

papers, and the State Treasurer’s investment pool, among others. The Agency has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The Agency is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Agency has no such investments.

Interest Rate Risk. The Agency has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

The Agency’s cash and cash equivalents by fund at June 30, 2020 are shown below:

Governmental activities:	
General Fund	<u>\$ 3,478,862</u>
Total cash and cash equivalents	<u><u>\$ 3,478,862</u></u>

**B. Receivables**

At June 30, 2020 the Agency’s receivables are as follows:

Property taxes	\$ 492
Accounts	<u>517</u>
Total receivables	<u><u>\$ 1,009</u></u>

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by Multnomah County and remittance to the Agency is made at periodic intervals. The Agency levied taxes at less than maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$114,253.

**C. Deferred Outflows/Inflows of Resources**

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental fund balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The unavailable revenues reported in the governmental funds included \$492 in property taxes.



**D. Fund Balance**

Restricted Fund Balance represents amounts that are constrained for Urban Renewal projects and administration. Generally the purpose for each is indicated by the account title on the face of the balance sheet.

When the option is available to use restricted or unrestricted resources for any purpose, the Agency expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the Agency expends committed resources before assigned resources, and assigned resources before unassigned resources.

**E. Long – Term Liabilities from Direct Borrowings and Direct Placemats**

On September 26, 2019 the Agency entered into a intergovernmental agreement, by and between the City of Fairview, a municipal corporation of the State of Oregon (the “City”) and the Fairview Urban Renewal Agency, Oregon, a public body created and activated under ORS Chapter 457 (the “Agency”). This loan was to finance projects for the Fairview Urban Renewal Agency. In addition to reimbursing the City of Fairview for administrative costs, funds will be used to pay the Water, Sewer, and StormWater Utility System Development Charges (SDCs) for certain types of development and for other public infrastructure projects. The URA made a taxable draw of \$1,300,000 with a interest rate of 3.650% and a tax-exempt draw of \$2,160,0000 with a 2.615% interest rate. Principal payments are semi-annually on June 1 and December 1, beginning June 1 2020. Interest payments are also semi-annually on June 1 and December 1, beginning on December 1, 2019.

Future annual requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 131,000	\$ 100,842	\$ 231,842
2022	135,000	96,205	231,205
2023	140,000	91,423	231,423
2024	145,000	86,458	231,458
2025	150,000	81,320	231,320
2026-2030	836,000	322,756	1,158,756
2031-2035	967,000	190,790	1,157,790
2036-2039	869,000	57,556	926,556
	<u>\$ 3,373,000</u>	<u>\$ 1,027,350</u>	<u>\$ 4,400,350</u>

Changes in long-term liabilities from direct borrowings and direct placement for the fiscal year ended June 30, 2020, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Urban Renewal Bonds	\$ -	3,460,000	87,000	3,373,000	131,000
Total Long Term Obligations	<u>\$ -</u>	<u>\$ 3,460,000</u>	<u>\$ 87,000</u>	<u>\$ 3,373,000</u>	<u>\$ 131,000</u>

## **F. Risk Management**

The Agency is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance coverage in the name of the City. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in prior years.

## **G. Commitments & Contingencies**

The Agency's 2021 budget was approved for a total of \$3.3 million and includes System Development Charge assistance up to \$520,000, grants and private development assistance of up to \$1 million, infrastructure projects of \$1.24 million, administrative services of \$225,563, and debt service of \$259,466.

## **H. Related Party Transactions**

The Agency borrowed \$650,000 from The City of Fairview in March 2019 for a term not to exceed five years and interest at 4.25%. \$27,625 in interest was paid in 2020 and the balance at year end was \$650,000. The Agency also paid the City \$69,844 for administrative services and reimbursed \$292,708 for infrastructure projects.

## **I. Subsequent Events**

The Agency approved an intergovernmental agreement with the City of Fairview for the purchase of property on the southeast corner of NE Halsey and Village Street. The Urban Renewal Agency will be providing \$1.65 million towards the purchase of the property and will also budget and provide additional funds for the development of the property. The Agency also approved amendment #1 to the plan to authorize the purchase.

The Agency also approved an intergovernmental agreement with the City for the development and operation of a Food Cart Court. It is estimated that the development cost will be between \$1.5 and \$2.0 million.

The Urban Renewal Agency approved resolution number 4-2021 authorizing the Agency to sign an intergovernmental agreement with the City authorizing \$6,000,000 of additional financing for the urban renewal projects and approve amendment #2 to clarify projects that will be paid for out of the plan.

## **AUDITOR'S COMMENTS AND REPORTS**

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## **Independent Auditor's Report Required by Oregon State Regulations**

We have audited the basic financial statements of Fairview Urban Renewal Agency as of and for the year ended June 30, 2020, and have issued our report thereon dated January 19, 2022. 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 Fairview Urban Renewal Agency 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.**
- **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.

**OAR 162-10-0230 Internal Control**

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

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

Dickey and Tremper, LLP

A handwritten signature in black ink that reads "Dickey and Tremper, LLP". The signature is written in a cursive, flowing style.

January 19, 2022