

**FOREST GROVE URBAN RENEWAL AGENCY**  
**Forest Grove, Oregon**

**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2018**

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**FOREST GROVE URBAN RENEWAL AGENCY  
OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2018**

**BOARD OF DIRECTORS**

Peter Truax  
3131 Forest Gale Drive  
Forest Grove, OR 97116

Timothy Rippe  
3334 Edgeview Lane  
Forest Grove, OR 97116

Thomas Johnston  
2323 15<sup>th</sup> Avenue  
Forest Grove, OR 97116

Malynda Wenzl  
2519 Heather Way  
Forest Grove, OR 97116

Adolph Valfre, Jr.  
3346 Edgeview Lane  
Forest Grove, OR 97116

Ronald Thompson  
3231 Lavina Drive  
Forest Grove, OR 97116

Elena Uhing  
1633 Pacific Avenue  
Forest Grove, OR 97116

**CONTACT PERSON**

Paul Downey  
1924 Council Street  
Forest Grove, OR 97116

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**FOREST GROVE URBAN RENEWAL AGENCY**

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## INDEPENDENT AUDITOR'S REPORT

Agency Officials  
FOREST GROVE URBAN RENEWAL AGENCY  
Forest Grove, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the FOREST GROVE URBAN RENEWAL AGENCY, a component unit of the City of Forest Grove, as of and for the year ended June 30, 2018, 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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *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 the major fund of the FOREST GROVE URBAN RENEWAL AGENCY, as of June 30, 2018, the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

#### **Other Reporting Required by Oregon State Regulations**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 29, 2019, 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.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 29, 2019

By:



Bradley Bingenheimer, Member

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

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

Fiscal Year Ended June 30, 2018

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

Management's discussion and analysis (MD&A) focuses on the current year activities and resulting changes from the prior year. Please read it in conjunction with the Agency's financial statements (beginning on page 1).

### **FINANCIAL HIGHLIGHTS**

- The Total Assets of the Agency were \$617,980 and the Net Position was \$(1,452,081) at June 30, 2018, which was the end of the Agency's third fiscal year.
- Overall, expenditures were \$66,994 and overall revenue was \$167,286. The primary expenditure for 2017-18 was \$41,252 in interest expense paid to the City for debt owed to the City.

### **REPORT LAYOUT**

The Agency's annual financial report consists of several sections. The components of the report include the following:

**Management's Discussion and Analysis.** This section of the report provides financial highlights, overview, and economic factors affecting the Agency.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### REPORT LAYOUT (continued)

**Basic Financial Statements.** Includes statement of net position, statement of activities, fund financial statements, and notes to the financial statements. Statements of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Agency.

*The statement of net position* focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the Agency owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

*The statement of activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All 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. The focus is on Agency revenues and expenditures, the net of which equals change in net assets.

*Fund financial statements* focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The Agency's General Fund is presented here along with budgetary comparisons.

*The notes to the basic financial statements* provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**AGENCY AS A WHOLE**

**Government-wide financial statements**

**Statement of Net Position at June 30:**

**Table 1**  
**Net Position at Fiscal Year End**  
**Governmental Activities**

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 197,055	\$ 216,342
Receivables	2,925	1,950
Land held for sale	<u>418,000</u>	<u>418,000</u>
Total assets	<u>617,980</u>	<u>636,292</u>
Liabilities		
Current liabilities	7,500	126,104
Long-term liabilities	<u>2,062,561</u>	<u>2,062,561</u>
Total liabilities	<u>2,070,061</u>	<u>2,188,665</u>
Net position:		
Unrestricted	<u>\$ (1,452,081)</u>	<u>\$ (1,552,373)</u>

As of June 30, 2018, the Agency had long-term liabilities of \$2,062,561 which consists of a loan from the City for the URA to provide assistance to a private developer for a mixed-use development project. Major asset is the remaining land held for sale. The URA plans on starting to market this property in the coming fiscal year.

**Governmental Activities**

The Agency's net position is negative \$1,452,081 which is essentially the difference between the long-term debt to the City of Forest Grove and the acquisition cost of the remaining land owned by the URA and cash and investments held by the URA.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Statement of Activities for the Year Ended June 30:

**Table 2**  
**Governmental Activities for Fiscal Year Ending**

	<u>2018</u>	<u>2017</u>
General revenues		
Taxes	\$ 164,065	\$ 116,018
Investment earnings	3,121	1,630
Miscellaneous	100	-
Special item - gain (loss) on sale of capital asset	-	(682,000)
	<u>167,286</u>	<u>(564,352)</u>
Total general revenues and special items		
Program expenses		
General government	25,742	975,805
Interest on long-term obligations	41,252	20,626
	<u>66,994</u>	<u>996,431</u>
Total program expenses		
Change in net position	100,292	(1,560,783)
Net position - beginning	<u>(1,552,373)</u>	<u>8,410</u>
Net position - ending	<u>\$ (1,452,081)</u>	<u>\$ (1,552,373)</u>

Nearly all of the general revenue in FY 2017-18 was property tax revenue based on the incremental increase in the URA's taxable assessed value. The remainder was from investment earnings. General Government Program Expenses consisted principally of small storefront improvement grants and administrative expenses.

### **DEBT ADMINISTRATION**

As of June 30, 2018, the Agency had \$2,062,561 of outstanding debt in the form of a note payable to the City for the purchase of land and funds loaned to URA in order for the URA to provide development assistance for a private development that has now been completed. The note is interest only for the first three years with the principal repayment to begin in FY 2020 with the note fully repaid by the end of FY 2026.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **ECONOMIC FACTORS**

Like all municipalities in Oregon, the Agency is operating under Measure 50, the tax limitation measure approved by voters on May 20, 1997. This measure rolled back assessed values to 1995-96 levels and effectively limited increased property tax revenues the City could anticipate in future years to a maximum of 3 percent, with permitted allowances for increasing valuations based on new construction and annexations. No substantive changes to the basic provisions of Measure 50 have been enacted during subsequent Oregon Legislative sessions.

As an urban renewal agency, the Agency receives tax increment revenues; calculated on the assessed value over the frozen base, which was set at the time the urban renewal district was formed. When the Agency completes projects, it is actually investing in itself; as the value of property increases in the district, the tax increment revenues increases.

The Agency expects the tax revenues to begin increasing significantly in FY 2019-20 as a large apartment complex, a smaller apartment complex and some commercial development was completed during FY 2017-18. Some smaller commercial projects are also expected to be built over the next year. None of those projects received any assistance from the Agency.

### **REQUEST FOR INFORMATION**

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with the general overview of the Agency's finances and to demonstrate the Agency's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Administrative Services Department at the City of Forest Grove. Our address is: PO Box 326, Forest Grove, Oregon 97116.

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## **BASIC FINANCIAL STATEMENTS**

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**FOREST GROVE URBAN RENEWAL AGENCY**

**STATEMENT OF NET POSITION**

**June 30, 2018**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 185,517
Investments	11,538
Receivables	2,925
Land held for sale	<u>418,000</u>
 TOTAL ASSETS	 <u>617,980</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued liabilities	7,500
Long-term obligations:	
Due in more than one year	<u>2,062,561</u>
 TOTAL LIABILITIES	 <u>2,070,061</u>
<b><u>NET POSITION</u></b>	
Unrestricted	<u>(1,452,081)</u>
 TOTAL NET POSITION	 <u>\$ (1,452,081)</u>

*See accompanying notes*

**FOREST GROVE URBAN RENEWAL AGENCY**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES</b>	
General government	\$ 25,742
Interest on long-term obligations	<u>41,252</u>
<b>TOTAL PROGRAM EXPENSES</b>	<u>66,994</u>
<b>GENERAL REVENUES</b>	
Property taxes, levied for debt service	164,065
Miscellaneous	100
Unrestricted investment earnings	<u>3,121</u>
<b>TOTAL GENERAL REVENUES</b>	<u>167,286</u>
Change in net position	100,292
NET POSITION - beginning	<u>(1,552,373)</u>
NET POSITION - ending	<u><u>\$ (1,452,081)</u></u>

*See accompanying notes*

**FOREST GROVE URBAN RENEWAL AGENCY**

**BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2018**

	<u>General</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 185,517
Investments	11,538
Receivables	<u>2,925</u>
 TOTAL ASSETS	 <u>\$ 199,980</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	<u>\$ 7,500</u>
 TOTAL LIABILITIES	 <u>7,500</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Unavailable revenue	<u>2,018</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>2,018</u>
<b><u>FUND BALANCES</u></b>	
Unrestricted	\$ 190,462
 <b>RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION</b>	
<i>Amounts reported for governmental activities in the statement net position are different because:</i>	
Land held for sale is not reported in the fund	418,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	2,018
Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund	<u>(2,062,561)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ (1,452,081)</u>

*See accompanying notes*

**FOREST GROVE URBAN RENEWAL AGENCY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
For the Year Ended June 30, 2018**

	<u>General</u>
<b>REVENUES</b>	
Property taxes	\$ 163,428
Miscellaneous	100
Interest	<u>3,121</u>
<b>TOTAL REVENUES</b>	<u>166,649</u>
<b>EXPENDITURES</b>	
Current	
General government	25,742
Debt service	<u>41,252</u>
<b>TOTAL EXPENDITURES</b>	<u>66,994</u>
Net change in fund balances	99,655
Fund balances at beginning of year	<u>90,807</u>
Fund balances at end of year	<u><u>\$ 190,462</u></u>

*See accompanying notes*



**FOREST GROVE URBAN RENEWAL AGENCY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**For the Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 118,889	\$ 163,428	\$ 44,539
Miscellaneous	-	100	100
Interest	2,000	3,121	1,121
<b>TOTAL REVENUES</b>	<u>120,889</u>	<u>166,649</u>	<u>45,760</u>
<b>EXPENDITURES</b>			
Materials and services	157,484	25,742	131,742
Debt service	41,252	41,252	-
<b>TOTAL EXPENDITURES</b>	<u>198,736</u>	<u>66,994</u>	<u>131,742</u>
Net change in fund balance	(77,847)	99,655	177,502
Fund balance at beginning of year	<u>77,847</u>	<u>90,807</u>	<u>12,960</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 190,462</u>	<u>\$ 190,462</u>

*See accompanying notes*

# FOREST GROVE URBAN RENEWAL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

### 1. Summary of significant accounting policies

#### A. Organization

The Agency, a component unit of the City of Forest Grove, was organized in May 2014 under ORS 457 and is a municipal corporation created by the City of Forest Grove to facilitate urban renewal within the boundaries of the City. The city council serves as the governing body and is accountable for the fiscal matters of the Agency.

#### B. Urban renewal areas

Tax allocation bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The Agency (city council) selects an urban renewal plan area and defines its boundaries.
- The county assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance urban renewal projects.
- Urban renewal tax increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$15,000,000.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### C. Basis of presentation, measurement focus, and basis of accounting

##### Government-wide financial statements

The statement of net position and the statement of activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

##### Fund financial statements

The fund financial statements provide information about the Agency's fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The General Fund accounts for general administration of the Agency's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas.

#### D. Measurement focus and basis of accounting

Government-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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### E. Budget policies and budgetary control

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 governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended.

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

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

#### F. Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

Uncollected property taxes are reported in the governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred inflows of resources. Property taxes which are collected within 60 days of the end of the current period are considered available and recognized as revenue.

#### G. Land held for sale

##### Fund financial statements

In the fund financial statements, capital assets (including land held for resale) acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### Government-wide statements

Land held for sale is recorded at historical cost or estimated historical cost. Upon disposition the Agency recognizes a gain or loss on the sale in the statement of activities.

#### H. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### I. Equity classification

#### Government-wide statements

Equity is classified as net position and displayed in three components:

*Net investment in capital assets* — Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted net position* — Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

*Unrestricted net position* — All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the government-wide financial statements when both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### Governmental fund type fund balance reporting

Governmental type fund balances are to be reported within the fund balance categories listed below:

*Non-spendable* — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — Amounts that can be used only for specific purposes determined by a formal action of the city council. The city council is the highest level of decision making authority for the Agency. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the city council.

*Assigned* — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The city council has granted authority to the Director of Administrative Services to assign fund balance amounts.

*Unassigned* — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the city council has provided otherwise in its commitment or assignment actions.

### 2. Cash, cash equivalents and investments

The Agency's cash, cash equivalents and investments at June 30, 2018 are as follows:

Cash and cash equivalents	
Deposits with financial institutions	\$ 21,705
State of Oregon Local Government Investment Pool	<u>163,812</u>
Total cash and cash equivalents	<u>\$ 185,517</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Cash, cash equivalents and investments (continued)

Investments	
Certificates of deposit	\$ 959
US government agency securities	<u>10,579</u>
Total investments	<u>\$ 11,538</u>

The Agency's cash, cash equivalents and investments are pooled with the City of Forest Grove's. The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and cash equivalents and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

#### A. Deposits with financial institutions

*Custodial Credit Risk – Deposits:* This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2018, none of the Agency's bank balances were exposed to custodial credit risk.

#### B. State of Oregon Local Government Investment Pool

Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Cash, cash equivalents and investments (continued)

#### C. Investments

As of June 30, 2018, the Agency had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Risk Concentration</u>	<u>Weighted Average Maturity (in months)</u>
Certificates of deposits	Not rated	\$ 959	8.31%	5.00
US government agencies	Not rated	<u>10,579</u>	91.69%	24.00
Total investments		<u>\$ 11,538</u>		

*Credit Risk.* Oregon statutes authorize the Agency to invest in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

*Concentration of Credit Risk:* The Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

*Interest Rate Risk:* The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

*Portfolio Credit Rating:* The Agency does not have a formal policy that establishes a minimum average credit rating for its investment portfolio.

*Custodial Credit Risk – Investments:* This is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. The Agency does not have a policy which limits the amount of investments that can be held by counterparties.

*Fair Value Measurements.* The Agency categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Agency's investment in U.S Agencies, corporate and municipal bonds are measured using level 2 inputs.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**3. Land held for sale**

The Agency purchased property for \$1,100,000 from the City of Forest Grove. Approximately two-thirds of the property was sold during 2016-17 for \$10 pursuant to a disposition and development agreement. The remainder of the property continues to be held by the Agency for sale.

**4. Long-term obligations**

A. Transactions for the governmental activities for the year ended June 30, 2018 were as follows:

	Outstanding June 30, 2017	Additions	Reductions	Outstanding June 30, 2018	Balances Due Within One Year
Loans					
City of Forest Grove	<u>\$ 2,062,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,062,561</u>	<u>\$ -</u>

B. Governmental activities long-term debt obligations

City of Forest Grove – the Agency borrowed \$2,062,561 from the City of Forest Grove to purchase land held for sale and to provide financial assistance to a developer for a mixed-use development. Interest only payments are due annually for three years. Principal and interest payments are due for seven years beginning June 15, 2020. Interest is accrued and paid on the loan at 2 percent.

C. Future maturities are as follows:

Fiscal Year	City of Forest Grove	
	Principal	Interest
2019	\$ -	\$ 41,252
2020	291,730	20,712
2021	276,698	35,743
2022	282,283	30,158
2023	287,981	24,460
2024-26	<u>923,869</u>	<u>34,704</u>
	<u>\$ 2,062,561</u>	<u>\$ 187,029</u>

**5. Tax abatements**

Washington County has established an Enterprise Zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the Agency received for the year ended June 30, 2018 have been reduced by \$2,010.

## **COMPLIANCE SECTION**

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## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials  
**FOREST GROVE URBAN RENEWAL AGENCY**  
Forest Grove, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **FOREST GROVE URBAN RENEWAL AGENCY** as of and for the year ended June 30, 2018, and have issued our report thereon dated January 29, 2019.

### 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 162-10-240 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.**
- **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 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS (Continued)**

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

In planning and performing our audit, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

**Restriction on Use**

This report is intended solely for the information and use of the Agency Officials and management of the FOREST GROVE 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.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 29, 2019

By:



Bradley G. Bingenheimer, Member