

McMinnville Urban Renewal Agency, Oregon
Annual Financial Report

For the fiscal year ended June 30, 2020

prepared by

Finance Department
City of McMinnville, Oregon

available online at
<http://ci.mcminnville.or.us>

McMinnville Urban Renewal Agency, Oregon
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

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INTRODUCTORY SECTION

McMinnville Urban Renewal Agency

Elected Officials And Principal Appointed Officers of the Agency June 30, 2020

URBAN RENEWAL AGENCY BOARD

TERM EXPIRES

| | |
|--|-------------------|
| Scott Hill 1525 Gilson Court McMinnville, Oregon 97128 | December 31, 2020 |
| Wendy Stassens 166 SW Eckman Street McMinnville, Oregon 97128 | December 31, 2020 |
| Sal Peralta 925 SE Davis Street McMinnville, Oregon 97128 | December 31, 2022 |
| Kellie Menke 595 NW Mt Mazama Street McMinnville, Oregon 97128 | December 31, 2020 |
| Zack Geary 128 NW 8th Street McMinnville, Oregon 97128 | December 31, 2022 |
| Adam Garvin 2940 NE Lafayette Avenue McMinnville, Oregon 97128 | December 31, 2020 |
| Remy Drabkin 905 NE 10 th Avenue McMinnville, Oregon 97128 | December 31, 2022 |

URBAN RENEWAL AGENCY ADMINISTRATION

| | |
|----------------------------------|---|
| Jeffrey R. Towery | City of McMinnville City Manager |
| Jennifer K. Cuellar-Smith | City of McMinnville Finance Director |

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
McMinnville Urban Renewal Agency
(A component unit of the City of McMinnville, Oregon)
McMinnville, Oregon

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the McMinnville Urban Renewal Agency, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, 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 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 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary and Other Information

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

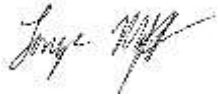
The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures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

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

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 26, 2021, on our consideration of McMinnville Urban Renewal Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co
Tualatin, Oregon
March 26, 2021

McMinnville Urban Renewal Agency Management's Discussion and Analysis

This discussion and analysis presents the highlights of financial activities and financial position for the McMinnville Urban Renewal Agency (the Agency), a component unit of the City of McMinnville, Oregon. The analysis focuses on significant financial issues, major activities and resulting changes in financial position, variances from the budget, and 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 City of McMinnville's financial statements and the Agency's financial statements, which immediately follow this analysis.

Financial Highlights

The Agency was established in March 2013. The year ended June 30, 2020 was the sixth year that the Agency incurred financial transactions.

- Assets exceeded liabilities by approximately \$359,700 at June 30, 2020.
- The Agency received property taxes of approximately \$348,000 in the 2020 fiscal year.
- During the current fiscal year, the Agency continued the planning phase of two projects within the urban renewal district. The first is a project to expand the off-street parking within the district and the second project is improvement to the streetscape of NE 3rd street. At 2020 fiscal year end, the Agency's capital assets consisted of approximated \$1,787,000 in street improvement value.
- During the current fiscal year, the Agency also entered into a managed Development Agreement with TYPE A PRESS LLC that included a \$41,000 loan and three façade improvement grants to other property owners of approximately \$5,000 each for the rehabilitation of property and buildings in the NE Gateway District and the Historic Downtown District.

Overview of the Financial Statements

Following this MD&A, the report is organized in three sections: 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. As Agency activities increase, the Statement will also reflect the Agency's capital assets and long term liabilities.

The *Statement of Activities* provides a focus on program costs and their matching resources. To the extent that program costs are not covered by grants and direct charges, 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 Fund, which serves as the Agency's general operating fund, and the Urban Renewal Debt Service Fund as major funds.

McMinnville Urban Renewal Agency Management's Discussion and Analysis

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* of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two agency-wide statements report the Agency's *net position* and how it has changed. Net position—the difference between assets 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, assets exceeded liabilities by \$359,701 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 year fiscal year.

Statement of Net Position June 30, 2020 and 2019

| | 2020 | 2019 |
|-----------------------------------|-------------------|-------------------|
| Current and other assets | \$ 487,515 | \$ 507,057 |
| Capital assets | 1,786,185 | 1,880,986 |
| Total assets | 2,273,700 | 2,388,043 |
| Current and long-term liabilities | 1,913,999 | 2,089,020 |
| Total liabilities | 1,913,999 | 2,089,020 |
| Net position | | |
| Invested in capital assets | 1,786,185 | 1,880,986 |
| Unrestricted | (1,426,484) | (1,581,963) |
| Total net position | \$ 359,701 | \$ 299,023 |

The Agency's net position increased by \$60,678 during the current fiscal year. This increase represents the degree to which assets exceeded liabilities.

McMinnville Urban Renewal Agency Management's Discussion and Analysis

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.

Changes in Net Position For years ended June 30, 2020 and 2019 Governmental Activities

| | 2020 | 2019 |
|---|-------------------|--------------------|
| Revenues | | |
| General revenues | | |
| Tax increment revenues | \$ 347,511 | \$ 255,689 |
| Investment income | 11,893 | 12,864 |
| Other | - | 150 |
| Total revenues | \$ 359,404 | \$ 268,703 |
| Expenses | | |
| Governmental activities | | |
| General government | \$ 257,498 | \$ 283,021 |
| Interest on long-term debt | 41,228 | 43,499 |
| Total expenses | 298,726 | 326,520 |
| Increase(decrease) in net position | \$ 60,678 | \$ (57,817) |

Governmental activities led to an increase in the Agency's net position by approximately \$60,700 due principally to the tax incremental revenues increasing by more than depreciation expenses during the year. The Agency's tax increment revenues of \$347,511 are the majority of total revenues of the Agency. The fiscal year ended 2020 was the sixth year the Agency collected taxes.

All of taxes collected are restricted to repayment of urban renewal debt which will finance various projects within the urban renewal district.

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 Agency's fund balance classifications are defined as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The entire amount of the Debt Service Fund's ending fund balance consists of tax increment revenue and is restricted for debt service. Ending balances for fiscal years 2020 and 2019 were \$270,443 and \$231,283 respectively, for an increase of \$39,160. The increase is due to higher tax incremental revenues in 2020, the sixth year of the Agency's existence.

In the fund financial statement, the Urban Renewal Fund ending fund balance for fiscal years 2020 and 2019 were \$203,286 and \$256,376 respectively. The decrease of \$53,090 is due to fewer capital expenditures related to new projects and Development Assistance program outlays during the current year as compared with the prior year. The purpose of this fund is to account for urban renewal project costs.

McMinnville Urban Renewal Agency Management's Discussion and Analysis

Urban Renewal Fund Budgetary Highlights

There were no supplemental budgets adopted by the McMinnville Urban Renewal Agency Board in the current fiscal year.

Capital Assets

At fiscal year end June 30, 2020, the Agency had \$ 1,786,185 in capital assets. The majority of the capital assets represents the Alpine Avenue street improvement project. At fiscal year end June 30, 2019, the Agency's entire investment in capital assets consisted of the Alpine Avenue street improvement project that was completed in 2018 and totaled \$1,950,857.

Obligations Outstanding

During the 2017 fiscal year, the Agency and City entered into an intergovernmental agreement for the City to loan \$2,192,300 to the Agency for construction of the Alpine Avenue project. The final payment is due on this loan in 2032. The Agency's outstanding debt is described in more detail in the notes to the financial statements, Note III.D.

Economic Factors

The McMinnville Urban Renewal Agency's purpose is to partner with private development to support growth in downtown and the northeast gateway area. Increasing property values within the urban renewal boundaries translates into increasing tax increment revenue. This tax increment is then used to pay debt incurred to fund projects and improvements.

In 2013 when the Agency was created, the frozen assessed value of the district was \$86.3 million. For the fiscal year ended 2020, the assessed value of the district was \$114.4 million, an increase of 32.5 percent compared to the frozen base. 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 McMinnville, 230 NE Second Street, McMinnville, Oregon 97128.

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BASIC FINANCIAL STATEMENTS

Basic Financial Statements

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

- Ø Government-Wide Financial Statements
- Ø 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.

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Statement of Net Position
June 30, 2020

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS: | |
| Current assets: | |
| Property taxes receivable | \$ 16,428 |
| Accounts receivables | 658 |
| Restricted cash and investments | 470,429 |
| | <u>487,515</u> |
| Total current assets | <u>487,515</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Nondepreciable | 30,414 |
| Depreciable, net | 1,755,771 |
| | <u>1,786,185</u> |
| Total noncurrent assets | <u>1,786,185</u> |
| Total assets | <u><u>\$ 2,273,700</u></u> |
| LIABILITIES: | |
| Current liabilities: | |
| Accounts payable | \$ 2,759 |
| Current portion of long-term debt | 149,060 |
| | <u>151,819</u> |
| Total current liabilities | <u>151,819</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term debt | 1,762,180 |
| | <u>1,762,180</u> |
| Total noncurrent liabilities | <u>1,762,180</u> |
| Total liabilities | <u>1,913,999</u> |
| NET POSITION: | |
| Net investment in capital assets | 1,786,185 |
| Unrestricted | <u>(1,426,484)</u> |
| Total net position | <u>359,701</u> |
| Total liabilities and net position | <u><u>\$ 2,273,700</u></u> |

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Statement of Activities
For the Year Ended June 30, 2020

| | Expenses | Net Revenue (Expenses) and Change in Net Position |
|--------------------------------|-------------------|--|
| EXPENSES: | | |
| General government | \$ 257,498 | \$ (257,498) |
| Interest on long-term debt | 41,228 | (41,228) |
| | | |
| Total activities | <u>\$ 298,726</u> | <u>(298,726)</u> |
| GENERAL REVENUES: | | |
| Property taxes | | 347,511 |
| Investment income | | <u>11,893</u> |
| | | |
| Total general revenues | | <u>359,404</u> |
| | | |
| Change in net position | | 60,678 |
| | | |
| NET POSITION, BEGINNING | | <u>299,023</u> |
| | | |
| NET POSITION, ENDING | | <u><u>\$ 359,701</u></u> |

The accompanying notes are an integral part of these financial statements

Fund Financial Statements
Major Governmental Funds

McMinnville Urban Renewal Fund

This fund accounts for property taxes collected for public improvements, acquisitions and to attract economic and redevelopment in McMinnville.

Urban Renewal Debt Service Fund

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

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Balance Sheet - Governmental Funds
June 30, 2020

| | Urban Renewal Fund | Urban Renewal Debt Service Fund | Total Governmental Funds |
|--|-----------------------|------------------------------------|--------------------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 205,387 | \$ 265,042 | \$ 470,429 |
| Accounts receivable | 658 | - | 658 |
| Property taxes receivable | - | 16,428 | 16,428 |
| | | | |
| Total assets | <u>\$ 206,045</u> | <u>\$ 281,470</u> | <u>\$ 487,515</u> |
| LIABILITIES: | | | |
| Accounts payable | <u>\$ 2,759</u> | <u>\$ -</u> | <u>\$ 2,759</u> |
| | | | |
| Total liabilities | <u>2,759</u> | <u>-</u> | <u>2,759</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue - property tax | <u>-</u> | <u>11,027</u> | <u>11,027</u> |
| | | | |
| Total deferred inflows of resources | <u>-</u> | <u>11,027</u> | <u>11,027</u> |
| FUND BALANCE: | | | |
| Restricted for: | | | |
| Debt service | - | 270,443 | 270,443 |
| Restricted urban renewal improvements | <u>203,286</u> | <u>-</u> | <u>203,286</u> |
| | | | |
| Total fund balance | <u>203,286</u> | <u>270,443</u> | <u>473,729</u> |
| | | | |
| Total deferred inflows of resources and fund balance | <u>\$ 206,045</u> | <u>\$ 281,470</u> | <u>\$ 487,515</u> |

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

| | |
|--|-------------------|
| Total fund balance | \$ 473,729 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 1,786,185 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred inflows in the funds. | |
| Tax increment revenues - earned but unavailable | 11,027 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | |
| Long-term debt | (1,911,240) |
| Net position | <u>\$ 359,701</u> |

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Statement of Revenues, Expenditures, and Change
In Fund Balance - Governmental Funds
For the Year Ended June 30, 2020

| | Urban Renewal Fund | Urban Renewal Debt Service Fund | Total Governmental Funds |
|--|-----------------------|------------------------------------|--------------------------------|
| REVENUES: | | | |
| Property taxes | \$ - | \$ 346,416 | \$ 346,416 |
| Miscellaneous | 7,302 | 4,591 | 11,893 |
| Total revenues | 7,302 | 351,007 | 358,309 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 162,697 | - | 162,697 |
| Debt service: | | | |
| Principal | - | 168,314 | 168,314 |
| Interest | - | 41,228 | 41,228 |
| Total expenditures | 162,697 | 209,542 | 372,239 |
| Revenues over (under) expenditures | (155,395) | 141,465 | (13,930) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 146,895 | 44,590 | 191,485 |
| Transfers out | (44,590) | (146,895) | (191,485) |
| Total other financing sources (uses) | 102,305 | (102,305) | - |
| Net change in fund balance | (53,090) | 39,160 | (13,930) |
| FUND BALANCE, BEGINNING | 256,376 | 231,283 | 487,659 |
| FUND BALANCE, ENDING | <u>\$ 203,286</u> | <u>\$ 270,443</u> | <u>\$ 473,729</u> |

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of
Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020

Amounts reported in the statement of activities are different because:

| | |
|----------------------------|-------------|
| Net change in fund balance | \$ (13,930) |
|----------------------------|-------------|

The statement of revenues, expenditures, and changes in fund balances report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceed capital outlay in the current period.

| | | |
|-------------------------|-----------------|----------|
| Capital asset additions | 2,742 | |
| Depreciation | <u>(97,543)</u> | (94,801) |

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

| | |
|----------------|-------|
| Property taxes | 1,095 |
|----------------|-------|

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but does not have any effect on net position.

| | |
|------------------------|-------------------------|
| | <u>168,314</u> |
| Change in net position | <u><u>\$ 60,678</u></u> |

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements
June 30, 2020

I. The reporting entity and summary of significant accounting policies

The financial statements of the McMinnville Urban Renewal Agency (the Agency) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and applies the provisions of all applicable Governmental Accounting Standards Board (GASB) Statements.

A. Reporting entity

The Agency is the urban renewal agency of the City of McMinnville, Oregon (the City) and was organized on July 23, 2013 under the provisions of Oregon Revised Statutes, Chapter 457, to undertake urban renewal projects and activities pursuant to the Downtown and Northeast Gateway Redevelopment Plans.

The Agency's governing body is substantively the same as the City's governing body, therefore the Agency is presented as a blended component unit in the City's basic financial statements. All significant activities over which the Agency exercises oversight responsibility have been included in the component unit financial statements. This governing body has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. The Agency has no component units.

B. Agency-wide and fund financial statements

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

Agency-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

The *Statement of Net Position* presents information on all of the Agency's assets and liabilities, with the difference reported as *net position*.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial 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, or fiduciary. All of the Agency's funds are classified as governmental fund types.

C. Measurement focus, basis of accounting, and financial statement presentation

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

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2020

The agency-wide financial statements are presented on a full accrual basis of accounting with an *economic resource measurement focus*. An economic resource focus concentrates on the Agency's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

The fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource measurement focus*. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used 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. The Agency considers tax increment revenues susceptible to this accrual.

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. This reconciliation is part of the basic financial statements.

GASB Statement No. 34 sets forth criteria for the determination of major funds. For purposes of presentation, both the McMinnville Urban Renewal Fund and the Debt Service Fund are presented as major funds of the Agency.

Major Governmental Funds:

- *McMinnville Urban Renewal Fund*

This fund accounts for the acquisition and development of capital improvement projects. Other financing sources consist of operating transfers from the debt service fund, bond proceeds, investment earnings, and other miscellaneous revenues. This fund functions as the Agency's "General Fund".

- *Urban Renewal Debt Service Fund*

This fund accounts for the payments of principal and interest on debt incurred. The primary sources of revenue are tax increment revenues and investment income.

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2020

D. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance

1. Deposits and investments

Cash and investments, including restricted cash and investments, consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, 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.

The LGIP is administered by the Oregon State Treasury. The LGIP is an 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 public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio consists of investments in the LGIP.

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.

2. Receivables and payables

Tax increment revenues (property taxes) are levied on and become a lien against the property on July 1 in the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Tax increment revenues that are unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, tax increment revenues receivable that are collected within 60 days after the end of the fiscal year are considered measurable and available and, therefore are recognized as revenue. Any remaining balance is deferred and recorded as unavailable revenue.

In the agency-wide financial statements, tax increment revenues receivable are recognized as revenue when earned.

3. Restricted assets

Assets whose use is restricted by legal requirements external to the Agency, are segregated on the agency-wide statement of net position. These legal restrictions include use limitations, as well as urban renewal tax increment funds legally restricted by applicable state statutes.

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
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Notes to the Basic Financial Statements (Continued)
June 30, 2020

4. Capital assets

In the government-wide financial statements, capital assets include property, plant, equipment, infrastructure assets (roads, pathways, street lights, etc.). In the governmental fund financial statements, capital assets are charged to expenditures as purchased.

Capital assets are defined by the Agency as assets with an initial cost of \$10,000 or more and an estimated useful life of more than one year. Cost generally includes materials, labor and an allocation of overhead costs. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Assets are recorded at historical cost or estimated historical cost if historical cost is not available.

Land, land rights, and easements have an indefinite life and therefore are not amortized. Construction in progress that has not been put into use is not depreciated. Exhaustible assets are depreciated using the straight-line method.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Street infrastructure | 20 – 50 |

5. Long-term obligations

In the agency-wide financial statements, long-term debt is reported as a liability in the statement of net position. Debt premiums and discounts are amortized over the applicable debt term.

In the fund financial statements, debt premiums and discounts are recognized as period costs in the year of issue. 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.

6. Net position and fund balance

In the fund financial statements, the funds report restricted fund balances for amounts that are not available for unlimited use because they are legally segregated for a specific purpose. These legal segregations include use limitations, as well as urban renewal tax increment funds legally restricted by applicable state statutes

In the government-wide statement of net position, equity is referred to as *net position* and is segregated into the following three components: 1) amount invested in capital assets, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

7. 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. This separate financial statement element, deferred outflows of resources,

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Notes to the Basic Financial Statements (Continued)
June 30, 2020

represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position 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 Agency 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 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.

E. Use of estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

II. Stewardship, compliance, and accountability

The Agency's budget is adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

The Budget Officer is responsible for submitting a proposed budget to the Budget Committee, which is comprised of the Agency Board and an equal number of citizens of the District.

The Agency is required to prepare a balanced budget for all funds, subject to the budget requirements of state law. The Agency's budget is prepared for each fund on the modified accrual basis of accounting.

The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past two years' actual receipts and expenditures as well as current-year estimates is also included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Board for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by the Board without returning to the Budget Committee for a second approval. After the Board adopts the budget and certifies the total of *ad valorem* taxes to be levied, no additional tax levy may be made for that budget period.

The Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. For the Agency's funds, the levels of budgetary control established by resolution are materials and services, debt

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Notes to the Basic Financial Statements (Continued)
June 30, 2020

service, capital outlay, transfers and operating contingency. Appropriations lapse as of the end of the fiscal year for goods not yet received or services not yet incurred.

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board.

III. Detailed notes on accounts

At June 30, 2020, the Agency's cash and cash equivalents were comprised of the following:

| | |
|---|-------------------|
| Oregon State Treasurers Local Investment Pool | <u>\$ 257,531</u> |
|---|-------------------|

A. Cash and investments

a. Interest rate risk

In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio to less than 36 months.

b. Credit risk

State statutes authorize the Agency to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The Agency has no investment policy that would further limit its investment choices.

c. Concentration of credit risk

The Agency's investment policy allows the Agency to have a maximum of up to 35% of total portfolio in either Commercial paper or Corporate Indebtedness to limit concentration of credit risk. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company.

d. Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Agency does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of

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Notes to the Basic Financial Statements (Continued)
June 30, 2020

Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2020, the book value of the Agency's deposits was \$212,898 and the bank balance was \$204,289. \$194,289 of the Agency's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

B. Receivables

Receivables for the Agency as of the fiscal year ended June 30, 2020 consists of tax increment revenues and miscellaneous receivables and are as follows:

| | |
|----------------|------------------|
| Receivables: | |
| Property taxes | \$ 16,428 |
| Miscellaneous | 658 |
| Total | <u>\$ 17,086</u> |

C. Capital assets

Capital assets for the year ended June 30, 2020 consist entirely of construction in progress for street improvements to Alpine Avenue.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|--------------------|------------------|---------------------------|
| Non-depreciable: | | | | |
| Construction in progress | \$ 27,672 | \$ 2,742 | \$ - | \$ 30,414 |
| Total non-depreciable | <u>27,672</u> | <u>2,742</u> | <u>-</u> | <u>30,414</u> |
| Depreciable: | | | | |
| Infrastructure | 1,950,857 | - | - | 1,950,857 |
| Total depreciable | <u>1,950,857</u> | <u>-</u> | <u>-</u> | <u>1,950,857</u> |
| Accumulated depreciation: | | | | |
| Infrastructure | (97,543) | (97,543) | - | (195,086) |
| Total accumulated depreciation | <u>(97,543)</u> | <u>(97,543)</u> | <u>-</u> | <u>(195,086)</u> |
| Governmental activities capital assets, net | <u>\$ 1,880,986</u> | <u>\$ (94,801)</u> | <u>\$ -</u> | <u>\$ 1,786,185</u> |

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
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Notes to the Basic Financial Statements (Continued)
June 30, 2020

D. Long-term obligations

During the 2017 fiscal year, the Agency and City entered into an intergovernmental agreement for the City to loan \$2,192,300 to the Agency for construction of the Alpine Avenue project. The following table shows the debt service schedule for the long-term debt.

| Fiscal Year ending June 30 | Principal | Interest |
|---------------------------------------|---------------------|-------------------|
| 2021 | \$ 149,060 | \$ 38,233 |
| 2022 | 152,120 | 35,177 |
| 2023 | 155,230 | 32,058 |
| 2024 | 158,420 | 28,875 |
| 2025 | 161,660 | 25,626 |
| 2026-2030 | 859,440 | 77,030 |
| 2031-2035 | 275,310 | 5,635 |
| Total | <u>\$ 1,911,240</u> | <u>\$ 242,634</u> |

The following table shows the current fiscal year changes in notes payable, including short-term operating notes payable.

| | Due To: | | Total Internal Loans Payable |
|---------------------------------|------------------------------------|-------------------------------------|---|
| | Governmental Activities | Business Type Activities | |
| Due From: | General | Wastewater Capital | |
| Governmental Activities: | | | |
| General - Police | \$ - | \$ 174,600 | \$ 174,600 |
| Urban Renewal Debt Service Fund | 1,911,240 | - | 1,911,240 |
| Total Internal Loans receivable | <u>\$ 1,911,240</u> | <u>\$ 174,600</u> | <u>\$ 2,085,840</u> |

E. Short-term notes

At June 30, 2020, the Agency had paid off all remaining accounts payable owed the City for payments made on its behalf.

F. Fund balances

At fiscal year end 2020, all Urban Renewal fund balances are considered restricted.

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2020

IV. Other information

A. Risk management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The Agency is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses.

B. Related party transactions

The City provides services for the Agency, including administrative functions, in accordance with an intergovernmental agreement.

C. Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The effective dates of certain provisions and pronouncements have been postponed for either a twelve or eighteen month period, depending upon the statement or implementation guide.

D. Subsequent Events

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S., accelerating during the first half of March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. This situation is rapidly changing, and additional impacts may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

McMinnville Urban Renewal Agency
McMinnville Urban Renewal Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

| | Budget | | | Variance with |
|--|-----------|-----------|------------|---------------|
| | Original | Final | Actual | Final Budget |
| REVENUES: | | | | |
| Miscellaneous | \$ 5,600 | \$ 5,600 | \$ 7,302 | \$ 1,702 |
| Total revenues | 5,600 | 5,600 | 7,302 | 1,702 |
| EXPENDITURES: | | | | |
| Materials and service | 335,600 | 335,600 | 96,466 | 239,134 |
| Capital outlay | 73,000 | 73,000 | - | 73,000 |
| Contingency | 90,354 | 90,354 | - | 90,354 |
| Total expenditures | 498,954 | 498,954 | 96,466 | 402,488 |
| Revenues over (under) expenditures | (493,354) | (493,354) | (89,164) | 404,190 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfer to City of McMinnville | - | - | (66,231) * | (66,231) |
| Transfers in | 351,831 | 351,831 | 146,895 | (204,936) |
| Transfers out | (110,821) | (110,821) | (44,590) * | 66,231 |
| Total other financing sources (uses) | 241,010 | 241,010 | 36,074 | (204,936) |
| Net change in fund balance | (252,344) | (252,344) | (53,090) | 199,254 |
| FUND BALANCE, BEGINNING BUDGETARY BASIS | 252,344 | 252,344 | 256,376 | 4,032 |
| FUND BALANCE, ENDING BUDGETARY BASIS | \$ - | \$ - | \$ 203,286 | \$ 203,286 |

* Appropriated together as transfers out

The accompanying notes are an integral part of these financial statements

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OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information

BUDGETARY COMPARISON SCHEDULE

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

The budgetary comparison schedule includes the following:

Debt Service Funds

Urban Renewal Debt Service Fund

The accompanying notes are an integral part of these financial statements

**McMinnville Urban Renewal Agency
Urban Renewal Debt Service Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

| | Budget | | Actual | Variance Positive (Negative) |
|--|------------|------------|-------------|------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 310,850 | \$ 310,850 | \$ 346,416 | \$ 35,566 |
| Miscellaneous | 6,500 | 6,500 | 4,591 | (1,909) |
| Total revenues | 317,350 | 317,350 | 351,007 | 33,657 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal | 146,060 | 146,060 | 168,314 * | (22,254) |
| Interest | 41,228 | 41,228 | 41,228 * | - |
| Total expenditures | 187,288 | 187,288 | 209,542 | (22,254) |
| Revenues over (under) expenditures | 130,062 | 130,062 | 141,465 | 11,403 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 44,590 | 44,590 | 44,590 | - |
| Transfers out | (351,831) | (351,831) | (146,895) * | 204,936 |
| Total other financing sources (uses) | (307,241) | (307,241) | (102,305) | 204,936 |
| Net changes in fund balances | (177,179) | (177,179) | 39,160 | 216,339 |
| FUND BALANCES, BEGINNING | 218,139 | 218,139 | 231,283 | 13,144 |
| FUND BALANCES, ENDING | \$ 40,960 | \$ 40,960 | \$ 270,443 | \$ 229,483 |

* Appropriated together as transfers out

AUDIT COMMENTS AND DISCLOSURES

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

Agency Officials
McMinnville Urban Renewal Agency
(A component unit of the City of McMinnville, Oregon)
McMinnville, Oregon

We have audited the basic financial statements of the McMinnville Urban Renewal Agency, a component unit of the City of McMinnville, Oregon, as of and for the year ended June 30, 2020 and have issued our report thereon dated March 26, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

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

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

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered McMinnville Urban Renewal Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McMinnville Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of McMinnville Urban Renewal Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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



For Merina+Co
Tualatin, Oregon
March 26, 2021