PHOENIX URBAN RENEWAL AGENCY
A BLENDED COMPONENT OF THE
CITY OF PHOENIX, OR

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021
WITH
INDEPENDENT AUDITOR'S REPORT

kdp
Certified Public Accountants, LLP
audit | tax | advisory | wealth management | cfo

PHOENIX URBAN RENEWAL AGENCY
Phoenix, Oregon
Year Ended June 30, 2021

Board Members

Terry Baker	Mayor
Al Muelhoefer	Member
Jim Snyder	Member
Krista Peterson	Member
Karen Shrader	Member
Ketzal McCready	Member
Angie Vermillion	Member

Board members received mail at the following address:

City of Phoenix
112 W. 2nd Street
P.O. Box 330
Phoenix, OR 97535

City Administrators

Eric Swanson, Executive Director (4/17/2020 to current)

Shannon Bell, Contractor (7/15/2020 to 6/30/2022)

PHOENIX URBAN RENEWAL AGENCY
Phoenix, Oregon
Year Ended June 30, 2021

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Certified Public Accountants, LLP

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the Governing Body
City of Phoenix Urban Renewal Agency
Phoenix, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Phoenix Urban Renewal Agency (the Agency), as of and for the year ended June 30, 2021, 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 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 Agency'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 Agency'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 Agency, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance 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, and certain budgetary comparison information 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Urban Renewal Fund (i.e. General Fund) budgetary comparison information, as listed in the table of contents, is the responsibility of management and were derived from and relate 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 Urban Renewal Fund budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not required as part of the basic financial statements.

The other 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 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 other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated January 30, 2023, on our consideration of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

Jeny L. Grupe CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 30, 2023

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the Phoenix Urban Renewal Agency (the Agency) for the fiscal year ended June 30, 2021. In previous years, the Agency prepared its financial statements using the cash basis of accounting. Effective July 1, 2018, the Agency changed its method of accounting from the cash basis and adopted the full accrual basis of accounting as the basis for its government-wide financial statements and modified accrual basis of accounting for its fund financial statements. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by $2,469,010 (*net position*). Of this amount $358,631 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

- The Agency's total net position increased by $304,847 thousand. This increase represents the careful departmental management, which ensures that ongoing revenues are matched by controlled expenses.

- The Agency's governmental activities reported a net position of $2.47 million as of June 30, 2021.

- As of close of the current fiscal year, the Agency's governmental funds reported combined ending fund balance of $341,010 an increase of $202,044 in comparison with prior year. Of the $341,010 fund balance, $159,124 is *unassigned*.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's financial statements comprise three components:

1. Government-wide financial statements,
2. Governmental funds financial statements,
3. Notes to the financial statements.

1. Government-wide financial statements

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

The *statement of net position* presents information on the Agency's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year.

The government-wide financial statements can be found on pages 1 and 2 of this report.

2. Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Agency maintains two individual governmental funds.

The Agency adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the Urban Renewal Fund (i.e. General Fund) and the Debt Service Fund to demonstrate compliance with the agency's budget. The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

3. Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7 through 16 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning Phoenix Urban Renewal Agency's budget to actual statement. Supplementary information can be found on pages 17 through 18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The primary purpose of the Agency is to utilize tax increment financing to fund various improvement projects as identified in the revitalization plan of the City. As a result, it is not uncommon for Agencies to have negative net position as they service obligations.

Analysis of Net Position

	Governmental Activities 2021	Governmental Activities 2020
ASSETS:		
Cash and investments	$ 350,219	$ 135,052
Property tax receivable	30,957	32,689
Capital assets, net:		
Land	1,300,685	1,300,685
Buildings and improvements	4,026,269	4,135,071
Infrastructure	684,573	703,183
TOTAL ASSETS	6,392,703	6,306,680
LIABILITIES:		
Due to City of Phoenix	22,545	2,569
Long-term debt, net of unamortized premium/discount		
Due within one year	238,800	245,452
Due in more than one year	3,662,348	3,894,497
TOTAL LIABILITIES	3,923,693	4,142,518
NET POSITION:		
Net investment in capital assets	2,110,379	1,998,990
Restricted for debt service	358,631	165,172
	$ 2,469,010	$ 2,164,162

The Agency's net position increased by $305 thousand during the current fiscal year.

Analysis of Changes in Net Position

	2021	2020
REVENUES:		
Property taxes	$ 589,372	$ 546,406
Unrestricted investment earnings	3,063	3,379
Miscellaneous	-	-
TOTAL REVENUES	592,435	549,785
EXPENSES:		
Materials and services	28,332	37,093
Depreciation	127,412	122,969
Interest on long-term debt	131,844	137,707
TOTAL EXPENSES	287,588	297,769
Change in net position	304,847	252,016
Beginning net position	2,164,163	1,912,146
Ending net position	$ 2,469,010	$ 2,164,162

Property taxes revenue increased by approximately $43 thousand (7.86 percent) during the year.

FUND ANALYSIS

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported an ending fund balance of $341,010 an increase of $202,044 in comparison with the prior year.

CAPITAL ASSETS

As of June 30, 2021, the Agency had invested $6 million in capital assets, net of depreciation as reflected in the following table:

	Governmental Activities
Land	$ 1,300,685
Buildings & Improvements	4,026,269
Infrastructure	684,573
	$ 6,011,527

DEBT ADMINISTRATION

At the end of the current fiscal year, the Agency had total long-term liabilities of $3,901,148. The debt outstanding at the end of the current fiscal year mainly consists of full faith & credit bonds issued in the name of the City of Phoenix (City). An agreement between the City and the Agency recognizes that the Agency is directly responsible for the debt service requirements. The Agency will levy Urban Renewal taxes to meet annual debt service requirements and has pledged its tax increment revenues as security to the City.

	Outstanding July 1, 2020	Issued	Matured and Redeemed	Outstanding June 30, 2021	Due within One Year
208 Main Street Loan (direct borrowing)	$ 2,950	$ -	$ (2,950)	$ -	$ -
FFC Bonds, Series 2015B (direct borrowing)	2,515,000	-	(25,000)	2,490,000	135,000
FFC Bonds, Series 2015C (direct borrowing)	110,000	-	(130,000)	-	-
Series 2017 Bonds (direct borrowing)	1,344,307	-	(90,704)	1,253,603	93,344
	3,972,257	-	(248,654)	3,743,603	228,344
Unamortized Premium/(Discount)	167,691	-	(10,146)	157,545	11,253
Total Long-Term Debt	$ 4,139,948	$ -	$ (258,800)	$ 3,901,148	$ 239,597

Additional information on the Agency's debt can be found in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City is approximately 10 months into its recovery after the September 8, 2020, Almeda Fire. The fire started on the north side of Ashland and spread along the Bear Creek greenway through the cities of Talent and Phoenix along with urbanized portions of unincorporated Jackson County, destroying more than 2,800 structures, including nearly 600 residential units and commercial buildings in Phoenix. The fire caused the displacement of thousands of people throughout the burn area. The loss of population due to fire displacement is reflected in the certified population estimate of 4,096 for Phoenix as of July 1, 2021, which is a 9% decrease from the certified population estimate of 4,476 from July 1, 2020. However, 152 or 27% of the 553 residential units lost in Phoenix have been permitted for rebuild to date, and the City anticipates the continuation of rapid replacement into the next year.

Historically, Phoenix has been a small-town, bedroom community to Medford, the largest city in Jackson County. Due to its demographics and its geographic location in relation to Medford, Talent, and Ashland, a high percentage of the City's population commutes for employment. The City has for years lacked a significant inventory of buildable land and therefore has had minimal growth and development, as evidenced by its very modest growth in population over the years. But the City is currently working on amending its urban growth boundary to bring in new land for development. This additional land is in two areas known as PH-3 and PH-5 and will provide opportunities for new residential, educational, industrial and commercial developments.

The fire station in Phoenix, operated by Jackson County Fire District No. 5, was partially destroyed in the Almeda Fire. The destroyed portion of the fire station was one of four buildings located together to house fire, police, and city government personnel. All of these buildings were in need of replacement prior to the fire, and with the loss of a portion of the fire station, the City has been able to secure a total of $16,538,000 in State funding and FEMA Public Assistance Funds to replace the complex of buildings with a new combined Government and Public Safety Center. This project is expected to be completed by early 2024.

The loss of previous development within portions of Phoenix covered by urban renewal, along with the investment by the City to construct the Government and Public Safety Center, have attracted new interest from developers. There are several commercial and high-density residential developments in the planning process in Phoenix, all of which are located within PHURA's boundaries. These planned developed have the potential to bring significant new population, business and tax revenue into Phoenix.

PHURA anticipates playing an active role in attracting new development into the PHURA boundaries and in supporting existing businesses affected by lost customer base due to the COVID-19 pandemic and the Almeda Fire. PHURA will investigate property sales and acquisitions to support new development along with grant programs to support existing businesses.

REQUEST FOR INFORMATION

The Agency's financial statements are designed to present users with a general overview of the Agency's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall P.O. Box 330, 112 W. 2nd, Phoenix, OR 97535. The Agency's telephone number is 541-535-1955.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PHOENIX URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS:	
Cash and investments	$ 350,219
Property tax receivable	30,957
Capital assets, net:	
Land	1,300,685
Buildings and improvements	4,026,269
Infrastructure	684,573
TOTAL ASSETS	6,392,703
LIABILITIES:	
Due to City of Phoenix	22,545
Long-term debt, net of unamortized premium/discount:	
Due within one year	238,800
Due in more than one year	3,662,348
TOTAL LIABILITIES	3,923,693
NET POSITION:	
Net investment in capital assets	2,110,379
Restricted for debt service	358,631
TOTAL NET POSITION	$ 2,469,010

PHOENIX URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**
Governmental activities:				
General government				
Materials and services	$ 28,332	$ -	$ -	$ (28,332)
Depreciation	127,412	-	-	(127,412)
Interest on long-term debt	131,844	-	-	(131,844)
Total government activities	$ 287,588	$ -	$ -	(287,588)
Property taxes				589,372
Unrestricted investment earnings				3,063
Total general revenues:				592,435
CHANGE IN NET POSITION				304,847
Net position - June 30, 2020				2,164,163
Net position - June 30, 2021				$ 2,469,010

FUND FINANCIAL STATEMENTS

PHOENIX URBAN RENEWAL AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Urban Renewal Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash & investments	$ 181,669	$ 168,550	$ 350,219
Property tax receivable	-	30,957	30,957
TOTAL ASSETS	$ 181,669	$ 199,507	$ 381,176
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Due to City of Phoenix	$ 22,545	$ -	$ 22,545
TOTAL LIABILITIES	22,545	-	22,545
Deferred inflows of resources:			
Unavailable revenue - property taxes	-	17,621	17,621
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	22,545	17,621	40,166
Fund Balances:			
Restricted for debt service	-	181,886	181,886
Unassigned	159,124	-	159,124
TOTAL FUND BALANCE	159,124	181,886	341,010
TOTAL LIABILITIES AND FUND BALANCE	$ 181,669	$ 199,507	$ 381,176

PHOENIX URBAN RENEWAL AGENCY
RECONCILIATION OF GOVERNMENTAL FUND
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2021

TOTAL FUND BALANCES		$ 341,010
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	$ 6,397,181	
Accumulated depreciation	(385,654)	6,011,527
A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		17,621
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:		
Long-term debt, net of unamortized premium/discount		(3,901,148)
TOTAL NET POSITION		$ 2,469,010

PHOENIX URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Urban Renewal Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes	$ -	$ 597,957	$ 597,957
Interest on investments	-	3,063	3,063
TOTAL REVENUES	-	601,020	601,020
EXPENDITURES:			
Current:			
Materials and services	27,389	2,773	30,162
Capital outlay	1,120	-	1,120
TOTAL EXPENDITURES	28,509	2,773	31,282
OTHER FINANCING SOURCES (USES):			
Transfers in	100,000	-	100,000
Transfer out	-	(100,000)	(100,000)
Payment for intergovernmental loan	-	(367,694)	(367,694)
TOTAL OTHER FINANCING SOURCES (USES)	100,000	(467,694)	(367,694)
NET CHANGE IN FUND BALANCE	71,491	130,553	202,044
FUND BALANCE, July 1, 2020	87,633	51,333	138,966
FUND BALANCE, June 30, 2021	$ 159,124	$ 181,886	$ 341,010

See notes to basic financial statements

PHOENIX URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCE		$ 202,044
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government funds 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 capital outlays exceeded depreciation in the current period.		
Expenditures for capital assets	$ -	
Less current year depreciation	(127,412)	(127,412)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.		(8,585)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of the following difference:		
Amortization of premium (discount)		10,146
Principal repayments are an expenditure in the governmental fund presentation. In the Statement of Activities, these loan repayments are reclassified to the Statement of Net Assets as a reduction of debt.		
Principal repayments		228,654
CHANGE IN NET POSITION		$ 304,847

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Phoenix Urban Renewal Agency (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the Agency accounting policies are described below.

The Financial Reporting Entity

The Agency was created by adoption of Ordinance 852 by the City of Phoenix, Oregon (the City) on August 15, 2005. The Agency is organized under general laws pertaining to urban renewal agencies in the State of Oregon. The Agency was formed primarily to carry out the terms of the Urban Renewal Plan, which is to eliminate blighting influences found in the renewal area, implement certain goals and objectives of the City of Phoenix Comprehensive Plan, and assist in meeting the City's economic development objectives through redevelopment of key sites, property rehabilitation, improving infrastructure in the renewal area, and assisting with the construction of needed public facilities.

The Agency's governing body is identical to that of the City, and because the services of the Agency are for the benefit of the City, a determination was made by using guidance provided for in GAAP that the Agency is a blended component unit of the City. As a result, the Agency's financial statements are blended with those of the City by including them in the appropriate statements and schedules of the City's Annual Financial Report. Copies of which may be obtained from the City Finance Director, P.O. Box 330, Phoenix, OR 97535.

Financial Statement Presentation, Measurement Focus, and Basis of Accounting

Government Wide Financial statements

The Statement of Net Position and the Statement of Activities report information on all of the Activities of the Agency. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. In the case of the Agency, no business-type activities exist.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The Agency does not have *program revenues* and reports taxes and investment earnings as *general revenues.*

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements have been satisfied. The effect of interfund activity within governmental activities such as transfers, advances and loans are eliminated.

The Agency applies restricted resources when an expense is incurred for purpose for which both restricted and unrestricted assets are available.

<u>Note 1 – Summary of Significant Accounting Policies (continued)</u>

Fund Financial Statements

The Agency uses fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn is divided into separate funds. In the case of the Agency, fund financial statements are only presented using the governmental fund type, as no proprietary activity exist.

The governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance present increases and decreases in those current net fund balances. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as deferred inflow of resources (unavailable revenue). Property taxes, which are held at year end by the collecting agency, Jackson County, and are remitted to the Agency within the 60-day period, are reported as “Taxes Receivable.”

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Financial operations of the Agency are accounted for in the following governmental fund:

> *<u>Urban Renewal Fund</u>* – This fund accounts for the acquisition and development of capital improvement projects for the Agency. Revenues and other financing sources consist of operating transfers from the debt service fund, bond proceeds, investment earnings and other miscellaneous revenues. This funds functions as the Agency’s “General Fund.”
>
> *<u>Debt Service Fund</u>* - Includes tax revenue deposits and debt payments for long term and short-term borrowing, including intergovernmental agreements with the City and lines of credit.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

In contrast, deferred inflows related to property taxes (unavailable revenue) arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Use of Estimates

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

Investments

Investments are stated at cost which approximates fair value.

Property Taxes Receivable

Property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred inflow of resources because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary because uncollectable property taxes become a lien of the property. Ad valorem property taxes are a lien on all taxable property as of July 1. Property taxes are levied and payable on November 15. Taxes are administrated by the County. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. The remaining balance of taxes receivable is recorded as unavailable revenue because it is not deemed available to finance operations of the current period.

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life extending beyond a single reporting period, (one year). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related Assets. Upon disposal of the assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in operations. Estimated useful lives used in computing depreciation are:

Buildings and Improvements	10 to 50 years
Machinery	3 to 25 years
Infrastructure	15 to 40 years

Long-term Debt and Debt Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statement, the bond discounts, premiums and issuance costs are recognized when incurred and not deferred. The face amount of the debt issued and premiums received are reported as other financing sources while discounts are reported as other financing used. Bond issuance costs are recognized as expenses in the period incurred.

Net Position and Fund Balances

Net position comprises of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. The Agency's net position is classified in the following two categories:

Net investments in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the bonds. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Agency
.

In the fund financial statements, governmental fund equity is classified in the following categories:

Nonspendable fund balance – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted fund balance - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

Committed fund balance - Includes items committed by the City Council, by formal action.

Assigned fund balance – Includes items assigned for specific uses, authorized by the City Council and the Executive Director, but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance – This is the residual classification used for those balances not assigned to another category.

Use of Estimates

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

Adoption of New GASB Pronouncements

GASB Statement No. 84, Fiduciary Activities. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61. Issued August 2018 to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for the Agency for the fiscal year ending June 30, 2021.

Future Adoption of GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2021:

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the Agency for fiscal year ending June 30, 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Issued June 2018, this statement establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the Agency for the fiscal year ending June 30, 2022.

GASB Statement No 91, *Conduit Debt Obligations*. Issued May 2019, this statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. GASB Statement No. 91 will be effective for the Agency for fiscal year ending June 30, 2022.

Note 1 – Summary of Significant Accounting Policies (continued)

Future Adoption of GASB Pronouncements (continued)

The Agency will implement new GASB pronouncements no later than the required effective date. The Agency is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the Agency's financial statements.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary information

The Agency Council budgets all funds. A Council order authorizing appropriation for each fund sets the level by which expenditures cannot legally exceed appropriations. Either expenditures by department within funds or total personal services, materials and services, capital outlay, debt service and other expenditures by fund are the levels of control established by the Council order. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. All annual appropriations lapse at fiscal year-end.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the Council. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations set forth in Oregon Revised Statutes 294.305 through 294.565 (Oregon Budget Law). Supplemental appropriations, permitted by Oregon Budget Law, were authorized by the City Council during the year. The Agency does not use encumbrances.

Annual budgets are adopted on a basis consistent with the cash basis of accounting for all funds. The nature and amount of all significant adjustments necessary to convert data prepared on a basis consistent with fund accounting to a cash basis are noted on the budget to actual statements included as supplementary information.

During the fiscal year ended June 30, 2021 the Agency was in compliance with Local Budget Law, except as follows:

The Debt Service Fund had an overspend in the materials and services category of $1,473.

Note 3 – Cash and Investments

Cash and investments are comprised of the following as of June 30, 2021:

Carrying amount of demand deposits	$ (304,367)
Carrying amount of investments	654,586
Total cash and investments	$ 350,219

State of Oregon statutes restrict the types of investments in which the Agency may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

Note 3 – Cash and Investments (continued)

The Agency has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2020-2021. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at $1.00 per share, it is possible to lose money by investing in the pool.

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

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

As of June 30, 2021, and for the year then ended, the Agency was in compliance with the aforementioned State of Oregon statutes.

Credit Risk. State Statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The Agency has no formal investment policy that further restricts its investment choices.

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

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

Disclosures about Fair Value of Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

Note 3 – Cash and Investments (continued)

Investments Measured at Fair Value:	Totals as of 6/30/2021	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government Investment Pool	$ 654,585	$ -	$ -	$ -	$ 654,586
	$ 654,585	$ -	$ -	$ -	$ 654,586

Note 4 – Capital Assets

Changes in the Governmental capital assets for the year ended June 30, 2021 are as follows:

Governmental Activities	Balance June 30, 2020	Additions	Transfers/ Disposals	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 1,300,685	$ -	$ -	$ 1,300,685
Total capital assets not being depreciated	1,300,685	-	-	1,300,685
Capital assets being depreciated:				
Buildings & Improvements	4,352,080	-	-	4,352,080
Infrastructure	744,416	-	-	744,416
Total capital assets being depreciated	5,096,496	-	-	5,096,496
Less accumulated depreciation for:				
Buildings & Improvements	(217,009)	(108,802)	-	(325,811)
Infrastructure	(41,233)	(18,610)	-	(59,843)
Total accumulated depreciation	(258,242)	(127,412)	-	(385,654)
Total capital assets being depreciated, net	4,838,254	(127,412)	-	4,710,842
Total capital assets governmental activities, net	$ 6,138,939	$ (127,412)	$ -	$ 6,011,527

Depreciation expense for the year of $127,412 was charged to non-departmental.

Note 5 – Long-Term Obligations

Full Faith and Credit Bonds, Series 2015B and 2015C

The City of Phoenix periodically issues long term bonds to finance publicly owned and operated projects within the urban renewal area. In June 2015, the Agency entered into an intergovernmental agreement with the City of Phoenix to pay the debt service on the Series 2017 bonds. Interest rate for the Series 2015B is 4.00%, and Series 2015C ranges between 2.55%-2.90%. The Agency's commitment for the full faith and credit obligations outstanding is $2,490,000. The note for the 2015C bond matured and was paid in full as of June 30, 2021.

Full Faith & Credit Bonds, Series 2015B

Year	Principal	Interest	Total	Net premium (discount)
2021	$ 135,000	$ 99,600	$ 234,600	$ 11,253
2022	140,000	94,200	234,200	11,253
2023	145,000	88,600	233,600	11,253
2024	155,000	82,800	237,800	11,253
2025	160,000	76,600	236,600	11,253
2027-2031	900,000	281,800	1,181,800	56,266
2032-2036	855,000	87,200	942,200	45,014
Total	$2,490,000	$ 810,800	$3,300,800	$ 157,545

Full Faith and Credit Bonds, Series 2017

In November 2017, the Agency entered into an intergovernmental agreement with the City of Phoenix to pay the debt service on the Series 2017 bonds. The interest rate for the Series 2017 is 2.89%. Issuance costs of this issuance totaled $55,300 which was expensed during the fiscal period of 2017-18. The Agency's commitment for the full faith and credit obligations outstanding is $1,253,603.

Full Faith & Credit Bonds, Series 2017

Year	Principal	Interest	Total
2022	$ 93,344	$ 35,560	$ 128,904
2023	96,061	32,842	128,903
2024	98,857	30,046	128,903
2025	101,735	27,169	128,904
2026	104,696	24,207	128,903
2027-2031	571,010	73,509	644,519
2032-2033	187,900	5,456	193,356
Total	$1,253,603	$ 228,789	$1,482,392

Note 5 – Long-Term Obligations (continued)

Long-term liabilities for the year ended June 30, 2021:

	Outstanding July 1, 2020	Issued	Matured and Redeemed	Outstanding June 30, 2021	Due within One Year
208 Main Street Loan (direct borrowing)	$ 2,950	$ -	$ (2,950)	$ -	$ -
FFC Bonds, Series 2015B (direct borrowing)	2,515,000	-	(25,000)	2,490,000	135,000
FFC Bonds, Series 2015C (direct borrowing)	110,000	-	(130,000)	-	-
Series 2017 Bonds (direct borrowing)	1,344,307	-	(90,704)	1,253,603	93,344
	3,972,257	-	(248,654)	3,743,603	228,344
Unamortized Premium/(Discount)	167,691	-	(10,146)	157,545	11,253
Total Long-Term Debt	$ 4,139,948	$ -	$ (258,800)	$ 3,901,148	$ 239,597

Note 6 – 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; and natural disasters for which the Agency carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and the Agency has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

Note 7 – Contingencies

Amounts received or receivable from government agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected may constitute a liability of the Agency. The amount, if any, of costs which may be disallowed by the agency cannot be determined at this time, although the Agency management expects such amounts, if any, to be immaterial.

Note 8 – Uncertainties

On September 8, 2020 the devastating Almeda fire swept through the City of Phoenix. It destroyed 568 structures, primarily residences. With the help of the State of Oregon, the City has started long-term recovery planning and projects. The estimated loss in property tax revenue from the reduced tax base is approximately $135,700 (11%), which will impact both the City and the Agency. The Agency has included this anticipated loss of tax revenue in its fiscal year 2021/22 proposed budget.

Note 9 – Subsequent Events

Management of the Agency has evaluated events and transactions occurring after June 30, 2021 through January 30, 2023, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

Based on management's knowledge, there were no additional events and/or transactions that required recognition and disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PHOENIX URBAN RENEWAL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2021

	Budget			Variance with Final Budget Positive
	Adopted	Final	Actual	(Negative)
EXPENDITURES:				
Materials and services	$ 59,200	$ 59,200	$ 27,389	$ 31,811
Capital outlay	75,000	75,000	1,120	73,880
TOTAL EXPENDITURES	134,200	134,200	28,509	105,691
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
TOTAL OTHER FINANCING SOURCES (USES)	100,000	100,000	100,000	-
NET CHANGE IN FUND BALANCE	(34,200)	(34,200)	71,491	105,691
FUND BALANCE, July 1, 2020	49,076	49,076	87,633	136,709
FUND BALANCE, June 30, 2021	$ 14,876	$ 14,876	$ 159,124	$ 242,400

OTHER SUPPLEMENTARY INFORMATION

PHOENIX URBAN RENEWAL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2021

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Property taxes	$ 500,000	$ 500,000	$ 597,957	$ 97,957
Interest on investments	2,000	2,000	3,063	1,063
TOTAL REVENUES	502,000	502,000	601,020	99,020
EXPENDITURES				
Materials and services	1,300	1,300	2,773	(1,473)
TOTAL EXPENDITURES	1,300	1,300	2,773	(1,473)
OTHER FINANCING SOURCES (USES):				
Payment for intergovernmental loan	(367,694)	(367,694)	(367,694)	-
Transfers out	(100,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(467,694)	(467,694)	(467,694)	-
NET CHANGE IN FUND BALANCE	33,006	33,006	130,553	97,547
FUND BALANCE, July 1, 2020	31,717	31,717	51,333	19,616
FUND BALANCE, June 30, 2021	$ 64,723	$ 64,723	$ 181,886	$ 117,163

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INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor, Members of the Governing Body
City of Phoenix Urban Renewal Agency
Phoenix, Oregon

We have audited the basic financial statements of the City of Phoenix Urban Renewal Agency (the Agency) as of and for the year ended June 30, 2021, and have issued our report thereon dated January 30, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 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 statement amounts. However, providing an opinion on compliance with those provisions was not the 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 but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, nothing came to our attention that caused us to believe the Agency was in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as reported in Note 3 (Budgetary Information) of the financial statements.

OAR 162-10-0230 Internal Control

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

Restrictions on Use

This report is intended solely for the information and use of the governing body and management of the Agency and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.

Jeny L. Grupe, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 30, 2023