



**HAPPY VALLEY**  
URBAN RENEWAL AGENCY

**Annual Financial Report  
For the Fiscal Year Ended June 30, 2022**

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## **INTRODUCTORY SECTION**

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HAPPY VALLEY URBAN RENEWAL AGENCY  
CLACKAMAS COUNTY, OREGON

AGENCY OFFICIALS AS OF JUNE 30, 2022

<u>NAME</u>	<u>TERM EXPIRES</u>
Tom Ellis – Mayor	December 31, 2022
David Golobay – Council President	December 31, 2024
Markley Drake	December 31, 2022
Brett Sherman	December 31, 2022
David Emami	December 31, 2024

All agency officials receive mail at the address below.

ADMINISTRATIVE

Jason Tuck, City Manager  
16000 SE Misty Drive  
Happy Valley, Oregon 97086  
(503) 783-3800  
[www.happyvalleyor.gov](http://www.happyvalleyor.gov)

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HAPPY VALLEY URBAN RENEWAL AGENCY  
CLACKAMAS COUNTY, OREGON

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## **FINANCIAL SECTION**

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Agency Officials  
Happy Valley Urban Renewal Agency

We have reviewed the accompanying financial statements of the governmental activities and major fund of the Happy Valley Urban Renewal Agency (the Agency) as of June 30, 2022, and the General Fund — Budget to Actual statement, which comprise the Agency's basic financial statements, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

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

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Agency and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. GAAP.

**Other Matter – Required Supplementary Information**

Management's Discussion and Analysis and the individual fund schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the representation of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

**Management Representation of Fiscal Affairs Required by Oregon State Regulations**

The Management Representation of Fiscal Affairs Required by Oregon State Regulation, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited or reviewed such information, and accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it.



SingerLewak LLP

January 11, 2023

By:



Bradley G. Bingenheimer, Partner

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis focuses on current year activities and resulting changes. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the basic financial statements.

**Overview of the Financial Statements**

The Agency provides for basic infrastructure to allow high quality development of the plan area to occur by providing residential living and employment opportunities for the citizens of Happy Valley. It also encourages economic activity, and community building while providing public amenities to support high quality development in the City. The governing body of the Agency is the Mayor and City Council. The Agency's financial statements consist of agency-wide statements, fund financial statements, notes to the statements, and supplementary information. The agency-wide statements include the Statement of Net Position and the Statement of Activities.

**Statement of Net Position** - The Statement of Net Position presents all the Agency's assets and liabilities with the difference reported as net position. Unrestricted net position represents the Agency's resources that are generally available to finance operations.

**Statement of Activities** - The Statement of Activities focuses on program costs and matching resources. It provides information on the changes to net position. Property taxes are the primary resource for funding Urban Renewal programs.

**Fund Statements** - Following the agency-wide statements is a section containing fund financial statements (including the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance) for the Agency's sole fund.

**Notes to the Statements** - The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

**Financial Highlights**

		<u>2022</u>		<u>2021</u>		<u>Change</u>
Net position	\$	1,763,558	\$	690,933	\$	1,072,625
Change in net position	\$	1,072,625	\$	690,933	\$	381,692

- 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 \$1.76 million. The total net position is restricted for capital projects designated within the Urban Renewal area.
- Total assets increased by \$1.12 million and liabilities by \$47 thousand resulting in an increase in net position of \$1.07 million.

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Financial Summary**

The following table shows a summary of the statement of net position at fiscal year end and for the previous year end.

<b>Statements of Net Position at June 30</b>		
	<b>2022</b>	<b>2021</b>
Assets:		
Current and other assets	\$ 1,812,651	\$ 692,863
Total Assets	<u>1,812,651</u>	<u>692,863</u>
Liabilities:		
Current and Other Liabilities	<u>49,093</u>	<u>1,930</u>
Total Liabilities	<u>49,093</u>	<u>1,930</u>
Net Position:		
Net position - Restricted	<u>1,763,558</u>	<u>690,933</u>
Total Net Position	<u>\$ 1,763,558</u>	<u>\$ 690,933</u>

The following table shows a summary of revenues, expenses, and changes in net position at fiscal year end and for the previous year end.

<b>Statements of Activities at June 30</b>		
	<b>2022</b>	<b>2021</b>
Revenues:		
Property Taxes	\$ 1,355,863	\$ 715,859
Other Revenue	<u>4,821</u>	<u>2,379</u>
Total Revenues	1,360,684	718,238
Expenses:		
General Government	<u>288,059</u>	<u>27,305</u>
Total Expenses	288,059	27,305
Change in Net Position	1,072,625	690,933
Beginning Net Position	<u>690,933</u>	<u>-</u>
Ending Net Position	<u>\$ 1,763,558</u>	<u>\$ 690,933</u>

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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- The Agency generated approximately \$1.36 million in tax increment property taxes. This was an increase of \$640 thousand from prior year.
- Expenses increased by \$261 thousand, mainly in contract services, as the Agency begins the planning phases of capital projects within the Urban Renewal Agency area.

**Budget Variances**

The budget for the Agency was adopted for the period beginning July 1, 2021 and ended June 30, 2022. There are no significant budget variances.

**Capital Assets**

At June 30, 2022, the Agency did not have any investments in capital assets.

**Economic Factors**

The City's Urban Renewal Agency continues to partner with private development by providing infrastructure improvements that support further growth and development of the Plan Area to increase residential living and employment opportunities for the citizens of Happy Valley. Increasing property values within the boundaries of the Agency translates into increasing tax increment available. The tax increment is then used to pay debt to fund projects and improvements.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Happy Valley Urban Renewal Agency's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 16000 SE Misty Drive, Happy Valley, Oregon 97086.

## **BASIC FINANCIAL STATEMENTS**

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**HAPPY VALLEY URBAN RENEWAL AGENCY****Statement of Net Position****June 30, 2022**

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**ASSETS**

Cash and Investments	\$	1,776,296
Accounts Receivable		3,118
Property Taxes Receivable		<u>33,237</u>

TOTAL ASSETS		<u>1,812,651</u>
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**LIABILITIES**

Accounts Payable		<u>49,093</u>
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TOTAL LIABILITIES		<u>49,093</u>
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**NET POSITION**

Net Position - Restricted		<u>1,763,558</u>
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TOTAL NET POSITION	\$	<u><u>1,763,558</u></u>
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**HAPPY VALLEY URBAN RENEWAL AGENCY****Statement of Activities****for the year ended June 30, 2022**

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<b>FUNCTION/PROGRAM</b>	<b>Expenses</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>GOVERNMENTAL ACTIVITIES</b>		
General Government	\$ 288,059	\$ (288,059)
<b>GENERAL REVENUES</b>		
Property Taxes		1,355,863
Other Revenue		<u>4,821</u>
<b>TOTAL GENERAL REVENUES</b>		<u>1,360,684</u>
<b>CHANGE IN NET POSITION</b>		1,072,625
<b>NET POSITION - beginning</b>		<u>690,933</u>
<b>NET POSITION - ending</b>		<u><u>\$ 1,763,558</u></u>

## **FUND FINANCIAL STATEMENTS**

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**HAPPY VALLEY URBAN RENEWAL AGENCY**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2022**

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	<u>Urban Renewal Agency Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,776,296
Accounts Receivable	3,118
Property Tax Receivable	<u>33,237</u>
 TOTAL ASSETS	 <u><u>\$ 1,812,651</u></u>
<b>LIABILITIES</b>	
Accounts Payable	<u>\$ 49,093</u>
 TOTAL LIABILITIES	 <u>49,093</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	<u>31,785</u>
<b>FUND BALANCES</b>	
Fund Balance By Category	
Restricted	<u>1,731,773</u>
 TOTAL FUND BALANCES	 <u>1,731,773</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 <u><u>\$ 1,812,651</u></u>
 Explanation of certain differences between the balance sheet - governmental funds and the statement of net position.	
Total Fund Balance	\$ 1,731,773
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Unavailable revenue - property taxes	<u>31,785</u>
 Total Net Position	 <u><u>\$ 1,763,558</u></u>

**HAPPY VALLEY URBAN RENEWAL AGENCY**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balances - Governmental Fund**  
**for the year ended June 30, 2022**

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**REVENUES**

Property Taxes	\$ 1,334,238
Other Revenue	<u>4,821</u>
TOTAL REVENUES	<u>1,339,059</u>

**EXPENDITURES**

Current	
General Government	265,303
Capital Outlay	<u>22,756</u>
TOTAL EXPENDITURES	<u>288,059</u>

NET CHANGE IN FUND BALANCE	1,051,000
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FUND BALANCES - beginning	<u>680,773</u>
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FUND BALANCES - ending	<u><u>\$ 1,731,773</u></u>
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Explanation of certain differences between the balance sheet - governmental funds  
and the statement of net position.

Net Change in Fund Balances - Total Governmental Fund	\$ 1,051,000
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Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the funds.

Unavailable Revenue - Property Taxes	<u>21,625</u>
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Change in Net Position	<u><u>\$ 1,072,625</u></u>
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**HAPPY VALLEY URBAN RENEWAL AGENCY**  
**Schedules of Revenues, Expenditures and Changes in Fund Balance**  
**Actual and Budget**  
**for the year ended June 30, 2022**

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	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Tax Increment	\$ 900,000	\$ 900,000	\$ 1,334,238	\$ 434,238
Miscellaneous Revenue	10,000	10,000	8,296	(1,704)
<b>TOTAL REVENUES</b>	<b>910,000</b>	<b>910,000</b>	<b>1,342,534</b>	<b>432,534</b>
<b>EXPENDITURES</b>				
Materials and Services	300,000	300,000	265,303	34,697
Capital Outlay	1,277,500	1,277,500	22,756	1,254,744
<b>TOTAL EXPENDITURES</b>	<b>1,577,500</b>	<b>1,577,500</b>	<b>288,059</b>	<b>1,289,441</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(667,500)</b>	<b>(667,500)</b>	<b>1,054,475</b>	<b>1,721,975</b>
<b>FUND BALANCE - beginning</b>	<b>667,500</b>	<b>667,500</b>	<b>680,773</b>	<b>13,273</b>
<b>FUND BALANCE - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,735,248</b>	<b>\$ 1,735,248</b>
<b>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</b>				
<b>NET CHANGE IN FUND BALANCE</b>			<b>\$ 1,054,475</b>	
Unrealized gain (loss) on investments			(3,475)	
<b>CHANGE IN FUND BALANCE - GAAP BASIS</b>			<b>\$ 1,051,000</b>	

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**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. THE FINANCIAL REPORTING ENTITY**

The Agency was created on July 16, 2019 for the East Happy Valley area in order to provide economic development to facilitate the construction of the infrastructure investments to accommodate future growth. Pursuant to ORS 457.055, the City Council has been appointed governing body of the Agency. The Urban Renewal Agency Fund is reported as a blended component unit within the City's financial statements as a special revenue fund.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The Statement of Net Position and Statement of Activities display information about the Agency 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.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

**FUND FINANCIAL STATEMENTS**

The accounts of the Agency are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property tax revenues are susceptible to accrual using the 60 day window. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. CASH AND INVESTMENTS**

The Agency maintains cash and investments in a common pool, maintained by the City. Oregon Revised Statutes authorize the Agency to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon Municipalities and the State Treasurer's Local Government Investment Pool, amount other options. Investments are stated at fair value.

**D. PROPERTY TAXES RECEIVABLE**

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Position. In the Fund Financial Statements property taxes 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 Inflows - Unavailable Revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

**E. CAPITAL ASSETS**

Capital assets are recorded at the original or estimated cost. Donated capital assets, donated works of art and similar items, are reported at acquisition value. The Agency defines capital assets as assets with an initial cost of more than \$5,000 and a life of greater than one year.

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

Buildings and improvements	15 to 75 years
Equipment	5 to 15 years
Streets	40 years

**F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information** A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. Budgets for all budgeted funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The Agency begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Agency may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

The expenditure budget for the Agency is appropriated in the following levels: Personal Services, Materials and Services, Capital Outlay, Debt Service, and Operating Contingency.

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Agency approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Agency approves them due to a need which exists which was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations.

**Budget/GAAP Reporting Differences** Financial position, results of operations, and changes in fund balance/net position are reported on the basis of accounting principles generally accepted in the United States of America. The budgetary statements provided as part of the required supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is essentially the same as accounting principles generally accepted in the United States of America with some exceptions. Those exceptions include capital outlay expenditures are expensed when purchased, depreciation and amortization are not calculated, property taxes are recorded as revenue when received, and debt is expensed as paid instead of when incurred.

**G. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expenditure) until then. The Agency had no deferred outflows to report

In addition to liabilities, the statement of financial position reports 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 future periods and as such will not be recognized as an inflow of resources (revenue) until that time. The Agency reports unavailable revenue from property taxes in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. Deferred inflows are included in the government-wide Statement of Net Position.

**H. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**I. NET POSITION**

Net position is classified in the following three categories:

**Net investment in capital assets** – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Net Position - Restricted** – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS

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**I. NET POSITION (CONTINUED)**

Net Position - Unrestricted – consists of all other assets that are not included in the other two categories.

On the **Balance Sheet – Governmental Funds**, fund balances are segregated into separate classifications indicating the extent to which the Agency is bound to honor constraints on the specific purposes for which those funds can be spent.

Non-spendable fund balance – The portion that cannot be spent because of form and/or legally or contractually required to remain intact.

Restricted fund balance – Constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments. Constraints also imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – Constraints imposed by Agency in the form of a resolution and requires resolution to remove.

Assigned fund balance – Constraints imposed by Agency who grants that authority to the City Manager. The form used to assign fund balance is a memorandum.

Unassigned fund balance – Fund balance not categorized in one of the other classifications. Only the general fund should report a positive unassigned fund balance amount. For other funds a negative fund balance should be reported if more resources are used than are available in the fund.

The Agency will use restricted resources first then unrestricted resources as necessary. When only unrestricted resources are available for use the Agency will use committed resources, then assigned, and then unassigned resources as required.

**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and Investments consisted of:

Deposits with Financial Institutions:

Cash & Investments	<u>1,776,296</u>
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Total Cash and Investments	<u><u>\$ 1,776,296</u></u>
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The City maintains a cash and investment pool for all cash and investments in which each fund participates, including the Urban Renewal Agency. Agency investments, with the exception of the State of Oregon Local Government Investment Pool (LGIP), are not held in separate Agency accounts. The total restricted and unrestricted cash and investments balance for the Agency at year-end was \$1,776,296, representing the Agency's share of the City's cash and investment pool.

The Agency's investment policy is the same as the City's. The City's investment policy is reviewed annually by the City's Finance Department and in the event of substantial changes, the Oregon Short-Term Fund Board. The Oregon Short-Term Fund Board consists of the State Treasurer and six members appointed by the Governor and State Treasurer. The investment policy is then presented to the City Council for final adoption.

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

State of Oregon statutes and the City's investment policies authorize the City to invest in general obligations of the U.S. Government, its Agencies and instrumentalities of the U.S., Commercial Paper, Corporate Bonds, Bankers Acceptances, Oregon Short-Term Fund, Repurchase Agreements, municipal obligations of certain states, Time Deposits, Certificates of Deposit, and savings accounts.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments.

The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2022.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the City's position in the State Treasurer's Local Investment Pool and the value of the pool shares at June 30, 2022. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

**INTEREST RATE RISK** – In accordance with its investment policy, the City manages its exposure to declines in fair value resulting from changes in interest rates by limiting the weighted average maturity (WAM) of its investment portfolio to less than thirty months. To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City does not actively trade investments, usually holding them to maturity.

**FAIR VALUE MEASUREMENTS** – Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Based on matrix pricing, synthesizing multiple market inputs to determine a fair value price derived from altered or indirectly observable prices.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

**CONCENTRATION RISK AND CREDIT RISK** – The City's investment policy does not allow for an investment in any one issuer to exceed 5 percent of the City's total investments, with the exception of US Treasuries, US Agencies and Instrumentalities. Credit risk is a ratings-based assessment of the likelihood of an issuer defaulting on its repayment obligations. The City mitigates its exposure to credit risk by limiting purchases to the highest ratings groups at time of purchase. At year end the City held 3.6% percent of its portfolio in securities subject to normal credit risk considerations.

**CITY OF HAPPY VALLEY URBAN RENEWAL AGENCY**  
**(A Blended Component Unit of the City of Happy Valley, Oregon)**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**3. CAPITAL ASSETS**

For the fiscal year ended June 30, 2022, the Agency had no capital assets.

**4. PROPERTY TAX LIMITATIONS**

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduced the amount of operating property tax revenues available to the Agency for its 1997-98 fiscal year, and thereafter. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempt from the reductions. The Constitution sets restrictive voter approval requirements for most tax, many fee increases, and new bond issues.

**5. 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. The Agency is covered by the City of Happy Valley's insurance policy. An annual premium is paid to City/County Insurance Services (CIS) for the City's and Agency's general insurance coverage.

Liabilities are reported when it is probable that a loss has occurred. The agreement with the CIS trust provides that CIS will be self-sustaining through member contributions and will reinsure through an AM Best Superior rated reinsurer for claims in excess of a \$500,000 retention. The City continues to carry commercial insurance, for the Agency, for all other risks of loss, including workers' compensation and health and accident insurance for employees. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

**6. NEW ACCOUNTING PRONOUNCEMENTS AND ACCOUNTING STANDARDS**

During the year the Agency implemented GASB Statement No. 87, "Leases". This statement established a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. The implementation of this standard did not have a significant effect on the Agency's financial statements.

## **COMPLIANCE SECTION**

**Mayor**  
Honorable Tom Ellis



**City Manager**  
Jason A. Tuck, ICMA-CM

**MANAGEMENT REPRESENTATION OF FISCAL AFFAIRS  
REQUIRED BY OREGON REGULATION**

**Year Ended June 30, 2022**

The Happy Valley Urban Renewal Agency (the "URA") is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operation and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Reviews of Oregon Municipal Corporations (OAR 162, division 40) including, but not limited to:

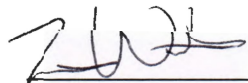
- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of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

The management of the URA is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects.

Further, other than as disclosed in the financial statements, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

**Statement Required by ORS 297.435 (3)(c)**

Management of the Happy Valley Urban Renewal Agency were covered the entire year ended June 30, 2022, by General Liability and Excess Crime insurance policies with City County Insurance Services. Coverage exceeds the \$133,906 that is required.

  
\_\_\_\_\_  
Signature

Travis Warnake  
\_\_\_\_\_  
Printed name

Finance Director  
\_\_\_\_\_  
Title

1/11/23  
\_\_\_\_\_  
Date