



HAPPY VALLEY

URBAN RENEWAL AGENCY

**Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

HAPPY VALLEY URBAN RENEWAL AGENCY
CLACKAMAS COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Agency Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	A - C
Management's Discussion and Analysis	a - d
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
<u>Fund Financial Statements</u>	
Balance Sheet—Governmental Funds	3
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	5
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds – To Statement of Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget	
General Fund	7
Notes to Basic Financial Statements	8
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget	
Urban Renewal Debt Service	16
COMPLIANCE SECTION	
Independent Auditor's Report Required by Oregon State Regulations	17

INTRODUCTORY SECTION

HAPPY VALLEY URBAN RENEWAL AGENCY
CLACKAMAS COUNTY, OREGON

AGENCY OFFICIALS AS OF JUNE 30, 2023

<u>NAME</u>	<u>TERM EXPIRES</u>
Tom Ellis – Mayor	December 31, 2026
David Emami – Council President	December 31, 2026
David Golobay	December 31, 2024
Brett Sherman	December 31, 2026
Josh Callahan	December 31, 2026

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
Happy Valley Urban Renewal Agency
Happy Valley, Oregon

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Happy Valley Urban Renewal Agency (the "Agency"), a component unit of City of Happy Valley, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Agency as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [Entity]'s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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 schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Urban Renewal Debt Service Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Urban Renewal Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report December 27, 2023 on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that test and not to provide an opinion on compliance.

Singer Lewak LLP

December 27, 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

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 funds.

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>2023</u>	<u>2022</u>	<u>Change</u>
Net position	\$ 3,621,127	\$ 1,763,558	\$ 1,857,569
Change in net position	\$ 1,857,569	\$ 1,072,625	\$ 784,944

- 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 \$3.62 million (reported as net position).
- Total assets increased by \$17.42 million and liabilities by \$15.56 million resulting in an increase in net position of \$1.54 million.

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

Financial Summary

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

Table 1 - Net Position as of June 30th

	Total 2023	Total 2022
Assets		
Current and other assets	\$ 2,964,795	\$ 1,812,651
Capital Assets	16,270,003	-
Total Assets	19,234,798	1,812,651
Liabilities		
Current and Other Liabilities	453,146	49,093
Long-Term Debt	15,160,525	-
Total Liabilities	15,613,671	49,093
Net Position		
Net investment in capital assets	1,109,478	
Restricted for urban renewal	2,511,649	1,763,558
Total Net Position	\$ 3,621,127	\$ 1,763,558

- A significant portion of the Agency's net position reflects its investment in capital assets (e.g., land, buildings, and infrastructure); less any related obligations used to acquire those assets that are still outstanding. Capital assets increased by \$16.27 million due to the acquisition of several properties in the urban renewal district area. The Agency will use these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Agency's investment in capital assets is reported net of related obligations, the resources needed to repay these obligations must be provided from other sources, since the capital assets themselves cannot be used to liquidate them.
- The Agency had a long-term debt issuance of \$15.16 million which will be used to acquire capital assets in the urban renewal district area.

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

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

Table 2 - Changes in Net Position

	Total 2023	Total 2022
Revenues:		
General Revenues:		
Property Taxes	\$ 3,283,378	\$ 1,355,863
Other Revenue	247,785	4,821
	<u>3,531,163</u>	<u>1,360,684</u>
Total Revenues		
Expenses:		
General Government	1,557,102	288,059
Interest on Long-Term Debt	116,492	-
	<u>1,673,594</u>	<u>288,059</u>
Total Expenses		
Change in Net Position	1,857,569	1,072,625
Net Position - Beginning	<u>1,763,558</u>	<u>690,933</u>
Net Position - Ending	<u>\$ 3,621,127</u>	<u>\$ 1,763,558</u>

- The Agency generated approximately \$3.28 million in tax increment property taxes. This was an increase of \$1.93 million from the prior year. The increase was due to increases in assessed property tax valuations.
- Expenses increased by \$1.56 million, mainly in contract services, as the Agency continues the planning phases of capital projects within the Urban Renewal Agency area.

Analysis of the Agency's Funds

The General fund, the general operating fund of the Agency, noted an increase in fund balance of \$723,482 due to an increase in property tax revenues and bond issuances, offset by capital expenditures.

The Urban Renewal Debt Service fund was created in 2022-23 to account for servicing the bonded debt. Expenditures for debt equaled transfers in.

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

Budget Variances

The budget for the Agency was adopted for the period beginning July 1, 2022 and ended June 30, 2023. There are no significant budget variances. During the fiscal year ended June 30, 2023, the Agency Board approved one supplemental resolution. The supplement included increases to property tax revenues, debt service, and capital outlay for land purchases.

Capital Assets

At June 30, 2023, the Agency had \$16.27 million invested in capital assets which reflected a significant increase from the previous fiscal year. Expenditures for construction projects in progress at fiscal year-end are included in additions.

	<u>2023</u>	<u>2022</u>
Land	\$ 15,899,484	\$ -
Construction in progress	<u>370,519</u>	<u>-</u>
Total	<u>\$ 16,270,003</u>	<u>\$ -</u>

Debt Outstanding

In February 2023, the City issued \$14,575,000 in Full Faith and Credit Obligations, Series 2023, with an interest rate of 5.28% to finance urban renewal projects. The final maturity will be in June 2042. The principal balance outstanding on the bonds at June 30, 2023 is \$13,700,000.

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.

HAPPY VALLEY URBAN RENEWAL AGENCY
Statement of Net Position
June 30, 2023

ASSETS

Current assets:

Cash and Investments	\$ 2,870,575
Accounts Receivable	33,680
Property Taxes Receivable	60,540

Noncurrent assets:

Capital assets:

Land, non-depreciable assts, and construction in progress	<u>16,270,003</u>
---	-------------------

TOTAL ASSETS	<u>19,234,798</u>
--------------	-------------------

LIABILITIES

Current liabilities:

Accounts Payable	450,333
Accrued Payroll	2,813
Long-term debt due within one year	531,870

Noncurrent liabilities:

Long-term debt due after one year	<u>14,628,655</u>
-----------------------------------	-------------------

TOTAL LIABILITIES	<u>15,613,671</u>
-------------------	-------------------

NET POSITION

Net investment in capital assets	1,109,478
Unrestricted	<u>2,511,649</u>

TOTAL NET POSITION	<u>\$ 3,621,127</u>
--------------------	---------------------

HAPPY VALLEY URBAN RENEWAL AGENCY
Statement of Activities
for the year ended June 30, 2023

FUNCTION/PROGRAM	Expenses	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES		
General Government	\$ 1,557,102	\$ (1,557,102)
Interest on long-term debt	116,492	(116,492)
TOTAL GOVERNMENTAL ACTIVITIES	1,673,594	(1,673,594)
GENERAL REVENUES		
Property Taxes		3,283,378
Other Revenue		247,785
TOTAL GENERAL REVENUES		3,531,163
CHANGE IN NET POSITION		1,857,569
NET POSITION - beginning		1,763,558
NET POSITION - ending		\$ 3,621,127

The accompanying notes are an integral part of the basic financial statements

HAPPY VALLEY URBAN RENEWAL AGENCY
Balance Sheet
Governmental Fund
June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and Investments	\$ 2,870,575
Accounts Receivable	33,680
Property Tax Receivable	<u>60,540</u>
 TOTAL ASSETS	 <u><u>\$ 2,964,795</u></u>
LIABILITIES	
Accounts Payable	\$ 450,333
Accrued Payroll	<u>2,813</u>
 TOTAL LIABILITIES	 <u>453,146</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>56,394</u>
FUND BALANCES	
Fund Balance By Category	
Unassigned	<u>2,455,255</u>
 TOTAL FUND BALANCES	 <u>2,455,255</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 <u><u>\$ 2,511,649</u></u>

The accompanying notes are an integral part of the basic financial statements

CITY OF HAPPY VALLEY, OREGON
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position
June 30, 2023

Explanation of certain differences between the balance sheet - governmental funds
and the statement of net position.

Total Fund Balances - governmental funds	\$ 2,455,255
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds and assets.	16,270,003
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities including bonds payable, are not due and payable in the current period and are not reported in the funds. The premium paid when the bonds were issued was expensed in the governmental funds however it is amortized over the life of the bonds.	(15,160,525)
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>56,394</u>
Total Net Position	<u>\$ 3,621,127</u>

HAPPY VALLEY URBAN RENEWAL AGENCY
Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds
for the year ended June 30, 2023

	General	Urban Renewal - Debt Service	Total
REVENUES			
Property Taxes	\$ 3,258,769.00	\$ -	\$ 3,258,769
Other Revenue	247,785	-	-
TOTAL REVENUES	3,506,554	-	3,258,769
EXPENDITURES			
Current			
General Government	1,155,845	-	1,155,845
Capital Outlay	16,671,260	-	16,671,260
Debt Service	-	875,000	875,000
Prinicpal Payments	-	193,362	193,362
Interest Payments			
TOTAL EXPENDITURES	17,827,105	1,068,362	18,895,467
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	(14,320,551)	(1,068,362)	(15,388,913)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	14,575,000	-	14,575,000
Bond Premium	1,537,395	-	1,537,395
Transfers In	-	1,068,362	1,068,362
Transfers Out	(1,068,362)	-	(1,068,362)
TOTAL OTHER FINANCING			
SOURCES (USES)	15,044,033	1,068,362	16,112,395
NET CHANGE IN FUND BALANCE	723,482	-	723,482
FUND BALANCES - beginning	1,731,773	-	1,731,773
FUND BALANCES - ending	\$ 2,455,255	\$ -	\$ 2,455,255

The accompanying notes are an integral part of the basic financial statements

HAPPY VALLEY URBAN RENEWAL AGENCY
Reconciliation of Statement of Revenues, Expenditures and Changes In
Fund Balances - Governmental Funds - To Statement of Activities
for the year ended June 30, 2023

Explanation of certain differences between the statement of revenues, expenditures, and changes in fund balance - governmental funds and the statement of activities.

Net Change in Fund Balances - Total Governmental Funds		\$	723,482
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful live and reported as depreciation in the current period.			16,270,003
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in Unavailable Revenue - Property Taxes			24,609
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Debt Proceeds	\$	(16,112,395)	
Amortization of premium on bonds issued		76,870	
Principal Payments		<u>875,000</u>	<u>(15,160,525)</u>
Change in Net Position		\$	<u><u>1,857,569</u></u>

The accompanying notes are an integral part of the basic financial statements

HAPPY VALLEY URBAN RENEWAL AGENCY
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2023

GENERAL FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Tax Increment	\$ 1,600,000	3,300,000	\$ 3,258,769	\$ (41,231)
Miscellaneous Revenue	10,000	10,000	247,519	237,519
TOTAL REVENUES	1,610,000	3,310,000	3,506,288	196,288
EXPENDITURES				
Personal Services	168,500	168,500	140,078	(28,422)
Materials and Services	1,000,000	1,000,000	1,015,767	15,767
Capital Outlay	2,372,273	18,672,273	16,671,260	(2,001,013)
TOTAL EXPENDITURES	3,540,773	19,840,773	17,827,105	(2,013,668)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,930,773)	(16,530,773)	(14,320,817)	2,209,956
OTHER FINANCING SOURCES (USES)				
Original Issue Premium	-	-	1,537,395	1,537,395
Bond Proceeds	-	16,000,000	14,575,000	(1,425,000)
Transfers Out To: URA Debt Service Fund	-	(1,400,000)	(1,068,362)	(331,638)
TOTAL OTHER FINANCING SOURCES (USES)	-	14,600,000	15,044,033	(219,243)
NET CHANGE IN FUND BALANCE	(1,930,773)	(1,930,773)	723,216	1,990,713
FUND BALANCE - beginning	1,930,773	1,930,773	1,735,248	(195,525)
FUND BALANCE - ending	\$ -	\$ -	\$ 2,458,464	\$ 1,795,188
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
NET CHANGE IN FUND BALANCE			\$ 723,216	
Unrealized gain (loss) on investments			266	
CHANGE IN FUND BALANCE - GAAP BASIS			\$ 723,482	

The accompanying notes are an integral part of the basic financial statements

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

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 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DESCRIPTION OF FUNDS

GENERAL FUND

This fund accounts for all of the financial resources and expenditures of the Agency, except for those required to be accounted for in another fund. The principal revenue sources are property taxes and interest income.

URBAN RENEWAL DEBT SERVICE

This fund accounts for debt service on the Agency's bonds. It is funded by transfers from the Urban Renewal fund.

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, among 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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. During the fiscal year ended June 30, 2023, the Agency Board approved one supplemental resolution. The supplement included increases to property tax revenues, debt service, and capital outlay for land purchases. 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. Long-Term Debt

Long-Term Debt In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the year incurred.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

I. 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.

J. 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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. NET POSITION (Continued)

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 AND INVESTMENTS

Cash and Investments consisted of:

Deposits with Financial Institutions	
Cash & Investments	<u>\$ 2,870,575</u>

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 \$2,870,575, 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.

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.

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

2. CASH AND INVESTMENTS (CONTINUED)

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, 2023. 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, 2023. 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

3. CAPITAL ASSETS

Changes in capital assets for the fiscal year June 30, 2023 are as follows:

	Governmental Activities Capital Assets			
	July 1, 2022	Additions	Disposals	June 30, 2023
Capital Assets, not being depreciated				
Land and Improvements	\$ -	\$ 15,899,484	\$ -	\$ 15,899,484
Construction in Progress	-	370,519	-	370,519
Totals, capital assets not being depreciated	-	16,270,003	-	16,270,003
Total Governmental Activities	\$ -	\$ 16,270,003	\$ -	\$ 16,270,003

4. LONG-TERM OBLIGATIONS

In February 2023 the City of Happy Valley issued \$14,575,000 in Full Faith and Credit Obligations, Series 2023, with an interest rate of 5.28% to finance urban renewal projects. The final maturity will be in June 2042. The principal balance outstanding on the bonds at June 30, 2023 is \$13,700,000.

Fiscal year ending June 30	Principal	Interest	Total
2024	\$ 455,000	\$ 612,950	\$ 1,067,950
2025	480,000	590,200	1,070,200
2026	505,000	566,200	1,071,200
2027	530,000	540,950	1,070,950
2028	555,000	514,450	1,069,450
2029-2033	3,225,000	2,126,750	5,351,750
2034-2038	4,065,000	1,285,650	5,350,650
2039-2042	3,885,000	396,200	4,281,200
	\$ 13,700,000	\$ 6,633,350	\$ 20,333,350

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

4. LONG-TERM OBLIGATIONS (Continued)

The following table shows the current fiscal year changes in the note payable, along with the current portion due for the obligation.

	<u>06/30/22</u>			<u>6/30/23</u>	<u>Due in</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>1 Year</u>
Govt Activities					
Principal Transactions:					
General Obligation Bonds:					
Full Faith & Credit Obligation, Series 2023	-	14,575,000	875,000	13,700,000	455,000
Bond Premium	-	1,537,395	76,870	1,460,525	76,870
Total General Obligation Bonds	<u>-</u>	<u>16,112,395</u>	<u>951,870</u>	<u>15,160,525</u>	<u>531,870</u>

5. 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.

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. 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.

SUPPLEMENTARY INFORMATION

HAPPY VALLEY URBAN RENEWAL AGENCY
Schedules of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
for the year ended June 30, 2023

URBAN RENEWAL DEBT SERVICE FUND - BUDGETARY BASIS

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES				
Debt Service				
Principal	-	875,000	875,000	-
Interest	-	525,000	193,362	331,638
TOTAL DEBT SERVICE	-	1,400,000	1,068,362	331,638
	-	(1,400,000)	(1,068,362)	331,638
OTHER FINANCING SOURCES (USES)				
Transfers in From:				-
URA Fund	-	1,400,000	1,068,362	331,638
TOTAL OTHER FINANCING SOURCES (USES)	-	1,400,000	1,068,362	331,638
NET CHANGE IN FUND BALANCE	-	-	-	663,276
FUND BALANCE - beginning	-	-	-	-
FUND BALANCE - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,276</u>

COMPLIANCE SECTION

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

Agency Officials
Happy Valley Urban Renewal Agency
Happy Valley, Oregon

We have audited the basic financial statements of the Happy Valley Urban Renewal Agency (the "Agency"), a component unit of the City of Happy Valley, as of and for the year ended June 30, 2023, and have issued our report thereon dated December 27, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America.

Compliance and Other Matters

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 162-010-0230 through 162-010-0320 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

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

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0230 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Agency Officials
Happy Valley Urban Renewal Agency
Independent Auditor's Report Required by
Oregon State Regulations
December 27, 2023

OAR 162-010-0230 Internal Control

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

Restriction of Use

This report is intended solely for the information and use of the governing body and management of Happy Valley Urban Renewal Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Singer Lewak LLP

December 27, 2023

By:

A handwritten signature in black ink, appearing to read 'Brad Bingenheimer', written over a light blue horizontal line.

Brad Bingenheimer, Partner