

**SANDY URBAN
RENEWAL AGENCY**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019
WITH
INDEPENDENT AUDITOR'S REPORT



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INTRODUCTORY SECTION



URBAN RENEWAL AGENCY OFFICIALS

<u>NAME</u>	<u>TERM EXPIRES</u>
Mayor	
Stan Pulliam	December 2020
Councilors	
Jeremy Pietzold	December 2022
Laurie Smallwod	December 2022
John Hamblin	December 2020
Jan Lee	December 2020
Carl Exner	December 2022
Bethany Shultz	December 2020

Representative from Sandy Fire District

Representative from Sandy Area Chamber of Commerce

CITY STAFF

City Manager
Jordan Wheeler

Finance Director
Tyler Deems

Police Chief
Ernie Roberts

Library Director
Sarah McIntyre

Planning Director
Kelly O' Neill Jr.

Public Works Director
Mike Walker

Community Services Director
Tanya Richardson

IT Director
Greg Brewster

Transit Director
Andi Howell

MAILING ADDRESS

39250 Pioneer Blvd.
Sandy, Oregon 97055

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sandy Urban Renewal Agency
Sandy, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Sandy Urban Renewal Agency, a component unit of the City of Sandy, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sandy Urban Renewal Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Sandy Urban Renewal Agency, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison statements for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sandy Urban Renewal Agency's basic financial statements. The introductory section is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 30, 2019, on our consideration of the Sandy Urban Renewal Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co
Tualatin, Oregon
December 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion is intended to be an easily readable analysis of the City of Sandy Urban Renewal Agency's (Agency) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

The report consists of agency-wide statements, fund financial statements and notes to the statements.

AGENCY-WIDE STATEMENTS

Statement of Net Position

The Table 1 reflects a summary of Net Position compared to prior fiscal year.

TABLE 1
Statement of Net Position

	30-Jun-19	30-Jun-18	Change + (-)
Assets:			
Cash and cash equivalents	\$ 5,318,028	\$ 4,880,187	\$ 437,841
Property taxes receivable	47,863	98,018	(50,155)
Due from other governments	5,523	5,243	280
Accounts Receivable	25,765	25,101	664
Total assets	5,397,179	5,008,549	388,630
Liabilities:			
Accounts payable and other current	43,585	82,965	(39,380)
Interest payable	18,585	20,137	(1,552)
Long-term debt obligations	9,140,187	9,792,045	(651,858)
Total liabilities	9,202,357	9,895,147	(692,790)
Deferred Inflows of Resources:			
Deferred gain on refunding	-	10,736	(10,736)
Net position:			
Unrestricted	(3,805,178)	(4,897,334)	1,092,156
Total net position	(3,805,178)	(4,897,334)	1,092,156
Total liabilities, deferred inflows of resources and net position	\$ 5,397,179	\$ 5,008,549	\$ 388,630

The increase in net position is a result of higher than anticipated property tax revenue, and a significant reduction in capital expenditures in the current fiscal year.

Statement of Activities

Table 2 compares general revenues and expenses with prior year.

TABLE 2
STATEMENT OF ACTIVITIES

	Net Revenue (Expenses) and Changes in Net Position 2019		Net Revenue (Expenses) and Changes in Net Position 2018	
Expenses				
Economic development	\$ 522,640	\$ (522,640)	\$4,281,480	\$ (4,281,480)
Interest on long-term debt	<u>223,671</u>	<u>(223,671)</u>	<u>236,991</u>	<u>(236,991)</u>
Total expenses		<u>(746,311)</u>		<u>(4,518,471)</u>
General Revenues and transfers:				
Property taxes		1,708,071		1,623,191
Interest		<u>130,396</u>		<u>112,380</u>
Total general revenues and transfers		<u>1,838,467</u>		<u>1,735,571</u>
Change in net position		1,092,156		(2,782,900)
Net Position, July 1		(4,897,334)		(2,114,434)
Net Position, June 30		<u>\$ (3,805,178)</u>		<u>\$ (4,897,334)</u>

The Agency's tax levy totaled \$1,708,071 and is restricted to repayment of debt. The debt has been used to finance the improvements identified in the urban renewal plan.

FUND FINANCIAL STATEMENTS

Fund Statements

Following agency-wide statements is a section containing fund financial statements. For the fund a Budgetary Comparison Statement is presented.

Budgetary Highlights

The budget was based upon a conscious effort by management to complete improvements based on the direction of the urban renewal advisory committee and the urban renewal agency board.

Capital Assets and Debt Administration

The Agency incurred \$431,226 of improvement costs during fiscal year 2019. The capital improvement projects included were:

- \$68,520 – Façade grant program continues to enable businesses within the downtown corridor to upgrade their exterior to conform to the “Sandy Style” found in the City’s development code.
- \$173,302 – City Hall Improvements.
- \$37,418 – Various infrastructure projects.
- \$76,700 – Sandy Fire District Improvements.
- \$75,286 – Community Center/Aquatic Facility.

As of June 30, 2019, the Agency had \$9,140,187 in debt outstanding compared to \$9,792,045 last year.

During the fiscal year ended June 30, 2019 all scheduled debt payments were met.

NOTES AND SUPPLEMENTAL INFORMATION

Economic Factors

The Urban Renewal Agency continues to be an important partner in economic development within the City of Sandy, providing necessary infrastructure improvements to support continued growth and quality of service to those within the Agency's boundaries. Increasing property values within the boundaries of the Agency translate into increasing tax increment available. That tax increment is then used to pay debt service on bonds issued to fund projects and improvements.

Financial Contact

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, you should contact the Agency's Finance Director at 39250 Pioneer Blvd., Sandy, Oregon 97055.

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BASIC FINANCIAL STATEMENTS

SANDY URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 5,318,028
Property taxes receivable	47,863
Due from other governments	5,523
Accounts receivable	<u>25,765</u>
Total assets	<u><u>\$ 5,397,179</u></u>
 LIABILITIES:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 43,585
Interest payable	18,585
Current portion of long-term debt	<u>664,796</u>
Total current liabilities	<u>726,966</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>8,475,391</u>
Total noncurrent liabilities	<u>8,475,391</u>
Total liabilities	<u>9,202,357</u>
 NET POSITION:	
Unrestricted	<u>(3,805,178)</u>
Total net position	<u>(3,805,178)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 5,397,179</u></u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

	<u>Expenses</u>	<u>Net Revenue (Expenses) and Changes in Net Position</u>
EXPENSES:		
Governmental activities:		
Economic development	\$ 522,640	\$ (522,640)
Interest on long-term debt	223,671	(223,671)
Total program expenses		(746,311)
GENERAL REVENUES AND TRANSFERS:		
General revenues:		
Property taxes		1,708,071
Interest		130,396
Total general revenues and transfers		1,838,467
Change in net position		1,092,156
NET POSITION, BEGINNING		(4,897,334)
NET POSITION, ENDING		\$ (3,805,178)

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2019

	<u>Total Governmental Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS:	
Cash and cash equivalents	\$ 5,318,028
Property taxes receivable	47,863
Due from other governments	5,523
Accounts receivable	<u>25,765</u>
 Total assets	 <u><u>\$ 5,397,179</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and other current liabilities	<u>\$ 43,585</u>
 Total liabilities	 <u>43,585</u>
 DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - Property taxes	<u>42,340</u>
 Total deferred inflows of resources	 <u>42,340</u>
 FUND BALANCE:	
Restricted	<u>5,311,254</u>
 Total fund balance	 <u>5,311,254</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u><u>\$ 5,397,179</u></u>
 Amounts reported in the statement of net position are different because:	
Total fund balance	\$ 5,311,254
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the fund	
Unavailable revenues	42,340
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds	<u>(9,158,772)</u>
 Net position of governmental activities	 <u><u>\$ (3,805,178)</u></u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2019

	Total Governmental Fund
REVENUES:	
Property taxes	\$ 1,758,506
Interest	130,396
	<hr/>
Total revenues	1,888,902
	<hr/>
EXPENDITURES:	
Personnel services	54,460
Materials and services	27,505
Capital outlay	431,226
Debt service:	
Principal	651,858
Interest	235,959
	<hr/>
Total expenditures	1,401,008
	<hr/>
Revenues over (under) expenditures	487,894
	<hr/>
OTHER FINANCING SOURCES (USES):	
Transfers to the City of Sandy	(9,449)
	<hr/>
Total other financing sources (uses)	(9,449)
	<hr/>
Net change in fund balance	478,445
	<hr/>
FUND BALANCE, BEGINNING	4,832,809
	<hr/>
FUND BALANCE, ENDING	\$ 5,311,254
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

**SANDY URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund	\$ 478,445
Some revenue reported in the statement of activities do not provide current financial resources in the governmental fund	(50,435)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest expense	12,288
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments	<u>651,858</u>
Changes in net position of governmental activities	<u><u>\$ 1,092,156</u></u>

**SANDY URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019**

	Biennial Budget	
	Original	Final
REVENUES:		
Property taxes	\$ 3,081,900	\$ 3,081,900
Interest	27,000	27,000
	<hr/>	<hr/>
Total revenues	3,108,900	3,108,900
	<hr/>	<hr/>
EXPENDITURES:		
Personnel services	120,470	120,470
Materials and services	101,550	101,550
Capital outlay	8,033,956	8,033,956
Debt service:		
Principal	1,370,889	1,370,889
Interest	497,601	497,601
Contingency	1,095,649	1,095,649
	<hr/>	<hr/>
Total expenditures	11,220,115	11,220,115
	<hr/>	<hr/>
Revenues over (under) expenditures	(8,111,215)	(8,111,215)
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):		
Transfers to the City of Sandy	(18,899)	(18,899)
	<hr/>	<hr/>
Total other financing sources (uses)	(18,899)	(18,899)
	<hr/>	<hr/>
Net changes in fund balances	(8,130,114)	(8,130,114)
	<hr/>	<hr/>
FUND BALANCES, BEGINNING BUDGETARY BASIS	8,130,114	8,130,114
	<hr/>	<hr/>
FUND BALANCES, ENDING BUDGETARY BASIS	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

<u>FY 2018</u>	<u>Actual FY 2019</u>	<u>Biennial</u>	<u>Variance with Final Budget</u>
\$ 1,612,446	\$ 1,758,506	\$ 3,370,952	\$ 289,052
112,380	130,396	242,776	215,776
<u>1,724,826</u>	<u>1,888,902</u>	<u>3,613,728</u>	<u>504,828</u>
49,462	54,460	103,922	16,548
61,277	27,505	88,782	12,768
4,170,741	431,226	4,601,967	3,431,989
639,030	651,858	1,290,888	80,001
248,786	235,959	484,745	12,856
-	-	-	1,095,649
<u>5,169,296</u>	<u>1,401,008</u>	<u>6,570,304</u>	<u>4,649,811</u>
(3,444,470)	487,894	(2,956,576)	5,154,639
-	(9,449)	(9,449)	9,450
-	(9,449)	(9,449)	9,450
(3,444,470)	478,445	(2,966,025)	5,164,089
<u>8,277,279</u>	<u>4,832,809</u>	<u>13,110,088</u>	<u>4,979,974</u>
<u>\$ 4,832,809</u>	<u>\$ 5,311,254</u>	<u>\$ 10,144,063</u>	<u>\$ 10,144,063</u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

(1) Description of the Sandy Urban Renewal Agency and Summary of Significant Accounting Policies

The financial statements of the Sandy Urban Renewal Agency have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Reporting Entity

The City of Sandy Urban Renewal Agency (a component unit of the City of Sandy) was organized December 26, 1998 under the provisions of Oregon Revised Statutes, Chapter 457, to provide rehabilitation of blighted and deteriorated areas within the City's designated urban renewal area. The fiscal year ended June 30, 2000 was the first year property taxes were levied by the Sandy Urban Renewal Agency. As provided by ORS 457, the City Council of the City of Sandy is designated as the governing body of the Sandy Urban Renewal Agency. Principle funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of the City of Sandy. The urban renewal area was renewed on October 6, 2008 with the debt limitation increased to \$18 million. The Sandy Urban Renewal Plan has had three adopted amendments, the most recent dated July 7, 2015 with the debt limitation increased to \$67 million.

The Sandy Urban Renewal Agency is a legally separate entity governed by the City Council and a representative from both the Sandy Fire Department and the Sandy Area Chamber of Commerce. The Sandy Urban Renewal Agency Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Sandy Urban Renewal Agency is a component unit of the City of Sandy and, as such is included in the financial statements of the City of Sandy for the year ended June 30, 2019.

The Sandy Urban Renewal Agency has no component units.

B. Basic Financial Statements

The Sandy Urban Renewal Agency's financial operations are presented at both the Agency-wide and fund financial levels. All activities on the Sandy Urban Renewal Agency are categorized as governmental.

Sandy Urban Renewal Agency-wide financial statements

The statement of net position and the statement of activities display information about the Sandy Urban Renewal Agency as a whole.

The Sandy Urban Renewal Agency uses funds 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 government functions and activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Sandy Urban Renewal Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are

SANDY URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently the Sandy Urban Renewal Agency has only governmental fund type.

C. Basis of Presentation

The financial transactions of the Sandy Urban Renewal Agency are recorded in the General Fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. For purposes of presentation, the Sandy Urban Renewal Agency's fund is presented as a major fund.

General Fund - The General Fund is used to record expenditures related to capital improvements projects. Major sources of revenue and other financing sources are specific taxes that are legally restricted to expenditures for specific purposes.

D. Measurement Focus and Basis of Accounting

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

The Sandy Urban Renewal Agency-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental 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 Sandy Urban Renewal Agency considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the Sandy Urban Renewal Agency-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the Agency-wide presentation.

SANDY URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

E. Cash and cash equivalents

The Sandy Urban Renewal Agency considers cash equivalents as all highly liquid investments with maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

F. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within thirty days following year-end are considered measurable and available and are recognized as revenue. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes are billed and collected by Clackamas County and remitted to the Sandy Urban Renewal Agency. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within the Sandy Urban Renewal Agency's boundaries.

G. Deferred outflows and inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available.

H. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets, does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Agency (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net position is considered unrestricted.

I. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes amounts not immediately converted to cash, such as prepaid items and inventory.

SANDY URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Restricted – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes amounts that have been committed by resolution by the Agency’s Board of Directors, which is the Agency’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the Board of Directors removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by board action. Assigned fund balance is established by the Agency through adoption or amendment of the budget as intended for specific purpose.

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

J. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the Agency’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

K. Use of Estimates

In preparing the Sandy Urban Renewal Agency’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Budgetary Information

On or before June 30 of each biennium, the Sandy Urban Renewal Agency enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Sandy Urban Renewal Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Agency Board for budget hearings prior to enactment of the resolution. The Sandy Urban Renewal Agency budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources 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 adoption by the Sandy Urban Renewal Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Sandy Urban Renewal Agency Board. Management may

SANDY URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end.

(3) Cash and Cash Equivalents

At June 30, 2019, the Agency's cash and cash equivalents were comprised of the following:

Oregon State Treasurers Local Investment Pool	<u>\$ 5,082,024</u>
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A. Interest rate risk

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

B. Credit risk

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

C. Concentration of credit risk

The Sandy Urban Renewal Agency's investment policy allows the Agency to have a maximum of up to 35% of total portfolio in either Commercial paper or Corporate Indebtedness to limit concentration of credit risk.

The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company.

D. Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Agency does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2019, the book value of the Agency's deposits was \$236,004 and the bank balance was \$246,183. \$75,461 of the Agency's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

SANDY URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

(4) Long Term Debt

During the year ended June 30, 2019, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in 1 Year
Bond Series 2014	\$ 497,866	\$ -	\$ 497,866	\$ -	\$ -
Bond Series 2017	9,294,179	-	153,992	9,140,187	664,796
	<u>\$ 9,792,045</u>	<u>\$ -</u>	<u>\$ 651,858</u>	<u>\$ 9,140,187</u>	<u>\$ 664,796</u>

During 2013-14, the Urban Renewal Agency issued \$2,279,741 of series 2014 full faith and credit obligation bonds. This series bond pays interest of 1.85%. The bond was paid off during 2019.

\$ -

During 2016-17, the Urban Renewal Agency issued \$10,000,000 of series 2017 full faith and credit obligation bonds. This series bond pays interest of 2.44%. The bond matures in June of 2031. Bond interest is payable semiannually through June 2031, while bond principal is due annually in June through 2031.

\$ 9,140,187

Annual debt service requirements to maturity are as follows:

Fiscal Year	Series 2017	
	Principal	Interest
2020	\$ 664,796	\$ 223,021
2021	681,017	206,800
2022	697,634	190,183
2023	714,656	173,160
2024	732,094	155,723
2025-2029	3,937,293	501,790
2030-2034	<u>1,712,697</u>	<u>62,937</u>
Total	<u>\$ 9,140,187</u>	<u>\$ 1,513,614</u>

(5) Risk Management

The Sandy Urban Renewal Agency is exposed to various risks of loss related to: torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. Except for unemployment compensation, the Sandy Urban Renewal Agency purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2018 to 2019.

Workers compensation claims are insured through incurred loss retrospective policies. Settled claims have not exceeded this commercial coverage for any of the past three years.

SANDY URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2018 to 2019.

Workers compensation claims are insured through incurred loss retrospective policies. Settled claims have not exceeded this commercial coverage for any of the past three years.

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

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

Board of Directors
Sandy Urban Renewal Agency
Sandy, Oregon

We have audited the basic financial statements of the Sandy Urban Renewal Agency, a component unit of the City of Sandy, Oregon, as of and for the year ended June 30, 2019 and have issued our report thereon dated December 30, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether the Sandy Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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:

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

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. In connection with our testing, nothing came to our attention that caused us to believe the City of Sandy, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

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

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

Purpose of this Report

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



For Merina+Co
Tualatin, Oregon
December 30, 2019