

SANDY URBAN RENEWAL AGENCY

(A Component Unit of the City of Sandy, Oregon)

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

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INTRODUCTORY SECTION

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

URBAN RENEWAL AGENCY OFFICIALS

BOARD OF DIRECTORS

	<u>TERMS EXPIRES</u>
Stan Pulliam, Mayor	12/31/2022
Jeremy Pietzold, Council President	12/31/2022
Laurie Smallwood, Councilor	12/31/2022
Rich Sheldon, Councilor	12/31/2024
Kathleen Walker, Councilor	12/31/2024
Carl Exner, Councilor	12/31/2022
Don Hokanson, Councilor	12/31/2024
Representatives:	
Phil Schneider, Sandy Fire District Chief	
Khrys Jones, Sandy Area Chamber of Commerce Executive Director	

STAFF

Jordan Wheeler, City Manager

Tyler Deems, Finance Director

Ernie Roberts, Police Chief

Sarah McIntyre, Library Director

Kelly O' Neill Jr., Planning Director

Mike Walker, Public Works Director

Tanya Richardson, Community Services Director

Greg Brewster, IT Director

Andi Howell, Transit Director

MAILING ADDRESS

39250 Pioneer Blvd. Sandy, Oregon 97055

www.ci.sandy.or.us

FINANCIAL SECTION



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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 Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Agency, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison statement for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 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 Agency's basic financial statements. The introductory section is presented for purposes of additional analysis and is 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated March 31, 2022, 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 testing, and not to provide an opinion on compliance.

By 
Timothy R. Gillette, Partner

Portland, Oregon
March 31, 2022

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

This discussion is intended to be an easily readable analysis of the 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 below reflects a summary of Net Position compared to prior fiscal year.

Summary of Statement of Net Position

	At June 30,		Change
	2021	2020 (as reclassified)	
Assets			
Current assets	\$ 6,395,194	\$ 5,983,498	\$ 411,696
Liabilities			
Long-term liabilities	7,794,374	8,475,391	(681,017)
Other liabilities	135,484	23,896	111,588
Total liabilities	7,929,858	8,499,287	(569,429)
Net position			
Restricted	6,275,559	5,976,835	298,724
Unrestricted	(7,810,223)	(8,492,624)	682,401
Total net position	\$ (1,534,664)	\$ (2,515,789)	\$ 981,125

The increase in net position is due to an increase in current assets and a decrease in long-term liabilities as a result of annual debt service payments.

Statement of Activities

The below compares general revenues and expenses with prior year.

Summary of Statement of Activities

	Fiscal Year Ended June 30,		Change
	2021	2020	
General revenues			
Property taxes	\$ 1,876,368	\$ 1,817,378	\$ 58,990
Interest	48,438	114,994	(66,556)
Miscellaneous	17,069	68,244	(51,175)
Total general revenues	1,941,875	2,000,616	(58,741)
Expenses			
Economic development	755,354	489,538	265,816
Interest on long-term debt	205,396	221,689	(16,293)
Total expenses	960,750	711,227	249,523
Change in net position	\$ 981,125	\$ 1,289,389	\$ (308,264)

The Agency's tax levy totaled \$1,876,368 and is restricted to repayment of debt. The debt has been used to finance the improvements identified in the urban renewal plan.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Year Ended June 30, 2021

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.

Debt Administration

As of June 30, 2021, the Agency had \$7,794,374 in debt outstanding compared to \$8,475,391 last year.

During the fiscal year ended June 30, 2021, all scheduled debt payments were met.

NOTES AND SUPPLEMENTAL INFORMATION

Economic Factors

The 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, Tyler Deems, at 39250 Pioneer Blvd., Sandy, Oregon 97055.

BASIC FINANCIAL STATEMENTS

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Deposits held by the City	\$ 6,313,751
Property taxes receivable	52,519
Accounts receivable, net	21,942
Due from other governments	<u>6,982</u>
Total assets	<u>6,395,194</u>
LIABILITIES	
Accounts payable and accrued expenses	119,635
Interest payable	15,849
Current portion of long-term debt	<u>697,634</u>
Total current liabilities	833,118
Long-term debt, net of current portion	<u>7,096,740</u>
Total liabilities	7,929,858
NET POSITION	
Restricted for debt service	6,275,559
Unrestricted	<u>(7,810,223)</u>
Total net position	<u>\$ (1,534,664)</u>

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2021

	Expenses	Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS		
Governmental activities:		
Economic development	\$ 755,354	\$ (755,354)
Interest on long-term debt	205,396	(205,396)
Total governmental activities	\$ 960,750	(960,750)
GENERAL REVENUES		
Property taxes		1,876,368
Interest		48,438
Miscellaneous		17,069
Total general revenues		1,941,875
Change in net position		981,125
NET POSITION, BEGINNING		(2,515,789)
NET POSITION, ENDING		\$ (1,534,664)

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

BALANCE SHEET – GOVERNMENTAL FUND AND RECONCILIATION
June 30, 2021

	General Fund
ASSETS	
Deposits held by the City	\$ 6,313,751
Property taxes receivable	52,519
Accounts receivable, net	21,942
Due from other governments	6,982
Total assets	\$ 6,395,194
LIABILITIES	
Accounts payable and accrued expenses	\$ 119,635
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	45,537
FUND BALANCE	
Restricted:	
Urban renewal projects	6,230,022
Total liabilities, deferred inflows, and fund balance	\$ 6,395,194

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

Total fund balance - governmental fund		\$ 6,230,022
Other long term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.		
Unavailable revenues		45,537
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.		
Note payable	(7,794,374)	
Accrued interest on long-term debt	(15,849)	
Total long-term liabilities		(7,810,223)
Net position of governmental activities		\$ (1,534,664)

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND AND RECONCILIATION**
Fiscal Year Ended June 30, 2021

	General Fund
REVENUES	
Property taxes	\$ 1,873,603
Interest	48,438
Miscellaneous	17,069
Total revenues	1,939,110
EXPENDITURES	
Economic development	192,475
Capital outlay	562,879
Debt service	
Principal	681,017
Interest	206,780
Total expenditures	1,643,151
Net change in fund balance	295,959
FUND BALANCE, BEGINNING	5,934,063
FUND BALANCE, ENDING	\$ 6,230,022

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

Net change in fund balance - governmental fund	\$ 295,959
Revenues in the statement of activities do not provide current financial resources are not reported as revenues in the governmental fund	
Property taxes	2,765
Repayment of bond and other debt principal is an expenditure in the governmental fund, but repayment reduces long-term debt liabilities in the statement of activities	681,017
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 the governmental funds	
Accrued interest on long-term debt	1,384
Change in net position of governmental activities	\$ 981,125

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy)

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**
Fiscal Year Ended June 30, 2021

	Biennial Budget		Actual		Biennial	Variance with Final Budget
	Original	Final	2020	2021		
REVENUES						
Property taxes	\$ 3,620,000	\$ 3,620,000	\$ 1,816,946	\$ 1,873,603	\$ 3,690,549	\$ 70,549
Interest	75,000	75,000	114,994	48,438	163,432	88,432
Miscellaneous	-	-	68,244	17,069	85,313	85,313
Total revenues	3,695,000	3,695,000	2,000,184	1,939,110	3,939,294	244,294
EXPENDITURES						
Personnel services - contracted personnel	247,200	272,200	125,635	136,933	262,568	9,632
Materials and services	162,720	162,720	110,689	46,590	157,279	5,441
Capital outlay	3,960,000	3,960,000	244,262	562,879	807,141	3,152,859
Contingency	2,621,073	2,596,073	-	-	-	2,596,073
Total expenditures	6,990,993	6,990,993	480,586	746,402	1,226,988	5,764,005
Revenues over (under) expenditures	(3,295,993)	(3,295,993)	1,519,598	1,192,708	2,712,306	6,008,299
OTHER FINANCING SOURCES (USES)						
Transfers to City of Sandy	(1,793,540)	(1,793,540)	(896,789)	(896,749)	(1,793,538)	2
Net change in fund balance	(5,089,533)	(5,089,533)	622,809	295,959	918,768	6,008,301
FUND BALANCE, BEGINNING	5,089,533	5,089,533	5,311,254	5,934,063	5,311,254	221,721
FUND BALANCE, ENDING	\$ -	\$ -	\$ 5,934,063	\$ 6,230,022	\$ 6,230,022	\$ 6,230,022

The accompanying notes are an integral part of these financial statements

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2021

1. Summary of Significant Accounting Policies

The financial statements of the Sandy Urban Renewal Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy (the City), 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 Agency. As provided by ORS 457, the City Council of the City is designated as the governing body of the Agency. Principle funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of the City. 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 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 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 Agency is a component unit of the City and, as such is included in the financial statements of the City for the year ended June 30, 2021.

The Agency has no component units.

B. Basic Financial Statements

The Agency's financial operations are presented at both the government-wide and fund financial levels. All activities performed by the Agency are categorized as governmental.

Government-Wide Financial Statements

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

The 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 fiscal 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 Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are 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.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
Fiscal Year Ended June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

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 Agency has only governmental fund type.

C. Basis of Presentation

The financial transactions of the 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 Agency's General 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 government-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 Agency considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
Fiscal Year Ended June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

E. Deposits Held by the City

The Agency maintains cash and investments that are held by the City. Interest earned on the pooled cash and investments is allocated monthly based on the average cash balance as a proportion of the City's total pooled cash and investments. Additional disclosure on the cash and investments can be found in the Annual Comprehensive Financial Report of the City.

F. Receivables and Property Tax Calendar

In the fund financial statements, 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 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 Agency's boundaries.

G. Deferred Outflows and Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet 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 the amount becomes available.

H. Net Position

In the agency-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. The Agency has no net investment in capital assets. 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 includes 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 the governmental fund 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 can be 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.

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

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
Fiscal Year Ended June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

I. Fund Balance (Continued)

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.

The Agency has only restricted fund balance.

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 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 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 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 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 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 Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end. The Agency adopted one supplement budget during fiscal year ended June 30, 2021.

SANDY URBAN RENEWAL AGENCY
(A Component Unit of the City of Sandy, Oregon)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
Fiscal Year Ended June 30, 2021

3. Long-term Debt

During the year ended June 30, 2021, long-term liability activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
FFC Note, Series 2017	\$ 8,475,391	\$ -	\$ 681,017	\$ 7,794,374
				(697,634)
				\$ 7,096,740

In March 2017, the City entered into a financing agreement with a bank for a \$10,000,000 note payable with an interest rate of 2.44% per annum of behalf of the Agency. The Agency entered into a related agreement with the City that obligated the Agency to repay the note with tax increment revenues.

Interest is payable semiannually through June 2031, while principal is due annually in June through 2031. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 697,634	\$ 190,183	\$ 887,817
2023	714,656	173,161	887,817
2024	732,094	155,723	887,817
2025	749,957	137,860	887,817
2026	768,256	119,561	887,817
2027-2031	4,131,777	307,304	4,439,081
	\$ 7,794,374	\$ 1,083,792	\$ 8,878,166

4. Risk Management

The 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. The Agency purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

COMPLIANCE SECTION



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Sandy Urban Renewal Agency
Sandy, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy, Oregon as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 31, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 31, 2022



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

Board of Directors
Sandy Urban Renewal Agency
Sandy, Oregon

We have audited the financial statements of the governmental activities and the major fund of the Sandy Urban Renewal Agency (the Agency), a component unit of the City of Sandy, Oregon, as of and for the year ended June 30, 2021, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 31, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not 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.
- 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 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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 purpose 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

PURPOSE OF THIS REPORT

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

Talbot, Kowala & Warwick LLP

Portland, Oregon
March 31, 2022