



Florence Urban Renewal Agency
Annual Financial Report
Fiscal Year Ended June 30, 2020

Florence Urban Renewal Agency
Annual Financial Report
Year Ended June 30, 2020

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INTRODUCTORY SECTION

Florence Urban Renewal Agency
(A Component Unit of the City of Florence, Oregon)

**Board of Directors
And
Principal Appointed Officers of the Agency
June 30, 2020**

	<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRATION</u>
Bill Meyer	Chairperson	January 31, 2023
Mike Webb	Vice-Chairperson	January 31, 2022
Joe Henry	Board Member	Mayoral Term
Carmela West	Board Member	January 31, 2022
Ron Caputo	Board Member	January 31, 2024
Woody Woodbury	Board Member	January 31, 2024
Dave Braley	Board Member	January 31, 2024
Rob Ward	Board Member	January 31, 2023

ADMINISTRATIVE OFFICIALS

Erin Reynolds	City of Florence City Manager
Anne Baker	City of Florence Administrative Services Director

MAILING ADDRESS

250 Hwy. 101
Florence, Oregon 97439

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
Florence Urban Renewal Agency
Florence, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Florence Urban Renewal Agency, a component unit of the City of Florence, Oregon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Florence Urban Renewal Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Florence 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 each major fund of the Florence Urban Renewal Agency, as of June 30, 2020, and the respective changes in financial position 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 required supplementary information, such as 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.

Supplemental and Other Information

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

The other supplementary information, as listed in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 May 7, 2021, on our consideration of the Florence 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
May 7, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS FLORENCE URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2020

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the Florence Urban Renewal Agency (the Agency) for the fiscal year ended June 30, 2020. Information in the MD&A is based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The Agency's assets totaled \$2,174,583 at June 30, 2020 and consisted mainly of cash and cash equivalents of \$2,135,915.
- The Agency's liabilities totaled \$6,407,574 at June 30, 2020, consisting mainly of long-term debt of \$6,352,154, net position (assets minus liabilities) is a negative \$4,232,991 at June 30, 2020.
- The deficit increased by \$1,169,306 to fund agency projects.
- At the end of the current fiscal year, the Agency's two funds reported a combined fund balance of \$2,116,373, a decrease of \$1,457,244.
- Revenues for the fiscal year ended June 30, 2020, totaled \$950,140 and consisted of \$562,634 in taxes and intergovernmental revenues of \$340,036.

FINANCIAL STATEMENTS

The Agency's basic financial statements are presented using the integrated approach as prescribed by GASB Statement No. 34. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Agency has combined the government-wide and fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The basic financial statements present financial information about the Agency as a whole and about its activities. Following the basic financial statements are the budgetary comparison schedule for the debt service fund and the report by the independent certified public accountants, as required by statute.

Government-wide Financial Statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities and are designed to present the financial information of the Agency in a manner similar to a private-sector business (i.e., from the economic resources measurement focus using the accrual basis of accounting).

The Statement of Net Position includes all assets of the Agency (including capital assets, if any) as well as all liabilities (including long-term debt). Net position is the difference between assets and liabilities, which is one way to measure the Agency's financial health, or financial position.

However, the Agency, as required by Oregon Revised Statutes, is required to borrow funds to complete its plan program and activities, and due to its organization structure does not retain ownership of capital assets, instead deeding them to other governments, including the City of Florence. Lastly, the Agency's plan includes a "maximum indebtedness" amount that it cannot exceed to complete its projects and programs. These factors result in the Agency's negative net position, which is anticipated to continue to increase as the Agency borrows

additional funds, within the Agency's capacity to repay debt with property taxes that increase due to the increased property value within the Agency's boundary.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

Funds are used to segregate resources for specific activities or objectives. The Agency has two governmental funds: the General Fund and the Debt Service Fund.

The Governmental Funds' statements emphasize current available financial resources rather than change in net position. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes that should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

The Agency's liabilities exceeded assets by \$4,232,991 million at June 30, 2020. The largest portions of its net position are debt payable and cash equivalents. A condensed version of the Statement of Net Position follows:

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$2,135,915	\$3,586,125
Property taxes receivable	38,668	17,398
Accounts receivable	-	100,000
Total assets	<u>2,174,583</u>	<u>3,703,523</u>
Liabilities		
Note payable	6,352,154	6,643,405
Other liabilities	55,420	123,803
Total liabilities	<u>6,407,574</u>	<u>6,767,208</u>
Net Position		
Restricted for debt service	80,640	279,574
Unrestricted	<u>(4,313,631)</u>	<u>(3,343,259)</u>
Total net position	\$(4,232,991)	\$(3,063,685)

At the end of the current fiscal year, the Agency reports a negative balance in unrestricted net position of \$(4,232,991). Net position decreased by \$1,169,309 as the Agency borrowed additional dollars and completed project design for the ReVision Florence project. The Agency made its scheduled debt payments to the City.

The note payable to the City is a long-term obligation, which will be paid with property taxes received in the future.

Statements of Activities

The Agency's Statements of Activities for fiscal year ended June 30, 2020 and June 30, 2019, follows:

	<u>2020</u>	<u>2019</u>
Revenues		
General Revenues:		
Intergovernmental	\$ 340,036	\$ 3,346,221
Property taxes	562,634	511,737
Miscellaneous	47,470	22,733
Total revenues	<u>950,140</u>	<u>3,880,691</u>
Expenses		
Economic development	1,919,094	3,285,838
Interest expense	200,352	86,545
Total expenses	<u>2,119,446</u>	<u>3,372,383</u>
Increase (decrease) in net position	(1,169,306)	508,308
Net position, beginning of the year	<u>(3,063,685)</u>	<u>(3,571,993)</u>
Net position, end of the year	<u><u>\$(4,232,991)</u></u>	<u><u>\$ (3,063,685)</u></u>

The Agency's primary source of revenue to repay debt obligations is property taxes. The Agency's economic development program is funded with debt proceeds. The cost of the Agency's economic development activities totaled \$1,919,094 for the year, a decrease of \$1,366,744 over the prior fiscal year.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$2,116,373 a decrease of \$1,457,244. The reduction is consistent with the budget. The General Fund is the chief operating fund of the Agency. At the end of the current fiscal year, the fund balance of the General Fund was \$2,035,733, a decrease of \$1,884,527 during the current fiscal year. The Debt Service Fund realized an increase in fund balance of \$427,283 during the year, with an ending fund balance of \$80,640.

DEBT ADMINISTRATION

As of June 30, 2020, the Agency had a long-term note payable to the City of Florence in the amount of \$6,352,154, a decrease of \$291,251 from 2019. For more detailed information on the Agency's long-term debt, refer to accompanying notes to the financial statements.

ECONOMIC FACTORS

The Agency continues to be an important partner in economic development within the City of Florence, providing necessary infrastructure improvements and other gap funding to support continued economic expansion within the Agency's boundaries. As property values within the boundaries increase property tax revenue increases as well, which results in additional debt capacity for the Agency to secure additional fund to complete more projects. Property taxes are used to pay debt service on loans issued to fund projects and improvements.

Agency expenditures are targeted to address in the Florence Downtown Preservation and Renewal Plan adopted on August 14, 2006. The mission of the Agency is to preserve and revitalize the Downtown Area as the primary cultural, tourist, commercial, and community core to serve all of Florence regions citizens and visitors by encouraging continuing growth, development, and enhancement consistent with Florence's small-town ambiance and character.

BUDGET

In preparing the budget for the 2019-21 biennium, City management presented two-year spending in addition to a six-year financial plan for consideration and approval by the Agency's Budget Committee and Agency Board of Directors. The budget included updated assumptions for inflation and adjustments to property tax projections for the two-year period. Additionally, updated project costs for the Revision Florence project, secured funding and debt necessary to complete projects were included.

The local economy shows signs of recovery, with additional real estate development, and increased tourism. Increases to property valuation continue to lag expectations on a City-wide basis, with valuations in the urban renewal area showing a different and encouraging trend. Revenue forecasts have been adjusted accordingly.

Annual inflation is projected to remain in the 1.5 percent to 3.0 percent range, while local population growth is projected to remain below 1.0 percent annually. Development activity is projected to trend upward with the potential for several projects to seek development approval during the next two-year period.

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, please contact the City's Finance Department at anne.baker@ci.florence.or.us.

BASIC FINANCIAL STATEMENTS

Basic Financial Statements

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

Florence Urban Renewal Agency
The Urban Renewal Agency of the City of Florence, Oregon
(a component unit of the City)
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 2,135,915
Property taxes receivable	38,668
	<hr/>
Total assets	<u>\$ 2,174,583</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 14,169
Retainage payable	5,843
Interest payable	35,408
Current portion of long-term debt	268,747
	<hr/>
Total current liabilities	324,167
Noncurrent liabilities:	
Noncurrent portion of long-term debt	6,083,407
	<hr/>
Total liabilities	6,407,574
NET POSITION:	
Restricted for:	
Debt service	80,640
Unrestricted	(4,313,631)
	<hr/>
Total net position	(4,232,991)
	<hr/>
Total liabilities and net position	<u>\$ 2,174,583</u>

The accompanying notes are an integral part of these financial statements

**Florence Urban Renewal Agency
Statement of Activities
For the Year Ended June 30, 2020**

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue (Expenses) and Change in Net Position</u>
EXPENSES:			
Economic development	\$ 1,919,094	\$ 340,036	\$ (1,579,058)
Interest on long-term debt	200,352	-	(200,352)
	<hr/>	<hr/>	<hr/>
Total activities	<u>\$ 2,119,446</u>	<u>\$ 340,036</u>	<u>(1,779,410)</u>
GENERAL REVENUES:			
Property taxes			562,634
Other revenues			47,470
			<hr/>
Total general revenues			<u>610,104</u>
Change in net position			(1,169,306)
NET POSITION, BEGINNING			<hr/> <u>(3,063,685)</u>
NET POSITION, ENDING			<u>\$ (4,232,991)</u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

Major Governmental Funds

General Fund

This fund accounts for property taxes collected for public improvements, acquisitions and to attract economic and redevelopment in Florence.

Debt Service Fund

This fund accounts for the payment of principal and interest on the Agency's bonded debt.

**Florence Urban Renewal Agency
Balance Sheet- Governmental Fund
June 30, 2020**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 2,055,745	\$ 80,170	\$ 2,135,915
Receivable, net:			
Taxes	-	38,668	38,668
Total assets	<u>\$ 2,055,745</u>	<u>\$ 118,838</u>	<u>\$ 2,174,583</u>
LIABILITIES:			
Accounts payable	\$ 14,169	\$ -	\$ 14,169
Retainage payable	5,843	-	5,843
Total liabilities	<u>20,012</u>	<u>-</u>	<u>20,012</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	-	38,198	38,198
Total deferred inflows of resources	<u>-</u>	<u>38,198</u>	<u>38,198</u>
FUND BALANCE:			
Restricted for:			
Debt service	-	80,640	80,640
Restricted urban renewal improvements	2,035,733	-	2,035,733
Total fund balance	<u>2,035,733</u>	<u>80,640</u>	<u>2,116,373</u>
Total deferred inflows of resources and fund balance	<u>\$ 2,055,745</u>	<u>\$ 118,838</u>	<u>\$ 2,174,583</u>

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

Total fund balance	\$ 2,116,373
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred inflows in the funds.	
Tax increment revenues - earned but unavailable	38,198
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(6,352,154)
Interest payable	<u>(35,408)</u>
Net position	<u>\$ (4,232,991)</u>

The accompanying notes are an integral part of these financial statements

**Florence Urban Renewal Agency
Statement of Revenues, Expenditures, and Change
In Fund Balance - Governmental Fund
For the Year Ended June 30, 2020**

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 540,348	\$ -	\$ 540,348
Intergovernmental	340,036	-	340,036
Miscellaneous	47,470	-	47,470
Total revenues	<u>927,854</u>	<u>-</u>	<u>927,854</u>
EXPENDITURES:			
Current:			
Economic development	2,165,281	-	2,165,281
Debt service:			
Principal	-	143,228	143,228
Interest	-	76,589	76,589
Total expenditures	<u>2,165,281</u>	<u>219,817</u>	<u>2,385,098</u>
Revenues over (under) expenditures	<u>(1,237,427)</u>	<u>(219,817)</u>	<u>(1,457,244)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	647,100	647,100
Transfers out	(647,100)	-	(647,100)
Total other financing sources (uses)	<u>(647,100)</u>	<u>647,100</u>	<u>-</u>
Net change in fund balance	(1,884,527)	427,283	(1,457,244)
FUND BALANCE, BEGINNING	<u>3,920,260</u>	<u>(346,643)</u>	<u>3,573,617</u>
FUND BALANCE, ENDING	<u>\$ 2,035,733</u>	<u>\$ 80,640</u>	<u>\$ 2,116,373</u>

The accompanying notes are an integral part of these financial statements

Florence Urban Renewal Agency
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund
Balance of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$ (1,457,244)
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.	
Property taxes	22,286
Accrued interest payable	(25,599)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but does not have any effect on net position.	<u>291,251</u>
Change in net position	<u><u>\$ (1,169,306)</u></u>

The accompanying notes are an integral part of these financial statements

**Florence Urban Renewal Agency
General Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	Budget		Actual			Variance with Final Budget
	Original	Final	FY 2019-20	FY 2020-21	Biennium	
REVENUES:						
Taxes	\$ 1,071,500	\$ 1,071,500	\$ 540,348	\$ -	\$ 540,348	\$ (531,152)
Intergovernmental	1,639,700	1,639,700	340,036	-	340,036	(1,299,664)
Miscellaneous	16,000	16,000	47,470	-	47,470	31,470
Total revenues	<u>2,727,200</u>	<u>2,727,200</u>	<u>927,854</u>	<u>-</u>	<u>927,854</u>	<u>(1,799,346)</u>
EXPENDITURES:						
Materials and service	670,100	670,100	289,413	-	289,413	380,687
Capital outlay	3,482,500	3,482,500	1,875,868	-	1,875,868	1,606,632
Contingency	158,700	158,700	-	-	-	158,700
Total expenditures	<u>4,311,300</u>	<u>4,311,300</u>	<u>2,165,281</u>	<u>-</u>	<u>2,165,281</u>	<u>2,146,019</u>
Revenues over (under) expenditures	(1,584,100)	(1,584,100)	(1,237,427)	-	(1,237,427)	346,673
OTHER FINANCING SOURCES (USES):						
Issuance of debt	400,000	400,000	-	-	-	(400,000)
Transfers out	(800,000)	(800,000)	(647,100)	-	(647,100)	152,900
Total other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(647,100)</u>	<u>-</u>	<u>(647,100)</u>	<u>(247,100)</u>
Net change in fund balance	(1,984,100)	(1,984,100)	(1,884,527)	-	(1,884,527)	99,573
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>1,984,100</u>	<u>1,984,100</u>	<u>3,920,260</u>	<u>-</u>	<u>3,920,260</u>	<u>1,936,160</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,035,733</u>	<u>\$ -</u>	<u>\$ 2,035,733</u>	<u>\$ 2,035,733</u>

The accompanying notes are an integral part of these financial statements

FLORENCE URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2020

I. The reporting entity and summary of significant accounting policies

The financial statements of the Florence Urban Renewal Agency (the Agency) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and applies the provisions of all applicable Governmental Accounting Standards Board (GASB) Statements.

A. Reporting entity

The Agency is the urban renewal agency of the City of Florence, Oregon (the City) and was organized in 2006 under the provisions of Oregon Revised Statutes, Chapter 457, responsible for implementing various public improvement programs as identified in the City Center Revitalization Plan. The Agency's Board of Directors is appointed by the City of Florence City Council.

The Agency's financial statements include all activities and organizations with which the Agency exercises authoritative appointment of governing authority or where financial dependency on the Agency exists. The Agency has no potential component units but, as determined under generally accepted accounting principles, is considered to be a component unit of the City, and, as such, is included in the basic financial statements of the City for the year ended June 30, 2020, copies of which can be obtained from the Finance Department of the City of Florence.

The Agency's financial statements include all activities and organizations with which the Agency exercises authoritative appointment of governing authority or where financial dependency on the Agency exists. The Agency has no potential component units but, as determined under generally accepted accounting principles, is considered to be a component unit of the City, and, as such, is included in the basic financial statements of the City for the year ended June 30, 2020, copies of which can be obtained from the Finance Department of the City of Florence.

B. Agency-wide and fund financial statements

The Agency's financial operations are presented at both the agency-wide and fund financial level. All activities of the Agency are categorized as governmental activities.

Agency-wide financial statements display information about the reporting government 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. These aggregated statements consist of the statement of net position and the statement of activities.

The *Statement of Net Position* presents information on all of the Agency's assets and liabilities, with the difference reported as *net position*.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial 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, or fiduciary. All of the Agency's funds are classified as governmental fund types.

C. Measurement focus, basis of accounting, and financial statement presentation

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

FLORENCE URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2020

The agency-wide financial statements are presented on a full accrual basis of accounting with an *economic resource measurement focus*. An economic resource focus concentrates on the Agency's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

The fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The Agency considers tax increment revenues susceptible to this accrual.

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

GASB Statement No. 34 sets forth criteria for the determination of major funds. For purposes of presentation, both the Florence Urban Renewal Fund and the Debt Service Fund are presented as major funds of the Agency.

Major Governmental Funds:

- *General Fund*

This fund is the Agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in the debt service fund.

- *Debt Service Fund*

This fund accounts for the for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

D. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance

1. Deposits and investments

Cash and investments, including restricted cash and investments, consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and the State of Oregon Local Government Investment Pool (LGIP) deposits. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

FLORENCE URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2020

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio consists of investments in the LGIP.

The Agency's investment policy is the same as the City's and essentially mirrors the Oregon Revised Statutes. Currently, the Agency's investment portfolio primarily includes investments in the State of Oregon Local Government Investment Pool.

2. Receivables and payables

Tax increment revenues (property taxes) are levied on and become a lien against the property on July 1 in the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Tax increment revenues that are unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, tax increment revenues receivable that are collected within 60 days after the end of the fiscal year are considered measurable and available and, therefore are recognized as revenue. Any remaining balance is deferred and recorded as unavailable revenue.

In the agency-wide financial statements, tax increment revenues receivable are recognized as revenue when earned.

3. Capital assets

In Agency does not have any capital assets. Once a capital project is completed it is transferred to the City.

4. Long-term obligations

In the agency-wide financial statements, long-term debt is reported as a liability in the statement of net position. Debt premiums and discounts are amortized over the applicable debt term.

In the fund financial statements, debt premiums and discounts are recognized as period costs in the year of issue. 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 debt service expenditures.

5. Net position and fund balance

In the fund financial statements, the funds report restricted fund balances for amounts that are not available for unlimited use because they are legally segregated for a specific purpose. These legal segregations include use limitations, as well as urban renewal tax increment funds legally restricted by applicable state statutes.

FLORENCE URBAN RENEWAL AGENCY

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June 30, 2020

In the government-wide statement of net position, equity is referred to as *net position* and is segregated into the following three components: 1) amount invested in capital assets, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency does not have an item that qualifies for reporting in this category.

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

E. Use of estimates

The preparation of the 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, deferred outflows of resources, liabilities and deferred inflows of resources, the 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 amounts could differ from those estimates.

II. Stewardship, compliance, and accountability

The Agency's budget is adopted on a biennial consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

A budget is prepared in the early winter preceding the fiscal year the budget will be used. The Agency is required to budget for all funds. The budget committee, with public input, deliberates and approves the budget for transmittal to the Board of Directors in early spring. After public notices and a hearing, the final budget is adopted, appropriations made, and a tax levy declared no later than June 30. The Agency is required to prepare a balanced budget for all funds, subject to the budget requirements of state law. The Agency's budget is prepared for each fund on the modified accrual basis of accounting.

The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past two years' actual receipts and expenditures as well as current-year estimates is also included in the budget document.

The Board of Directors resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriation. Appropriations lapse at the end of the biennial period.

FLORENCE URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2020

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board.

III. Detailed notes on accounts

A. Cash and investments

Oregon Revised Statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate indebtedness, and the State of Oregon Local Government Investment Pool.

The Agency participates in the State of Oregon Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 that is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated. The State Treasurer administers the LGIP with the oversight of the Oregon Investment Council and with the advice of the Oregon Short Term Fund Board. These funds must be invested and 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 Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the LGIP annually.

The agency has no investments subject to custodial risk.

B. Receivables

Receivables for the Agency as of the fiscal year ended June 30, 2020 consists of tax increment revenues and miscellaneous receivables and are as follows:

Receivables		
Property taxes	\$ 38,668	

C. Long-term obligations

During the fiscal year 2015, the Agency received a loan from the City of Florence. The loan is payable in annual installments with a variable interest rate of 3.25% to 7.25%, maturing on September 1, 2035. Loan activity and balances for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
City of Florence Loan	<u>\$ 6,643,405</u>	<u>\$ -</u>	<u>\$ 291,251</u>	<u>\$ 6,352,154</u>	<u>\$ 268,747</u>

Annual debt service requirements to maturity for the City of Florence Loan at year end are as follows:

FLORENCE URBAN RENEWAL AGENCY

Notes to the Financial Statements

June 30, 2020

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 268,747	\$ 199,706
2022	277,163	191,292
2023	285,842	182,612
2024	444,579	173,874
2025	304,021	156,483
2026-2030	1,668,914	633,607
2031-2035	1,947,759	355,123
2036-2040	<u>1,155,129</u>	<u>71,352</u>
Total	<u>\$ 6,352,154</u>	<u>\$ 1,964,049</u>

The loan covenant for FURA's debt to the City includes a requirement for FURA to levy property taxes sufficient to provide debt coverage of no less than 1.25. FURA's debt service subject to the debt covenant is \$291,251. FURA levied the maximum levy amount allowed, which resulted in a levy of \$532,089 FURA received property tax revenue of \$540,348, which provides a debt coverage ratio of 2.01.

IV. Other information

A. 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; natural disasters; and injuries to employees. The Agency is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses.

B. Related party transactions

The City provides services for the Agency, including administrative functions, in accordance with an intergovernmental agreement.

C. Accounting pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The effective dates of certain provisions and pronouncements have been postponed for either a twelve or eighteen month period, depending upon the statement or implementation guide.

D. Subsequent events

As stated above and in the Management Discussion and Analysis, the COVID-19 pandemic was declared by the World Health Organization in March 2020. The operational and financial impacts are far reaching and will not be fully assessed until sometime in 2021, when the anticipated vaccines are widely distributed. All cities have been affected, and Molalla has endeavored to monitor, plan and address issues on a proactive basis. As of release of this report, the current state of emergency declaration regarding COVID-19 extends through May 2, 2021.

**OTHER
SUPPLEMENTARY INFORMATION**

Other Supplementary Information

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

The budgetary comparison schedule includes the following:

Debt Service Funds

- Debt Service Fund

**Florence Urban Renewal Agency
Debt Service Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	Budget		Actual			Variance with Final Budget
	Original	Final	FY 2019-20	FY 2020-21	Biennium	
EXPENDITURES:						
Debt service:						
Principal	\$ 496,200	\$ 496,200	\$ 143,228	\$ -	\$ 143,228	\$ 352,972
Interest	226,600	226,600	76,589	-	76,589	150,011
Contingency	80,600	80,600	-	-	-	80,600
Total expenditures	<u>803,400</u>	<u>803,400</u>	<u>219,817</u>	<u>-</u>	<u>219,817</u>	<u>583,583</u>
Revenues over (under) expenditures	(803,400)	(803,400)	(219,817)	-	(219,817)	583,583
OTHER FINANCING SOURCES (USES):						
Transfers in	<u>800,000</u>	<u>800,000</u>	<u>647,100</u>	<u>-</u>	<u>647,100</u>	<u>(152,900)</u>
Total other financing sources (uses)	<u>800,000</u>	<u>800,000</u>	<u>647,100</u>	<u>-</u>	<u>647,100</u>	<u>(152,900)</u>
Net changes in fund balances	(3,400)	(3,400)	427,283	-	427,283	430,683
FUND BALANCES, BEGINNING	<u>3,400</u>	<u>3,400</u>	<u>(346,643)</u>	<u>-</u>	<u>(346,643)</u>	<u>(350,043)</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,640</u>	<u>\$ -</u>	<u>\$ 80,640</u>	<u>\$ 80,640</u>

AUDIT COMMENTS AND DISCLOSURES

**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**

Agency Officials
Florence Urban Renewal Agency
Florence, Oregon

We have audited the basic financial statements of the Florence Urban Renewal Agency, a component unit of the City of Florence, Oregon, as of and for the year ended June 30, 2020 and have issued our report thereon dated May 7, 2021. 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 Florence 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 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- 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 Florence 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 Florence 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the Florence Urban Renewal 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 Florence Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Florence 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 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.

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
May 7, 2021