



**URBAN RENEWAL AGENCY**  
*(A component unit of the City of Milwaukie, Oregon)*

**ANNUAL FINANCIAL REPORT**  
*For the Year Ended June 30, 2024*

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**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
*(A component unit of the City of Milwaukie, Oregon)*

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**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
*(A component unit of the City of Milwaukie, Oregon)*

**AGENCY OFFICIALS**  
**AS OF JUNE 30, 2024**

<b>Elected Officials</b>	<b>Term Expires</b>
Lisa Batey, Mayor	December 31, 2026
Adam Khosroabadi, Councilor	December 31, 2028
William Anderson, Councilor	December 31, 2028
Robert Massey, Councilor	December 31, 2026
Rebecca Stavenjord, Councilor	December 31, 2026

**ADMINISTRATIVE STAFF**

Emma Sagor, City Manager of the City of Milwaukie  
Joseph Briglio, MRC Executive Director  
Finance Department, City of Milwaukie

All correspondence for persons listed above may be sent to:

City of Milwaukie  
10501 SE Main Street  
Milwaukie, Oregon 97222

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## **Report of Independent Auditors**

The Honorable Mayor and Board of Directors  
Milwaukie Redevelopment Commission  
A component unit of the City of Milwaukie, Oregon  
Milwaukie, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and the major fund of Milwaukie Redevelopment Commission, a component unit of the City of Milwaukie, Oregon (the Agency) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2024, 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.

#### ***Basis for Opinions***

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

#### ***Financial Reporting Entity***

As discussed in Note 1, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the City of Milwaukie, Oregon as of June 30, 2024 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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



### ***Required Supplementary Information***

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

The schedule of revenues, expenditures, and changes in fund balances – budget and actual for the Milwaukie Redevelopment Commission – URA Fund, as listed in the table of contents under required supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Minimum Standards for Audits of Oregon Municipal Corporations***

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 20, 2024, on our consideration of the Agency's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. 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.

A handwritten signature in cursive script that reads "Ashley Osten".

Ashley Osten, Partner, for  
Moss Adams LLP  
Portland, Oregon  
December 20, 2024

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**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
**(A component unit of the City of Milwaukie, Oregon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2024**

Management's Discussion and Analysis (MD&A) is presented to facilitate a financial analysis and provide an overview of the financial activities of the Milwaukie Redevelopment Commission (MRC) for the fiscal year ended June 30, 2024. 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**

- MRC's assets totaled \$7.7 million on June 30, 2024, consisting mainly of restricted cash and investments.
- Liabilities totaled \$4.6 million on June 30, 2024, consisting of \$4.4 million in long-term liabilities and \$.2 million in current liabilities. Total liabilities decreased by \$.2 million from the previous fiscal year.

**THE FINANCIAL STATEMENTS**

The basic financial statements and other required supplementary information are presented using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The basic financial statements are comprised of government-wide statements, fund financial statements, notes to the statements, and supplementary information.

Government-wide Statements

The basic financial statements for the MRC present financial information as a whole and about its activities. These statements include all assets and deferred outflows of resources for the MRC, as well as all liabilities and deferred inflows of resources (including long-term debt) using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All the current year's revenues earned, and expenses incurred are recorded regardless of when cash is received or paid.

These two statements report the MRC's net position and the change in net position. Net position is the residual of assets plus deferred outflows of resources less liabilities and deferred inflows of resources and is one way to measure the financial health, or financial position of the MRC. Over time, increases or decreases in the net position is one indicator of whether the financial health of the MRC is improving or deteriorating. Other factors to consider are changes in the property tax base within the urban renewal boundary, as well as the assessed values in those urban renewal areas. The MRC has only governmental activities which includes capital projects and applicable debt service associated with the urban renewal area.

Fund Financial Statements

Following the government-wide statements are the fund financial statements. The MRC has one fund, which is the general fund for the MRC.

The governmental funds' statements emphasize available financial resources rather than net position. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Because of the presentations for the modified accrual basis of accounting to the full accrual basis of accounting used in the government-wide

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
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statements, there are two reconciliations to facilitate a comparison between governmental funds as reported in the fund financial statements and governmental activities. These reconciliations include:

- A reconciliation of the fund balance reported in the governmental funds Balance Sheet to the net position reported on the government-wide Statement of Net Position, and
- A reconciliation of the change in fund balances reported in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the change in net position reported in the government-wide Statement of Activities

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 details of certain assets and liabilities are included in the notes which should be read in conjunction with the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This section discusses and analyzes significant changes from the prior year.

Statement of Net Position

As stated earlier, the Statement of Net Position serves as a useful indicator of the financial health of the MRC. At the fiscal year end of June 30, 2024, the MRC's net position (assets minus liabilities) totaled \$3.1 million, which is an increase of \$1 million from the previous year's net position.

MRC's Statement of Net Position for fiscal years ended June 30, 2024 and 2023 are as follows:

**STATEMENT OF NET POSITION**  
**(in thousands)**

	<u>Governmental Activities</u>	
	<u>FY 2024</u>	<u>FY 2023</u>
Current and other assets	\$ 7,487	\$ 6,683
Capital assets	246	206
Total assets	7,733	6,890
Long-term liabilities	4,410	4,589
Other liabilities	188	178
Total liabilities	4,598	4,767
Net position:		
Net investment in capital assets	246	206
Restricted for urban renewal	2,889	1,916
Total net position	\$ 3,135	\$ 2,123

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
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Statement of Activities

Activities increased the MRC's net position by \$1 million in fiscal year 2024, compared to \$.6 million in the prior fiscal year. Transfers from the MRC to the city were \$35 thousand. The increase in investment earnings was due to the MRC having an entire fiscal year to invest the proceeds of the 2023 bonds in addition to an increase in interest rates. Also, the MRC's property tax increment increased \$.2 million from the previous year.

MRC's Statement of Activities for fiscal years ended June 30, 2024, and 2023 are as follows:

**STATEMENT OF ACTIVITIES**  
**(in thousands)**

	<u>Governmental Activities</u>	
	<u>FY 2024</u>	<u>FY 2023</u>
General Revenues		
Property tax increment	\$ 774	\$ 589
Investment earnings	461	154
Miscellaneous	10	1
Total revenues	1,245	744
Expenses		
General government	(233)	(127)
Total expenses	(233)	(127)
Net position:		
Change in net position	1,013	617
Net Position - beginning	2,123	1,506
Net Position - ending	\$ 3,135	\$ 2,123

**GOVERNMENTAL-WIDE BUDGETARY HIGHLIGHTS**

The original MRC fund budget for the 2023-2024 biennium budget period amounted to \$6.5 million in budgeted expenditures. No supplemental budget was executed during the biennium. The MRC was \$5.5 million under budgeted expenditures due to planned construction in process projects having not begun. Also, the debt service expenditures were \$.3 million below budget due to the MRC's 2023 bond being issued for \$1.4 million below the originally budgeted \$6.5 million.

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
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**CAPITAL ASSETS**

As of June 30, 2024, the MRC has invested \$.2 million in capital assets as reflected in the table below. The MRC has several capital projects in process and as such, there are no depreciated assets as of June 30, 2024 or 2023. Please refer to note 3 of the basic financial statements for further details on MRC's capital assets.

Capital Assets, Net of Accumulated Depreciation  
*(in thousands)*

	<u>Governmental Activities</u>	
	FY 2024	FY 2023
Construction in process	\$ 246	\$ 206
Capital assets, net	\$ 246	\$ 206

**DEBT ADMINISTRATION**

At June 30, 2024, the MRC had \$4.6 million of direct borrowing obligations that were issued during the prior fiscal year by the City of Milwaukie on behalf of the MRC. Please refer to note 4 the basic financial statements for further details on MRC's long-term debt.

**ECONOMIC FACTORS**

The commission provides for rehabilitation of blighted and deteriorated areas within the City of Milwaukie's designated urban renewal boundary. To fund these rehabilitation efforts, the MRC uses tax increment financing (TIF), which levies a property tax on the new growth (or incremental assessed value) within the district.

During the fiscal year ending 2021, the MRC completed a financial analysis of the urban growth area to determine the viability of incurring debt and completed a 5-year action plan towards goals and objectives of the urban renewal area focusing on investments that reflect the highest priorities of the communities while maximizing TIF dollars. Furthermore, this assessment included the MRC's tax assessed value and levy for the urban renewal area. The tax rate is 7.6%.

**REQUEST FOR INFORMATION**

The MRC's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with an overview of the finances and to demonstrate accountability. If you have questions about this report or need additional financial information, please contact the City of Milwaukie Finance Department at 10501 SE Main Street, Milwaukie, Oregon 97222 or by email: [finance@milwaukieoregon.gov](mailto:finance@milwaukieoregon.gov).

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## **BASIC FINANCIAL STATEMENTS**

Statement of Net Position

Statement of Activities

Combining Financial Statements & Reconciliations

Notes to Basic Financial Statements

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**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
*(A component unit of the City of Milwaukie, Oregon)*

**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	Governmental Activities
<b>ASSETS:</b>	
Restricted cash and investments	\$ 7,465,250
Property tax receivable	21,431
Capital assets, not being depreciated:	
Construction in process	246,269
<b>TOTAL ASSETS</b>	<b>7,732,950</b>
 <b>LIABILITIES:</b>	
Accounts payable	350
Accrued interest payable	8,077
Notes payable, due within one year	179,615
Total current liabilities	188,042
Noncurrent liabilities:	
Notes payable, due after one year	4,409,560
<b>TOTAL LIABILITIES</b>	<b>4,597,602</b>
 <b>NET POSITION:</b>	
Net investment in capital assets	246,269
Restricted for Urban Renewal	2,889,079
<b>TOTAL NET POSITION</b>	<b>\$ 3,135,348</b>

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

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
*(A component unit of the City of Milwaukie, Oregon)*

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2024**

<b>FUNCTION / PROGRAM</b>	<b>Expenses</b>	<b>Net (Expense) Revenue and Change in Net Position</b>
		<b>Governmental Activities</b>
<b>GOVERNMENTAL ACTIVITIES:</b>		
General government	\$ 40,000	\$ (40,000)
Interest on long-term debt	192,527	(192,527)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 232,527</b>	<b>(232,527)</b>
<b>GENERAL REVENUES</b>		
Property tax increment		773,618
Investment earnings		461,203
Miscellaneous		10,327
<b>TOTAL GENERAL REVENUES</b>		<b>1,245,148</b>
<b>CHANGE IN NET POSITION</b>		<b>1,012,621</b>
<b>NET POSITION - beginning</b>		<b>2,122,727</b>
<b>NET POSITION - ending</b>		<b>\$ 3,135,348</b>

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

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
*(A component unit of the City of Milwaukie, Oregon)*

**BALANCE SHEET – GOVERNMENTAL FUND**  
**June 30, 2024**

**ASSETS**

Restricted cash and investments	\$ 7,465,250
Property tax increment receivable	21,431
<b>TOTAL ASSETS</b>	<b>\$ 7,486,681</b>

**LIABILITIES**

Accounts payable	\$ 350
<b>TOTAL LIABILITIES</b>	<b>350</b>

**DEFERRED INFLOWS OF RESOURCES:**

Unavailable revenue - property tax increment	19,084
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>19,084</b>

**FUND BALANCE**

Restricted for Urban Renewal	7,467,247
<b>TOTAL FUND BALANCE</b>	<b>7,467,247</b>

**TOTAL LIABILITIES AND DEFERRED INFLOWS  
OF RESOURCES and FUND BALANCE**

\$ 7,486,681
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**RECONCILIATION**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance	7,467,247
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Other assets are not available to pay for current-period expenditures and are therefore deferred in the funds.	19,084
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.	246,269
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Liabilities, including accrued liabilities and debt payable, that are not due and payable in the current period, therefore, are not reported in the funds.

Long-term debt obligations	<u>(4,597,252)</u>
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Net position of governmental activities	<u>\$ 3,135,348</u>
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*The accompanying notes are an integral part of the basic financial statements.*

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 GOVERNMENTAL FUND**

**For the Fiscal Year Ended June 30, 2024**

**REVENUES**

Property tax increment	\$	767,677
Investment earnings		461,203
Miscellaneous		10,327

<b>TOTAL REVENUES</b>		1,239,207
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**EXPENDITURES**

Current operating:		
General government		40,000
Debt service:		
Principal		172,765
Interest		184,450
Capital outlay		39,791

<b>TOTAL EXPENDITURES</b>		437,006
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<b>EXCESS OF REVENUES OVER EXPENDITURES</b>		802,201
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<b>FUND BALANCE - beginning</b>		6,665,046
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<b>FUND BALANCE - ending</b>	\$	7,467,247
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*The accompanying notes are an integral part of the basic financial statements.*

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
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**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2024**

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

Net change in fund balances	\$	802,201
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was greater than depreciation.</p>		
		39,791
<p>Revenues in the Statement of Activities that do not provide current financial resources are not recognized in governmental funds. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.</p>		
		5,941
<p>The issuance of long-term debt (e.g., notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the scheduled principal payments on existing debt.</p>		
Long-term debt principal repayments		172,765
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Accrued interest payable		<u>(8,077)</u>
Change in net position of governmental activities	\$	<u><u>1,012,621</u></u>

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

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**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
*(A component unit of the City of Milwaukie, Oregon)*

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the Milwaukie Redevelopment Commission (MRC) Urban Renewal Agency of the City of Milwaukie, Oregon (city) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**Reporting Entity**

The MRC is a component unit of the city and was established in 1987 through City Council adoption of Ordinance No. 1623. The purpose of the MRC is to provide for rehabilitation of blighted and deteriorated areas within the city's designated urban renewal areas.

The MRC is a legally separated entity, and the services of the MRC are exclusively for the benefit of the city. As such, the MRC is a blended component unit and the assets, liabilities, revenues and expenditures related to the MRC are reported in the city's financial statements as a blended component unit of the city. MRC receives funds through tax increment financing pursuant to Oregon Revised Statutes (ORS) 457.420 through 457.450.

The MRC is governed by a Board of Directors (Board) and is composed of the same City Council individuals as the city. Additionally, the management of the city directs the activities of the component unit in the same manner as it manages its own activities. The City Council acting as the MRC Board reviews and approves the MRC's biennial budget.

The accounting and reporting policies of the MRC included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant accounting policies of the MRC are described below. The MRC has no component units and the accompanying basic financial statements present the financial position and activities of the MRC.

**Basic Financial Statements**

The basic financial statements are presented at both the government-wide and fund financial levels. All of the MRC's activities are categorized as governmental activities.

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the MRC 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.

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. Currently, the MRC has one governmental fund and no other funds.

**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
**(A component unit of the City of Milwaukie, Oregon)**

**Basis of Presentation – Government-wide Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for service revenues.

*Government-wide financial statements* display information about the MRC as a whole. These statements focus on the sustainability of the MRC 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 the MRC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them 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. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

**Basis of Presentation – Fund Financial Statements**

*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. The MRC has only one governmental fund classified as the MRC General Fund. The General Fund accounts for property taxes collected to improve the urban renewal area as well as expenditures such as indirect costs to the city for the management of the MRC and any debt service payments from acquiring debt.

**Measurement Focus and Basis of Accounting**

*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. The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource measurement focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual basis 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.

Governmental fund financial statements are presented on the modified accrual basis of accounting with a current financial resource measurement focus. The 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

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**(A component unit of the City of Milwaukie, Oregon)**

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 that 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 MRC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, intergovernmental revenues, grants, and investment income.

A deferred inflow of resources arises on the balance sheet of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available. In the *Government-wide Statement of Activities*, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow of resources created on the *Balance Sheet* of the governmental funds for unavailable revenue is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources such as debt service expenditures that are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

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

### **Cash and Investments**

Cash consists of demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP) and a U.S. Treasury Bill. The individual funds' portion of the cash pool is presented as "Cash and investments" in the basic financial statements.

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 MRC follows the city's investment policy as adopted by the City Council, and essentially mirrors the requirements of the Oregon Revised Statutes. All investments are stated at fair value.

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**Receivables and Revenues**

Property taxes are levied and become a lien against property on July 1 of 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. Taxes unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, property taxes receivable collected within 60 days of the fiscal year end are considered *measurable* and *available*, and therefore, are recognized as revenue. The property taxes receivable portion beyond 60 days is recorded as deferred inflows of resources. Assessments are recognized as receivables at the time property owners are assessed on property improvements.

**Capital Assets**

Purchased or constructed capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition cost at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year has been recorded at cost or acquisition value if donated by developers. The MRC defines capital assets as assets with an initial cost of more than \$10,000 and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

	Useful Lives (in years)
Buildings and structures	30 – 50
Improvements other than buildings	10 – 50
Vehicles and equipment	4 – 30
Infrastructure	20 – 50

**Long-term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the *Statement of Net Position*. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs in the year of issue. The face amount of debt issued, and related premium are reported as other financing sources. Issuance costs, whether withheld from the actual debt proceeds received, are reported as expenditures.

**Fund Balance/Net Position**

In the *Government-wide Statement of Net Position*, *Net Position* is segregated into the following three components: net investment in capital assets, restricted by outside parties for a specific purpose, and unrestricted. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Restricted net position represents net position restricted by parties outside of the MRC and includes funds restricted for payment of debt or to acquire or construct capital assets. Unspent bond proceeds for capital projects are used in the calculation of restricted net position. All other amounts of the total net position not included in the other categories would be considered as unrestricted.

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Fund balance of governmental funds is reported in various categories based on the nature of any limitations on the use of resources for specific purposes. Fund balance is categorized as follows:

- *Non-spendable* – includes items that are not in a spendable form either because the underlying resources are not in spendable form or because they are legally or contractually required to be maintained.
- *Restricted* – includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed* – includes amounts that can be used only for the specific purposes determined by a formal action of the city's highest decision-making authority. The MRC Board reserves the authority by ordinance and in compliance with the city's municipal code to establish and modify commitments of revenues and ending fund balance.
- *Assigned* – includes items assigned by specific uses, but are neither restricted nor committed are reported as assigned fund balances.
- *Unassigned* – the residual classification used for balances not assigned to another category in the general fund.

GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. The MRC follows the city financial policies and has designated the city manager and/or finance director to make assignments of fund balance.

### **Fund Balance Flow Assumptions**

The MRC may fund outlays for a particular purpose from both restricted and unrestricted resources. To calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the MRC's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted second, followed by assigned fund balance. Unassigned fund balance is applied last.

### **Deferred Inflows and Outflows of Resources**

A deferred inflow of resources is an acquisition of net assets by the MRC that is applicable to a future reporting period. Deferred outflow of resources is a consumption of net assets by the MRC that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the *Statement of Net Position* but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

### **Budget and Budgetary Accounting**

A biennial budget is prepared for the MRC in accordance with the modified accrual basis of accounting. Appropriations are made at the organizational unit (program activities and MRC-URA of the City of Milwaukie, Oregon | Financial Report FY 2024

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reserve). Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each biennium. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the MRC. After budget adoption, the MRC may adopt supplemental appropriations through the use of appropriation resolutions and require supplemental budget procedures in some cases if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. A supplemental budget requires hearings before the public, publications in newspapers and approval by the MRC Board.

**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, the reported amounts of revenues and expenses during the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**Note 2. Cash and Investments**

As of June 30, 2024, the MRC's cash and investments were comprised of the following:

Deposits with Financial Institutions	\$	786,542
Oregon State Treasurer's LGIP		2,117,050
Treasury Bills Investment		4,561,658
Total cash and investments	<u>\$</u>	<u>7,465,250</u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At the fiscal year end, bank balances of \$827,282 were covered by federal depository insurance (FDIC) or by collateral held by one or more of the state's authorized collateral pool managers.

Interest Rate Risk. In accordance with the investment policy, the MRC manages its exposure to declines in fair value by limiting the average maturities in the pooled investment portfolio to eighteen months or less.

Credit Risk. State law and the MRC's investment policy limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the MRC's policy to limit its use of these investment types to the top two ratings issued by NRSROs, where applicable. The State of Oregon Local Government Investment Pool (LGIP) is not rated by NRSROs.

Concentration of Credit Risk. The MRC's investment policy, as it relates to investing outside of the LGIP, does not allow for an investment in any one issuer that is more than five percent of the MRC's total investments (ORS 294.035).

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Custodial Credit Risk. Custodial risk is the risk that in the event of failure of the counterparty the MRC will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2024, all MRC deposits are insured or collateralized and are therefore not subject to custodial credit risk.

The MRC participates in the LGIP, an external investment pool through the State of Oregon. The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Oregon Investment Council and is responsible for all funds in the State Treasury.

Investments held by the MRC on June 30, 2024, were as follows:

<b>Investment Type</b>	<b>Rating</b>	<b>Fair Value</b>	<b>Yield</b>	<b>Weighted Average</b>
Treasury Bills	Not rated	\$ 4,561,658	5.13%	n/a

Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn. These investments are further governed by portfolio guidelines issued by the Oregon Short Term Fund Board, which establishes diversification percentages and specifies investment types and maturities. The portion of the external investment pool belonging to local government participants is reported in an Investment Trust Fund in the State's Annual Comprehensive Financial Report. A copy of the State's Annual Comprehensive Financial Report may be obtained at the Oregon State Treasury, 900 Court Street NE, Salem, Oregon 97301.

Fair Value Measurements. The MRC categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The MRC's investment in Treasury Notes is measured using level 1 inputs.

**Note 3. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	<u>Balance as of June 30, 2023</u>	<u>Additions</u>	<u>Balance as of June 30, 2024</u>
<b>Governmental activities:</b>			
Capital assets not being depreciated:			
Construction in Progress	\$ 206,478	\$ 39,791	\$ 246,269
Total capital assets not being depreciated	<u>\$ 206,478</u>	<u>\$ 39,791</u>	<u>\$ 246,269</u>

**Note 4. Long-term Liabilities**

On February 14, 2023, the City of Milwaukie issued on behalf of the MRC a full faith and credit obligation of \$5,052,100 with an interest rate of 3.96% and final maturity in fiscal year 2042. Proceeds will fund the expansion of the MRC Urban Renewal Area based upon an action plan

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to focus on near-term investment strategies to align with community needs.

Long-term debt transactions for the fiscal year ended June 30, 2024, were as follows:

<b>Government Activities</b>	Balance as of June 30, 2023	Additions	Reductions	Balance as of June 30, 2024	Due within one year
2023 Full Faith and Credit Obligations, interest rate of 3.96%, original amount of \$5,052,100, due 2042	\$ 4,761,940	\$ -	\$ (172,765)	\$ 4,589,175	\$ 179,615
<b>Total Long-Term Obligations</b>	<b>\$ 4,761,940</b>	<b>\$ -</b>	<b>\$ (172,765)</b>	<b>\$ 4,589,175</b>	<b>\$ 179,615</b>

Future maturities of principal and interest are as follows:

<b>Fiscal Year</b>	<b>FFCO Series 2023</b>		
<b>Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 179,615	\$ 181,731	\$ 361,346
2026	186,720	174,619	361,339
2027	194,105	167,224	361,329
2028	201,790	159,538	361,328
2029	209,800	151,547	361,347
2030-34	1,180,345	626,342	1,806,687
2035-39	1,433,320	373,373	1,806,693
2040-42	1,003,480	80,503	1,083,983
	<b>\$ 4,589,175</b>	<b>\$ 1,914,877</b>	<b>\$ 6,504,052</b>

**Note 5. Tax Abatements**

The MRC enters into property tax abatement agreements with local businesses under the state Vertical Housing Program, authorized by ORS 307.841 through ORS 307.867, administered by Oregon Housing and Community Services, authorized by ORS 456.555 and Oregon Administrative Rule (OAR) 813-013. The purpose of the program is to encourage investment in and rehabilitation of properties in targeted areas of a city or community, to augment the availability of appropriate housing, and to revitalize communities. Additionally, the program encourages mixed-use developments that contain both non-residential and residential uses in areas (zones) designated by local jurisdictions. Eligible projects receive a partial property tax exemption which varies with the number of "Equalized Floors" in a project, with a maximum property tax exemption of 80% over a 10-year term. The MRC has one project under this program. The exemption is 60% of the residential property taxes for 10 years. For the current year, the abatement is \$3,354.

Housing Authority Partnership (ORS 307.092): The property of a housing authority is declared to be public property if used for essential public and governmental purposes and, upon compliance with ORS 307.162 (Claiming exemption), the property and the housing authority



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are exempt from all taxes and special assessments of the city, the county, the state or any political subdivision of the city, county or state.

In lieu of taxes or special assessments, the authority may agree to make payments to the city, county or political subdivision for improvements, services and facilities furnished by the city, county or political subdivision for the benefit of a housing project, but in no event may the payments exceed the estimated cost to the city, county or political subdivision of the improvements, services or facilities furnished. Property of a housing authority that is commercial property leased to a taxable entity is not exempt from taxation and special assessments under this section. For the current year, the abatement is \$5,024.

Lastly, the State of Oregon under the Oregon Business Development Department offers an Enterprise Zone (EZ) Tax Abatement Program, authorized by ORS 285C. Under this program, local governments are responsible for creating, managing and renewing enterprise zones. In exchange for locating or expanding into an enterprise zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plant and equipment for three to five years after the property is in service. Minimum eligibility requirements include an increase in full-time, permanent employment by 10%, maintaining minimum employment levels during the exemption period, and employee wages to exceed at least 150% of the State minimum wage. The MRC has one agreement under this program. For the current year, the abatement is \$183.

**Note 6. Related Parties**

The MRC has no employees, therefore the MRC contracts with the City of Milwaukie to provide management, administrative, and operational support. For the fiscal year ended June 30, 2024, the MRC paid \$35,000 to the City of Milwaukie to provide these services. The MRC did not contribute to the city's pension and other post-employment benefit liabilities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY**  
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**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
 For the Fiscal Year Ended June 30, 2024**

	Budget for the 2023-2024 Biennium		Actual			Variance with Final Budget
	Original	Final	Fiscal Year 2022-2023	Fiscal Year 2023-2024	Total	
<b>REVENUES:</b>						
Tax increment	\$ 1,753,000	\$ 1,753,000	\$ 590,430	\$ 767,677	\$ 1,358,107	\$ (394,893)
Investment earnings	10,000	10,000	153,859	461,203	615,062	605,062
Miscellaneous revenue	-	-	1,068	10,327	11,395	11,395
<b>TOTAL REVENUES</b>	<u>1,763,000</u>	<u>1,763,000</u>	<u>745,357</u>	<u>1,239,207</u>	<u>1,984,564</u>	<u>221,564</u>
<b>EXPENDITURES:</b>						
Materials and services	170,000	170,000	59,867	40,000	99,867	70,133
Debt service	1,044,000	1,044,000	357,403	357,215	714,618	329,382
Capital outlay	5,332,000	5,332,000	206,478	39,791	246,269	5,085,731
Contingency	42,000	42,000	-	-	-	42,000
<b>TOTAL EXPENDITURES</b>	<u>6,588,000</u>	<u>6,588,000</u>	<u>623,748</u>	<u>437,006</u>	<u>1,060,754</u>	<u>5,527,246</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,825,000)</u>	<u>(4,825,000)</u>	<u>121,609</u>	<u>802,201</u>	<u>923,810</u>	<u>5,748,810</u>
<b>OTHER FINANCING SOURCES:</b>						
Proceeds from debt	6,500,000	6,500,000	5,052,100	-	5,052,100	(1,447,900)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>6,500,000</u>	<u>6,500,000</u>	<u>5,052,100</u>	<u>-</u>	<u>5,052,100</u>	<u>(1,447,900)</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,675,000	1,675,000	5,173,709	802,201	5,975,910	4,300,910
<b>FUND BALANCES - beginning</b>	<u>1,620,000</u>	<u>1,620,000</u>	<u>1,491,337</u>	<u>6,665,046</u>	<u>1,491,337</u>	<u>(128,663)</u>
<b>FUND BALANCES - ending</b>	<u>\$ 3,295,000</u>	<u>\$ 3,295,000</u>	<u>\$ 6,665,046</u>	<u>\$ 7,467,247</u>	<u>\$ 7,467,247</u>	<u>\$ 4,172,247</u>

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## **Report of Independent Auditors Required by Oregon State Regulations**

The Honorable Mayor and Board of Directors  
Milwaukie Redevelopment Commission  
A component unit of the City of Milwaukie, Oregon  
Milwaukie, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the governmental activities and the major fund of Milwaukie Redevelopment Commission, a component unit of the City of Milwaukie, Oregon (the Agency) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 20, 2024.

### **Compliance**

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, 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.

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:

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Highway funds
- Investments
- Public contracts and purchasing

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 grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

### **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 or significant deficiencies 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. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Honorable Mayor and Board of Directors and management of the Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Ashley Osten, Partner, for  
Moss Adams LLP  
Portland, Oregon  
December 20, 2024