FOREST GROVE URBAN RENEWAL AGENCY

FINANCIAL REPORT

YEAR ENDED JUNE 30,2022

BOARD OF DIRECTORS

Peter Truax

Timothy Rippe

Malynda Wenzl

Donna Gustafson

Elena Uhing

Kristy Kottkey

Mariana Valenzuela

The Board receives mail at the Agency address

AGENCY ADDRESS

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FOREST GROVE URBAN RENEWAL AGENCY

CONTENTS

YEAR ENDED JUNE 30, 2022

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December 15, 2022

To the Board of Directors
Forest Grove Urban Renewal Agency
Forest Grove, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Forest Grove Urban Renewal Agency, a component unit of the City of Forest Grove, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund information of Forest Grove Urban Renewal Agency, a component unit of the City of Forest Grove, as of June 30,202, and the 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 the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forest Grove Urban Renewal Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Forest Grove Urban Renewal 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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Forest Grove Urban Renewal 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 Forest Grove Urban Renewal 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, and required supplementary information, as listed in the table of contents, 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information, as listed in the table of contents, and the listing of board members, located before the table of contents, but does not include the basic financial statements and our auditors' 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.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 15, 2022, on our consideration of 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.

Kenny Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2022

This discussion and analysis presents the highlights of financial activities and financial position for the Forest Grove Urban Renewal Agency (Agency), component unit of the City of Forest Grove, Oregon (City). The analysis focuses on significant issues, major financial activities and resulting changes in financial position, budget changes, and variances from the budget, and specific issues related to funds and the economic factors affecting the Agency.

Management's discussion and analysis (MD&A) focuses on the current year activities and resulting changes from the prior year. Please read it in conjunction with the Agency's financial statements (beginning on page 1).

FINANCIAL HIGHLIGHTS

- The Total Assets of the Agency were $1,039,425 and the Net Position was $(181,337) at June 30, 2022, which was the end of the Agency's seventh fiscal year.

- Overall, expenditures were $98,355 and overall revenue was $532,240. The primary revenues for FY 2021-22 were property tax revenue. The largest expenditure for 2021-22 was professional services of $22,291 and $25,599 in interest expense paid to the City for debt owed to the City.

REPORT LAYOUT

The Agency's annual financial report consists of several sections. The components of the report include the following:

Management's Discussion and Analysis. This section of the report provides financial highlights, overview, and economic factors affecting the Agency.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

REPORT LAYOUT (continued)

Basic Financial Statements. Includes statement of net position, statement of activities, fund financial statements, and notes to the financial statements. Statements of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Agency.

The statement of net position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the Agency owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

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 the change occurs, regardless of the timing of related cash flows. The focus is on Agency revenues and expenditures, the net of which equals change in net assets.

Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The Agency's General Fund is presented here along with budgetary comparisons.

The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

AGENCY AS A WHOLE

Government-wide financial statements

Statement of Net Position at June 30:

Table 1
Net Assets at Fiscal Year End
Governmental Activities

	2022	2021
Assets		
Cash and investments	$ 613,977	$ 474,713
Receivables	7,448	7,557
Land held for sale	418,000	418,000
Total assets	1,039,425	900,270
Liabilities		
Current liabilities	7,276	13,358
Long-term liabilities	1,213,486	1,502,134
Total liabilities	1,220,762	1,515,492
Net position:		
Unrestricted	$ (181,337)	$ (615,222)

As of June 30, 2022, the Agency had long-term liabilities of $1,213,486 which consists of a loan from the City for the URA to provide assistance to a private developer for a mixed-use development project. The URA is making principal payments to the City. Major asset is the remaining land held for sale. The URA plans on starting to market this property in the coming fiscal year.

Governmental Activities
The Agency's net position is negative $181,337 which is essentially the difference between the long-term debt to the City of Forest Grove and the acquisition cost of the remaining land owned by the URA and cash and investments held by the URA.

Statement of Activities for the Year Ended June 30:

Table 2
Government Activities For Fiscal Year Ending

	2022	2021
General Revenues		
Taxes	$ 535,785	$ 507,797
Investment earnings	(3,545)	3,588
Total general revenues and special items	532,240	511,385
Program Expenses		
General government	69,756	100,550
Interest on long-term obligations	28,599	34,288
Total program expenses	98,355	134,838
Change in net position	433,885	376,547
Net Position - beginning	(615,222)	(991,769)
Net Position - ending	$ (181,337)	$ (615,222)

Nearly all of the general revenue in FY 2021-22 was property tax revenue based on the incremental increase in the URA's taxable assessed value. The other revenue was from investment earnings. General Government Program Expenses consisted principally of small storefront improvement grants and administrative expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

DEBT ADMINISTRATION

As of June 30, 2022, the Agency had $1,213,486 of outstanding debt in the form of a note payable to the City for the purchase of land and funds loaned to URA in order for the URA to provide development assistance for a private development that has now been completed. The note is interest only for the first three years with the principal repayment began in FY 2020 with the note fully repaid by the end of FY 2026.

ECONOMIC FACTORS

As an urban renewal agency, the Agency receives tax increment revenues calculated on the increase in assessed value over the frozen base, which was set at the time the urban renewal district was formed. When the Agency completes projects, it is actually investing in itself; as the value of property increases in the district, the tax increment revenues increases.

The Agency expects the tax revenues to continue to increase over the next few years. A grocery store in the downtown core that is expected to receive assistance from the Agency is planned for construction in the fall of 2022.

REQUEST FOR INFORMATION

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with the general overview of the Agency's finances and to demonstrate the Agency's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Administrative Services Department at the City of Forest Grove. Our address is: PO Box 326, Forest Grove, Oregon 97116.

BASIC FINANCIAL STATEMENTS

FOREST GROVE URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	$ 396,088
Investments	217,889
Accrued interest receivable	187
Receivables, net	7,261
Land held for sale	418,000
Total assets	1,039,425
Liabilities	
Accounts payable and accrued liabilities	1,209
Accrued interest payable	6,067
Long-term liabilities:	
Due within one year	294,421
Due in more than one year	919,065
Total liabilities	1,220,762
Net position	
Unrestricted	(181,337)
Total net position	**$ (181,337)**

See notes to financial statements

FOREST GROVE URBAN RENEWAL AGENCY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Governmental Activities
Program expenses	
General government	$ 77,207
Interest on long-term obligations	28,599
Total program expense	105,806
General revenues	
Property taxes levied for debt service	535,785
Unrestricted investment earnings	3,906
Total general revenues	539,691
Change in net position	433,885
Net position - beginning	(615,222)
Net position - ending	**$ (181,337)**

See notes to financial statements

FOREST GROVE URBAN RENEWAL AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

		General
Assets		
Cash and cash equivalents	$	396,088
Investments		217,889
Accrued interest receivable		187
Receivables		7,261
Total assets	**$**	**621,425**
Liabilities, deferred inflows and fund balances		
Liabilities		
Accounts payable and accrued liabilities	$	1,209
Deferred inflows of resources		
Unavailable revenue		4,502
Fund balances		
Unassigned		615,714
Total liabilities, deferred inflows of resources and fund balances	**$**	**621,425**

See notes to financial statements

FOREST GROVE URBAN RENEWAL AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2022

Fund balance - total governmental funds	$ 615,714
Amounts reported for governmental activities in the statement of net position are different because:	
Land held for sale is not reported in the fund	418,000
Other long-term assets are not available for current period expenditures and, therefore, are reported as unavailable revenue in the fund	4,502
Some liabilities, including accrued interest payable and long-term debt, are not due and payable in the current period and, therefore, are not reported in the fund	
Accrued interest payable	(6,067)
Long-term debt	(1,213,486)
Net position of governmental activities	**$ (181,337)**

See notes to financial statements

FOREST GROVE URBAN RENEWAL AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

		General
Revenues		
Property taxes	$	533,934
Interest		3,906
Total revenues		537,840
Expenditures		
Current		
General government		77,207
Debt service		318,691
Total expenditures		395,898
Net change in fund balances		141,942
Fund balance at beginning of year		473,772
Fund balance at end of year	**$**	**615,714**

See notes to financial statements

FOREST GROVE URBAN RENEWAL AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Net change in fund balances - total governmental fund	$ 141,942
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:	
Taxes	1,851
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued interest	1,444
Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position.	288,648
Change in net position of governmental activities	**$ 433,885**

See notes to financial statements

NOTE 1 – FINANCIAL REPORTING ENTITY

The Forest Grove Urban Renewal Agency (the "Agency"), a component unit of the City of Forest Grove, was organized in May 2014 under ORS 457 and is a municipal corporation created by the City of Forest Grove to facilitate urban renewal within the boundaries of the City. The City Council serves as the governing body and is accountable for the fiscal matters of the Agency.

Urban renewal areas

Tax allocation bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas." Projects are financed in urban renewal plan areas as follows:

The Agency (city council) selects an urban renewal plan area and defines its boundaries.

The county assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.

Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance urban renewal projects.

Urban renewal tax increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of $15,000,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide financial statements

The statement of net position and the statement of activities display information about the Agency, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's program. The Agency does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes and earnings on investments, are presented as general revenues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements

The fund financial statements provide information about the Agency's fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The General Fund accounts for general administration of the Agency's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas.

Measurement focus and basis of accounting
Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

Budget policies and budgetary control
Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except custodial funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the budget committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personnel services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Cash and cash equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

Property taxes
Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

Uncollected property taxes in governmental funds are reported in governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred revenue. Property taxes collected within 60 days of the end of the current period are considered measurable and available and are recognized as revenue.

Land held for sale
In the government-wide statements, land held for sale is recorded at historical cost or estimated historical cost. Upon disposition, the Agency recognizes a gain or loss on the sale in the statement of activities.

In the fund financial statements, capital assets (including land held for resale) acquired for use in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisitions.

Long-term obligations
In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Equity classification

Government-wide and proprietary fund net position

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are reported as "unrestricted net position."

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund type fund balance reporting

Governmental type fund balances are to be properly reported within one of the fund balance categories listed below:

Nonspendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The governing body is the highest level of decision-making authority for the Agency. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing body.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The governing body has granted authority to the Assistant City Manager/Finance Director to assign fund balance amounts.

Unassigned – The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency's cash, cash equivalents, and investments at June 30, 2022 are as follows:

Cash and cash equivalents		
Deposits with financial institutions	$	72,633
State of Oregon Local Government Investment Pool		323,455
	$	**396,088**
Investments		
Certificates of deposit	$	0
US government agency securities		217,889
	$	**217,889**

The Agency's cash, cash equivalents and investments are pooled with the City of Forest Grove's. The City maintains a pool of cash, cash equivalents and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and cash equivalents and investments. Interest earned on pooled cash, cash equivalents and investments is allocated to participating funds based upon their combined cash and cash equivalents and investment balances.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits with financial institutions

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits with financial institutions up to $250,000 each for the aggregate of all non-interest-bearing accounts and the aggregate of all interest-bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2022, none of the Agency's bank balances were exposed to custodial credit risk.

State of Oregon Local Government Investment Pool

Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, 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 fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

Investments

As of June 30, 2022 the Agency had the following investments:

Investment Type	Rating	Fair Value	Risk Concentration	Weighted Average Maturity (in years)
US government agencies	Not rated	217,889	99.717%	1.381
		$ 217,889		

Credit Risk: Oregon statutes authorize the Agency to invest in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

Concentration of Credit Risk: The Agency does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk: The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Portfolio Credit Rating: The Agency does not have a formal policy that establishes a minimum average credit rating for its investment portfolio.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. The Agency does not have a policy which limits the amount of investments that can be held by counterparties.

Fair Value Measurements: The Agency 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 Agency's investment in U.S agencies, corporate and municipal bonds are measured using level 2 inputs.

NOTE 4 – LAND HELD FOR SALE

The Agency purchased property for $1,100,000 from the City of Forest Grove. Approximately two-thirds of the property was sold during 2016-17 for $10 pursuant to a disposition and development agreement. The remainder of the property continues to be held by the Agency for sale.

NOTE 5 – LONG-TERM OBLIGATIONS

Transactions for the governmental activities for the year ended June 30, 2022 were as follows:

	Balances July 1, 2021	Additions	Reductions	Balances June 30, 2022	Balances Due Within One Year
Notes from direct borrowings and direct placements City of Forest Grove	$1,502,134	$ -	$ 288,648	$ 1,213,486	$ 294,421

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

Governmental activities long-term debt obligations
City of Forest Grove – the Agency borrowed $2,062,561 from the City of Forest Grove to purchase land held for sale and to provide financial assistance to a developer for a mixed-use development. Payments of $318,690, including principal and interest of 2%, are due annually. The loan contains a provision that in the event of default, The City may declare all payments immediate due.

Future maturities are as follows:

Fiscal Year	City of Forest Grove Principal	City of Forest Grove Interest
2023	$ 294,421	$ 30,158
2024	300,309	24,460
2025	306,315	18,648
2026	312,441	16,056
	$ 1,213,486	$ 89,322

NOTE 6 – TAX ABATEMENTS

Washington County has established an Enterprise Zone under ORS 285C.175 that abates property taxes on new business development within the zone. As a result, the property taxes that the Agency received for the year ended June 30, 2022 have been reduced by $24,300.

Washington County has established a Low Income Property Tax Exemption program under ORS 307.541 to make rental housing units affordable for income-restricted tenants. As a result, the property taxes that the Agency received for the year ended June 30, 2022 have been reduced by $3,000.

Washington County has established a Vertical Housing Development Zone under ORS 307.864 as an incentive for the development of higher density mixed use residential development with ground floor nonresidential uses in areas well served by transit services. As a result, the property taxes that the Agency received for the year ended June 30, 2022 have been reduced by $700.

FOREST GROVE URBAN RENEWAL AGENCY

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
Year Ended June 30, 2022

	Budget			
	Original	**Final**	**Actual**	**Variance**
Revenues				
Property taxes	$ 565,000	$ 565,000	$ 533,934	$ (31,066)
Interest	3,500	3,500	2,049	(1,451)
Total revenues	568,500	568,500	535,983	(32,517)
Expenditures				
Materials and services	703,596	703,596	69,756	633,840
Debt service	318,691	318,691	318,691	-
Total expenditures	1,022,287	1,022,287	388,447	633,840
Net change in fund balance	(453,787)	(453,787)	147,536	601,323
Fund balance at beginning of year	453,787	453,787	475,166	21,379
Fund balance at end of year	**$ -**	**$ -**	**$ 622,702**	**$ 622,702**
Reconciliation to generally accepted accounting principles:				
Difference in revenue recognition			(6,988)	
			$ 615,714	

See notes to financial statements

COMPLIANCE SECTION

PAULY, ROGERS, AND CO., P.C.
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December 15, 2022

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Forest Grove Urban Renewal Agency as of and for the year ended June 30, 2022, and have issued our report thereon dated December 15, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Forest Grove 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 grants, including the provisions of Oregon Revised Statues as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the Forest Grove Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Forest Grove Urban Renewal Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Forest Grove Urban Renewal Agency's internal control over financial reporting.

This report is intended solely for the information and use of the board member's and management of the Forest Grove Urban Renewal Agency, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Kenny Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.