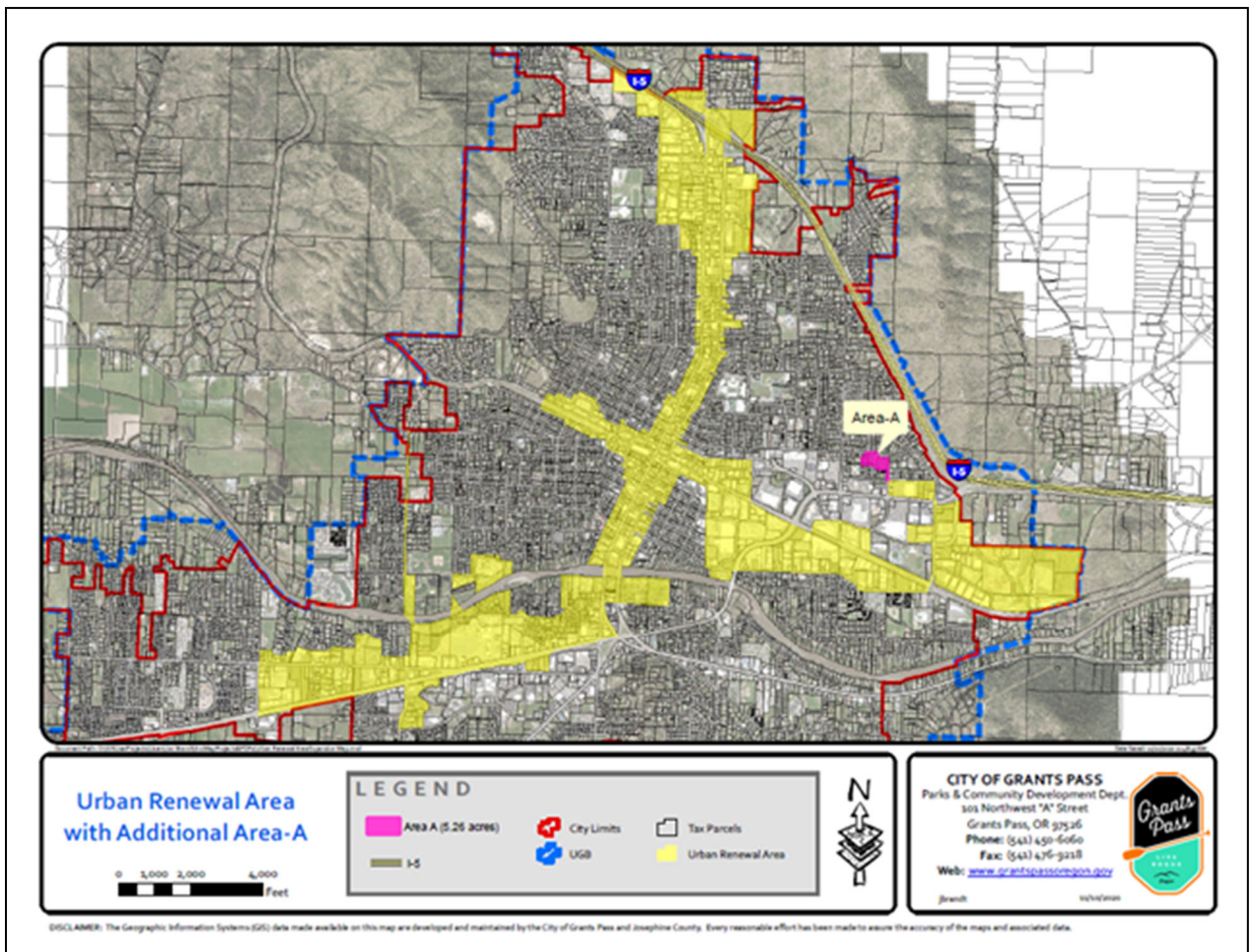


GRANTS PASS URBAN RENEWAL AGENCY

(A Component Unit of the City of Grants Pass, Oregon)

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022



GRANTS PASS URBAN RENEWAL AGENCY

(A Component Unit of the City of Grants Pass, Oregon)

BOARD MEMBERS

As of June 30, 2022

Name	Term Expiration
Sara Bristol, Mayor	December 31, 2024
Rob Pell, NW – Ward 1	December 31, 2022
Brian DeLaGrange, NW – Ward 1	December 31, 2024
Rick Riker, NE – Ward 2	December 31, 2022
Valerie Lovelace, NE – Ward 2	December 31, 2024
Curt Collins, SE – Ward 3	December 31, 2022
Dwight Faszer II, SE – Ward 3	December 31, 2024
Joey King, SW – Ward 4	December 31, 2022
Vanessa Ogier, SW – Ward 4	December 31, 2024

ADMINISTRATIVE OFFICES

City of Grants Pass
City Hall
101 N.W. "A" Street
Grants Pass, Oregon

This is the mailing address for management and all board members

CITY MANAGER

Aaron Cubic

FINANCE STAFF

Mindy Ellerman
J.C. Rowley

GRANTS PASS URBAN RENEWAL AGENCY

(A Component Unit of the City of Grants Pass, Oregon)

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June 30, 2022

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Report of Independent Auditors

The Board of Directors
Grants Pass Urban Renewal Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Grants Pass Urban Renewal Agency (the “Agency”), a component unit of the City of Grants Pass, Oregon, as of and for the year ended June 30, 2022, 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 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, 2022, 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 Opinion

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 opinion.

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 within one year after the date that the financial statements are issued.

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 opinion. 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 and budgetary schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary schedule described above is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedule 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 budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

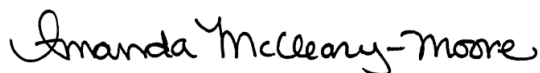
Other Information

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

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

Other Reporting Required by Oregon Minimum Auditing Standards

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 13, 2022, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Amanda McCleary-Moore for
Moss Adams LLP
Medford, Oregon
December 13, 2022

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass)
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of Grants Pass Urban Renewal Agency’s (the “Agency”) financial performance provides an overview of the Agency’s financial activities for the fiscal year ended June 30, 2022. The year ended June 30, 2022, or fiscal 2022, was the Agency’s fifth fiscal year of financial activities since the Agency’s legal formation in 2016.

The Urban Renewal Area covers approximately 18% of the acreage within the City of Grants Pass, largely area in and around major commercial corridors, including the downtown area. The emphasis of projects and goals for the Agency are jobs, economic development, and infrastructure to serve and attract business development.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, the Agency’s net position was \$2,227,496 and cash on hand was \$2,172,514.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. Government-wide financial statements present information on the Agency’s finances in a manner similar to private-sector business. The statement of net position shows the Agency’s assets and liabilities, with the difference between the two reported as net position. The statement of activities shows revenue, expenses, and the change in net position for the Agency as a whole.

A fund is a distinct accounting entity that is used to segregate resources restricted to particular purposes. The Agency is categorized as a governmental fund. Governmental funds account for the same functions as reported in the government-wide financial statements. However, as more fully explained in the notes to the financial statements, governmental funds focus on measuring available spendable resources. This information is essential for preparation of and compliance with annual budgets. It is a narrower perspective than used in the government-wide financial statements, which include long-term resources and uses. A reconciliation between the balance sheet for governmental funds and the statement of net position for governmental activities is presented in the former. A reconciliation between the statement of revenues, expenditures, and changes in fund balance for governmental funds and the statement of activities for governmental activities is also presented in the former statement.

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets, Liabilities, Net Position, Revenues and Expenses for fiscal year 2022 and 2021 were as follows:

	2022	2021	Difference	%
ASSETS				
Cash, Cash Equivalents and Investments	\$ 2,172,514	\$ 824,795	\$ 1,347,719	163.4%
Property Tax Receivable	54,982	45,036	9,946	22.1%
Total Assets	2,227,496	869,831	1,357,665	156.1%
NET POSITION				
Restricted - Urban Renewal	2,227,496	869,831	1,357,665	156.1%
Total Net Position	\$ 2,227,496	\$ 869,831	\$ 1,357,665	156.1%
REVENUES				
Property Taxes	\$ 1,368,261	\$ 1,099,344	\$ 268,917	24.5%
Interest	647	11,551	(10,904)	-94.4%
Total Revenue	1,368,908	1,110,895	258,013	23.2%
EXPENSES				
Materials & Services	11,243	1,419,268	(1,408,025)	-99.2%
Total Expenses	11,243	1,419,268	(1,408,025)	-99.2%
CHANGE IN NET POSITION	\$ 1,357,665	\$ (308,373)	\$ 1,666,038	

Significant differences shown above include an increase in Cash and Cash Equivalents, an increase in Restricted Net Position, a decrease in Expenses. Expenses showed a decrease in FY'22 compared to FY'21 because the FY'22 budget process left options open for the Urban Renewal Agency to contribute to future projects. While there were less expenditures in FY'22, property tax revenues also increased.

The emphasis of projects and Community Development goals for the Agency are jobs, economic development, and infrastructure to serve and attract business development. The following table shows the capital expenditures made to accomplish these goals which make up the vast majority of Community Development expenses above. This also shows the capital expenditure budget for the next fiscal year.

Project numbers listed below are a capital project recap between the years of the budget of the Urban Renewal Agency. Capital outlay expenditures for the Agency are most commonly in the form of the Agency participating in the costs of City of Grants Pass capital projects. When the Agency's project participation costs are sent to the City, it is recorded as a capital outlay for the Agency. While there are a few cases where the Agency could capitalize an asset such as a real estate purchase, in most cases when the project results in a governmental capital asset, that asset becomes a capital asset of the City of Grants Pass. To date the Agency has not had any capital outlay transactions that resulted in recording a capital asset in the Statement of Net Position for the Agency. The budget in FY'22 and FY'23 was placed in Other Capital Outlay to provide the Agency the most flexibility in its future endeavors.

Project Recap

Project #	Description	Revised FY'21 Budget	Revised FY'22 Budget	Adopted FY'23 Budget
LB6314	Downtown Welcome Center	\$ (500,000)	\$ -	\$ -
LB6391	Blighted Building Removal or Replacement	100,000	-	-
LB6392	5th & G Street Plaza Lighting	350,000	-	-
LB6394	Business Renovation & Relocation Assistance	400,000	-	-
LB6395	Riverside Park Improvements	400,000	-	-
SE6200	Spaulding Ind. Wastewater Infrastructure	145,000	-	-
n/a	Other Capital Outlay	1,314,000	2,171,000	3,556,500
Total Capital Outlay		\$ 2,209,000	\$ 2,171,000	\$ 3,556,500

BUDGET VARIANCES

During the fiscal year 2022, expenditures by major budgetary categories were as follows:

Category	Budget	Expenditure	Under Budget	Under Budget %
Materials & Services	\$ 43,000	\$ 11,243	\$ 31,757	73.9%
Capital Outlay	2,171,000	-	2,171,000	100.0%
Contingency	10,000	-	10,000	100.0%
Total	\$ 2,224,000	\$ 11,243	\$ 2,212,757	99.5%

The budget included capital outlay of \$2,171,000 with no specific Urban Renewal eligible projects as noted above.

2023 BUDGET

The Agency is almost entirely dependent on resources coming from property tax increment revenues. The total adopted expenditure budget in Fiscal 2023 is \$3,670,000. This includes \$13,500 of contractual/professional services, \$90,000 of direct charges for the management of the Agency, capital outlay of \$3,556,500, and a contingency of \$10,000 meant to be carried over to the next fiscal year.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Tax increment funding for the Agency may only be used for projects and purposes as provided for in the adopted Urban Renewal Plan and there are limitations for total spending during the life of the Agency. The Agency's Urban Renewal Plan, budgets, maps of the urban renewal area, and Agency annual reports can be found on the website for the City of Grants Pass at www.grantspassoregon.gov/1132/Urban-Renewal.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the Agency's finances. If you have any questions about this report or need any clarification of information please contact the Finance Department at the City of Grants Pass. Our address is: 101 N.W. "A" Street, Grants Pass, Oregon and phone number is 541-450-6000.

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

BASIC FINANCIAL STATEMENTS

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

STATEMENT OF NET POSITION
June 30, 2022

	<u>Governmental Activities</u>
ASSETS:	
Cash, Cash Equivalents and Investments	\$ 2,172,514
Receivables	
Taxes	<u>54,982</u>
Total Assets	<u>\$ 2,227,496</u>
NET POSITION	
Restricted - Urban Renewal	<u>2,227,496</u>
Total Net Position	<u>\$ 2,227,496</u>

The accompanying notes are an integral part of this statement.

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Governmental Activities
EXPENSES	
Community Development	\$ 11,243
Total Expenses	<u>11,243</u>
REVENUES	
Property Taxes	1,368,261
Interest	<u>647</u>
Total Revenues	<u>1,368,908</u>
Net Change in Net Position	1,357,665
Net Position - Beginning	<u>869,831</u>
Net Position - Ending	<u>\$ 2,227,496</u>

The accompanying notes are an integral part of this statement.

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

BALANCE SHEET
June 30, 2022

	Governmental Activities
ASSETS	
Cash, Cash Equivalents and Investments	\$ 2,172,514
Receivables	
Taxes	54,982
Total Assets	\$ 2,227,496
DEFERRED INFLOW OF RESOURCES	
Unavailable revenue - property taxes	\$ 39,519
Total Deferred Inflows of Resources	39,519
FUND BALANCE	
Restricted - Urban Renewal	2,187,977
Total Fund Balance	2,187,977
Total Deferred Inflows of Resources and Fund Balance	\$ 2,227,496

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

Total Fund Balance	2,187,977
Deferred Inflows	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund.	
Deferred Inflow of Resources - Property Taxes	39,519
Total Net Position	\$ 2,227,496

The accompanying notes are an integral part of this statement.

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2022

REVENUES	
Taxes	\$ 1,361,537
Interest	<u>647</u>
Total Revenues	<u>1,362,184</u>
EXPENDITURES	
Materials and Services	<u>11,243</u>
Total Expenditures	<u>11,243</u>
Net Change in Fund Balance	1,350,941
Fund Balance - Beginning	<u>837,036</u>
Fund Balance - Ending	<u><u>\$ 2,187,977</u></u>
Reconciliation of Net Change in Fund Balance to Net Change in Net Position on the Statement of Activities	
Change in Fund Balance	\$ 1,350,941
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	<u>6,724</u>
Change in Net Position	<u><u>\$ 1,357,665</u></u>

The accompanying notes are an integral part of this statement.

URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. Description of the Agency and Summary of Significant Accounting Policies:

Grants Pass Urban Renewal Agency (the Agency).

The Agency was organized in 2016 under the provisions of ORS Chapter 457 as the Grants Pass Urban Renewal Agency. The Agency is responsible for implementing public improvement programs in the City of Grants Pass, Oregon. The Agency is governed by a Board of Directors, which consists of the members of the Grants Pass City Council. Principal funding sources are property taxes. Personnel of the City of Grants Pass handle the management of the Agency as well as the fiscal and accounting functions, therefore the Agency does not directly employ any staff members.

The “tax increment financing” procedure is being utilized to provide funds for the Agency. Under this procedure, the assessed value of property within an urban renewal area is “frozen” for the duration of the Agency’s life. Any increase in assessed value in the renewal area cannot be used by the Assessor to compute tax rates for local taxing bodies. The tax rates computed by the Assessor are applied to the increased assessed value just as they are applied to the “frozen” value. The tax revenue generated by the increased assessed value is turned over to the Agency for its use in paying indebtedness incurred to finance the urban renewal projects.

The Agency is considered a component unit of the City of Grants Pass, Oregon because the City Council also serves as the Agency’s board, and the City has the ability to significantly influence the activities of the Agency. These financial statements include all funds, organizations, departments and offices that are not legally separated from the Agency.

Significant accounting policies used in the preparation of these financial statements are described below:

Basis of Accounting

The government-wide financial statements are prepared on the accrual basis of accounting using the “economic resources” measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the statement of net position with the net position section representing “total net position”.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Funds focus on changes in resources available for spending. Revenues are recognized when they become available and measurable. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Agency considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less when purchased and all amounts in pooled accounts to be cash equivalents.

URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Investments

The Agency investments are managed by the City of Grants Pass (the “City”). The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: 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. At June 30th the City had investments measured at all level inputs and are included in cash. The change in fair value is reported in the statement of revenues, expenses, and changes in net position as interest earnings. Realized gains or losses on the maturity or disposition of securities are not separately disclosed.

Description of the Agency’s Fund

The Fund accounts for the general administration of the Agency and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas. The primary funding source is property tax revenue.

Budget

A budget is prepared and legally adopted for each fund on the modified accrual basis of accounting in the main program categories as required by the Oregon Local Budget Law, except for accrued compensated absences. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. The Agency begins its budget process each fiscal year with the establishment of the budget committee. Generally, recommendations are developed through late winter with the budget committee approving the budget in April or May. Public notices of the Board budget hearing are published generally in early spring with a public hearing being held in June. The Board may amend the budget prior to adoption, however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30.

The Agency made appropriations in the following categories:

- Materials and Services
- Capital Outlay
- Contingencies

Expenditures cannot legally exceed the above appropriation levels. Supplemental appropriations may occur if the Board approves them due to a need, which was not determined at the time the budget was adopted. Budget amounts presented herein are as originally adopted or as amended by the Board. There were no supplemental budgets for fiscal 2022.

Expenditures of the various funds were within authorized appropriations for the year.

Estimates

The preparation of 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 and liabilities and disclosure of contingent assets and liabilities at the date of

URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes Receivable

Uncollected real and personal property taxes are reflected on the statement of net position and the balance sheet as receivables. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the City of Grants Pass.

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 distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in no more than three installments due on November 15, February 15 and May 15 and taxpayers receive up to a 3% discount by paying the full annual amount by November 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

Net Position/Fund Balance

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories on the statement of net position.

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Capital outlay expenditures for the Agency are most commonly in the form of the Agency participating in the costs of City of Grants Pass capital projects. Therefore, the City of Grants Pass records most of the capital assets from the Agency’s participation in capital projects. To date the Agency has not had any capital outlay transactions that resulted in recording a capital asset in the Statement of Net Position for the Agency.

Restricted – consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. All Fund Balance and Net Position is restricted for Urban Renewal.

Unrestricted– consists of all other net position not included in the other categories previously mentioned.

Fund balances of the governmental fund is classified as follows:

- Non-spendable fund balance represents amounts that are not in a spendable form. The non-spendable fund balance represents inventories and prepaid items.

-

URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body, the board, for a particular purpose. The use of committed funds would be approved by resolution and can only be reversed by board resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. This authority has been given to the City Manager and Finance Director.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

GASB Statement 87 on Leases, GASB 89 on Accounting for Interest Cost Incurred before the End of a Construction Period, and GASB 97 on Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans had no impact on the Agency's financial statements.

2. Cash and Cash Equivalents and Investments:

The City of Grants Pass, Oregon maintains a cash and investment pool that is used by all funds and component units, including the Grants Pass Urban Renewal Agency. Agency cash and investments at June 30, 2022 consisted of the following:

Reported on the Statement of Net Position as follows:

Current assets:

Demand Deposits	\$ 520,112
Cash Equivalents	1,277,967
Investments	374,435
Total Cash and Investments	<u>\$ 2,172,514</u>

URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Deposits

The City treats its entity-wide cash and investment pool as a demand deposit. Each fund may deposit or withdraw from the pooled account at any time, without prior notice or penalty. Interest earned from pooled investments is allocated monthly based on each fund's average investment balance as a proportion of the City's total investment balance. The City's restricted and unrestricted cash and investments include monies deposited in the Oregon State Treasurer's Local Government Investment Pool (LGIP), Certificates of Deposit and other bank demand accounts, treasury bonds and other U.S. Government agency bonds.

Concentration of Credit Risk

To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the Agency follows the City's investment policy which sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2022, the City and Agency were in compliance with all percentage restrictions by both the State and the City's investment policy. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

Investments

No more than the stated percentage of the overall portfolio will be invested in each of the following categories of securities per the City of Grants Pass investment policy:

U.S. Treasury Obligations	85%
Local Government Investment Pool	75%
Certificates of Deposit (CD)	50%
Bankers' Acceptances (BA's)	25%
Repurchase Transactions	25%
US Agency Notes	75%
A-1/P-1 Rated Commercial Paper	25%

There were no known violations of legal or contractual provisions for investments.

Investments are valued at fair value as required by GASB. As of June 30, 2022, the fair value of the City's position in the LGIP is 98.98% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements.

Interest Rate Risk

In general, the Agency's portfolio shall be managed by purchasing securities and holding them until their specified maturity date. However, under certain market conditions, when it becomes advantageous, the Investment Officer may sell securities prior to their maturity date and reinvest the proceeds in higher yielding instruments.

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Oregon Short-Term Fund Board (OSTFB). The Agency and City's policy is that 100% of all operating funds shall mature within 36 months and the policy has been reviewed by the OSTFB.

The City limits investment maturities as follows for operating funds:

Within one business day	15% minimum
Under 180 days	45% minimum
Under 360 days	70% minimum

To the extent possible, the City of Grants Pass shall attempt to match its investments with anticipated future cash flow requirements. The maximum maturity shall be the anticipated use of the cash or 36 months, whichever is shorter, unless:

- The funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the Council, the maximum maturity date matches the anticipated use of the funds (ORS 294.135).
- If this investment policy has been submitted for review by the Oregon Short-Term Fund (OSTF) Board and in accordance with ORS 294.135(1)(a), debt service reserves may be invested to a maturity date not exceeding five years.

Credit Risk

Neither the Oregon Revised Statutes nor the Agency's investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies. Most of the City's investments in U.S. Government Agencies were rated Aaa by Standard & Poor's and Aaa by Moody's Investor Service. The State Pool is unrated.

Oregon Revised Statutes require bankers' acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2022, all cash and investments accounts are pooled with other funds of the City of Grants Pass. Custodial credit risk is minimal as bank deposits not covered by federal depository insurance are collateralized by the Oregon Public Funds Collateralization Program. Refer to the City of Grants Pass' Annual Comprehensive Financial Report for further details.

3. Risk Management:

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance which covers the Agency to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage in the last two years.

URBAN RENEWAL AGENCY
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

4. Property Tax Limitation:

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduces the amount of operating property tax revenues available to the City. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

5. Tax Abatements

The Governmental Accounting Standards Board released Statement 77, Tax Abatement Disclosures (GASB 77). This standard requires local governments to disclose information about tax abatement agreements. Tax abatements result from agreements entered into by the reporting government, as well as those that are initiated by other governments, which reduce the reporting government's tax revenues.

Three combined features help set apart tax abatements from other tax expenditures or tax reductions (such as tax exemptions and tax deductions):

1. Purpose – Economic Development, Historical Preservation, Environmental Incentives, Brownfield Cleanup and Housing Construction.
2. Revenues Reduced – Tax revenues, nonexchange transactions, not including other streams of revenue (such as charges/fees for service).
3. Existence of an Agreement – Identifiable agreement between a government and specific individual or entity which has at least the two components of a promise by the government to reduce taxes and a promise from individual/entity to subsequently perform a certain beneficial action.

During FY22 the Grants Pass Urban Renewal Agency was affected by tax abatements from an Enterprise Zone. Enterprise Zones are authorized by Oregon Revised Statutes 285C.170 and 285C.75 for the purpose of creating a focal point for local development efforts. Under the Statutes, localities may grant total property tax abatements for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City.

In exchange for locating or expanding into any enterprise zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plant and equipment. Subject to local authorization, timely filings and criteria the benefits include:

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- Construction-in-Process Enterprise Zone Exemption—For up to two years before qualified property is placed in service, it can be exempt from local taxes, which can cover more property than the regular exemption for commercial facilities under construction.
- Three to five consecutive years of full relief from property taxes on qualified property, after it is in service.

In order for a project to qualify for an enterprise zone property tax reduction for the basic three year exemption period, the business needs to meet certain measures of increasing full-time, permanent employment, maintain a certain employment level during the exemption period, and meet certain other requirements. To receive an extended tax abatement for a total of four of five exemption years, additional criteria need to be met such as compensation (including benefits) being at or above a certain level of the county average wage.

For the fiscal year ended June 30, 2022, the Agency abated property taxes that were estimated to be \$209,500 under this program. Other than Enterprise Zones, there were no other tax abatements during the fiscal year

<u>2021-22 TAX YEAR</u>				
District Name: Grants Pass Urban Renewal Agency		District's consolidated tax rate:		10.5461
Abatement Program	Exemption Statute	Estimated RMV Exempted	Estimated AV Exempted	Estimated Tax Abated*
Enterprise Zone	285C.170, 285C.175	\$ 21,026,727	\$ 19,860,566	\$ 209,500
<i>*Does not include compression</i>				

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

REQUIRED SUPPLEMENTARY INFORMATION

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES				
Taxes	\$ 1,380,000	\$ 1,380,000	\$ 1,361,537	\$ (18,463)
Interest on Investments	-	-	647	647
Total revenues	1,380,000	1,380,000	1,362,184	(17,816)
EXPENDITURES:				
Materials and Services	43,000	43,000	11,243	31,757
Capital Outlay	2,171,000	2,171,000	-	2,171,000
Contingency	10,000	10,000	-	10,000
Total Expenditures	2,224,000	2,224,000	11,243	2,212,757
Net Change in Fund Balance	(844,000)	(844,000)	1,350,941	2,194,941
Beginning Fund Balance	844,000	844,000	837,036	(6,964)
Ending Fund Balance	\$ -	\$ -	\$ 2,187,977	\$ 2,187,977

GRANTS PASS URBAN RENEWAL AGENCY
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STATISTICAL SECTION

(UNAUDITED)

GRANTS PASS URBAN RENEWAL AGENCY
(A Component Unit of the City of Grants Pass, Oregon)

HISTORY OF TAXABLE PROPERTY AND CHANGE IN INCREMENT
For the Year Ended June 30, 2022

<i>FISCAL</i> <i>YEAR</i>	<i>CITY</i> <i>TOTAL</i> <i>ASSESSED VALUE</i>	<i>ANNUAL</i> <i>CHANGE %</i>	<i>ASSESSED VALUE*</i> <i>FROZEN</i>	<i>ASSESSED VALUE*</i> <i>\$</i>	<i>CUMULATIVE</i> <i>ASSESSED</i> <i>EXCESS VALUE</i>
2018	3,151,138,925	BASE YEAR	525,151,486	582,766,307	57,614,821
2019	3,277,174,020	4.00%	525,151,486	596,302,522	71,151,036
2020	3,382,635,167	3.22%	525,151,486	614,371,349	89,219,863
2021	3,505,009,245	3.62%	525,151,486	631,757,920	106,606,434
2022	3,639,573,160	3.84%	525,151,486	659,243,620	134,092,134

GRANTS PASS URBAN RENEWAL AGENCY

(A Component Unit of the City of Grants Pass, Oregon)

Report of Independent Auditors Required by Oregon State Regulations

Report of Independent Auditors Required by Oregon State Regulations

The Board of Directors
Grants Pass Urban Renewal Agency

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 Grants Pass Urban Renewal Agency (the “ Agency”), a component unit of the City of Grants Pass, Oregon, as of and for the year ended June 30, 2022, 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 13, 2022.

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
- 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.

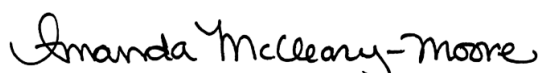
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 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.



Amanda McCleary-Moore, for
Moss Adams LLP
Medford, Oregon
December 13, 2022