



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

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2023

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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
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AGENCY OFFICIALS
AS OF JUNE 30, 2023

<u>Elected Officials</u>	<u>Term Expires</u>
Lisa Batey, Mayor	December 31, 2026
Adam Khosroabadi, Councilor	December 31, 2024
Desi Nicodemus, Councilor	December 31, 2024
Robert Massey, Councilor	December 31, 2026
Rebecca Stavenjord, Councilor	December 31, 2026

ADMINISTRATIVE STAFF

Ann Ober, 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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MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

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, 2023. 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 \$6.9 million on June 30, 2023, consisting mainly of restricted cash.
- Liabilities totaled \$4.8 million on June 30, 2023, consisting of \$4.6 million in long-term liabilities and \$0.2 thousand in accounts payable and other liabilities. Total liabilities increased by \$4.8 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 for the MRC, as well as all liabilities and deferred inflows (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 less liabilities and deferred inflows 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 and is the primary 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 statements, there are two reconciliations to facilitate a comparison between governmental

MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY
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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 Balances 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 governmentwide 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, 2023, the MRC's net position (assets minus liabilities) totaled \$2.1 million which is an increase of \$0.6 thousand from the previous year's net position.

Combined Statement of Net Position for the MRC for fiscal years ended June 30, 2023 and 2022 as follows:

	<u>Governmental Activities</u>	
	<u>FY 2023</u>	<u>FY 2022</u>
Current and other assets	\$ 6,683	\$ 1,506
Capital assets	206	-
Total assets	6,890	1,506
Long-term liabilities	4,589	-
Other liabilities	178	-
Total liabilities	4,767	-
Net position:		
Net investment in capital assets	201	-
Restricted for urban renewal	1,921	1,506
Total net position	\$ 2,123	\$ 1,506

Note: Table in Thousands

MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY
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Statement of Activities

Activities increased the MRC's new position by \$617 thousand in fiscal year 2023, compared to \$507 thousand 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 receiving bond proceeds and investing the funds in the fiscal year. Also, the MRC's property tax increment increased \$80 thousand dollars from the previous year.

MRC's Statement of Activities for fiscal years ended June 30, 2023 and 2022 as follows:

STATEMENT OF ACTIVITIES
(in thousands)

	<u>Governmental Activities</u>	
	<u>FY 2023</u>	<u>FY 2022</u>
General Revenues		
Property tax increment	\$ 589	\$ 509
Investment earnings	154	5
Miscellaneous	1	1
Total revenues	<u>744</u>	<u>515</u>
Expenses		
General government	<u>127</u>	<u>8</u>
Total expenses	<u>127</u>	<u>8</u>
Net position:		
Change in net position	<u>617</u>	<u>507</u>
Net Position - beginning	<u>1,506</u>	<u>999</u>
Net Position - ending	<u>\$ 2,123</u>	<u>\$ 1,506</u>

GOVERNMENTAL-WIDE BUDGETARY HIGHLIGHTS

The original MRC fund budget for the 2022-2023 biennium budget period amounted to \$6.5 million. No supplemental budget was executed during this period. The MRC was \$5.9 million under budgeted expenditures due to planned construction in process projects having not begun. Also, the debt service expenditures were \$700 thousand below budget due to the MRC's actual bond being \$1.8 million below the originally budgeted \$6.5 million. The bond was actually \$5.05 million.

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CAPITAL ASSETS

As of June 30, 2023, MRC has \$0.2 thousand invested in capital assets as reflected in the table below. As illustrated in the table, the MRC has several capital projects in progress and as such, there are no depreciated assets as of this fiscal year. Please refer to note 3 of the basic financial statements for further details on MRC's capital assets. Notes to the basic financial statements start on page 13.

Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities	
	FY 2023	FY 2022
Construction in Progress	\$ 206	\$ -
Capital assets, net	\$ 206	\$ -

DEBT ADMINISTRATION

At June 30, 2023, the MRC had \$5.1 of direct borrowing obligations that were issued during this 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. Notes to the basic financial statements start on page 13.

ECONOMIC FACTORS

The commission provides for rehabilitation of blighted and deteriorated areas within the City of Milwaukie's designated urban renewal boundary. In order to fund these rehabilitation efforts, the MRC uses tax increment financing (TIF) districts that levy 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.

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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
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STATEMENT OF NET POSITION
June 30, 2023

		Governmental Activities
ASSETS:		
Restricted cash and investments	\$	6,290,783
Due from other governments		378,412
Property tax receivable		14,172
Capital assets, not being depreciated:		
Construction in process		206,478
TOTAL ASSETS		6,889,845
LIABILITIES:		
Accounts payable		5,178
Notes payable, due within one year		172,765
Total current liabilities		177,943
Noncurrent liabilities:		
Notes payable, due after one year		4,589,175
TOTAL LIABILITIES		4,767,118
NET POSITION:		
Net investment in capital assets		201,300
Restricted for Urban Renewal		1,921,427
TOTAL NET POSITION	\$	2,122,727

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

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STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

FUNCTION / PROGRAM	Expenses	Net (Expense) Revenue and Change in Net Position
		Governmental Activities
Governmental Activities:		
General government	\$ 127,110	\$ 127,110
TOTAL GOVERNMENTAL ACTIVITIES	\$ 127,110	127,110
GENERAL REVENUES		
Property tax increment		588,989
Investment earnings		153,859
Miscellaneous		1,068
TOTAL GENERAL REVENUES		743,916
CHANGE IN NET POSITION		616,806
NET POSITION - beginning		1,505,921
NET POSITION - ending		\$ 2,122,727

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

MILWAUKIE REDEVELOPMENT COMMISSION - URBAN RENEWAL AGENCY
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BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2023

ASSETS

Restricted cash and investments	\$ 6,290,783
Due from other governments	378,412
Property tax increment receivable	<u>14,172</u>
TOTAL ASSETS	<u>\$ 6,683,367</u>

LIABILITIES

Accounts payable	<u>\$ 5,178</u>
TOTAL LIABILITIES	<u>5,178</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property tax increment	<u>13,143</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,143</u>

FUND BALANCE

Restricted for Urban Renewal	<u>6,665,046</u>
TOTAL FUND BALANCE	<u>6,665,046</u>

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

\$ 6,683,367

RECONCILIATION

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

Total Fund Balance	6,665,046
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Other assets are not available to pay for current-period expenditures and are therefore deferred in the funds:	13,143
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.	206,478
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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>(4,761,940)</u>
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Net position of governmental activities	<u>\$ 2,122,727</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, 2023

REVENUES

Property tax increment	\$	590,430
Investment earnings		153,859
Miscellaneous		1,068

TOTAL REVENUES		745,357
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EXPENDITURES

Current operating:		
General government		24,867
Debt service:		
Principal		290,160
Interest		67,243
Capital outlay		206,478

TOTAL EXPENDITURES		588,748
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EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		156,609
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OTHER FINANCING SOURCES (USES):

Issuance from borrowing		5,052,100
Transfers to the City of Milwaukie		(35,000)

TOTAL OTHER FINANCING SOURCES (USES)		5,017,100
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NET CHANGE IN FUND BALANCES		5,173,709
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FUND BALANCE - beginning		1,491,337
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FUND BALANCE - ending		\$ 6,665,046
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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 FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2023

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

Net change in fund balances	\$	5,173,709
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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.		206,478
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Revenues in the Statement of Activities that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.		(1,441)
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The issuance of long-term debt (e.g., bonds, capital leases) 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.

	Proceeds from borrowing	(5,052,100)	
	Long-term debt principal repayments	290,160	(4,761,940)

Change in net position of governmental activities	\$	616,806
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The accompanying notes are an integral part of the basic financial statements.

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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 government-wide 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.

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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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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. In the *Government-wide Statement of Net Position*, deferred inflows of resources are recorded for property taxes.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources such as debt service expenditures 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 is considered to be cash on hand, 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.

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The MRC's 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.

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 fair 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*, equity is referred to as *Net Position* and is segregated into the following three components of 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.

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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.

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 and 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.

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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 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 Cash Equivalents

As of June 30, 2023, the MRC's cash and investments were comprised of the following:

Cash on Hand	\$ -
Deposits with financial institutions	1,671,841
Investments:	
Treasury Bill Investment	4,618,942
Oregon State Treasurer's LGIP	-
Total cash and investments	<u>\$ 6,290,783</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 \$1,831,165 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 MRC-URA of the City of Milwaukie, Oregon | Financial Report FY 2023

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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).

Custodial Credit Risk. Custodial risk is the risk that in the event of failure of the counterparty the city will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2023, all MRC deposits are insured or collateralized and are therefore not subject to custodial credit risk.

The MRC participates in 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, 2023, were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Yield</u>	<u>Weighted Average</u>
Treasury Note	Not Rated	\$4,618,941	3.07%	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 and bonds are measured using level 2 inputs.

Note 3. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

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	Balance as of June 30, 2022	Additions	Balance as of June 30, 2023
Governmental activities:			
Capital assets not being depreciated:			
Construction in Progress	\$ -	\$ 206,478	\$ 206,478
Total capital assets not being depreciated	-	206,478	206,478
Total capital assets being depreciated	-	-	-
Total capital assets, net	\$ -	\$ 206,478	\$ 206,478

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

Long-term debt transactions for the fiscal year ended June 30, 2023, was as follows:

Government Activities	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Due within one year
2023 Full Faith and Credit Obligations for Redevelopment Commission, interest rate of 3.96%, original amount of \$5,052,100, due 2042	\$ -	\$ 5,052,100	\$ (290,160)	\$ 4,761,940	\$ 172,765
Long-term debt obligations and premiums	-	5,052,100	(290,160)	4,761,940	172,765
Total Long-Term Obligations	-	5,052,100	(290,160)	4,761,940	172,765

Future maturities of principal and interest are as follows:

Fiscal Year	FFCO Series 2023		
Ending June 30,	Principal	Interest	Total
2024	172,765	188,573	361,338
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
2029-33	1,135,390	671,302	1,806,692
2034-38	1,378,720	427,971	1,806,691
2039-42	1,312,835	132,493	1,445,328
	\$ 4,761,940	\$ 2,103,451	\$ 6,865,391

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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 \$2,594 for Urban Renewal.

Additionally, the MRC enters into property tax abatement agreements with local businesses under the state Low Income Housing Program, authorized by ORS 307.540, administered by Oregon Housing and Community Services, authorized by ORS 456.555 and OAR 813-013. The purpose of the program is to encourage investment in low-income housing in targeted areas of a city, urban renewal area or community, to augment the availability of appropriate housing, and to revitalize communities. The program encourages mixed-use developments that contain both non-residential and residential uses in areas (or zones) designated by local jurisdictions. For the current year, the abatement is approximately \$235 for Urban Renewal.

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 approximately \$137 for Urban Renewal.

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, 2023, the MRC transferred \$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. As of June 30, 2023 the MRC is owed \$378,412 from the City of Milwaukie to complete the February 14, 2023 Bond issuance. These funds will be transferred in the fiscal year 2024.

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, 2023**

	Budget for the 2023-2024 Biennium		Actual	Variance with Final Budget
	Original	Final	Fiscal Year 2022-2023	
REVENUES:				
Tax increment	\$ 1,753,000	\$ 1,753,000	\$ 590,430	\$ (1,162,570)
Investment earnings	10,000	10,000	153,859	143,859
Miscellaneous revenue	-	-	1,068	1,068
TOTAL REVENUES	<u>1,763,000</u>	<u>1,763,000</u>	<u>745,357</u>	<u>(1,017,643)</u>
EXPENDITURES:				
Materials and services	100,000	100,000	24,867	75,133
Debt service	1,044,000	1,044,000	357,403	686,597
Capital outlay	5,332,000	5,332,000	206,478	5,125,522
Contingency	42,000	42,000	-	42,000
TOTAL EXPENDITURES	<u>6,518,000</u>	<u>6,518,000</u>	<u>588,748</u>	<u>5,929,252</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,755,000)</u>	<u>(4,755,000)</u>	<u>156,609</u>	<u>4,911,609</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	6,500,000	6,500,000	5,052,100	(1,447,900)
Transfers to other funds	(70,000)	(70,000)	(35,000)	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,430,000</u>	<u>6,430,000</u>	<u>5,017,100</u>	<u>(1,482,900)</u>
NET CHANGE IN FUND BALANCES	1,675,000	1,675,000	5,173,709	3,498,709
FUND BALANCES - beginning	<u>1,620,000</u>	<u>1,620,000</u>	<u>1,491,337</u>	<u>(128,663)</u>
FUND BALANCES - ending	<u>\$ 3,295,000</u>	<u>\$ 3,295,000</u>	<u>\$ 6,665,046</u>	<u>\$ 3,370,046</u>

Management Representation of Fiscal Affairs Required by Oregon State Regulation

MANAGEMENT REPRESENTATION OF FISCAL AFFAIRS AS REQUIRED BY OREGON STATE
REGULATIONS

The Milwaukie Redevelopment Commission is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operation and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, division 40) including, but not limited to:

- 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.
- Highway revenues used for public highways and roads (ORS Chapters 294, 368 & 373).
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts, purchasing, and improvements (ORS Chapters 279A, 279B, and 279C).

The management of Milwaukie Redevelopment Commission is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Statement Required by ORS 297.435(3)(c)

The Board Members and the Milwaukie Redevelopment Commission were covered the entire year ended June 30, 2023 by a \$1,000,000 bond.



Signature

Finance Director

Title

March 14, 2024

Date