



City of McMinnville

MCMINNVILLE URBAN RENEWAL AGENCY, OREGON
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024



Third Street Improvement Project

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

Annual Financial Report

For the fiscal year ended June 30, 2024

prepared by

Finance Department
City of McMinnville, Oregon

available online at
mcminnvilleoregon.gov

McMinnville Urban Renewal Agency, Oregon
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

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McMinnville Urban Renewal Agency

**Elected Officials
And
Principal Appointed Officers of the Agency
June 30, 2024**

URBAN RENEWAL AGENCY BOARD

TERM EXPIRES

Remy Drabkin	December 31, 2024
Adam Garvin	December 31, 2024
Chris Chenoweth	December 31, 2024
Kellie Menke	December 31, 2024
Sal Peralta	December 31, 2026
Zack Geary	December 31, 2026
Jessica L. Payne	December 31, 2026

URBAN RENEWAL AGENCY ADMINISTRATION

Jeffrey R. Towery	City of McMinnville City Manager
Jennifer K. Cuellar-Smith	City of McMinnville Finance Director

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BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Agency Officials
McMinnville Urban Renewal Agency
McMinnville, Oregon

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the McMinnville Urban Renewal Agency, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The McMinnville Urban Renewal Agency's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 McMinnville Urban Renewal Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McMinnville Urban Renewal Agency's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

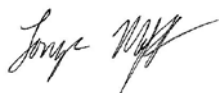
Management is responsible for the other information included in the annual report. The other information comprises the elected officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information,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

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

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 23, 2024, on our consideration of the McMinnville Urban Renewal Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co
Tualatin, Oregon
December 23, 2024

McMinnville Urban Renewal Agency Management's Discussion and Analysis

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

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes and should be read in conjunction with the City of McMinnville's financial statements and the Agency's financial statements, which immediately follow this analysis.

Financial Highlights

The Agency was established in March 2013. The year ended June 30, 2024, was the tenth year that the Agency incurred financial transactions.

- Assets exceeded liabilities and deferred inflows of resources by approximately \$1.8 million at June 30, 2024.
- The Agency received property taxes of approximately \$708,000 in the 2024 fiscal year.
- During the current fiscal year, the value of capital assets increased by approximately \$33,000 due to investment in a capital in process street project offset by depreciation of existing assets. At 2024 fiscal year end, the Agency's capital assets consisted of just under \$1,626,000 in street improvement value.
- During the current fiscal year, the Agency entered into an intergovernmental agreement with the City to pay the interest portion only of a loan allowing the purchase of property in the Alpine neighborhood of the district planned to be redeveloped from industrial into housing and commercial for five years.

Overview of the Financial Statements

Following this MD&A, the report is organized in three sections: basic financial statements including notes to the basic financial statements; required and other supplementary information; and reports by the independent auditor as required by the State of Oregon. The agency-wide statements include the statement of net position and the statement of activities.

The *Statement of Net Position* provides a focus on the net position of the Agency's governmental activities. As Agency activities increase, the Statement will also reflect the Agency's capital assets and long-term liabilities.

The *Statement of Activities* provides a focus on program costs and their matching resources. To the extent that program costs are not covered by grants and direct charges, they are paid from general taxes and other sources. This statement demonstrates the extent to which programs are self-supporting or subsidized by general revenues.

The *fund financial statements* for the individual funds follow the agency-wide statements. The Agency presents the Urban Renewal Fund, which serves as the Agency's general operating fund, and the Urban Renewal Debt Service Fund as major funds.

McMinnville Urban Renewal Agency Management's Discussion and Analysis

Agency-wide Statements

The agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two agency-wide statements report the Agency's *net position* and how it has changed. Net position—the difference between assets and liabilities—is one way to measure the Agency's *financial health or position*.

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$1,765,703 at the close of the most recent fiscal year.

The following table is a summary of the City's net position compared to the prior year fiscal year.

Statement of Net Position June 30, 2024 and 2023

	2024	2023	
Current assets	\$ 1,397,015	\$ 1,113,200	
Non-current assets	74,129	85,044	
Capital assets	1,625,524	1,592,850	
Total assets	\$ 3,096,668	\$ 2,791,094	
Current and long-term liabilities	\$ 1,330,965	\$ 1,455,386	
Total liabilities	1,330,965	1,455,386	
Net position			
Invested in capital assets	329,114	250,175	
Restricted	1,436,589	1,085,533	
Total net position	\$ 1,765,703	\$ 1,335,708	

The Agency's net position increased by \$429,995 during the current fiscal year. This increase represents the degree to which assets exceeded liabilities.

McMinnville Urban Renewal Agency Management's Discussion and Analysis

Statement of Activities

As with the statement of net position, the Agency reports governmental activities on a consolidated basis. A summary version of the statement of activities is illustrated in the following table.

Statement of Activities		
June 30, 2024 and 2023		
	2024	2023
Revenues		
Program revenues	\$ -	\$ 10,576
General revenues		
Tax increment revenues	708,259	656,945
Investment revenues	69,066	43,829
Total assets	777,325	711,350
Expenses		
Government activities		
General government	318,455	212,099
Interest on long-term debt	28,875	32,058
Total expenses	347,330	244,157
Increase (decrease) in net position	429,995	467,193
Net position, beginning	1,335,708	868,515
Net position, ending	\$ 1,765,703	\$ 1,335,708

Governmental activities led to an increase in the Agency's net position by \$429,995 due principally to the tax incremental revenues increasing by more than depreciation expenses during the year. The Agency's tax increment revenues of \$708,259 are the majority of total revenues of the Agency. The fiscal year ended 2024 was the tenth year the Agency collected taxes.

All of taxes collected are restricted to repayment of urban renewal debt which will finance various projects within the urban renewal district.

Fund Financial Analysis

Fund accounting segregates revenues according to their intended purpose and is used to aid management in demonstrating legal and contractual compliance with revenue source spending requirements. The Agency's fund balance classifications are defined as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The entire amount of the Debt Service Fund's ending fund balance consists of tax increment revenue and is restricted for debt service. Ending balances for fiscal years 2024 and 2023 were \$1,321,725 and \$979,506 respectively, for an increase of \$342,219. The increase is due to higher tax incremental revenues in 2024 as well as opting to only transfer the amount needed for programming to the Urban Renewal Fund, leaving it with an ending fund balance of zero.

McMinnville Urban Renewal Agency Management's Discussion and Analysis

In the fund financial statement, the Urban Renewal Fund ending fund balance for fiscal years 2024 and 2023 were \$0 and \$98,654 respectively. The decrease is due to the above-mentioned change of practice to transfer only the amount needed to cover expenses from the Debt Service Fund. The purpose of this fund is to account for urban renewal project costs.

Urban Renewal Fund Budgetary Highlights

There was one supplemental budget adopted by the McMinnville Urban Renewal Agency Board in the current fiscal year to add transfer category capacity for urban renewal expenses to reimburse the match portion of a state brownfield grant.

Capital Assets

At fiscal year end June 30, 2024, the Agency had \$ 1,625,524 in capital assets. The majority of the capital assets represents the Alpine Avenue street improvement project. At fiscal year end June 30, 2024, the Agency's investment in capital assets consisted of the Alpine Avenue street improvement project that was completed in 2018 and totaled \$1,950,857 and an improvement to a city parking lot by building a trash enclosure with both Agency and community contributed resources totaling approximately \$25,000.

Construction in Progress of \$235,733 is for a downtown parking upgrade and Third Street Streetscape projects.

Obligations Outstanding

During the 2017 fiscal year, the Agency and City entered into an intergovernmental agreement (IGA) for the City to loan \$2,192,300 to the Agency for construction of the Alpine Avenue project. The final payment is due on this loan in 2032. In the current fiscal year, the Agency and City entered into another IGA that supports the purchase of an industrial property in the NE Gateway District of the Agency's operating area. This agreement commits the Agency to pay the interest on the five-year loan secured by the General Fund to purchase the property.

The Agency's outstanding debt is described in more detail in the notes to the financial statements, Note III.D.

Economic Factors

The McMinnville Urban Renewal Agency's purpose is to partner with private development to support growth in downtown and the northeast gateway area. Increasing property values within the urban renewal boundaries translates into increasing tax increment revenue. This tax increment is then used to pay debt incurred to fund projects and improvements.

In 2013 when the Agency was created, the frozen assessed value of the district was \$86.3 million. For the fiscal year ended 2024, the assessed value of the district was \$141.2 million, an increase of 63.5 percent compared to the frozen base. Taxes assessed on the incremental assessed value between the current and frozen assessed values are paid to the Agency, while taxes on the frozen base are paid to the respective taxing jurisdictions.

The purchase of the property in the NE Gateway district, and the subsequent sale to be redeveloped from industrial to mixed use commercial and residential, advances Plan goals such as the following:

- Goal 3 to encourage the unique district identity of the NE Gateway as a place for people to live, work and play
- Goal 6 for affordable, quality housing
- Goal 8 for development and redevelopment

McMinnville Urban Renewal Agency Management's Discussion and Analysis

Requests for Information

This Agency's financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability of the resources it receives and expends. For additional information, contact the Finance Department, City of McMinnville, 230 NE Second Street, McMinnville, Oregon 97128.

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BASIC FINANCIAL STATEMENTS

Basic Financial Statements

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

Government-Wide Financial Statements

Fund Financial Statements

- Governmental Funds

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

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Property taxes receivable	\$ 35,690
Loans receivable	13,478
Restricted cash and investments	<u>1,347,847</u>
Total current assets	<u>1,397,015</u>
Noncurrent assets:	
Loans receivable	74,129
Capital assets:	
Nondepreciable	235,733
Depreciable, net	<u>1,389,791</u>
Total noncurrent assets	<u>1,699,653</u>
Total assets	<u><u>\$ 3,096,668</u></u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 34,555
Current portion of long-term obligations	<u>161,660</u>
Total current liabilities	<u>196,215</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>1,134,750</u>
Total noncurrent liabilities	<u>1,134,750</u>
Total liabilities	<u>1,330,965</u>
NET POSITION:	
Net investment in capital assets	329,114
Restricted for:	
Debt service	403,052
Urban renewal projects	<u>1,033,537</u>
Total net position	<u>1,765,703</u>
Total liabilities and net position	<u><u>\$ 3,096,668</u></u>

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Statement of Activities
For the Year Ended June 30, 2024

	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net Revenue (Expenses) and Change in Net Position</u>
EXPENSES:			
General government	\$ 318,455	\$ -	\$ (318,455)
Interest on long-term debt	28,875	-	(28,875)
Total activities	<u>\$ 347,330</u>	<u>\$ -</u>	<u>(347,330)</u>
GENERAL REVENUES:			
Property taxes			708,259
Investment income			69,066
Total general revenues			<u>777,325</u>
Change in net position			429,995
NET POSITION, BEGINNING			<u>1,335,708</u>
NET POSITION, ENDING			<u>\$ 1,765,703</u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements
Major Governmental Funds

McMinnville Urban Renewal Fund

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

Urban Renewal Debt Service Fund

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

The accompanying notes are an integral part of these financial statements

**McMinnville Urban Renewal Agency
Balance Sheet - Governmental Funds
June 30, 2024**

	Urban Renewal Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
ASSETS:			
Property taxes receivable	\$ -	\$ 35,690	\$ 35,690
Loans receivable	87,607	-	87,607
Restricted cash and investments	34,555	1,313,292	1,347,847
	<u>122,162</u>	<u>1,348,982</u>	<u>1,471,144</u>
Total assets	<u>\$ 122,162</u>	<u>\$ 1,348,982</u>	<u>\$ 1,471,144</u>
LIABILITIES:			
Accounts payable	\$ 34,555	\$ -	\$ 34,555
	<u>34,555</u>	<u>-</u>	<u>34,555</u>
Total liabilities	<u>34,555</u>	<u>-</u>	<u>34,555</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	-	27,257	27,257
Unavailable revenue - loans receivables	87,607	-	87,607
	<u>87,607</u>	<u>27,257</u>	<u>114,864</u>
Total deferred inflows of resources	<u>87,607</u>	<u>27,257</u>	<u>114,864</u>
FUND BALANCE:			
Restricted for:			
Debt service	-	403,052	403,052
Urban renewal improvements	-	918,673	918,673
	<u>-</u>	<u>1,321,725</u>	<u>1,321,725</u>
Total fund balance	<u>-</u>	<u>1,321,725</u>	<u>1,321,725</u>
Total deferred inflows of resources and fund balance	<u>\$ 122,162</u>	<u>\$ 1,348,982</u>	<u>\$ 1,471,144</u>

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

Total fund balance	\$ 1,321,725
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,625,524
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred inflows in the funds.	
Tax increment revenues - earned but unavailable	27,257
Development loan revenues - earned but unavailable	87,607
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(1,296,410)
Interest payable	<u>-</u>
Net position	<u>\$ 1,765,703</u>

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Statement of Revenues, Expenditures, and Change
In Fund Balance - Governmental Funds
For the Year Ended June 30, 2024

	Urban Renewal Fund	Urban Renewal Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes	\$ -	\$ 702,008	\$ 702,008
Intergovernmental	-	247	247
Miscellaneous	20,487	59,247	79,734
Total revenues	20,487	761,502	781,989
EXPENDITURES:			
Current:			
General government	351,129	-	351,129
Debt service:			
Principal	-	158,420	158,420
Interest	-	28,875	28,875
Total expenditures	351,129	187,295	538,424
Revenues over (under) expenditures	(330,642)	574,207	243,565
OTHER FINANCING SOURCES (USES):			
Transfers in	231,988	-	231,988
Transfers out	-	(231,988)	(231,988)
Total other financing sources (uses)	231,988	(231,988)	-
Net change in fund balance	(98,654)	342,219	243,565
FUND BALANCE, BEGINNING	98,654	979,506	1,078,160
FUND BALANCE, ENDING	\$ -	\$ 1,321,725	\$ 1,321,725

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental
Fund to the Statement of Activities
For the Year Ended June 30, 2024

Amounts reported in the statement of activities are different because:

Net change in fund balance	\$	243,565
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The statement of revenues, expenditures, and changes in fund balances report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital asset additions	131,495	
Depreciation	<u>(98,821)</u>	32,674

Some revenues reported in the statement of activities do not provide current financial resources in the governmental funds.

Property taxes		6,251
Loan receivable		<u>(10,915)</u>

The repayment of the principal of long-term obligations consumes the current financial resources of governmental funds but does not have any effect on net position.

		<u>158,420</u>
Change in net position	\$	<u><u>429,995</u></u>

The accompanying notes are an integral part of these financial statements

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements
June 30, 2024

I. The reporting entity and summary of significant accounting policies

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

A. Reporting entity

The Agency is the urban renewal agency of the City of McMinnville, Oregon (the City) and was organized on July 23, 2013 under the provisions of Oregon Revised Statutes, Chapter 457, to undertake urban renewal projects and activities pursuant to the Downtown and Northeast Gateway Redevelopment Plans.

The Agency's governing body is substantively the same as the City's governing body, therefore the Agency is presented as a blended component unit in the City's basic financial statements. All significant activities over which the Agency exercises oversight responsibility have been included in the component unit financial statements. This governing body has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. The Agency has no component units.

B. Agency-wide and fund financial statements

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

Agency-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

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

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. All of the Agency's funds are classified as governmental fund types.

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

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

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

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2024

the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

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

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

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

Major Governmental Funds:

- *McMinnville Urban Renewal Fund*

This fund accounts for the acquisition and development of capital improvement projects. Financing sources consist of operating transfers from the debt service fund, bond proceeds, investment earnings, and other miscellaneous revenues. This fund functions as the Agency's "General Fund".

- *Urban Renewal Debt Service Fund*

This fund accounts for the payments of principal and interest on debt incurred. The primary sources of revenue are tax increment revenues and investment income.

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

1. Deposits and investments

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

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2024

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

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio consists of investments in the LGIP, interest-bearing money market accounts and a certificate of deposit.

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

2. Receivables and payables

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

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

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

3. Restricted assets

Assets whose use is restricted by legal requirements external to the Agency, are segregated on the agency-wide statement of net position. These legal restrictions include use limitations, as well as urban renewal tax increment funds legally restricted by applicable state statutes.

4. Capital assets

In the government-wide financial statements, capital assets include property, plant, equipment, infrastructure assets (roads, pathways, street lights, parking lot improvements, etc.). In the governmental fund financial statements, capital assets are charged to expenditures as purchased. Capital assets are defined by the Agency as assets with an initial cost of \$10,000 or more and an estimated useful life of more than one year. Cost generally includes materials, labor and an allocation of overhead costs. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Assets are recorded at historical cost or estimated historical cost if historical cost is not available.

Land, land rights, and easements have an indefinite life and therefore are not amortized. Construction in progress that has not been put into use is not depreciated. Exhaustible assets are depreciated using the straight-line method.

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
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Notes to the Basic Financial Statements (Continued)
June 30, 2024

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Street infrastructure	20 – 50

5. Long-term obligations

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

In the fund financial statements, debt premiums and discounts are recognized as period costs in the year of issue. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Net position and fund balance

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency does not have an item that qualifies for reporting in this category.

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

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
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Notes to the Basic Financial Statements (Continued)
June 30, 2024

E. Use of estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

II. Stewardship, compliance, and accountability

The Agency's budget is adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs. The Budget Officer is responsible for submitting a proposed budget to the Budget Committee, which is comprised of the Agency Board and an equal number of citizens of the District.

The Agency is required to prepare a balanced budget for all funds, subject to the budget requirements of state law. The Agency's budget is prepared for each fund on the modified accrual basis of accounting. The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past two years' actual receipts and expenditures as well as current-year estimates is also included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Board for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by the Board without returning to the Budget Committee for a second approval. After the Board adopts the budget and certifies the total of *ad valorem* taxes to be levied, no additional tax levy may be made for that budget period.

The Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. For the Agency's funds, the levels of budgetary control established by resolution are materials and services, debt service, capital outlay, transfers and operating contingency. Appropriations lapse as of the end of the fiscal year for goods not yet received or services not yet incurred.

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

III. Detailed notes on accounts

At June 30, 2024, the Agency's cash and cash equivalents were comprised of the following:

Oregon State Treasurers Local Investment Pool	<u>\$ 1,346,441</u>
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McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2024

A. Cash and investments

a. Interest rate risk

In accordance with its investment policy, the Agency manages its exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio to less than 36 months.

b. Credit risk

State statutes authorize the Agency to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The Agency has no investment policy that would further limit its investment choices.

c. Concentration of credit risk

The Agency's investment policy allows the Agency to have a maximum of up to 35% of total portfolio in either Commercial paper or Corporate Indebtedness to limit concentration of credit risk. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company.

d. Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Agency does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the Agency's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2024, the book value of the Agency's deposits was \$1,406 and the bank balance was \$1,394. None of the Agency's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.¹

B. Receivables

Receivables for the Agency as of the fiscal year ended June 30, 2024 consist of tax increment revenues and development loans receivables and are as follows:

<u>Receivables</u>		
Property taxes	\$	35,690
Development loans		<u>87,607</u>
Total	\$	<u><u>123,297</u></u>

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
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Notes to the Basic Financial Statements (Continued)
June 30, 2024

As of June 30, 2024, the amount receivable to the Agency for development loans are as follows:

Fiscal Year Ending June 30	Principal	Interest
2025	\$ 13,478	\$ 1,826
2026	13,478	1,197
2027	13,478	958
2028	13,478	718
2029	13,478	479
2030-2031	20,217	270
Total	<u>\$ 87,607</u>	<u>\$ 5,448</u>

C. Capital assets

For year ended June 30, 2024, capital assets activity is as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Capital assets not being depreciated				
Construction in process	104,238	131,495	-	235,733
Total capital assets not being depreciated	<u>104,238</u>	<u>131,495</u>	<u>-</u>	<u>235,733</u>
Capital assets being depreciated				
Land improvements	25,576	-	-	25,576
Infrastructure	1,950,857	-	-	1,950,857
Total capital assets being depreciated	<u>1,976,433</u>	<u>-</u>	<u>-</u>	<u>1,976,433</u>
Less accumulated depreciation				
Land improvements	(107)	(1,278)	-	(1,385)
Infrastructure	(487,714)	(97,543)	-	(585,257)
Total accumulated depreciation	<u>(487,821)</u>	<u>(98,821)</u>	<u>-</u>	<u>(586,642)</u>
Total capital assets being depreciated	<u>\$ 1,592,850</u>	<u>\$ 32,674</u>	<u>\$ -</u>	<u>\$ 1,625,524</u>

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2024

D. Long-term obligations

During the 2017 fiscal year, the Agency and City entered into an intergovernmental agreement (IGA) for the City to loan \$2,192,300 to the Agency for construction of the Alpine Avenue project. During the current fiscal year, the Agency and City entered into another IGA to pay for the interest portion only of the loan enabling the purchase of an industrial property in the Alpine neighborhood of the urban renewal district that is planned for redevelopment to commercial and housing development.

The following table shows the debt service schedule for the long-term debt.

Fiscal Year	Principal	Interest
Ending June 30		
2025	\$ 161,660	\$ 241,392
2026	164,980	238,078
2027	168,370	234,695
2028	171,810	231,243
2029	175,350	227,720
2030-2032	454,240	13,994
Total	<u>\$ 1,296,410</u>	<u>\$ 1,187,122</u>

The following table shows the interest only payment schedule to the City.

Fiscal Year	Principal	Interest
Ending June 30		
2025	\$ -	\$ 215,766
2026	-	215,766
2027	-	215,766
2028	-	215,766
2029	-	215,766
Total	<u>\$ -</u>	<u>\$ 1,078,830</u>

The following table shows the current fiscal year changes in notes payable, including short-term operating notes payable.

	Beginning			Ending Balance	Due Within One
	Balance 7/1/2022	Additions	Payments	6/30/2023	Year
Loan payable - Alpine Avenue	\$ 1,454,830	\$ -	\$ (158,420)	\$ 1,296,410	\$ 161,660
Total internal loans receivable	<u>\$ 1,454,830</u>	<u>\$ -</u>	<u>\$ (158,420)</u>	<u>\$ 1,296,410</u>	<u>\$ 161,660</u>

McMinnville Urban Renewal Agency
The Urban Renewal Agency of the City of McMinnville, Oregon
(a component unit of the City)

Notes to the Basic Financial Statements (Continued)
June 30, 2024

E. Fund balances

At fiscal year end 2024, all Urban Renewal fund balances are considered restricted.

IV. Other information

A. Risk management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The Agency is covered for comprehensive liability, property, auto liability and physical damage, employer’s liability, and workers’ compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses.

B. Related party transactions

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

C. Tax abatement

The Agency has entered into property tax abatement agreements whereby the assessed value of property tax has been reduced. The Agency’s property tax revenue for the year ended June 30, 2024 has been abated under the following programs:

Program and Statutory Authority		Amount of Abatement
Housing for low income rental	ORS 307.517	\$ 649
Historic property	ORS 358.505	25
Total		\$ 674

D. New accounting pronouncement

The Agency adopted the provision of GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

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REQUIRED SUPPLEMENTARY INFORMATION

**McMinnville Urban Renewal Agency
 McMinnville Urban Renewal Fund
 Schedule of Revenues, Expenditures, And
 Change in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2024**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Miscellaneous	\$ 16,528	\$ 16,528	\$ 20,487	\$ 3,959
Total revenues	16,528	16,528	20,487	3,959
EXPENDITURES:				
Personal service	-	-	-	-
Materials and service	604,890	419,890	66,232	353,658
Capital outlay	104,000	289,000	217,554	71,446
Contingency	200,000	192,956	-	192,956
Total expenditures	908,890	901,846	283,786	618,060
Revenues over (under) expenditures	(892,362)	(885,318)	(263,299)	622,019
OTHER FINANCING SOURCES (USES):				
Transfer to City of McMinnville	(57,700)	(64,744)	(67,343)	(2,599)
Transfers in	893,212	893,212	231,988	(661,224)
Total other financing sources (uses)	835,512	828,468	164,645	(663,823)
Net change in fund balance	(56,850)	(56,850)	(98,654)	(41,804)
FUND BALANCE, BEGINNING BUDGETARY BASIS	56,850	56,850	98,654	41,804
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ -	\$ -

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OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information

BUDGETARY COMPARISON SCHEDULE

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

The budgetary comparison schedule includes the following:

Debt Service Funds

Urban Renewal Debt Service Fund

**McMinnville Urban Renewal Agency
Urban Renewal Debt Service Fund
Schedule of Revenues, Expenditures, And
Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024**

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 717,500	\$ 717,500	\$ 702,008	\$ (15,492)
Intergovernmental	-	-	247	247
Miscellaneous	10,600	10,600	59,247	48,647
Total revenues	<u>728,100</u>	<u>728,100</u>	<u>761,502</u>	<u>33,402</u>
EXPENDITURES:				
Debt service:				
Principal	158,420	158,420	158,420	-
Interest	28,875	28,875	28,875	-
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>287,295</u>	<u>287,295</u>	<u>187,295</u>	<u>100,000</u>
Revenues over (under) expenditures	440,805	440,805	574,207	133,402
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(893,212)</u>	<u>(893,212)</u>	<u>(231,988)</u>	<u>661,224</u>
Total other financing sources (uses)	<u>(893,212)</u>	<u>(893,212)</u>	<u>(231,988)</u>	<u>661,224</u>
Net changes in fund balances	(452,407)	(452,407)	342,219	794,626
FUND BALANCES, BEGINNING	<u>877,866</u>	<u>877,866</u>	<u>979,506</u>	<u>101,640</u>
FUND BALANCES, ENDING	<u>\$ 425,459</u>	<u>\$ 425,459</u>	<u>\$ 1,321,725</u>	<u>\$ 896,266</u>

AUDIT COMMENTS AND DISCLOSURES

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *OREGON STATE REGULATION***

The Agency Officials
McMinnville Urban Renewal Agency
McMinnville, Oregon

We have audited the basic financial statements of the McMinnville Urban Renewal Agency, a component unit of the City of McMinnville, Oregon, as of and for the year ended June 30, 2024 and have issued our report thereon dated December 23, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Compliance

As part of obtaining reasonable assurance about whether the McMinnville Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in the Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements. 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 consider necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets. The McMinnville Urban Renewal Agency does not receive highway funds.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The McMinnville Urban Renewal Agency does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the McMinnville Urban Renewal Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-

010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except at follows.

Expenditures in the following fund exceeded appropriations for the year ended June 30, 2024:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount</u>
Urban Renewal Fund	Transfer to City of McMinnville	\$ 2,599

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the McMinnville Urban Renewal Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McMinnville Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the McMinnville Urban Renewal Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co
Tualatin, Oregon
December 23, 2024