

**Rockwood-West Gresham**  
**Urban Renewal Area**  
(a component unit of the City of Gresham, Oregon)

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**Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2013**

Prepared by  
Finance & Management Services Department



**Rockwood-West Gresham Urban Renewal Area  
(a component unit of the City of Gresham, Oregon)  
For the Fiscal Year Ended June 30, 2013**

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# GRESHAM

## REDEVELOPMENT COMMISSION

Rockwood-West Gresham Urban Renewal Area  
Gresham City Hall  
1333 NW Eastman Parkway  
Gresham, Oregon 97030

[www.greshamoregon.gov/city/city-departments/urban-renewal](http://www.greshamoregon.gov/city/city-departments/urban-renewal)

As of June 30, 2013

Name	Term Expires
Shane Bemis <a href="mailto:Shane.Bemis@GreshamOregon.gov">Shane.Bemis@GreshamOregon.gov</a>	December 2014
Jerry Hinton <a href="mailto:Jerry.Hinton@GreshamOregon.gov">Jerry.Hinton@GreshamOregon.gov</a>	December 2016
Kirk French <a href="mailto:Kirk.French@GreshamOregon.gov">Kirk.French@GreshamOregon.gov</a>	December 2014
Karylinn Echols <a href="mailto:Karylinn.Echols@GreshamOregon.gov">Karylinn.Echols@GreshamOregon.gov</a>	December 2016
Mario Palmero <a href="mailto:Mario.Palmero@GreshamOregon.gov">Mario.Palmero@GreshamOregon.gov</a>	December 2014
Michael McCormick <a href="mailto:Michael.McCormick@GreshamOregon.gov">Michael.McCormick@GreshamOregon.gov</a>	December 2016
Lori Stegmann <a href="mailto:Lori.Stegmann@GreshamOregon.gov">Lori.Stegmann@GreshamOregon.gov</a>	December 2014

**Principal Officials:**

Erik Kvarsten, City Manager

Dave Ris, City Attorney

Bernard Seeger, Finance and Management Services Director

Josh Fuhrer, GRDC Executive Director

The Commissioners and Principal Officials can be reached at the City Hall address above.

# Independent Auditors' Report

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## INDEPENDENT AUDITOR'S REPORT

Gresham Redevelopment Commissioners  
Rockwood-West Gresham Urban Renewal Area  
Gresham, Oregon



An Independently Owned Member  
MCGGLADREY ALLIANCE | McGladrey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rockwood-West Gresham Urban Renewal Area ("Area"), (a component unit of the City of Gresham, Oregon) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Area's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Area as of June 30, 2013, 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.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Area's basic financial statements. The other schedules as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The other schedules are the responsibility of management and were derived from and relate 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, the other schedules are fairly stated in all material respects in relation to the financial statements as a whole.

## **ISLER CPA**



By: Paul R. Nielson, CPA, a member of the firm

Eugene, Oregon

February 24, 2014



## Management's Discussion and Analysis

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**Rockwood—West Gresham Urban Renewal Area  
(a component unit of the City of Gresham, Oregon)  
Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2013**

This discussion and analysis highlights the financial activities and financial position of the Rockwood-West Gresham Urban Renewal Area (Area) for the year ended June 30, 2013. The Area is a blended component unit of the City of Gresham, Oregon (City). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, variances from the budget, and specific issues related to individual funds.

**FINANCIAL HIGHLIGHTS**

- The Area added \$2,579,072 in capital assets net of depreciation; This 22.8% increase in capital assets largely resulted from construction on the new public safety facility in Rockwood.
- A recovering local economy, and a change in the valuation of industrial properties lifted the Area's property tax increment growth 7.0% over the previous year, in this, the tenth year of the Area's existence.
- Through coordination with the City, the Area completed project draws of \$2,686,872 utilizing a line of credit facility. The Area repaid \$1,000,000 of previous draws during the year.
- On a fund basis, the Area's governmental funds reported a combined ending fund balance of \$8.0 million, a decrease of \$0.5 million from the prior year, reflecting major project construction activity during FY 2013.
- Fiscal 2013 saw the Area receive \$105.8 thousand in federal interest subsidies for Build America Bonds issued in FY 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

***Report Layout***

This discussion and analysis is intended to serve as an introduction to the Area's basic financial statements. The basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-wide Financial Statements***

The government-wide statements report information about the Area as a whole in a manner similar to private-sector companies. The two government-wide statements are the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of the Area's assets, liabilities, deferred outflows and inflows with the difference reported as net position.

The Statement of Activities provides a focus on program costs and their matching resources. All of the current year's revenues and expenses are detailed in the statement of activities using the accrual basis of

## ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA

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accounting (i.e. regardless of when cash is received or paid). The Area received \$58 thousand in capital contributions from the City and no revenues derived from grants.

Program costs are paid from loan proceeds as required under Oregon law. The loans are repaid using property taxes levied for the area along with investment earnings and federal interest subsidies.

### *Fund Financial Statements*

The fund financial statements are reported after the government-wide statements. The Area presents both of its funds as major funds. For each of these major funds, a budgetary comparison schedule is also presented.

### *Notes to the Financial Statements*

The notes provide additional information that is critical to a full understanding of the data provided, and the accounting conventions used in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### *Financial Position*

Net position serves as a useful indicator, over time, of a government's financial position. The following table shows a summary of the statement of net position at fiscal year end and for the previous year end:

#### Rockwood-West Gresham Urban Renewal Area Summary of Net Position

	Governmental Activities	
	2013	2012
<b>ASSETS</b>		
Current and other assets	\$ 8,196,649	\$ 9,017,336
Capital assets	13,889,657	11,310,585
Total assets	22,086,306	20,327,921
<b>LIABILITIES</b>		
Accrued Liabilities	79,363	70,310
Other Accrued Liabilities	-	305,288
Note payable to City of Gresham	18,887,999	18,359,167
Total liabilities	18,967,362	18,734,765
<b>NET POSITION</b>		
Total net position	\$ 3,118,944	\$ 1,593,156

The Area ended the year with net position of \$3,118,944 an increase of \$1,525,788 from the prior year. Current and other assets decreased by \$820,687 largely due to project expenditures and debt service payments, offset by proceeds of \$2,686,872 drawn on the line of credit facility. The increase of \$2,579,072 in capital assets net, includes construction on the Rockwood public safety building; freeway access

## MANAGEMENT'S DISCUSSION AND ANALYSIS

improvements at the junction of 1-84 and 181<sup>st</sup> Street and other improvements on Burnside Boulevard and Stark Boulevard.

### *Results of Operations*

As with the statement of net position, the Area reports governmental activities on a consolidated basis. A comparison of the statement of activities to the prior year is provided below:

#### Rockwood-West Gresham Urban Renewal Area Summary of Changes in Net Position

	Governmental Activities	
	2013	2012
<b>REVENUES</b>		
<b>Program Revenues</b>		
Capital contributions	\$ 58,000	\$ 97,055
Other revenues	13,500	
Program Revenues	<u>71,500</u>	<u>97,055</u>
<b>General Revenues</b>		
Property taxes	2,938,354	2,747,177
Federal subsidy - Build America Bonds	105,758	118,851
Interest and investment earnings	4,282	92,885
General Revenues	<u>3,048,394</u>	<u>2,958,913</u>
Total revenues	<u>3,119,894</u>	<u>3,055,968</u>
<b>EXPENSES</b>		
Urban renewal	706,534	1,385,247
Interest on long-term debt	822,587	876,944
Total expenses	<u>1,529,121</u>	<u>2,262,191</u>
Change in net position	1,590,773	793,777
Net Position - Beginning	1,593,156	799,379
Adjustment due to Change in Accounting Principle	(64,985)	-
Net Position - Ending	<u>3,118,944</u>	<u>1,593,156</u>

Total revenues increased by \$63,926 from the prior fiscal year. The increase of \$191,177 in property tax increment were balanced by a slight decrease in Build America bond interest subsidy, slightly lower contributions and a sharp drop off in investment revenue of \$88,603. Investment income was adversely affected by a sharp bond market drop during May and June 2013, creating unrealized losses in fixed income investments. A near-complete recovery during the post financial statement date months suggest the unrealized losses were temporary.

The Area's total revenues for the year were \$3.1 million, a 2.1% increase from the prior year. The general revenues are restricted to the repayment of debt that is used to finance improvements identified in the urban renewal plan.

The Area collected \$105.8 thousand in direct interest payment subsidies from the federal government under the Build America Bonds section of the American Recovery and Reinvestment Act of 2009.

There was a \$733,070 decrease in expenses from the prior year. The primary differences were a \$0.7 million decrease in project related expenditures for construction activities and property improvement

## ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA

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grants for business and home owners. The decrease in interest costs of \$54.4 thousand accounted for the balance of the decline in expenses.

### Financial Analysis of the Government's Funds

The Area uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the Area's funds is to provide information on near-term inflows, outflows, and ending balances of operating accounts. Such information is useful in assessing the Area's resources that are available for spending.

At the end of the fiscal year, the combined fund balance for the governmental funds was \$8.0 million. Combined fund balance decreased by \$0.5 million from the prior year.

The Rockwood UR Capital Projects Fund had an ending balance of \$1.5 million, a decrease of \$0.5 million from the prior year. Proceeds from line of credit draws resulted in additional resources of \$2.7 million, while project expenditures of \$3.2 million (offset by some services revenue) resulted in the \$0.5 million decrease.

The Rockwood UR Debt Service Fund had an ending balance of \$6.6 million, an increase of \$0.1 million from the prior year. The growth from the prior year was due to lower levels of debt service, notably lower interest costs on the 2010 series of financings along with a lower balance reduction payment on the line of credit. The ending fund balance is not available for future project spending because it is restricted by statute to debt service on urban renewal borrowings.

### BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final budget in the Area's funds; no appropriation changes were required during the year.

The final budget in the Rockwood UR Capital Projects Fund includes \$7.6 million in appropriations, but only \$3.2 million was used. The excess appropriations were intended for project related costs.

The Rockwood UR Debt Service Fund exceeded its budgeted revenues by \$114.6 thousand, mainly through revaluation of industrial properties by State of Oregon assessors. Other minor differences from the federal interest subsidy due to sequestration and other miscellaneous revenues made up the difference.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

As of year-end, the Area had \$13.9 million invested in capital assets, which reflected an increase of \$2,579,072 net of depreciation, or 22.8% over the previous fiscal year.

The Gresham Redevelopment commission invested \$2.8 million toward new facilities to promote livability and redevelopment for residents and businesses in the Area. Major projects involved:

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- \$2.2 million spent on construction of the 10-12 thousand square foot Public Safety Facility will create a highly visible police presence in Rockwood and encourage new investment in the area. The facility will house a range of police functions, including support for patrol offices and other special units and programs serving the Area.
- \$0.5 million funded a study and implementation of key industrial improvements to support new industrial businesses within the Area. One early improvement was signal upgrades along 181<sup>st</sup> street intersections to increase existing street capacity. Another improvement was the reconfiguration of the Wilkes Road and 181<sup>st</sup> intersection improving interstate access to the Area's industrial areas.
- \$30 thousand finished a realignment at 187<sup>th</sup> & 188<sup>th</sup> at Stark Boulevard. The completion of this project in conjunction with the TriMet station relocation and the Burnside road improvements completely transform the Rockwood catalyst site into an attractive portal to the Rockwood community.

### *Long-term Debt*

During fiscal 2013, the Area through an agreement with the City of Gresham drew \$2,686,872 on its line of credit to fund various Area project expenditures. Prior line borrowings of \$1.0 million were repaid earlier in the fiscal year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Area's tax assessment was certified by Multnomah County on October 7, 2013, in the amount of \$3,427,274 with estimated net proceeds of \$3,221,637. The assessment is determined by using the incremental increase in tax assessed value from the base year of 2004 for properties within the Area's boundaries. The tax revenue will be used to pay for debt incurred to fund urban renewal projects and improvements.
- Capital project expenditures budgeted for FY 2013-14 include: \$4.4 million for final completion of the public safety building, \$1.5 million for improvements at the catalyst site, \$0.7 million for industrial area improvements and \$0.1 million for pedestrian improvements. The \$6.7 million capital project budget is part of the Adopted Budget for the Urban Renewal Area for fiscal year 2013-14.
- The Area continues to partner with private development by providing infrastructure improvements that support future growth to the west side of Gresham, which also includes the Rockwood neighborhood. Tax increment financing will be used to fund these infrastructure improvements.
- Since program inception the Redevelopment Commission has awarded approximately \$915.6 thousand in New Industries grants, leveraging approximately \$64.2 million in new investment in the industrial area along with the creation of nearly 370 new jobs. The Apartment Rehabilitation grants have awarded approximately \$595.0 thousand to assist the rehabilitation of over 1,400 units, sparking private investment expenditures of almost \$2.4 million. The newer Storefront Improvement Grant program has committed \$157.5 thousand to applications which have seen approximately \$1.2 million of investment expended for storefront improvements. The latest addition to the grant program is Predevelopment Services grants which will be used to assist

## **ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA**

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developers initiate challenging projects in the Industrial and Town Center zones of the Urban Renewal Area. The grants awarded have totaled \$101.0 thousand in anticipation of future meaningful growth and development in the Rockwood Town Center area.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Area's finances and to show the Area's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to the City of Gresham Finance & Management Services Department, Accounting Services Division at 1333 NW Eastman Parkway, Gresham, Oregon 97030-3813.

## Basic Financial Statements

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**Rockwood-West Gresham Urban Renewal Area**

(a component unit of the City of Gresham)

**Statement of Net Position**

**June 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,236,273
Investments	3,964,355
Property taxes receivable, net	176,589
Other assets	19,432
Restricted cash and cash equivalents	645,739
Restricted investments	1,154,261
Capital assets:	
Non-depreciable	9,514,713
Depreciable, net	4,374,944
Total assets	<u>22,086,306</u>
<b>LIABILITIES</b>	
Accrued interest payable	79,363
Long-term liabilities:	
Due within one year	5,295,759
Due in more than one year	13,592,240
Total liabilities	<u>18,967,362</u>
<b>NET POSITION</b>	
Unrestricted	3,118,944
Total Net Position	<u>\$ 3,118,944</u>

The notes to the basic financial statements are an integral part of this statement.

**Rockwood-West Gresham Urban Renewal Area**  
(a component unit of the City of Gresham)  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2013

<u>Functions</u>	<u>Direct Expenses</u>	<u>Program Revenue</u> <u>Capital Grants and Other Revenue</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Governmental Activities</u>
Governmental activities:			
Urban renewal	\$ 706,534	\$ 58,000	\$ (648,534)
Other revenue	-	13,500	13,500
Interest on long-term debt	822,587	-	(822,587)
Total governmental activities	<u>\$ 1,529,121</u>	<u>\$ 71,500</u>	<u>(1,457,621)</u>
General Revenues:			
Property taxes for debt service			2,938,354
Federal subsidy - Build America Bonds			105,758
Interest and investment earnings			4,282
Total general revenues			<u>3,048,394</u>
Change in net position			1,590,773
Net position - beginning			1,593,156
Adjustment of beginning net position due to Change in Accounting Principle (See Notes)			(64,985)
Net position - ending			<u>\$ 3,118,944</u>

The notes to the basic financial statements are an integral part of this statement.

**Rockwood-West Gresham Urban Renewal Area**  
(a component unit of the City of Gresham)  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<b>Rockwood UR Capital Projects Fund</b>	<b>Rockwood UR Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 523,269	\$ 1,713,004	\$ 2,236,273
Investments	935,346	3,029,009	3,964,355
Receivables, net	1,000	-	1,000
Property taxes receivable, net	-	176,589	176,589
Other assets	4,349	14,083	18,432
Restricted cash and cash equivalents	-	645,739	645,739
Restricted investments	-	1,154,261	1,154,261
Total assets	<u>\$ 1,463,964</u>	<u>\$ 6,732,685</u>	<u>\$ 8,196,649</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue -property taxes	<u>\$ -</u>	<u>\$ 164,074</u>	<u>\$ 164,074</u>
Fund balances:			
Unrestricted	1,463,964	-	1,463,964
Restricted for Debt Service	-	6,568,611	6,568,611
Total fund balances	<u>1,463,964</u>	<u>6,568,611</u>	<u>8,032,575</u>
Total deferred inflows of resources and fund balances	<u>\$ 1,463,964</u>	<u>\$ 6,732,685</u>	<u>\$ 8,196,649</u>

The notes to the basic financial statements are an integral part of this statement.

**Rockwood-West Gresham Urban Renewal Area**  
**(a component unit of the City of Gresham)**  
**Reconciliation of the Balance Sheet of Governmental Funds to Governmental Activities**  
**on the Statement of Net Position**

**June 30, 2013**

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Total fund balances - governmental funds	\$	8,032,575
<p>Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:</p>		
Governmental capital assets		13,889,657
<p>Assets not available to pay for current period expenditures are deferred in the governmental <del>funds</del>, but are susceptible to full accrual on the statement of net position.</p>		
Unavailable revenue from taxes and assessments		164,074
<p>Liabilities not due and payable in the current period are not reported in a government fund, but are reported on the statement of net position.</p>		
Notes payable		(18,887,999)
Accrued interest		<u>(79,363)</u>
Total net position - governmental activities	\$	<u><u>3,118,944</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Rockwood-West Gresham Urban Renewal Area**  
(a component unit of the City of Gresham)  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2013

	<b>Rockwood UR Capital Projects Fund</b>	<b>Rockwood UR Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ 2,929,170	\$ 2,929,170
Federal Subsidy - Build America Bonds	-	105,758	105,758
Charges for services	13,500	-	13,500
Investment Earnings (loss)	(1,295)	5,577	4,282
Total revenues	<u>12,205</u>	<u>3,040,505</u>	<u>3,052,710</u>
<b>EXPENDITURES</b>			
Other materials and services	3,227,396	-	3,227,396
Debt service	-	2,971,784	2,971,784
Total expenditures	<u>3,227,396</u>	<u>2,971,784</u>	<u>6,199,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,215,191)</u>	<u>68,721</u>	<u>(3,146,470)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	2,686,872	-	2,686,872
Total other financing sources (uses)	<u>2,686,872</u>	<u>-</u>	<u>2,686,872</u>
Net change in fund balances	(528,319)	68,721	(459,598)
Fund balances - beginning	<u>1,992,283</u>	<u>6,499,890</u>	<u>8,492,173</u>
Fund balances - ending	<u>\$ 1,463,964</u>	<u>\$ 6,568,611</u>	<u>\$ 8,032,575</u>

The notes to the basic financial statements are an integral part of this statement.

**Rockwood-West Gresham Urban Renewal Area**  
**(a component unit of the City of Gresham)**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to Governmental Activities on the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

Net change in fund balances - governmental funds \$ (459,598)

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

Governmental funds report capital outlays as expenditures and do not report capital asset contributions. In the statement of activities, contributions are reported as revenues and the cost of capital assets is allocated as depreciation expense over the assets estimated useful lives:

Capital contributions	58,000	
Capital asset expenditures	2,750,868	
Less: Depreciation expense	<u>(229,796)</u>	2,579,072

Debt issuances increase long-term liabilities in the statement of net position:

Debt issued		(2,686,872)
Debt principal repayments		2,158,040

Some revenues reported in the statement of activities did not provide current financial resources and, therefore, are not reported in governmental funds. Revenues reported in governmental funds because they did not provide current financial resources in prior years are not reported in the statement of activities:

Change in unavailable revenue - property taxes		9,184
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Some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in accrued interest		<u>(9,053)</u>
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Change in net position - governmental activities \$ 1,590,773

## Notes to the Financial Statements

**Rockwood-West Gresham Urban Renewal Area  
(a component unit of the City of Gresham, Oregon)  
Notes to the Basic Financial Statements  
June 30, 2013**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial Reporting Entity***

The financial statements of the Rockwood-West Gresham Urban Renewal Area (Area) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Area is the urban renewal agency of the City of Gresham, Oregon (City). The Area was created in the fall of 2003, when voters approved the creation of an urban renewal area for 20 years with maximum principal indebtedness of \$92.0 million. The City's council members make up the governing body of the Area (known as the Gresham Redevelopment Commission).

The Area is a blended component unit of the City in its basic financial statements. All significant activities over which the Gresham Redevelopment Commission (GRC) exercises oversight responsibility have been included in the component unit financial statements. This governing body has the ability to impose its will on the Area as determined on the basis of budget adoption, taxing authority, and funding.

An Intergovernmental Agreement (IGA) exists between the City and the Area for urban renewal project funding, internal service charges and debt issuance and repayment. The Area has remaining borrowing capacity of \$65,792,823 at June 30, 2013. The Area's activities are reported in the Rockwood UR Capital Projects Fund and the Rockwood UR Debt Service Fund.

***Basic Financial Statements***

The basic financial statements include both government-wide and fund financial statements. All activities of the Area are categorized as governmental activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

*Government-wide financial statements* portray information about the Area as a whole. These statements focus on the sustainability of the Area as an entity and the change in aggregate financial position resulting from the activities of the fiscal year. 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 Area's assets, liabilities, deferred inflows and deferred outflows with the difference reported as *net position*.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, interest subsidies and investment earnings are reported as general revenues.

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



## ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA

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### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Area considers revenues to be available if they are collected within 60 days of the end of the fiscal year. The major revenue source recognized under the Area's availability policy is property taxes. Expenditures generally are recorded when a liability is incurred.

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

GASB Statement No. 34 sets forth criteria for the determination of major funds. For the purposes of presentation, both of the Area's funds are presented as major funds, as follows:

- *Rockwood UR Capital Projects Fund*

This fund accounts for the acquisition and development of capital improvements. Revenue sources consist of debt proceeds, investment earnings, and other miscellaneous revenues.

- *Rockwood UR Debt Service Fund*

This fund accounts for payments of principal and interest on urban renewal debt. The primary sources of revenue are property tax increment, interest subsidy and investment earnings.

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63. The standard introduces guidance for reporting deferred inflows and deferred outflows of resources. The GRC has implemented GASB No. 63, however, no prior year restatements were needed upon adoption. There were no deferred inflows or outflows in fiscal 2013.

In March 2012, the Governmental Accounting Standards Board issued Statement No. 65. The standard identifies a number of items previously accounted for as assets and liabilities, which now require a different accounting treatment. The GRC has implemented GASB No. 65 in fiscal 2013. Refer to the note "Change in Accounting Principle".

### ***Assets, Liabilities, and Net Position or Fund Balance***

#### **Cash and Cash Equivalents, and Investments**

The Area's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and shares of the Oregon Local Government Investment Pool. The Area's investment securities, are reported at fair value based on quoted market prices as of year-end. Interest earned on cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total cash and investments.

## NOTES TO THE FINANCIAL STATEMENTS

### Receivables

Property taxes are assessed on all taxable property as of July 1, the beginning of the fiscal year, and become a lien against the property on that date. Property taxes are levied in October. Collection dates are November 15, February 18, and May 15. Discounts are allowed if the full amount due or 2/3 of the full amount due, is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent, but are deemed to be substantially collectible or recoverable through liens.

### Capital Assets

Capital assets, which include property, infrastructure assets and easements, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are expensed when incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Area's capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Transportation systems	20
Machinery and equipment	15

### Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as material and service expenditures.

### Net Position / Fund Balance

As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Area's governmental fund balances are classified in one of five categories – non-spendable, restricted, committed, assigned, and unassigned. A summary of the categories are:

- Non-spendable: Items that cannot be spent because they are not in a spendable form.
- Restricted: Items that are restricted by external sources, such as creditors; grantors; contributors; or statutory requirements.
- Committed: Items that can only be used for specific purposes imposed by formal action of the entity's 'highest level of decision-making authority', the commitment must occur before the fiscal year end to be reported in this category.

## **ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA**

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- Assigned: Items constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned: This category includes any balances that have none of the characteristics noted above; also incorporating any deficit fund balance.

The government-wide statements label the difference between assets, liabilities, deferred inflows and outflows as ‘net position’. Components of net position are ‘invested in capital assets, net of related debt’, ‘restricted’, and ‘unrestricted’.

## **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### ***Budgetary Information***

The Area prepares its budget in accordance with the legal requirements in Oregon Local Budget Law. The Commission adopts the budget, makes appropriations, and declares the tax levy no later than July 1st of the fiscal year being budgeted.

In accordance with State law an annual budget is adopted. The budget is prepared in accordance with the modified accrual basis of accounting.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total expenditures (including personal services, material and services, and other expenditures) within each department are the levels of control for each fund established by the resolution. All changes and amendments to total department expenditures for each fund require the approval of the Commission.

## **DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

### ***Cash and Cash Equivalents, and Investments***

The City maintains a cash and investment pool for all cash and cash equivalents in which each fund participates, including the Area. Area investments with the State of Oregon Local Government Investment Pool (a cash equivalent) are not held in separate Area accounts. The total restricted and unrestricted cash and cash equivalents balance for the Area at year-end was \$2,882,012.

The Area’s investment policy is the same as the City’s. The City’s investment policy is reviewed annually by the City’s Finance and Management Services Department, the City’s Finance Committee, and in the event of substantial changes, the Oregon Short-Term Fund Board. The Oregon Short-Term Fund Board consists of the State Treasurer and six members appointed by the Governor and State Treasurer. The investment policy is then presented to the City Council for final adoption. Throughout the year, the City was in compliance with all investment policy requirements.

State of Oregon statutes and the City’s investment policies authorize the City to invest in general obligations of the U.S. Government, its Agencies and instrumentalities of the U. S. , Commercial Paper, Corporate Bonds, Bankers Acceptances, Oregon Short-Term Fund, Repurchase Agreements, municipal obligations of certain states, Time Deposits, Certificates of Deposit, and savings accounts.

## NOTES TO THE FINANCIAL STATEMENTS

The City invests in the Oregon Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised

Statutes and the Oregon Investment Council govern the LGIP's investment policies. The State Treasurer is the investment officer for the LGIP and is responsible for all funds in the LGIP. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill, and caution. Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division audits the LGIP annually. The Division's most recent reported audit opinion on the LGIP was unqualified. The fair value of pool shares is equal to the City's proportionate position in the pool.

### ***Interest Rate Risk, Concentration Risk and Credit Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value with established maturity limits and an ample reserve of liquid funds. To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The weighted average maturity (WAM) of the City's portfolio shall not exceed three and one half years.

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in any one issuer. Credit risk is the risk that an issuer of an investment will not fulfill its obligations. To limit the City's exposure to concentration risk, the investment policy restricts amounts that may be invested in any one issuer. At year-end, the Area's risk concentration in U.S. Agencies was 41.4% of the City's investment portfolio (including cash and cash equivalents). Additionally, to limit the City's exposure to credit risk, the investment policy outlines minimum allowable credit rating criteria.

Area investments held at year end are categorized by credit rating, maturity and fair value as follows:

	Credit Rating		Investment Maturity (Final)				June 30, 2013
	S&P	Moody's	Under 30 days	30 Days to 1 Year	1 Year to 3 Years	Over 3 Years	
Cash & Cash Equivalents	n/a	n/a	\$2,882,012	-	-	-	\$ 2,882,012
Investments: US Agencies	AA+	Aaa	-	\$ 557,592	\$ 951,345	\$1,801,180	3,310,117
Investments: Corporates	AA-/AAA	A1/Aaa	-	304,643	519,772	984,084	1,808,499
							<b>\$ 8,000,628</b>

## ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA

### Capital Assets

Capital asset activity during the fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclass</u>	<u>Ending Balance</u>
Non-depreciated & non-amortized:				
Land	\$ 7,021,913	\$ -	\$ -	\$ 7,021,913
Construction in progress	192,481	2,808,868	(518,606)	2,482,743
Easements	<u>10,057</u>	<u>-</u>	<u>-</u>	<u>10,057</u>
Total non-depreciated & non-amorti	<u>7,224,451</u>	<u>2,808,868</u>	<u>(518,606)</u>	<u>9,514,713</u>
Depreciable:				
Improvements	52,675	-	-	52,675
Machinery and equipment	71,731	-	-	71,731
Infrastructure	<u>4,198,828</u>	<u>-</u>	<u>518,606</u>	<u>4,717,434</u>
Total depreciable at historical cost	<u>4,323,234</u>	<u>-</u>	<u>518,606</u>	<u>4,841,840</u>
Less accumulated depreciation for:				
Improvements	(2,862)	(2,107)	-	(4,969)
Machinery and equipment	(7,173)	(4,782)	-	(11,955)
Infrastructure	<u>(227,065)</u>	<u>(222,907)</u>	<u>-</u>	<u>(449,972)</u>
Total accumulated depreciation	<u>(237,100)</u>	<u>(229,796)</u>	<u>-</u>	<u>(466,896)</u>
Depreciable, net	<u>4,086,134</u>	<u>(229,796)</u>	<u>518,606</u>	<u>4,374,944</u>
Capital assets, net	<u>\$ 11,310,585</u>	<u>\$ 2,579,072</u>	<u>\$ -</u>	<u>\$ 13,889,657</u>
Depreciation expense for the urban renewal governmental activity				<u>\$ 229,796</u>

### Long-term Debt

A summary of long-term debt activity during the year follows:

<i>Governmental Activities</i>	<i>Rates</i>	<i>Outstanding 6/30/2012</i>	<i>Issued</i>	<i>Matured/ Redeemed</i>	<i>Outstanding 6/30/2013</i>
Financing Agreement -	3.55%	\$ 1,498,520	\$ -	\$ 113,545	\$ 1,384,975
Financing Agreement -	5.25%	6,128,922	-	467,763	5,661,159
Financing Agreement -	5.25%	8,331,725	-	576,732	7,754,993
		<u>\$15,959,167</u>	<u>\$ -</u>	<u>\$1,158,040</u>	<u>\$14,801,127</u>
Line of Credit	Variable	2,400,000	2,686,872	1,000,000	4,086,872
<b>Total</b>		<u>\$ 18,359,167</u>	<u>\$2,686,872</u>	<u>\$2,158,040</u>	<u>\$ 18,887,999</u>

On June 4, 2010 the Urban Renewal Area participated in a City of Gresham issuance of a Financing Agreement. The Urban Renewal portion was \$18.1 million divided among three series.

## NOTES TO THE FINANCIAL STATEMENTS

- Series A 3.55% Note, was a \$1.7 million tax-exempt financing for repayment of previous project borrowings.
- Series B 5.25% Note, was a \$7.0 million taxable Build America Bond issuance to fund several urban renewal projects. The effective borrowing rate after federal subsidy is 3.41%.
- Series C 5.25% Note, was a \$9.4 million taxable financing for repayment of previous property acquisition borrowings.

Line of credit borrowings during the year of \$2.7 million were utilized to reimburse the City for project related materials and services. \$1.0 million of Line of credit borrowings were repaid during the year.

The future principal and interest payments are outlined in the following schedule:

Year Ending	2010 Financing Agreement		2011 Line of Credit	
	Principal	Interest	Principal	Interest
2014	1,208,887	738,148	\$ 4,086,872	\$ 68,750
2015	1,262,067	676,001	-	-
2016	1,317,690	611,102	-	-
2017	1,375,874	543,323	-	-
2018	1,436,737	472,533	-	-
2019-2023	8,199,872	1,185,217	-	-
	<u>\$ 14,801,127</u>	<u>\$ 4,226,324</u>	<u>\$ 4,086,872</u>	<u>\$ 68,750</u>

Line of credit interest is an estimate. The rate is fixed for short intermediate periods (one month to one year) and is LIBOR based.

Interest debt service transactions during the fiscal year were as follows:

<i>Governmental Activities</i>	Payable		Matured/ Redeemed	Payable
	Beginning	Accrued		Ending
Interest payable	<u>\$ 70,310</u>	<u>\$ 832,164</u>	<u>\$ 823,111</u>	<u>\$ 79,363</u>

### ***Risk Management***

The Area is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Area carries commercial insurance.

The Area purchases commercial insurance for general liability and automobile claims through the City of Gresham. The operations of the self-insurance program are reported in the City's Liability Management Fund, an Internal Service Fund. Operating resources for the year consist mainly of charges to other funds and interest income. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

The Area and all funds of the City participate in the program and make payments to the internal service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for losses. Liabilities include an amount for claims that have been incurred but not

## **ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA**

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reported (IBNR). IBNR claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amount of payouts) and other economic and social factors.

The City currently provides for estimated losses to be incurred from pending claims and for IBNR claims. Changes in the claims liability amount during the current and two prior fiscal years for the Area are not available.

### ***Related Party Transactions***

The City provides services for the Area, including administration, program management, design, engineering, financial, legal, and clerical functions. The Area operates exclusively using contracted employees from the City. The Area paid \$929,821 to the City for services, reimbursement for personnel, and materials and supplies, during the year. No specific future commitments to the City have been agreed upon.

### ***Change in Accounting Principle***

During the year, the Area adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead classify them as deferred inflows of resources and deferred outflows of resources. The Area had no items meeting the classification for deferred inflows or outflows of resources. However, in implementing this statement, the Area wrote off issuance costs that were previously capitalized on the Statement of Net Position. This change in accounting principle results in a restatement of the beginning net position of \$64,985.

### ***Subsequent Event***

In November 2013, the GRC entered into an agreement to purchase a 3.8 acre property, for approximately \$1,850,000. The property is currently used as a tree nursery and will be held for resale or development.

## Required Supplementary Information

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**Rockwood-West Gresham Urban Renewal Area**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Rockwood UR Capital Projects Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 13,500	\$ 13,500
Miscellaneous	12,800	12,800	13,782	982
Total revenues	<u>12,800</u>	<u>12,800</u>	<u>27,282</u>	<u>14,482</u>
<b>EXPENDITURES</b>				
Other materials and services	7,574,000	7,574,000	3,227,396	4,346,604
Operating contingency	750,000	750,000	-	750,000
Total expenditures	<u>8,324,000</u>	<u>8,324,000</u>	<u>3,227,396</u>	<u>5,096,604</u>
Excess of expenditures over revenues	<u>(8,311,200)</u>	<u>(8,311,200)</u>	<u>(3,200,114)</u>	<u>5,111,086</u>
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	<u>7,574,000</u>	<u>7,574,000</u>	<u>2,686,872</u>	<u>(4,887,128)</u>
Net change in fund balances	(737,200)	(737,200)	(513,242)	223,958
Fund balances - beginning	<u>850,500</u>	<u>850,500</u>	<u>1,986,465</u>	<u>1,135,965</u>
Fund balances - ending	<u>\$ 113,300</u>	<u>\$ 113,300</u>	\$ 1,473,223	<u>\$ 1,359,923</u>
Unrealized gain (loss) on investments			<u>(9,259)</u>	
Net position - generally accepted accounting principles basis, ending			<u>\$ 1,463,964</u>	

## Other Schedules

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**Rockwood-West Gresham Urban Renewal Area**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Rockwood UR Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 2,818,800	\$ 2,818,800	\$ 2,929,170	\$ 110,370
Federal Subsidy - Build America Bonds	110,500	110,500	105,758	(4,742)
Miscellaneous	56,900	56,900	65,849	8,949
Total revenues	<u>2,986,200</u>	<u>2,986,200</u>	<u>3,100,777</u>	<u>114,577</u>
<b>EXPENDITURES</b>				
Debt service	<u>3,093,900</u>	<u>3,093,900</u>	<u>2,971,784</u>	<u>122,116</u>
Net change in fund balances	(107,700)	(107,700)	128,993	236,693
Fund balances - beginning	<u>3,793,300</u>	<u>3,793,300</u>	<u>6,480,994</u>	<u>2,687,694</u>
Fund balances - ending	<u>\$ 3,685,600</u>	<u>\$ 3,685,600</u>	<u>\$ 6,609,987</u>	<u>\$ 2,924,387</u>
Unrealized gain (loss) on investments			<u>(41,376)</u>	
Net position - generally accepted accounting principles basis, ending			<u>\$ 6,568,611</u>	

**ROCKWOOD-WEST GRESHAM URBAN RENEWAL AREA**  
**Schedule of Property Tax Transactions**  
**For the Fiscal Year Ended June 30, 2013**

Tax Year	Receivable Balance July 1, 2012	Levy	Collections	Discounts	Adjustments	Receivable Balance June 30, 2013
2012/13	\$ -	\$ 3,020,835	\$ (2,851,793)	\$ (76,268)	\$ (10,152)	\$ 82,622
2011/12	87,625	-	(36,084)	80	(4,094)	47,527
2010/11	44,868	-	(14,992)	23	(1,159)	28,740
2009/10	26,369	-	(10,275)	3	(333)	15,764
2008/09	6,473	-	(5,060)	3	(237)	1,179
2007/08	859	-	(345)	2	(115)	401
Prior	573	-	(125)	-	(92)	356
	\$ 166,767	\$ 3,020,835	\$ (2,918,674)	\$ (76,157)	\$ (16,182)	\$ 176,589

Reconciliation to fund financial statements:

Fund	Property Tax Collections			Interest and Other Adjustments	Total Tax Revenues for the Fiscal Year Ended June 30, 2013	Receivable Balance June 30, 2013
	Current Year Collections	Prior Years' Collections	60 Day Accruals August 31, 2012 August 31, 2013			
Urban Renewal	\$ 2,851,793	66,881	(11,877)	9,858	2,929,170	\$ 176,589

## Audit Comments and Disclosures Required by State Regulations

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INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS

Gresham Redevelopment Commissioners  
Rockwood-West Gresham Urban Renewal Area  
A component unit of the City of Gresham, Oregon  
Gresham, Oregon



We have audited the basic financial statements of the Rockwood-West Gresham Urban Renewal Area ("Area"), (a component unit of the City of Gresham, Oregon) as of and for the year ended June 30, 2013, and have issued our report thereon dated February 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

### OAR 162-10-0230 Internal Control

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

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Commissioners and management of the Rockwood-West Gresham Urban Renewal Area and the Secretary of State, Audits Division, of the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.

ISLER CPA

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive style with a long, sweeping tail on the letter "n".

By: Paul R. Nielson, CPA, a member of the firm

Eugene, Oregon  
February 24, 2014