

GLADSTONE URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF GLADSTONE, OREGON)

FINANCIAL STATEMENTS

For the Fiscal Year Ended
June 30, 2022

with

Independent Auditor's
Report

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INTRODUCTORY SECTION

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GLADSTONE URBAN RENEWAL AGENCY
LIST OF PRINCIPAL OFFICIALS
June 30, 2022

Officials

Term Expires

Tamara Stempel, Mayor
Gladstone, Oregon 97027

December 31, 2022

Mindy Garlington, President
Gladstone, Oregon 97027

December 31, 2024

Matt Tracy
Gladstone, Oregon 97027

December 31, 2022

Greg Alexander
Gladstone, Oregon 97027

December 31, 2024

Randy Ripley
Gladstone, Oregon 97027

December 31, 2022

Tracy Todd
Gladstone, Oregon 97027

December 31, 2022

Annessa Hartman
Gladstone, Oregon 97027

December 31, 2024

Administrator

Jacque Betz
Gladstone, Oregon 97027

Finance Consultant

Cathy Brucker
Gladstone, Oregon 97027

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FINANCIAL SECTION

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June 30, 2022
Gladstone Urban Renewal Agency
Management's Discussion and Analysis

Management staff of the Gladstone Urban Renewal Agency offers this executive summary of the financial activities of the Gladstone Urban Renewal Agency for the fiscal year ended June 30, 2022.

Financial Highlights

The liabilities of the Gladstone Urban Renewal Agency exceeded its assets at the close of the most recent fiscal year by \$390,145 (net position). This amount partially represents the Agency's portion of the Notes Payable debt on the Gladstone Civic Center, completed in April, 2020. The ending net position from the previous year of (\$306,235) has increased by \$696,380 over the past year. The Gladstone Civic Center was recorded as a physical asset of the City of Gladstone Governmental Activities, so did not increase assets within the Agency.

As of the close of the current fiscal year, the Gladstone Urban Renewal Agency's governmental fund reported a total ending fund balance of \$2,822,979. The difference between \$390,145 unrestricted net position and the ending fund balance of \$2,432,834 is comprised of uncollected/unavailable property taxes and notes payable.

REPORT LAYOUT

This Management Discussion and Analysis (MD&A) is intended to serve as an introduction to the Gladstone Urban Renewal Agency's basic financial statements. The basic financial statements are comprised of three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The report also contains other supplementary data in addition to the basic financial statements themselves.

Government-Wide Financial Statements

These two statements present an overview of the Agency's finances, in a manner similar to the private sector. Each statement presents highly condensed, entity-wide information and uses the full accrual basis of accounting.

The statement of net position presents information on the Agency's total assets and liabilities, with the resulting difference between the two presented as net position. Over time, increases or decreases to net position may serve as a useful indicator of whether the Agency's financial position is improving or deteriorating.

The statement of activities focuses on the change in net position from the prior year. The costs of the Agency's programs are presented and show to what extent governmental activities are subsidized by taxes and other general revenues.

Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The Agency's General Fund is presented in its own column. A "Budgetary Comparison Statement" is included as part of the basic financial statements.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the financial data provided in the entity-wide and fund financial statements. Completing the document is a report by the independent certified public accountant, as required by statute.

AGENCY AS A WHOLE

Entity-wide Financial Statements

Statement of net position at June 30, 2022. As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. Assets exceeded liabilities by \$390,145 at the close of the most recent fiscal year.

By far the largest portion of the Agency's assets is cash and investments which have financial liquidity easily available for future spending. With the April 2020 completion of the Gladstone Civic Center construction, cash and investments are increasing in the 2021-22 year as illustrated below.

The following table reflects a summary of net position for fiscal years 2021-22 and 2020-21.

Summary Statement of Net Position			
as of June 30,			
	<u>2022</u>	<u>2021</u>	<u>Total Change</u>
Cash and investments	\$ 2,819,559	\$ 2,830,127	\$ (10,568)
Due from other governments	2,372	3,608	(1,236)
Property tax receivable	33,452	28,757	4,695
Interest receivable	304	504	(200)
Total Assets	<u>2,855,687</u>	<u>2,862,996</u>	<u>(7,309)</u>
Due to City of Gladstone	-	245,597	245,597
Notes payable	<u>2,465,542</u>	<u>2,923,634</u>	<u>458,092</u>
Total Liabilities	<u>2,465,542</u>	<u>3,169,231</u>	<u>703,689</u>
Net position:			
Unrestricted	<u>\$ 390,145</u>	<u>\$ (306,235)</u>	<u>\$ 696,380</u>

The following table reflects a Statement of Activities for fiscal years 2021-22 and 2020-21.

Summary Statement of Activities			
For the Fiscal Years Ended June 30,			
	<u>2022</u>	<u>2021</u>	<u>Total Change</u>
REVENUES			
General Revenues			
Property tax	\$ 1,015,631	\$ 1,007,357	\$ 8,274
Grants	-	-	-
Interest	16,090	18,270	(2,180)
Total receipts	<u>1,031,721</u>	<u>1,025,627</u>	<u>6,094</u>
EXPENSES			
Division operations	335,341	95,592	239,749
Transfers (in) out	-	134,865	(134,865)
Total expense and transfer	<u>335,341</u>	<u>230,457</u>	<u>104,884</u>
Increase in net position	<u>696,380</u>	<u>795,170</u>	<u>(98,790)</u>
Beginning net position	<u>(306,235)</u>	<u>(1,101,405)</u>	<u>795,170</u>
Ending net position	<u>\$ 390,145</u>	<u>\$ (306,235)</u>	<u>\$ 696,380</u>

Governmental Activities. Governmental activities increased the Gladstone Urban Renewal Agency's net position by \$696,380 with the collection of property taxes and payment of debt funds to the City.

Financial Analysis of the Agency's funds

Governmental Fund. The focus of the Gladstone Urban Renewal Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financial requirements. In particular, unrestricted net position may serve as useful measure of a government's net resources available for spending at the end of the fiscal year. The \$2,822,979 ending fund balance is fully available for Urban Renewal Development and retirement of annual debt service.

Budgetary Highlights. The Agency's General Fund original legal appropriations totaled \$3,880,025. No changes were made to the amounts and classifications of resources and appropriations within the fiscal year.

Capital Assets. The Gladstone Urban Renewal Agency has no capital assets. Upon completion of street improvements or building construction, the assets are transferred to the City of Gladstone.

Long-term Debt. At the end of the fiscal year, the Gladstone Urban Renewal Agency had an ending balance of \$2,465,542 in notes payable outstanding for the construction of the new city hall and police facility. Further information on this issue may be found in Note 6 - Long Term Debt in the Notes to the Financial Statements.

In response to 1997 state legislation, the Gladstone City Council, acting as officials of the Gladstone Urban Renewal Agency, at its April 1998 meeting, authorized \$23,000,000 in maximum indebtedness (adjusted for future inflation) for projects that could be financed over the next 30 years. As of June 30, 2022 the adjusted maximum indebtedness was \$23,589,427 with a remaining amount of \$2,271,356.

Economic Factors and Next Year's Budget. The future finances of the Agency will largely be expended on the future debt service of the Civic Center Project, completed in April 2020. With completion, further analysis and needs of the Agency can now be evaluated.

Requests for Information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City staff at 18505 Portland Avenue, Gladstone, 97027 or call 503.479.6860.

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BASIC FINANCIAL STATEMENTS

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GLADSTONE URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2022

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 2,819,559
Cash with County Treasurer	2,372
Property taxes receivable	33,452
Interest receivable	<u>304</u>
Total assets	<u>2,855,687</u>
LIABILITIES:	
Notes payable - current maturity	471,789
Noncurrent portion of notes payable	<u>1,993,753</u>
Total liabilities	<u>2,465,542</u>
NET POSITION:	
Unrestricted:	
Urban Renewal Development	<u><u>\$ 390,145</u></u>

The accompanying notes are an integral part of these financial statements

GLADSTONE URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

	<u>Expenses</u>	<u>Net Revenue (Expenses) and Changes in Net Position</u>
EXPENSES:		
Governmental activities:		
Community development	\$ 335,341	\$ (335,341)
GENERAL REVENUES:		
Property taxes		1,015,631
Interest		<u>16,090</u>
Total general revenues		<u>1,031,721</u>
Change in net position		696,380
NET POSITION, BEGINNING		<u>(306,235)</u>
NET POSITION, ENDING		<u><u>\$ 390,145</u></u>

The accompanying notes are an integral part of these financial statements

GLADSTONE URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2022

ASSETS:

Cash and cash equivalents	\$ 2,819,559
Cash with County Treasurer	2,372
Property taxes receivable	33,452
Interest receivable	<u>304</u>
 Total assets	 <u><u>\$ 2,855,687</u></u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property taxes	<u>32,708</u>
 Total deferred inflows of resources	 <u>32,708</u>

FUND BALANCE:

Unassigned	<u>2,822,979</u>
Total fund balance	<u>2,822,979</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u><u>\$ 2,855,687</u></u>

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

Total fund balance	\$ 2,822,979
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the fund	 32,708
Accrued liabilities and notes payable are not due and payable in the current period and, therefore, are not reported in the fund	<u>(2,465,542)</u>
 Net position of governmental activities	 <u><u>\$ 390,145</u></u>

The accompanying notes are an integral part of these financial statements

**GLADSTONE URBAN RENEWAL AGENCY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUND
 For the Fiscal Year Ended June 30, 2022**

REVENUES:

Property taxes	\$ 1,010,047
Interest on investments	<u>16,090</u>
Total revenues	<u>1,026,137</u>

EXPENDITURES:

Materials and services	9,483
Contributions - City of Gladstone	245,404
Debt service:	
Principal	458,092
Interest	<u>80,454</u>
Total expenditures	<u>793,433</u>
Net change in fund balance	232,704

FUND BALANCE, BEGINNING 2,590,275

FUND BALANCE, ENDING \$ 2,822,979

The accompanying notes are an integral part of these financial statements

**GLADSTONE URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022**

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

Net change in fund balance - total governmental fund	\$ 232,704
Some revenue reported in the statement of activities do not provide current financial resources in the government fund	5,584
Repayment of long term debt - principal payments	<u>458,092</u>
Changes in net position of governmental activities	<u><u>\$ 696,380</u></u>

The accompanying notes are an integral part of these financial statements

GLADSTONE URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2022

	Budget for the 2021-2023 Biennium		Actual	
	Original	Final	1st Year FY 2021-22	Variance with Final Budget
REVENUES:				
Property taxes	\$ 2,104,839	\$ 2,104,839	\$ 1,010,047	\$ (1,094,792)
Interest on investments	26,000	26,000	16,090	(9,910)
Total revenues	2,130,839	2,130,839	1,026,137	(1,104,702)
EXPENDITURES:				
Materials and services	199,000	199,000	9,483	189,517
Debt service:				
Principal	929,881	929,881	458,092	471,789
Interest	147,235	147,235	80,454	66,781
Contingency	2,603,909	2,603,909	-	2,603,909
Total expenditures	3,880,025	3,880,025	548,029	3,331,996
Revenues over (under) expenditures	(1,749,186)	(1,749,186)	478,108	2,227,294
OTHER FINANCING SOURCES (USES):				
Transfers to City of Gladstone	(490,814)	(490,814)	(245,404)	245,410
Total other financing sources (uses)	(490,814)	(490,814)	(245,404)	245,410
Net changes in fund balances	(2,240,000)	(2,240,000)	232,704	2,472,704
FUND BALANCES, BEGINNING	2,240,000	2,240,000	2,590,275	350,275
FUND BALANCES, ENDING	\$ -	\$ -	\$ 2,822,979	\$ 2,822,979

The accompanying notes are an integral part of these financial statements

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

(1) Description of the Agency and Summary of Significant Accounting Policies

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Reporting Entity

The Gladstone Urban Renewal Agency (the Agency) (a component unit of the City of Gladstone) was organized October 11, 1988 under the provisions of Oregon Revised Statutes, Chapter 457, to provide rehabilitation of blighted and deteriorated areas within the Agency's designated urban renewal area. The fiscal year ended June 30, 1998 was the first year property taxes were levied by the Agency. As provided by ORS 457, the City Council of the City of Gladstone is designated as the governing body of the Gladstone Urban Renewal Agency. Principle funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of the City of Gladstone.

The Agency is a legally separate entity governed by the City of Gladstone. The Agency Officials are not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in GAAP, primarily on the basis of authority to appoint voting majority of an organization's governing body, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a blended component unit of the City of Gladstone and, as such is included in the financial statements of the City of Gladstone for the year ended June 30, 2022.

The Agency has no component units.

B. Basic Financial Statements

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

Agency-wide financial statements

The statement of net position and the statement of activities display information about the Agency as a whole.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Agency reports no indirect expenses. The Agency reports no program revenues. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund financial statements

These statements display information at the individual fund level. The fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently the Agency has only one fund of the governmental fund type.

C. Basis of Presentation

The financial transactions of the Agency are recorded in the General Fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows of resources, fund balance, revenues and expenditures.

The GASB 34 model sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of either fund category) for the determination of major funds. For purposes of presentation, the Agency's fund is presented as a major fund.

General Fund - The General Fund is used to record expenditures related to capital improvements projects. Major sources of revenue are specific taxes that are legally restricted to expenditures for specific purposes.

D. Measurement Focus and Basis of Accounting

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

The Agency-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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 are 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 Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

E. Cash and Investments

The Agency considers cash equivalents as all highly liquid investments with an original maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

F. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as a deferred inflow of resources because it is not deemed available to finance operations of the current period. Property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Clackamas County and remitted to the Agency. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within the Agency's boundaries.

G. Long Term Obligations

In the government-wide financial statement, long-term debt and other long long-term obligations are reported as liabilities in the Statement of Net Position.

H. Deferred Inflows of Resources

In addition to liabilities, the statements will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Agency only has one type of item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item "unavailable revenue," is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned. Currently, the Agency reports only one classification of fund balance – unassigned. This is the residual classification used for those balances not assigned to another category.

J. Use of Restricted Resources

When both restricted and unrestricted resources are available for use: it is the Agency's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources are available for use it is the Agency's policy to use committed resources first, then assigned, and then unassigned as needed.

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

K. Use of Estimates

In preparing the Agency’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Stewardship, Compliance, and Accountability

A. Budgetary Information

On or before June 30 of each year, the Agency enacts a resolution adopting the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Agency Board of Directors for budget hearings prior to enactment of the resolution. The Agency budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for the Agency’s fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end.

(3) Cash and Cash Equivalents

At June 30, 2022 investments included in cash and cash equivalents of the Gladstone Urban Renewal Agency consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer’s Local Government Investment Pool	0.00	\$2,797,280

A. Interest rate risk

The Agency does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Credit risk

State statutes authorize the Gladstone Urban Renewal 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 Gladstone Urban Renewal Agency does not currently have an investment policy for 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 and is not rated.

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) 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, 2022, the book value and bank balance of the Agency's deposits was \$22,279. None of the Agency's bank balances were exposed to custodial credit risk as they were fully insured.

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

(4) Property Taxes

Property tax transactions for the year ended June 30, 2022, were as follows:

Tax Year	Taxes	2021-2022 Levy	Collections	Adjustments and Discounts	Taxes
	Receivable July 1, 2021				Receivable June 30, 2022
2021-2022	\$ -	\$ 1,049,173	\$ (997,538)	\$ (30,761)	\$ 20,874
2020-2021	15,738	-	(7,166)	(903)	7,669
2019-2020	7,233	-	(2,689)	(320)	4,224
2018-2019	2,703	-	(1,446)	(240)	1,017
2017-2018	1,079	-	(557)	(135)	387
2016-2017	365	-	(89)	(23)	253
Prior Years	1,640	-	(191)	(49)	1,400
	<u>\$ 28,758</u>	<u>\$ 1,049,173</u>	<u>\$ (1,009,676)</u>	<u>\$ (32,431)</u>	<u>\$ 35,824</u>

(5) Risk Management

The Agency is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. Except for unemployment compensation, the Agency purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2021 to 2022. Settled claims have not exceeded this commercial coverage for any of the past three years.

(6) Long Term Debt

A. Changes in General Long-Term Liabilities

During the year ended June 30, 2022 long-term liabilities activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Note payable - URA	\$ 2,923,634	\$ -	\$ 458,092	\$ 2,465,542	\$ 471,789

B. Direct Borrowings

On July 31, 2018, the City and Agency directly borrowed, in two separate transactions, a total of \$6,800,000 for construction of a new City Hall and Police Station within the Governmental Activities. Because of the co-mingled relationship of these borrowings, information on each transaction is described below:

- a. \$3,000,000 – General Fund Full Faith & Credit Note Payable – secured by the City’s full faith and credit and taxing power, but shall not entitle the lender to any lien on, or pledge of, specific properties or revenue of the City. The borrowing carries an interest rate of 3.00%. Interest is payable semi-annually on February 1

GLADSTONE URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

and August 1 of each year, and principal is payable annually on August 1 through 2029.

- b. \$3,800,000 – Urban Renewal Agency Note Payable – secured by the Master Borrowing Declaration for the Gladstone Urban Renewal Agency. Funds will be collected annually by the “Divide the Taxes” revenue as will be assessed through the Urban Renewal Agency. The borrowing carries an interest rate of 2.99%. Interest is payable semi-annually on February 1 and August 1 of each year, and principal is payable annually on August 1 through 2026.

The City/Agency may prepay all or any portion of each note, with prepayment applied first to accrued interest and then to principal. Both of the borrowings contain an event of default clause that allows the lender to increase the interest rate by 5.00%, if not cured within five days, while the event of default continues. However, the amounts due from the City/Agency shall not be subject to acceleration.

Annual debt service requirements to maturity for the Urban Renewal Agency direct borrowing is as follows:

Fiscal Year	Series 2018 Note Payable	
	Urban Renewal Agency	
	Principal	Interest
2023	\$ 471,789	\$ 66,666
2024	485,896	52,349
2025	500,424	37,603
2026	515,387	22,417
2027	492,046	7,357
	<u>\$ 2,465,542</u>	<u>\$ 186,392</u>

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AUDIT COMMENTS AND DISCLOSURES

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