

BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2025



GRESHAM REDEVELOPMENT COMMISSION

CITY OF
GRESHAM
OREGON

Gresham Redevelopment Commission

(a component unit of the City of Gresham, Oregon)

Annual Financial Report

For the Fiscal Year Ended June 30, 2025

**Prepared by
Budget and Finance Department**

Gresham Redevelopment Commission
(a component unit of the City of Gresham, Oregon)
For the Fiscal Year Ended June 30, 2025

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GRESHAM

REDEVELOPMENT COMMISSION

Gresham Redevelopment Commission
Gresham City Hall
1333 NW Eastman Parkway
Gresham, Oregon 97030

GreshamOregon.gov/Urban-Renewal

As of June 30, 2025

Name	Term Expires
Travis Stovall Travis.Stovall@GreshamOregon.gov	December 2026
Cathy Keathley Cathy.Keathley@GreshamOregon.gov	December 2028
Eddy Morales Eddy.Morales@GreshamOregon.gov	December 2026
Kayla Brown Kayla.Brown@GreshamOregon.gov	December 2028
Jerry Hinton Jerry.Hinton@GreshamOregon.gov	December 2026
Sue Piazza Sue.Piazza@GreshamOregon.gov	December 2028
Janine Gladfelter Janine.Gladfelter@GreshamOregon.gov	December 2026

Principal Officials:

Eric Schmidt, City Manager
Ellen Van Riper, City Attorney
Elizabeth McCann, Director of Budget & Finance
Justin Douglas, GRDC Executive Director

Officials noted are as of June 30, 2025.

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

Independent Auditors Report

Report of Independent Auditors

To the Gresham Redevelopment Commission
A component unit of the City of Gresham, Oregon
Gresham, 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 Gresham Redevelopment Commission, a component unit of the City of Gresham, Oregon (the Agency) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2025, 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 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of revenues, expenditures, and changes in fund balances – budget and actual – GRDC – Rockwood Capital Projects Fund (the budgetary schedule) 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 GAAS, 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 budgetary schedule, 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. 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – GRDC – Rockwood Debt Service Fund is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Agency, as listed in the table of contents, 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.

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated December 19, 2025, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. 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.

A handwritten signature in dark ink, reading "Ashley Osten". The signature is fluid and cursive, with the first name "Ashley" and last name "Osten" clearly distinguishable.

Ashley Osten, Principal, for
Baker Tilly US, LLP
Portland, Oregon
December 19, 2025

Management's Discussion and Analysis

Gresham Redevelopment Commission (a component unit of the City of Gresham, Oregon) Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2025

This discussion and analysis highlights the financial activities and financial position of the Gresham Redevelopment Commission (Agency) for the year ended June 30, 2025. The Agency 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

- In May 2023, Gresham voters approved extending the urban renewal district until 2029 (the Rockwood-West Gresham Urban Renewal Area was scheduled to sunset in 2023). This gave the City more time to spend approximately \$24 million over the next five years on new projects. This includes transportation upgrades; parks and recreation; more housing options; more job opportunities; and small business support.
- In recent years, the Agency's property tax revenue growth has tended to fluctuate, in part due to the impact of various tax incentives, such as Enterprise Zone overlays, which previously had not applied to the Agency. During 2024/25, general revenues increased primarily due to the increase in interest and investment earnings.
- The Agency's net position increased significantly by \$6.7 million. This is largely due to the large cash and investment balance, as debt was paid off in fiscal year 2023. Projects for the approved extension have not entered a phase of substantial expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

Report Layout

This discussion and analysis is intended to serve as an introduction to the Agency'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 total Agency. This bears a similarity 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 the Agency'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. The current year's revenues and expenses are detailed in the statement of activities using the accrual basis of accounting (i.e. regardless of when cash is received or paid).

Gresham Redevelopment Commission

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 Agency 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 shown, 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:

Gresham Redevelopment Commission Summary of Net Position		
	Governmental Activities	
ASSETS	2025	2024
Current and other assets	\$ 14,239,680	\$ 8,238,802
Capital assets, net	25,062,141	24,325,623
Total assets	39,301,821	32,564,425
LIABILITIES		
Accrued liabilities	5,789	5,789
Total liabilities	5,789	5,789
NET POSITION		
Net investment in capital assets	25,062,141	24,325,623
Restricted for debt service	1,422,622	1,208,688
Unrestricted	12,811,269	7,024,325
Total net position	\$ 39,296,032	\$ 32,558,636

The Agency ended the year with a net position of \$39,296,032 an increase of \$6,737,396 from the prior year. Current and other assets increased by \$6,000,878 largely due to the increase in cash and investments. The increase of \$736,518 in capital assets net, is due to the purchase of buildings offset by depreciation on other assets.

Results of Operations

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

Gresham Redevelopment Commission Summary of Changes in Net Position

	Governmental Activities	
	2025	2024
REVENUES		
Program Revenues		
Charges for services	\$ -	\$ 54,000
General Revenues		
Property taxes	8,296,894	8,314,822
Federal interest subsidy	-	2,871
Interest and investment earnings	713,123	336,924
Miscellaneous	46,421	101,363
General Revenues	9,056,438	8,755,980
Total revenues	9,056,438	8,809,980
EXPENSES		
Urban renewal	2,319,042	2,081,865
Total expenses	2,319,042	2,081,865
Change in net position	6,737,396	6,728,115
Net Position - Beginning	32,558,636	25,830,521
Net Position - Ending	\$ 39,296,032	\$ 32,558,636

Total revenues increased by \$246 thousand from the prior fiscal year primarily due to the increase in interest and investment earnings.

The Agency's total revenues for the year were \$9.1 million, a 2.8% increase from the prior year. The tax increment revenues are restricted to the repayment of debt that is used to finance improvements identified in the urban renewal plan.

There was a \$237 thousand increase in project and program expenses from the prior year. The increase is largely related to near completion of projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the fiscal year, the combined fund balance for the governmental funds was \$14.2 million. Combined fund balance increased by \$6.0 million from the prior year.

The GRDC – Rockwood Capital Improvement Fund had an ending balance of \$12.6 million, an increase of \$5.8 million from the prior year. The increase is primarily due to the near completion of ongoing capital project expenditures and an increase in cash and investments.

The GRDC – Rockwood Debt Service Fund had an ending balance of \$1.4 million, an increase of \$214 thousand from the prior year. The ending fund balance is not available for future project spending because it is restricted for debt service on urban renewal borrowings.

BUDGETARY HIGHLIGHTS

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

The final budget in the GRDC – Rockwood Capital Improvement Fund includes \$7.5 million in appropriations, with \$3.1 million used. The excess appropriations were intended for additional project related expenditures which have crossed into future fiscal years.

The GRDC – Rockwood Debt Service Fund fell short of budgeted revenues by \$887 thousand, primarily due to lower than anticipated tax turnovers.

CAPITAL ASSETS

Capital Assets

As of year-end, the Agency had \$25.1 million invested in capital assets, which reflected an increase of \$736 thousand compared to the previous fiscal year. Increase due to additions of \$1.5 million offset by approximately \$738 thousand of depreciation expense.

Additional information on the Agency's capital assets can be found in the notes to the financial statements in the section titled Capital Assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Agency's tax assessment was certified by Multnomah County on October 3, 2025, in the amount of \$9,337,000 with estimated net proceeds of \$8,777,000. The assessment is determined by using the incremental increase in tax assessed value from the base year of 2004 for properties within the Agency'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 2025-26 include: \$374 thousand for the Catalyst site, \$754 thousand for the POIC campus, \$2.8 million for property acquisition, \$4.9 million for the Yamill Corridor improvement, \$1.3 million for Fire Station 74, and \$257 thousand for site improvements at East Burnside and 184th. The \$10.4 million capital project budget is part of the Adopted Budget for the Urban Renewal Area for fiscal year 2025-26.
- The Agency 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.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency'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 Budget and Finance Department, Accounting Services Division at 1333 NW Eastman Parkway, Gresham, Oregon 97030-3813.

Basic Financial Statements

Gresham Redevelopment Commission
(a component unit of the City of Gresham)
Statement of Net Position
June 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 13,913,187
Property taxes receivable, net	243,101
Receivables	3,112
Other assets	80,280
Capital assets:	
Non-depreciable	9,754,472
Depreciable, net	15,307,669
Total assets	<u>39,301,821</u>
LIABILITIES	
Other accrued liabilities	<u>5,789</u>
Total liabilities	<u>5,789</u>
NET POSITION	
Net investment in capital assets	25,062,141
Restricted for debt service	1,422,622
Unrestricted	12,811,269
Total net position	<u><u>\$ 39,296,032</u></u>

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

Gresham Redevelopment Commission
(a component unit of the City of Gresham)
Statement of Activities
For the Fiscal Year Ended June 30, 2025

Functions	Direct Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Governmental Activities
Governmental activities:				
Urban renewal	\$ 2,319,042	\$ -	\$ -	\$ (2,319,042)
Total governmental activities	<u>\$ 2,319,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,319,042)</u>
General Revenues:				
Taxes:				
Property taxes for debt service				8,296,894
Interest and investment earnings				713,123
Miscellaneous				46,421
Total general revenues				<u>9,056,438</u>
Change in net position				6,737,396
Net position - beginning				32,558,636
Net position - ending				<u>\$ 39,296,032</u>

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

Gresham Redevelopment Commission**(a component unit of the City of Gresham)****Balance Sheet****Governmental Funds****June 30, 2025**

	GRDC - Rockwood Capital Improvement Fund	GRDC - Rockwood Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 12,525,685	\$ 1,387,502	\$ 13,913,187
Property taxes receivable, net	-	243,101	243,101
Receivables	3,112	-	3,112
Other assets	70,592	9,688	80,280
Total assets	<u>\$ 12,599,389</u>	<u>\$ 1,640,291</u>	<u>\$ 14,239,680</u>
LIABILITIES			
Deposits	\$ 5,789	\$ -	\$ 5,789
Total liabilities	<u>5,789</u>	<u>-</u>	<u>5,789</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	217,669	217,669
Total deferred inflows of resources	<u>-</u>	<u>217,669</u>	<u>217,669</u>
FUND BALANCES			
Restricted for debt service	-	1,422,622	1,422,622
Unassigned	12,593,600	-	12,593,600
Total fund balances	<u>12,593,600</u>	<u>1,422,622</u>	<u>14,016,222</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,599,389</u>	<u>\$ 1,640,291</u>	<u>\$ 14,239,680</u>

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

Gresham Redevelopment Commission
(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, 2025

Total fund balances - governmental funds	\$ 14,016,222
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Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:

Governmental capital assets	25,062,141
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Assets not available to pay for current period expenditures are deferred in the governmental funds, but are susceptible to full accrual on the statement of net position:

Unavailable revenue from taxes and assessments	<u>217,669</u>
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Total net position - governmental activities	<u><u>\$ 39,296,032</u></u>
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The notes to the basic financial statements are an integral part of this statement.

Gresham Redevelopment Commission
(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, 2025

	GRDC - Rockwood Capital Improvement Fund	GRDC - Rockwood Debt Service Fund	Total Governmental Funds
REVENUES			
Taxes	\$ -	\$ 8,282,009	\$ 8,282,009
Miscellaneous	46,421	-	46,421
Investment earnings	545,153	167,970	713,123
Total revenues	<u>591,574</u>	<u>8,449,979</u>	<u>9,041,553</u>
EXPENDITURES			
Materials and services	3,055,560	-	3,055,560
Debt service	-	8,236,045	8,236,045
Total expenditures	<u>3,055,560</u>	<u>8,236,045</u>	<u>11,291,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,463,986)</u>	<u>213,934</u>	<u>(2,250,052)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	8,236,045	-	8,236,045
Total other financing sources (uses)	<u>8,236,045</u>	<u>-</u>	<u>8,236,045</u>
Net change in fund balances	<u>5,772,059</u>	<u>213,934</u>	<u>5,985,993</u>
Fund balances - beginning	<u>6,821,541</u>	<u>1,208,688</u>	<u>8,030,229</u>
Fund balances - ending	<u><u>\$ 12,593,600</u></u>	<u><u>\$ 1,422,622</u></u>	<u><u>\$ 14,016,222</u></u>

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

Gresham Redevelopment Commission
(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, 2025

Net change in fund balances - governmental funds	\$	5,985,993
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Amounts reported for governmental activities in the statement of activities

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 outlays	1,474,311	
Less: Depreciation expense	<u>(737,793)</u>	736,518

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		<u>14,885</u>
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Change in net position - governmental activities:	\$	<u><u>6,737,396</u></u>
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The notes to the basic financial statements are an integral part of this statement.

Notes to the Financial Statements

Gresham Redevelopment Commission
(a component unit of the City of Gresham, Oregon)
Notes to the Basic Financial Statements
June 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements of the Gresham Redevelopment Commission (Agency) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Agency is the urban renewal agency of the City of Gresham, Oregon (City). The Agency 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. In May 2022, Gresham voters approved an extension of the Agency through 2029. The City's council members make up the governing body of the Agency (known as the Gresham Redevelopment Commission).

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

An Intergovernmental Agreement (IGA) exists between the City and the Agency for urban renewal project funding, internal service charges and debt issuance and repayment. The Agency has remaining borrowing capacity of \$15,803,287 at June 30, 2025. The Agency's activities are reported in the GRDC - Rockwood Capital Improvement Fund and the GRDC - Rockwood Debt Service Fund.

Basic Financial Statements

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

Government-wide financial statements portray information about the Agency 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 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 Agency'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 Agency's funds are classified as governmental funds.

Gresham Redevelopment Commission

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 Agency 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 Agency'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 Agency's funds are presented as major funds, as follows:

- *GRDC – Rockwood Capital Improvement Fund*

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

- *GRDC – Rockwood 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.

New accounting pronouncements

During the fiscal year ended June 30, 2025, the Agency implemented the following GASB pronouncements:

GASB Statement No. 101, Compensated Absences

This statement provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement has no impact on the Agency's financial statements for the current fiscal year.

GASB Statement No. 102, Certain Risk Disclosures

This statement defines criteria to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement has no impact on the Agency's financial statements for the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

The Agency's cash and investments are considered to be cash on hand, demand deposits and shares of the Oregon Local Government Investment Pool. The Agency's cash and investments are included in the City's pooled cash and investments rather than specific, identifiable securities. The City's pooled 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.

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 for 2025 were November 15, February 15, and May 15. A 3% discount is allowed for full amount due by November 15th. A 2% discount is allowed for a 2/3 payment by November 15th and the remaining 1/3 payment by May 15th. A 1% discount is permitted for a 1/3 payment by November 15th another 1/3 payment by February 15th and a final 1/3 payment by May 15th. Taxes unpaid and outstanding on May 16 are considered delinquent. The unpaid taxes 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 acquisition 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 Agency's capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Infrastructure	20-40
Improvements	10-50
Machinery and equipment	3-40

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 withheld or not from the actual debt proceeds received, are reported as materials and services expenditures.

Gresham Redevelopment Commission

Deferred Inflows of Resources

In addition to liabilities, a separate section for deferred inflows of resources will sometimes be reported. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Net Position / Fund Balance

The Agency'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 which the Agency considers to be a resolution by the GRDC. Committed amounts may not be used for any other purpose unless the Commission removes the constraint by similar resolution.
- Assigned: Amounts that have been allocated by Commission action where the government's intent is to use the funds for a specific purpose. Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purposes.
- Unassigned: This category includes any balances that have none of the characteristics noted above; also incorporating any deficit fund balance.

The Agency reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. The Agency reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The government-wide statements label the difference between assets, liabilities, deferred inflows and outflows as 'net position'. Components of net position are 'net investment in capital assets', 'restricted', and 'unrestricted'.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Agency 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 for all funds. Budgets are prepared similar to the modified accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS

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 Investments

The City maintains a cash and investment pool for all cash, cash equivalents and investments in which each fund participates, including the Agency. Investments with the State of Oregon Local Government Investment Pool (LGIP) are not held in separate Agency accounts. The total restricted and unrestricted cash, cash equivalents and investments balance for the Agency at year-end was \$13,913,187, representing the Agency's share of the City's cash and investment pool.

The Agency's investment policy is the same as the City's. The City's investment policy is reviewed annually by the City's Budget and Finance 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.

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. The City invests in the LGIP which 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 unmodified. 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. The current WAM is approximately eight months.

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 fails to 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. To limit the City's exposure to credit risk, the investment policy outlines minimum allowable credit rating criteria.

Gresham Redevelopment Commission

Capital Assets

Capital asset activity during the fiscal year was as follows:

	Beginning Balance	Additions (Deletions)	Reclass	Ending Balance
Non-depreciated:				
Land	\$ 9,402,510	\$ -	-	\$ 9,402,510
Easements	351,962	-	-	351,962
Total non-depreciated	9,754,472	-	-	9,754,472
Depreciable:				
Buildings	7,919,128	1,474,311	-	9,393,439
Improvements	418,425	-	-	418,425
Machinery and equipment	71,731	-	-	71,731
Infrastructure	10,862,966	-	-	10,862,966
Total depreciable at historical cost	19,272,250	1,474,311	-	20,746,561
Less accumulated depreciation for:				
Buildings	(1,038,030)	(173,126)	-	(1,211,156)
Improvements	(50,090)	(16,737)	-	(66,827)
Machinery and equipment	(64,558)	(4,782)	-	(69,340)
Infrastructure	(3,548,421)	(543,148)	-	(4,091,569)
Total accumulated depreciation	(4,701,099)	(737,793)	-	(5,438,892)
Depreciable, net	14,571,151	736,518	-	15,307,669
Capital assets, net	\$ 24,325,623	\$ 736,518	-	\$ 25,062,141
Depreciation expense for the urban renewal governmental activity				\$ 737,793

Risk Management

The Agency 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 Agency carries commercial insurance.

The Agency 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 Agency 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 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 Agency are not available.

NOTES TO THE FINANCIAL STATEMENTS

Related Party Transactions

The City provides services for the Agency, including administration, program management, design, engineering, financial, legal, and clerical functions. The Agency operates exclusively using contracted employees from the City. The Agency paid \$3,055,560 to the City for services, reimbursement for personnel, materials, supplies, construction and a proportionate share of City internal services, during the year. No future commitments to the City have been agreed upon.

In 2023 the Agency entered into an intergovernmental loan agreement for the City to provide credit facility services. The agreement allows direct lending from the City to the Agency with repayment occurring the following day from the Agency's tax increment financing revenues. The 2025 borrowing and repayment amount was \$8,236,045. The anticipated tax increment for the Agency for 2026 is approximately \$8.6 million.

Subsequent Events

On September 2, 2025, the City Council approved the establishment of a new urban renewal area for the Downtown/Civic neighborhood, which will be reported as part of the City's blended component unit in future years.

Required Supplementary Information

Gresham Redevelopment Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
GRDC - Rockwood Capital Improvement Fund
For the Fiscal Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget- Positive (Negative)</u>
REVENUES				
Miscellaneous	\$ 6,900	\$ 6,900	\$ 366,798	\$ 359,898
Total revenues	<u>6,900</u>	<u>6,900</u>	<u>366,798</u>	<u>359,898</u>
EXPENDITURES				
Materials and services	<u>7,457,000</u>	<u>7,457,000</u>	<u>3,055,560</u>	<u>4,401,440</u>
Total expenditures	<u>7,457,000</u>	<u>7,457,000</u>	<u>3,055,560</u>	<u>4,401,440</u>
Excess of expenditures over revenues	<u>(7,450,100)</u>	<u>(7,450,100)</u>	<u>(2,688,762)</u>	<u>4,761,338</u>
OTHER FINANCING SOURCES				
Issuance of debt	<u>9,127,200</u>	<u>9,127,200</u>	<u>8,236,045</u>	<u>(891,155)</u>
Total other financing sources	<u>9,127,200</u>	<u>9,127,200</u>	<u>8,236,045</u>	<u>(891,155)</u>
Net change in fund balances	1,677,100	1,677,100	5,547,283	3,870,183
Fund balances - beginning	<u>5,209,300</u>	<u>5,209,300</u>	<u>6,702,085</u>	<u>1,492,785</u>
Fund balances - ending	<u>\$ 6,886,400</u>	<u>\$ 6,886,400</u>	<u>\$ 12,249,368</u>	<u>\$ 5,362,968</u>
Unrealized gain (loss) on investments			<u>344,232</u>	
Fund balances - generally accepted accounting principles basis, ending			<u>\$ 12,593,600</u>	

Other Supplementary Information

Gresham Redevelopment Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
GRDC - Rockwood Debt Service Fund
For the Fiscal Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget- Positive (Negative)</u>
REVENUES				
Taxes	\$ 9,127,200	\$ 9,127,200	\$ 8,282,009	\$ (845,191)
Miscellaneous	178,700	178,700	137,123	(41,577)
Total revenues	<u>9,305,900</u>	<u>9,305,900</u>	<u>8,419,132</u>	<u>(886,768)</u>
EXPENDITURES				
Debt service	<u>9,127,200</u>	<u>9,127,200</u>	<u>8,236,045</u>	<u>891,155</u>
Total expenditures	<u>9,127,200</u>	<u>9,127,200</u>	<u>8,236,045</u>	<u>891,155</u>
Excess of revenues ove expenditures	<u>178,700</u>	<u>178,700</u>	<u>183,087</u>	<u>4,387</u>
Net change in fund balances	178,700	178,700	183,087	4,387
Fund balances - beginning	<u>1,723,400</u>	<u>1,723,400</u>	<u>1,544,290</u>	<u>(179,110)</u>
Fund balances - ending	<u>\$ 1,902,100</u>	<u>\$ 1,902,100</u>	<u>\$ 1,727,377</u>	<u>\$ (174,723)</u>
Unrealized gain (loss) on investments			<u>(304,755)</u>	
Fund balances - generally accepted accounting principles basis, ending			<u>\$ 1,422,622</u>	

Audit Comments and Disclosures Required by State Regulations

Report of Independent Auditors Required by Oregon State Regulations

To the Gresham Redevelopment Commission
A component unit of the City of Gresham, Oregon
Gresham, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements the governmental activities and each major fund of the Gresham Redevelopment Commission, a component unit of the City of Gresham, Oregon (the Agency) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 19, 2025.

Compliance

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Highway funds
- Investments
- Public charter schools

In connection with our testing, nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Gresham Redevelopment Commission, management of the Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in cursive script that reads "Ashley Osten".

Ashley Osten, Principal, for
Baker Tilly US, LLP
Portland, Oregon
December 19, 2025