

**COLUMBIA GATEWAY  
URBAN RENEWAL AGENCY**  
(A Component Unit of the City of The Dalles, Oregon)

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2011**

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of The Dalles, Oregon)

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**OFFICIALS OF THE AGENCY**

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY**  
(A Component Unit of the City of The Dalles, Oregon)

**OFFICIALS OF THE AGENCY**  
**AS OF JUNE 30, 2011**

**BOARD OF DIRECTORS**

<b><u>Name and Address</u></b>	<b><u>Term Expires December 31</u></b>
Jim Wilcox, Mayor 416 West 7 <sup>th</sup> Street The Dalles OR 97058	2012
Dan Spatz 2506 Jordan Street The Dalles OR 97058	2012
Carolyn Wood 1709 Liberty Street The Dalles OR 97058	2012
Bill Dick 2520 East 14 <sup>th</sup> Street The Dalles OR 97058	2014
Brian Ahier 1126 East 8 <sup>th</sup> Street The Dalles OR 97058	2012
Tim McGlothlin 328 West 21 <sup>st</sup> Place The Dalles OR 97058	2014

**AGENCY ADDRESS**

Administrative Offices  
313 Court Street  
The Dalles OR 97058

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## **INDEPENDENT AUDITOR'S REPORT**

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Columbia Gateway Urban Renewal Agency  
The Dalles, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Columbia Gateway Urban Renewal Agency, a component unit of the City of The Dalles, Oregon (Agency), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Agency, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP  
West Linn, Oregon  
November 16, 2011

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion is intended to be an easily readable analysis of the Columbia Gateway Urban Renewal Agency's (Agency) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

### **REPORT CONTENTS**

The report consists of agency-wide financial statements, fund financial statements, notes to the financial statements, and supplemental information. The agency-wide financial statements include the Statement of Net Assets and the Statement of Activities.

#### **STATEMENT OF NET ASSETS**

The Statement of Net Assets focuses on the unrestricted net assets of the Agency's governmental activities. The statement reflects all assets and liabilities of the Agency.

#### **STATEMENT OF ACTIVITIES**

The Statement of Activities focuses on the programs costs and their matching resources. To the extent a program's cost is not recovered by grants and direct charges, it is paid from general taxes and other resources. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

#### **FUND FINANCIAL STATEMENTS**

Following the agency-wide financial statements are the fund financial statements. The Agency presents each of its two funds as major funds. For each major fund a budgetary comparison statement/schedule is presented. The General Fund statement is included in the basic financial statements and the Debt Service Fund schedule is shown in the supplemental information section.

## AGENCY-WIDE FINANCIAL STATEMENTS

Summary Statements of Net Assets as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and other assets	\$ 1,739,283	\$ 2,362,842
Capital assets	<u>1,581,732</u>	<u>850,412</u>
Total assets	<u>3,321,015</u>	<u>3,213,254</u>
<b>Liabilities</b>		
Long-term liabilities	10,381,809	10,790,410
Other liabilities	<u>47,131</u>	<u>37,442</u>
Total liabilities	<u>10,428,940</u>	<u>10,827,852</u>
<b>Net assets</b>		
Restricted	1,149,728	1,254,374
Unrestricted (deficit)	<u>(8,257,653)</u>	<u>(8,868,972)</u>
Total net assets	<u>\$ (7,107,925)</u>	<u>\$ (7,614,598)</u>

The deficit in unrestricted net assets is the result of the Agency carrying long-term liabilities used to finance the construction of public infrastructure assets, which are transferred to the City of The Dalles.

Summary Statements of Activities for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Programs revenues:		
Capital grants and contributions	\$ -	\$ -
General revenues:		
Property taxes	1,259,699	1,261,297
Other	<u>17,174</u>	<u>12,678</u>
Total revenues	<u>1,276,873</u>	<u>1,273,975</u>
<b>Expenses</b>		
General Government	377,063	7,757,246
Interest on long-term debt	<u>393,137</u>	<u>326,197</u>
Total expenses	770,200	8,083,443
Change in net assets	506,673	(6,809,468)
Net assets - beginning	<u>(7,614,598)</u>	<u>(805,130)</u>
Total net assets	<u>\$ (7,107,925)</u>	<u>\$ (7,614,598)</u>

## **AGENCY-WIDE FINANCIAL STATEMENTS (continued)**

Net assets increased during the year by \$506,673 as the Agency purchased two more buildings as part of a redevelopment project, and lowered the long-term debt liability by the amount of the annual principal payment.

The Agency's tax levy totaled \$1,292,283.91, and is restricted to urban renewal projects and the repayment of debt. The debt has been issued to finance a number of improvements within the Urban Renewal District. The Agency's projects are constructed and, upon completion, ownership is transferred to the City of The Dalles, except for capital assets that are purchased to be refurbished and sold. This transfer is the primary component of expenses for General Government Expenses in the Statement of Activities.

## **BUDGETARY HIGHLIGHTS**

The Agency's adopted budget was not amended during the year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

As of June 30, 2011 the Agency had \$1,581,732 invested in capital assets available for sale. The Agency has no other capital assets since all of the projects become assets of the City of The Dalles. They have been transferred to the City and do not appear as assets of the Agency.

### ***Debt Outstanding***

As of June 30, 2010, the Agency had \$10,381,809 in debt outstanding compared to \$10,790,410 last year. The \$408,601 decrease resulted from the annual principal payment that was made and amortization on the premium.

## **ECONOMIC FACTORS**

The Urban Renewal Agency continues to be an important partner in economic development within the City of The Dalles, providing necessary infrastructure improvements to support continued growth and quality of service to those within the Agency's boundaries. Urban Renewal projects that increase property values within the boundaries of the Agency result in greater tax increment resources. That tax increment is then used to pay debt service on bonds issued to fund projects and improvements.

## **FINANCIAL CONTACT**

The Agency's financial statements are designed to present citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact the Agency's Finance Director at 313 Court Street, The Dalles, Oregon 97058.

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## **BASIC FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

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

- Government-Wide Financial Statements
- Fund Financial Statements
  - Governmental Funds
- Budgetary Comparison Statement
  - General Fund

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

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY**  
**(A COMPONENT UNIT OF THE CITY OF THE DALLES, OREGON)**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Restricted cash and cash equivalents (temporary)	\$ 1,156,441
Receivables:	
Accounts receivable	390,485
Intergovernmental	8,127
Bond issuance costs	<u>184,230</u>
Total current assets	<u>1,739,283</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	<u>1,581,732</u>
Total noncurrent assets	<u>1,581,732</u>
Total assets	<u><u>\$ 3,321,015</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 15,544
Accrued interest payable	31,587
Current portion of long-term debt	<u>420,659</u>
Total current liabilities	<u>467,790</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>9,961,150</u>
Total noncurrent liabilities	<u>9,961,150</u>
Total liabilities	<u>10,428,940</u>
<b>NET ASSETS</b>	
Restricted for:	
Debt Service	810,760
System development	338,968
Unrestricted (deficit)	<u>(8,257,653)</u>
Total net assets (deficit)	<u>(7,107,925)</u>
Total liabilities and net assets	<u><u>\$ 3,321,015</u></u>

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

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY**  
**(A COMPONENT UNIT OF THE CITY OF THE DALLES, OREGON)**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Expense Revenue and Change in Net Asset</u>
			Total Governmental Activities
Governmental activities:			
General government	\$ 377,063	\$ -	\$ (377,063)
Interest on long-term obligations	<u>393,137</u>	<u>-</u>	<u>(393,137)</u>
Total government	<u>\$ 770,200</u>	<u>\$ -</u>	<u>\$ (770,200)</u>
General revenues:			
Property taxes levied for debt service			1,259,699
Interest and investment earnings			8,450
Miscellaneous			<u>8,724</u>
Total general revenues and transfers			<u>1,276,873</u>
Change in net assets			<u>506,673</u>
Net assets - beginning			<u>(7,614,598)</u>
Net assets - ending			<u>\$ (7,107,925)</u>

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

**FUND FINANCIAL STATEMENTS**  
**Major Governmental Funds**

**General Fund**

The Urban Renewal Capital Projects Fund accounts for services and construction costs for the development within the Columbia Gateway Urban Renewal District. Principal sources of revenues are property taxes, grants, and interest on investments.

**Debt Service Fund**

The Urban Renewal Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest relating to the Columbia Gateway Urban Renewal District.

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY**  
**(A COMPONENT UNIT OF THE CITY OF THE DALLES, OREGON)**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
<b><u>ASSETS</u></b>			
Restricted cash and cash equivalents (temporary)	\$ 345,681	\$ 810,760	\$ 1,156,441
Receivables:			
Accounts	704	-	704
Intergovernmental	8,127	-	8,127
Property taxes	107,336	-	107,336
Notes	282,445	-	282,445
	<u>744,293</u>	<u>810,760</u>	<u>1,555,053</u>
Total assets	<u>\$ 744,293</u>	<u>\$ 810,760</u>	<u>\$ 1,555,053</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts payable and other current liabilities	\$ 15,544	\$ -	\$ 15,544
Deferred revenue	389,781	-	389,781
	<u>405,325</u>	<u>-</u>	<u>405,325</u>
Total liabilities	<u>405,325</u>	<u>-</u>	<u>405,325</u>
<b><u>FUND BALANCES:</u></b>			
Restricted for:			
Intergovernmental agreement	-	810,760	810,760
State statute	338,967	-	338,967
	<u>338,968</u>	<u>810,760</u>	<u>1,149,728</u>
Total fund balance	<u>338,968</u>	<u>810,760</u>	<u>1,149,728</u>
Total liabilities and fund balance	<u>\$ 744,293</u>	<u>\$ 810,760</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,581,732
Bond issuance costs reported in the governmental activities are not financial resources, and, therefore are not reported in the funds.	184,230
Long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	389,781
Premium on long-term debt reported in the governmental activities is included in revenues in the fund financial statements on issuance of debt and therefore are not reported in the funds.	(731,809)
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,681,587)</u>
Net Assets	<u>\$ (7,107,925)</u>

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

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY  
(A COMPONENT UNIT OF THE CITY OF THE DALLES, OREGON)  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
<b>REVENUES:</b>			
Property taxes	\$ 787,195	\$ 462,576	\$ 1,249,771
Rental income	5,422	-	5,422
Interest on investments	-	8,450	8,450
Miscellaneous	3,302	-	3,302
	<u>795,919</u>	<u>471,026</u>	<u>1,266,945</u>
<b>Total revenues</b>			
<b>EXPENDITURES:</b>			
Current:			
General government	324,559	-	324,559
Capital outlay	972,445	-	972,445
Debt service			
Principal	-	370,000	370,000
Interest	-	431,738	431,738
	<u>1,297,004</u>	<u>801,738</u>	<u>2,098,742</u>
<b>Total expenditures</b>			
Net changes in fund balances	(501,085)	(330,712)	(831,797)
<b>FUND BALANCES, BEGINNING</b>	<u>840,053</u>	<u>1,141,472</u>	<u>1,981,525</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 338,968</u>	<u>\$ 810,760</u>	<u>\$ 1,149,728</u>

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

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY  
(A COMPONENT UNIT OF THE CITY OF THE DALLES, OREGON)  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011**

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Amounts reported in the statement of activities are different because:

Net change in fund balances - Governmental Funds \$ (831,797)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Property taxes 9,928

Governmental funds report expenditures for capital outlay while governmental activities report the expenditures as an increase in capital assets. 934,796

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest	\$ 4,391	
Amortization of bond issuance costs	(19,246)	
Amortization of bond premium	<u>38,601</u>	
		23,746

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets. 370,000

Change in net assets of governmental activities \$ 506,673

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

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY  
(A COMPONENT UNIT OF THE CITY OF THE DALLES, OREGON)  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 835,042	\$ 835,042	\$ 787,195	\$ (47,847)
Rental income	-	-	5,422	5,422
Interest on investments	5,000	5,000	-	(5,000)
Miscellaneous	2,825	2,825	3,302	477
Total revenues	842,867	842,867	795,919	(46,948)
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Materials and service	551,472	551,472	324,559	226,913
Capital outlay	1,432,523	1,432,523	972,445	460,078
Total expenditures	1,983,995	1,983,995	1,297,004	686,991
Net changes in fund balances	(1,141,128)	(1,141,128)	(501,085)	640,043
<b>FUND BALANCE, BEGINNING</b>	1,141,128	1,141,128	840,053	(301,075)
<b>FUND BALANCE, ENDING</b>	\$ -	\$ -	\$ 338,968	\$ 338,968

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

# COLUMBIA GATEWAY URBAN RENEWAL AGENCY

(A Component Unit of the City of The Dalles, Oregon)

## NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organization

The Columbia Gateway Urban Renewal Agency (the Agency), a component unit of the City of The Dalles, Oregon, is the urban renewal agency of, and controlled by the City of The Dalles (the City). It was organized in 1990 to assist in the redevelopment of blighted and deteriorated areas within the City through tax increment financing. The governing body consists of a seven member advisory committee, which makes its recommendations to the Board of Directors. The Board of Directors is composed of the Mayor and City Council of the City of The Dalles.

#### B. Inclusion of the Agency in The Dalles, Oregon, Comprehensive Annual Financial Report

All significant activities and organizations for which the City exercises oversight responsibility have been included in the City's combined financial statements. The following criteria from Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 30, "Determining Whether Certain Organizations are Component Units", regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

- Financial Interdependency – the City receives financial support or provides financial benefit to the organization,
- Authoritative appointment of governing authority – The Dalles City Council is the organization's governing authority.

City management has determined that the Agency meets the criteria set forth above, and, therefore, is a component unit of the City. This report is issued solely to meet a State of Oregon, Department of Revenue Interpretation of Oregon Revised Statutes that requires a separate audit report.

#### C. Agency-wide and Fund Financial Statements

The agency-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include:

1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **D. Measurement Focus, Basis of Accounting and Basis of Presentation**

The agency-wide financial statements are reported using the *economic resources measurement focus* and the *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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The agency-wide financial statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

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.

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 government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the Agency. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment, are recorded only when payment is due.

The Agency reports the following major governmental funds:

The *General Fund* is the Agency's primary operation fund. It accounts for all financial resources of the Agency, except those required to be accounted for in another fund. Principal sources of revenue are property taxes and capital grants. Expenditures are primarily for the construction of public infrastructure assets for the City of The Dalles.

The *Debt Service Fund* accounts for the repayment of principal and interest on long-term obligations used to finance the construction of public infrastructure assets for the City of The Dalles.

## **E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **F. Cash and Cash Equivalents**

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Agency's bank accounts and investments are maintained in a central pool of cash and investments. The investment policy of the Agency is to invest in the Local Government Investment Pool (LGIP), U.S. Government Obligations, and interest bearing demand deposits with local banks, and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments, authorized for municipal corporations. The Agency allocates earnings on investments to each fund based on the average monthly balances throughout the year.

Investments in the LGIP are reported at amortized cost, which approximates fair value in accordance with GASB Statement Number 31, and are considered cash equivalents for financial reporting purposes. All other investments are reported at fair value.

## **G. Receivables and Payables**

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in paragraph D above.

## **H. Fund Equity**

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.

**Non-Spendable** – Includes items not immediately converted to cash, such as prepaid items and inventory.

**Restricted** – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

**Committed** – Includes items committed by the City Council, by formal council action. Commitments of fund balance must be made prior to the end of the fiscal year.

**Assigned** – Includes items assigned for specific uses, authorized by the Agency. Assignments of fund balance can be done at any time, including after the fiscal year end date.

**Unassigned** – This is the residual classification used for those balances not assigned to another category.

### **I. 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 (committed, assigned, and unassigned) are available for use it is the Agency's policy to use committed resources first, then assigned, and then unassigned as they are needed.

### **J. Long-Term Obligations**

In the agency-wide financial statements, long-term debt obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt expenditures.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The Agency begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The Board of Directors adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Agency established the levels of budgetary control at the personnel services, materials and services, capital outlay, debt service, and all other requirement levels for all funds.

The Board of Directors must authorize all appropriation transfers and supplementary budgetary appropriations.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the Agency at June 30, 2011. If bank deposits at year end are not entirely insured or collateralized by the Agency or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists. The Agency's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2011, none of the Agency's bank balances were exposed to credit risk.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk.

**Investments.** The Agency has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the Agency's cash position.

Investments in the Oregon State Treasury LGIP are made under the provision of ORS 194.180. These funds are held in the Agency's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at cost, which approximates fair value.

Credit risk. State statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The Agency has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The Agency is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Agency has no such investments.

Interest Rate Risk. The Agency has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Investments held by the Agency at June 30, 2011 are as follows:

	Weighted Average Maturity	Fair Value
Investments in the State Treasurer's Local Government Investment Pool	<u>0.00</u>	<u>\$ 1,118,878</u>
Total cash equivalents	<u>0.00</u>	<u>\$ 1,118,878</u>

**B. Receivables**

At June 30, 2011, the Agency's receivables are as follows:

Accounts	\$ 704
Intergovernmental	8,127
Property Taxes	107,336
Notes	<u>282,445</u>
Total Receivables	<u>\$ 398,612</u>

The Agency has a note receivable for the refurbishment of property. The principal of the note is due no later than December 31, 2026 and interest is payable at 1% annually. The note is secured by real property and is considered fully collectible.

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by Wasco County and remittance to the Agency is made at periodic intervals. The Agency levied taxes at its maximum taxing authority of \$1,327,096. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$1,292,284. Following is a summary of property tax transactions for the year ended June 30, 2011.

Tax Year	Property Taxes Receivable June 30, 2010	Add Levy as Extended By Assessor	Deduct Discounts Cancellations and Adjustments	Deduct Collections	Property Taxes Receivable June 30, 2011
2010-2011	\$ -	\$ 1,292,284	\$ (32,177)	\$ (1,201,620)	\$ 58,487
2009-2010	53,566	-	(45)	(25,797)	27,723
2008-2009	27,507	-	(32)	(10,705)	16,771
2007-2008	12,823	-	(3)	(9,512)	3,308
2006-2007	2,813	-	(3)	(2,200)	610
2005-2006	533	-	(3)	(253)	277
2004-2005	68	-	-	-	68
Prior	98	-	-	(6)	93
	<u>\$ 97,407</u>	<u>\$ 1,292,284</u>	<u>\$ (32,262)</u>	<u>\$ (1,250,093)</u>	<u>\$ 107,336</u>

### C. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The government-wide financial statements report *deferred revenue* only for amounts that have been received, but not earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds included \$107,336 in unavailable property taxes and \$282,445 of unavailable revenue from notes receivable.

### D. Capital Assets

The Agency constructs and refurbishes assets for the benefit of the City and local businesses, and any assets constructed or improved would become the property of the benefiting entity. The Agency also purchases property to be refurbished and sold. The 3rd Street Streetscape project is in the early stages of design and engineering and the project is waiting on final approval for construction. Costs incurred to date are \$51,421, with the estimated costs of \$3 million.

At June 30, 2011, the capital assets of the agency consist of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated				
Construction in progress	\$ 48,921	\$ 2,500	\$ -	\$ 51,421
Assets available for sale	598,015	932,296	-	1,530,311
Total Capital Assets	<u>\$ 646,936</u>	<u>\$ 934,796</u>	<u>\$ -</u>	<u>\$ 1,581,732</u>

## E. Long-Term Obligations

The City issued \$12,100,000 in 2009 Full Faith and Credit Obligations in October of 2009. \$10,205,000 of the bonds was for the benefit of the Columbia Gateway Urban Renewal Agency and will be repaid from tax increment revenues within the Urban Renewal area with interest rates ranging from 2% to 5%. The bonds were issued to finance construction of public infrastructure improvements, Urban Renewal Projects, to refinance the Urban Renewal Bonds Series 2002, to fund an Urban Renewal debt reserve, and to pay the costs of issuance.

The City filed a “material event notice”, as required by full disclosure and requirements of the bond issue, at various times during the year. The filing was due to the downgrade of the bond insurance company used by the City to insure the owners of the bonds.

Future maturities are as follows:

<b>2009 Full Faith and Credit Bonds</b>		
	Principal	Interest
2012	\$ 380,000	\$ 424,338
2013	390,000	412,938
2014	400,000	401,238
2015	415,000	386,238
2016	430,000	373,788
2017-2021	2,440,000	1,573,087
2022-2026	3,015,000	991,826
2027-2031	<u>2,180,000</u>	<u>221,250</u>
Total	<u>\$ 9,650,000</u>	<u>\$ 4,784,703</u>

Changes in long-term obligations for the fiscal year ended June 30, 2011, are as follows:

	<u>6/30/10 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/11 Balance</u>	<u>Due Within One Year</u>
<b>Urban Renewal Bonds</b>					
Series 2009	\$ 10,020,000	\$ -	\$ 370,000	\$ 9,650,000	\$ 380,000
Premium on Debt	<u>770,410</u>	<u>-</u>	<u>38,601</u>	<u>731,809</u>	<u>40,659</u>
	<u>\$ 10,790,410</u>	<u>\$ -</u>	<u>\$ 408,601</u>	<u>\$ 10,381,809</u>	<u>\$ 420,659</u>

## **F. Risk Management**

The Agency is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance coverage in the name of the City. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

## **G. Subsequent Events**

In September, the Agency approved using \$80,000 previously designated for demolition of the warehouse building at the Sunshine Mill, for stabilization of that warehouse building, with conditions and requiring payments based on a redevelopment style agreement with the developer.

The Agency also approved an interest rate subsidy for Canton Wok at 100% of interest charged on a \$55,000 loan at 6% over 120 months.

There are two other ongoing interest rate subsidies for property owner improvement projects: MJG Development and Sigman. The commitments extend through June 30, 2015 and August 1, 2014, respectively.

## **H. New Accounting Pronouncement – GASB Statement No. 54**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented GASB 54 in the year ending June 30, 2011.

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## **SUPPLEMENTAL INFORMATION**

## SUPPLEMENTAL INFORMATION

➤ Budgetary Comparison Schedule

- Debt Service Fund

**COLUMBIA GATEWAY URBAN RENEWAL AGENCY  
(A COMPONENT UNIT OF THE CITY OF THE DALLES, OREGON)  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2011**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 462,576	\$ 462,576	\$ 462,576	\$ -
Interest on investments	3,000	3,000	8,450	5,450
Total revenues	465,576	465,576	471,026	5,450
<b>EXPENDITURES:</b>				
Debt service				
Principal	370,000	370,000	370,000	-
Interest	431,738	431,738	431,738	-
Contingency	806,310	806,310	-	806,310
Total expenditures	1,608,048	1,608,048	801,738	806,310
Net changes in fund balances	(1,142,472)	(1,142,472)	(330,712)	811,760
<b>FUND BALANCES, BEGINNING</b>	1,142,472	1,142,472	1,141,472	(1,000)
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 810,760	\$ 810,760

**INDEPENDENT AUDITOR'S REPORT REQUIRED  
BY OREGON STATE REGULATIONS**

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the Columbia Gateway Urban Renewal Agency, a component unit of the City of The Dalles, Oregon (Agency), as of and for the year ended June 30, 2011 and have issued our report thereon dated November 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement 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:

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

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 grants, included the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-010-000 through 162-010-320 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

This report is intended solely for the information and use of the Board of Directors, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP  
West Linn, Oregon  
November 16, 2011