

**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, 2010**

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

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

**OFFICIALS OF THE AGENCY  
AS OF JUNE 30, 2010**

**BOARD OF DIRECTORS**

<u>Name and Address</u>	<u>Term Expires December 31</u>
Jim Wilcox, Mayor 416 West 7 <sup>th</sup> Street The Dalles OR 97058	2010
Dan Spatz 2506 Jordan Street The Dalles OR 97058	2012
Carolyn Wood 1709 Liberty Street The Dalles OR 97058	2010
Bill Dick 2520 East 14 <sup>th</sup> Street The Dalles OR 97058	2010
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	2010

**AGENCY ADDRESS**

Administrative Offices  
313 Court Street  
The Dalles, OR 97058



**Dickey and Tremper, LLP**  
Certified Public Accountants and Business Advisors

110 SE First Street  
P.O. Box 1533  
Pendleton, OR 97801  
Phone: (541) 276-6862  
Toll Free: 1-800-332-6862  
Fax: (541) 276-9040  
Web: [www.dickeyandtremper.com](http://www.dickeyandtremper.com)

## **INDEPENDENT AUDITOR'S REPORT**

To 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 Columbia Gateway Urban Renewal Agency (*a component unit of the City of The Dalles, Oregon*) as of and for the year ended, June 30, 2010, 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 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 Columbia Gateway Urban Renewal Agency, as of June 30, 2010, the respective changes in financial position, and the budgetary comparison for the General Fund, 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 on pages a through c 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

A

## INDEPENDENT AUDITOR'S REPORT (Continued)

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.

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

*Dickey and Tremper, LLP*

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Dickey and Tremper, LLP

Certified Public Accountants and Consultants

December 3, 2010

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

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## **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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current and other assets	\$ 2,362,842	\$ 1,390,429
Capital assets	<u>850,412</u>	<u>213,927</u>
Total assets	<u>3,213,254</u>	<u>1,604,356</u>
<b>Liabilities</b>		
Long-term liabilities	10,790,410	2,400,000
Other liabilities	<u>37,442</u>	<u>9,486</u>
Total liabilities	<u>10,827,852</u>	<u>2,409,486</u>
<b>Net assets</b>		
Restricted	1,254,374	454,507
Unrestricted (deficit)	<u>(8,868,972)</u>	<u>(1,259,637)</u>
Total net assets	<u>\$ (7,614,598)</u>	<u>\$ (805,130)</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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Programs revenues:		
Capital grants and contributions	\$ -	\$ -
General revenues:		
Property taxes	1,261,297	1,217,187
Other	<u>12,678</u>	<u>38,693</u>
Total revenues	<u>1,273,975</u>	<u>1,255,880</u>
<b>Expenses</b>		
General Government	7,757,246	1,659,306
Interest on long-term debt	<u>326,197</u>	<u>121,263</u>
Total expenses	8,083,443	1,780,569
Change in net assets	(6,809,468)	(524,689)
Net assets - beginning	(805,130)	(280,441)
Prior period adjustment	<u>-</u>	<u>-</u>
Total net assets	<u>\$ (7,614,598)</u>	<u>\$ (805,130)</u>



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

Net assets decreased during the year by \$6,809,468 as the Agency increased funding for capital projects in FY09/10, primarily due to the Agency receiving over \$10 million from the City's 2009 FFCO bond proceeds as a loan to refund the \$2.4 million remaining on the bond and \$8 million for additional projects.

The Agency's tax levy totaled \$1,291,594, 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 amended during the year to reflect the receipt of a loan from the City's 2009 FFCO bond proceeds. \$2,792,073 was added to the Urban Renewal Debt Service Fund to refund the remaining bond principal and interest, and \$8 million was added to the Agency's Operating Fund to provide money for additional Urban Renewal projects. The majority of the \$8 million was transferred to the City, for construction of those projects.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

As of June 30, 2010 the Agency had \$646,936 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 \$10,790,410 in debt outstanding compared to \$2,400,000 last year. The \$8,390,410 decrease results from the repayment of debt increase resulted from the \$10.2 million loan from the City that allowed the Urban Renewal Agency to refund the current bond and provided for additional Urban Renewal projects.

## **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. Increasing 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.

## **BASIC FINANCIAL STATEMENTS**

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

**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,869,384
Restricted cash and cash equivalents (temporary)	112,902
Receivables	380,556
Bond issuance costs	203,476
Capital assets	<u>646,936</u>
 Total assets	 <u>3,213,254</u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	1,464
Accrued interest payable	35,978
Long-term obligations	
Due within one year	408,601
Due in more than one year	<u>10,381,809</u>
 Total liabilities	 <u>10,827,852</u>
 <b>NET ASSETS</b>	
Restricted for:	
Debt service	1,141,472
System development	112,902
Unrestricted (deficit)	<u>(8,868,972)</u>
 Total net assets (deficit)	 <u>\$ (7,614,598)</u>

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

**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, 2010**

Function/Programs	Expenses	Program Revenues	Net (Expenses) and Changes in Net Assets
		Capital Grants and Contributions	
<b>Primary government:</b>			
Governmental activities:			
General government	\$ 7,757,246	\$ -	\$ (7,757,246)
Interest on long-term obligations	326,197	-	(326,197)
<b>Total governmental activities</b>	<b>\$ 8,083,443</b>	<b>\$ -</b>	<b>(8,083,443)</b>
General revenues:			
Property taxes levied for debt service			1,261,297
Interest and investment earnings			12,233
Miscellaneous			445
<b>Total general revenues</b>			<b>1,273,975</b>
Change in net assets			(6,809,468)
Net assets (deficit) - beginning			(805,130)
Net assets (deficit) - ending			<b>\$ (7,614,598)</b>

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

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 840,814	\$ 1,141,472	\$ 1,982,286
Receivables	<u>380,556</u>	<u>-</u>	<u>380,556</u>
<b>Total assets</b>	<u><u>\$ 1,221,370</u></u>	<u><u>\$ 1,141,472</u></u>	<u><u>\$ 2,362,842</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,464	\$ -	\$ 1,464
Deferred revenue	<u>379,853</u>	<u>-</u>	<u>379,853</u>
<b>Total liabilities</b>	<u>381,317</u>	<u>-</u>	<u>381,317</u>
<b>Fund balances:</b>			
Reserved for:			
Debt service	-	1,141,472	1,141,472
System development	112,902	-	112,902
Unreserved	<u>727,151</u>	<u>-</u>	<u>727,151</u>
<b>Total fund balances</b>	<u>840,053</u>	<u>1,141,472</u>	1,981,525
<b>Total liabilities and fund balances</b>	<u><u>\$ 1,221,370</u></u>	<u><u>\$ 1,141,472</u></u>	

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Capital assets reported in the governmental activities are not financial resources, and, therefore, are not reported in the funds.	646,936
Bond issuance costs reported in the governmental activities are not financial resources, and, therefore, are not reported in the funds.	203,476
Long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	379,853
Premium on long-term debt reported in the governmental activities is included in revenues in the fund financial statements on issuance of debt	(770,410)
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,055,978)</u>

**Net assets (deficit) of governmental activities** \$ (7,614,598)

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

**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, 2010**

	General	Debt Service	Totals
<b>REVENUES</b>			
Property taxes	\$ 461,124	\$ 792,960	\$ 1,254,084
Interest on investments	8,917	3,316	12,233
Miscellaneous	445	-	445
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	470,486	796,276	1,266,762
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
General government	284,552	-	284,552
Capital outlay	7,908,713	-	7,908,713
Debt service	210,679	501,384	712,063
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	8,403,944	501,384	8,905,328
	<hr/>	<hr/>	<hr/>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(7,933,458)	294,892	(7,638,566)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	7,412,927	2,792,073	10,205,000
Premium on issuance of debt	797,752	-	797,752
Payment to refund debt	-	(2,400,000)	2,400,000
	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	8,210,679	392,073	8,602,752
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	277,221	686,965	964,186
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, Beginning</b>	562,832	454,507	1,017,339
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, Ending</b>	\$ 840,053	\$ 1,141,472	\$ 1,981,525
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**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 BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** **\$ 964,186**

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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 7,213

Governmental funds report expenditures for capital outlay while government activities report the expenditures as an increase in capital assets 436,019

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 (26,924)  
Amortization of bond issuance costs (10,231)  
Amortization of bond premium 27,342

Proceeds from debt issuance and premium on issuance of debt are reported as other financing sources and bond issue costs are reported as debt service in the governmental funds, however, neither effects net assets.

Issuance of debt (10,205,000)  
Premium on issuance of debt (797,752)  
Bond issuance costs 210,679

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. 2,585,000

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ (6,809,468)**

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 804,887	\$ 470,354	\$ 461,124	\$ (9,230)
Interest on investments	32,825	32,825	8,917	(23,908)
Miscellaneous	-	-	445	445
<b>TOTAL REVENUES</b>	<u>837,712</u>	<u>503,179</u>	<u>470,486</u>	<u>(32,693)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	322,183	392,183	284,552	107,631
Capital outlay	1,236,883	8,832,350	7,908,713	923,637
Debt service	-	-	210,679	(210,679) **
<b>TOTAL EXPENDITURES</b>	<u>1,559,066</u>	<u>9,224,533</u>	<u>8,403,944</u>	<u>820,589</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(721,354)</u>	<u>(8,721,354)</u>	<u>(7,933,458)</u>	<u>787,896</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	8,000,000	7,412,927	(587,073)
Premium on issuance of debt	-	-	797,752	797,752
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>8,000,000</u>	<u>8,210,679</u>	<u>210,679</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(721,354)</u>	<u>(721,354)</u>	<u>277,221</u>	<u>998,575</u>
<b>FUND BALANCE, Beginning</b>	<u>721,354</u>	<u>721,354</u>	<u>562,832</u>	<u>(158,522)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 840,053</u>	<u>\$ 840,053</u>

\*\*Exempt from Oregon Budget Law

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



**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**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, 2010**

**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. 39, "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**

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for specific uses. Generally the purpose for each is indicated by the account title on the face of the balance sheet.

## **I. 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 service 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 personal services, materials and services, capital outlay, debt service, and all other requirement levels for all funds.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. 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, 2010. 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 entirely of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss. For the fiscal year ended June 30, 2010, the carrying amount of the Agency's deposits was \$834,588 and the bank balance was \$844,986. All deposits are held in the name of the Agency. Of the bank balance, \$705,763 was covered by federal depository insurance. The remaining \$139,523 was collateralized under ORS 295.

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 US 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, 2010 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	100%	\$ 1,138,497
Less amounts classified as cash equivalents			<u>(1,138,497)</u>
Total Investments			<u>\$ -</u>

The Agency's cash and cash equivalents at June 30, 2010 are shown below:

Cash with County Treasurer	\$ 9,201
Carrying amount of deposits	834,588
Investments in LGIP	<u>1,138,497</u>
Total cash and cash equivalents	<u>\$ 1,982,286</u>

The Agency received bond proceeds during the current year. \$7,500,000 of the proceeds was paid to the City of The Dalles as the Agency's contribution toward various projects. The Agency also retained a portion of the funds to spend directly on projects. At June 30, 2010 \$112,902 remained on hand, which has been reported as restricted cash and restricted net assets.

**B. Receivables**

At June 30, 2010, the Agency's receivables are as follows:

Property taxes	\$ 97,407
Notes	282,445
Matured interest	<u>704</u>
Total receivables	<u>\$ 380,556</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 \$1,320,581. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$1,291,594. Following is a summary of property tax transactions for the year ended June 30, 2010:

	Balances July 1, 2009	2009-10 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2010
2009-10	\$ -	\$ 1,291,594	\$ (1,603)	\$ (30,655)	\$ (1,205,770)	\$ 53,566
2008-09	52,539	-	(1,593)	11	(23,450)	27,507
2007-08	24,187	-	(1,180)	3	(10,188)	12,822
2006-07	10,070	-	(131)	4	(7,130)	2,813
2005-06	3,025	-	(106)	3	(2,389)	533
2004-05	223	-	(96)	2	(61)	68
2003-04	43	-	(64)	2	30	11
Prior years	108	-	(12)	-	(9)	87
	<u>\$ 90,195</u>	<u>\$ 1,291,594</u>	<u>\$ (4,785)</u>	<u>\$ (30,630)</u>	<u>\$ (1,248,967)</u>	<u>\$ 97,407</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 \$97,407 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. During the year, the Columbia Gateway Urban Renewal Agency contributed \$7.5 million of bond proceeds to the City as its contribution to several projects. The 3<sup>rd</sup> Street Streetscape project is in the early stages of construction. The project is in the final stages of design and engineering and the project is waiting on approval for construction. Costs incurred to date are \$48,921, with total estimated costs of \$3 million, which includes some of the bond proceeds above. At June 30, 2010, 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	\$ -	\$ 48,921
Assets available for sale	210,917	387,098	-	598,015
Total capital assets	<u>\$ 210,917</u>	<u>\$ 436,019</u>	<u>\$ -</u>	<u>\$ 646,936</u>

#### E. Long – Term Obligations

Urban Renewal Bonds Series 2002 were issued in September of 2002 to refund the Urban Renewal Bonds and to fund certain capital projects. The Urban Renewal Bonds are secured by a pledge of tax increment revenues within the Urban Renewal area with interest rates ranging from 2.65% to 4.85%. These bonds were paid off at face value, plus accrued interest in the current year with the issuance of the 2009 Full Faith and Credit 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. Future maturities are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 370,000	\$ 431,738
2012	380,000	424,338
2013	390,000	412,938
2014	400,000	401,238
2015	415,000	386,238
2016-2020	2,335,000	1,675,988
2021-2025	2,890,000	1,120,713
2026-2029	2,840,000	363,250
	<u>\$ 10,020,000</u>	<u>\$ 5,216,441</u>



Changes in long-term obligations for the fiscal year ended June 30, 2010, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Urban Renewal Bonds					
Series 2009	\$ -	\$ 10,205,000	\$ 185,000	\$ 10,020,000	\$ 370,000
Premium on debt	-	797,752	27,342	770,410	38,601
Series 2002	<u>2,400,000</u>	<u>-</u>	<u>2,400,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,400,000</u>	<u>\$ 11,002,752</u>	<u>\$ 2,612,342</u>	<u>\$ 10,790,410</u>	<u>\$ 408,601</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 July, the Agency approved an amendment to the loan with James Martin for an additional \$100,000 for additional exterior work on the Flour Mill property. In September, the Agency approved an interest rate subsidy request by Dong Xi at 100% of interest charged, not to exceed 12% per annum, effective for the duration of the loan or until June 30, 2019, whichever occurs first.

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.

In October 2010, the Agency authorized staff to proceed with the purchase of six lots for \$12,500 each to ensure that development does not occur on the lots, which is inconsistent with the development of the Mill Creek Greenway Trail.

At the November 8, 2010 meeting, the Agency authorized staff to proceed with an amendment of the agreement with Terry Cook to reduce his loan by \$142,000 and remove the requirement that the City will provide a parking lot with at least 38 parking spaces.

At the November 22, 2010 meeting the Agency approved signing the land sale contract with Discover Development, LLC for the property commonly known as the Sunshine Mill property for the sum of \$305,124. \$22,936 of the purchase price will be allocated for the reimbursement for the costs advanced by the City for the streetscape improvements constructed in connection with the East Gateway/Brewery Grade Project.

The Agency purchased the Granada Building in the current year for refurbishment and subsequent sale. The Agency has entered negotiations to sell the building to a local developer. Additionally, the Agency is negotiating the purchase of other properties on the block to sell to the same developer.

## **SUPPLEMENTAL INFORMATION**

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
DEBT SERVICE FUND  
For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 458,427	\$ 792,960	\$ 792,960	\$ -
Interest on investments	10,000	10,000	3,316	(6,684)
<b>TOTAL REVENUES</b>	<u>468,427</u>	<u>802,960</u>	<u>796,276</u>	<u>(6,684)</u>
<b>EXPENDITURES</b>				
Debt service	562,934	1,649,540	501,384	1,148,156
<b>TOTAL EXPENDITURES</b>	<u>562,934</u>	<u>1,649,540</u>	<u>501,384</u>	<u>1,148,156</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(94,507)</u>	<u>(846,580)</u>	<u>294,892</u>	<u>1,141,472</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	2,792,073	2,792,073	-
Payment to refund debt	(360,000)	(2,400,000)	(2,400,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(360,000)</u>	<u>392,073</u>	<u>392,073</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(454,507)</u>	<u>(454,507)</u>	<u>686,965</u>	<u>1,141,472</u>
<b>FUND BALANCE, Beginning</b>	<u>454,507</u>	<u>454,507</u>	<u>454,507</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,141,472</u>	<u>\$ 1,141,472</u>

See auditor's report.

## **AUDITOR'S COMMENTS AND REPORTS**

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## **INDEPENDENT AUDITOR'S COMMENTS**

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth following:

### **Accounting Systems and Internal Controls**

We found that the accounting records of the Agency were generally well maintained and adequate for audit purposes. The internal controls for the Agency are generally operating as designed however, there was a material weakness noted in the accounting for capital assets, which we have reported to management of the Agency in a separate letter dated December 3, 2010.

### **Investments**

Our review of deposit and investment balances indicated that the Agency was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2010.

### **Collateral**

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials must ensure the banks they are doing business with are on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials are also required to report to OST all bank depositories in which they deposit public funds.

Our review of the Agency's deposited funds did not disclose any instances where the Agency deposited funds with unapproved depositories or did not properly notify the OST of what depositories held their public funds, as required by ORS 295.

### **Indebtedness**

We reviewed compliance relating to short-term and long-term debt, including limitations on the amount of debt, which may be incurred, liquidation of debt within the prescribed period, and compliance with provisions of bond indentures or other agreements. We found no instances in which the Agency had not complied with these legal or contractual provisions relating to short-term and long-term debt.

### **Budget**

We reviewed the preparation, adoption and execution of the Agency's budget for 2009-10 and the preparation and adoption of the budget for 2010-11. The Agency has complied with statutory requirements in all material respects for the current and ensuing year's budget.

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 materials and services, capital outlay, operating contingencies, and debt service.

### **Insurance And Fidelity Bonds**

The Agency is covered by insurance and fidelity bonds under the City's policies. We reviewed the City's insurance and fidelity bond coverage at June 30, 2010, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the City in force at June 30, 2010, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

### **Programs Funded From Outside Sources**

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the Agency complied with laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were materially in agreement with and supported by accounting records.

### **Highway Funds**

The Agency does not receive Highway Funds.

### **Public Contracts And Purchasing**

We have reviewed the Agency's compliance with ORS 279, pertaining to the awarding of public contracts and the construction of public improvements. Our review disclosed no conditions, which we considered to be matters of noncompliance of the Agency's bidding procedures or quote procedures.

### **Statement of Accountability for Independently Elected Officials**

This statement is not applicable to the Columbia Gateway Urban Renewal Agency.