

**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, 2015**

**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, 2015**

**BOARD OF DIRECTORS**

<u>Name and Address</u>	<u>Term Expires December 31</u>
Steve Lawrence, Mayor 2017 View Court The Dalles OR 97058	2016
Dan Spatz 2506 Jordan Street The Dalles OR 97058	2016
Linda Miller 1534 East 9 <sup>th</sup> Street The Dalles OR 97058	2016
Tim McGlothlin 328 West 21 <sup>st</sup> Place The Dalles OR 97058	2018
Russ Brown 903 East 14 <sup>th</sup> Street The Dalles OR 97058	2018
Tanar Elliot 397 Summit Ridge Drive The Dalles OR 97058	2016

**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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Columbia Gateway Urban Renewal Agency (Agency), a component unit of the City of The Dalles, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison statements for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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 management's discussion and analysis, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Officials of the Agency and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

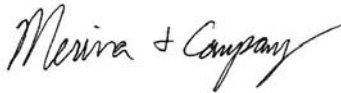
The supplemental information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Officials of the Agency have 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.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 12, 2015, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

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

Merina & Company, LLP  
West Linn, Oregon  
November 12, 2015

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## **MANAGEMENT'S 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 Position and the Statement of Activities.

### **STATEMENT OF NET POSITION**

The Statement of Net Position focuses on the unrestricted net position 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 Position as of June 30, 2015 and 2014 are as follows:

	2015	2014
<b>Assets</b>		
Current and other assets	\$ 2,624,691	\$ 1,827,044
Capital assets	1,372,062	1,582,979
Total assets	3,996,753	3,410,023
<b>Liabilities</b>		
Long-term liabilities	8,163,514	8,634,173
Other liabilities	509,543	504,295
Total liabilities	8,673,057	9,138,468
<b>Net position</b>		
Net Investment in capital assets	(7,262,111)	(7,948,759)
Restricted	1,452,853	1,403,298
Unrestricted (deficit)	1,132,954	817,016
Total net position	\$ (4,676,304)	\$ (5,728,445)

The deficit in unrestricted net position 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, 2015 and 2014 are as follows:

	2015	2014
<b>Revenues</b>		
General revenues:		
Property taxes	\$ 1,407,564	\$ 1,327,601
Other	83,134	35,301
Total revenues	1,490,698	1,362,902
<b>Expenses</b>		
General Government	855,266	270,315
Interest on long-term debt	345,579	360,578
Total expenses	1,200,845	630,893
Change in net position	289,853	732,009
Net position - beginning	(5,728,445)	(6,314,714)
Prior Period Adjustment	762,288	(145,740)
Total net position	\$ (4,676,304)	\$ (5,728,445)

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

Net position increased during the year by \$1,052,141 mostly due to the Agency lowering the long-term debt liability by the amount of the annual principal payment (\$455,659), and the addition of notes receivable for a loan and a land sale agreement, both related to the Sunshine Mill development.

The Agency's tax levy totaled \$1,433,437, 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 General Fund original legal appropriations totaled \$2,973,440. No changes to the original appropriations were made during the fiscal year. Expenditures in the General Fund were \$2,203,480 under budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

As of June 30, 2015 the Agency had \$1,372,062 invested in capital assets. 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, 2015, the Agency had \$8,634,173 in debt outstanding compared to \$9,089,832 last year. The \$455,659 decrease resulted from the annual principal payment and the annual adjustment to the premium on debt that was made.

## **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 POSITION**  
**June 30, 2015**

	Governmental Activities
<b>ASSETS:</b>	
Current assets:	
Restricted cash and cash equivalents (temporary)	\$ 1,458,588
Receivables:	
Accounts receivable	<u>1,166,103</u>
Total current assets	<u>2,624,691</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	<u>1,372,062</u>
Total noncurrent assets	<u>1,372,062</u>
Total assets	<u><u>\$ 3,996,753</u></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 7,445
Accrued interest payable	31,439
Current portion of long-term debt	<u>470,659</u>
Total current liabilities	<u>509,543</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>8,163,514</u>
Total noncurrent liabilities	<u>8,163,514</u>
Total liabilities	<u>8,673,057</u>
<b>NET POSITION:</b>	
Net investment in capital assets	(7,262,111)
Restricted for:	
Debt Service	797,630
System development	655,223
Unrestricted (deficit)	<u>1,132,954</u>
Total net position (deficit)	<u>(4,676,304)</u>
Total liabilities and net position	<u><u>\$ 3,996,753</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, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Expense Revenue and Change in Net Position</u>
			<u>Total Governmental Activities</u>
Governmental activities:			
General government	\$ 855,266	\$ -	\$ (855,266)
Interest on long-term obligations	<u>345,579</u>	<u>-</u>	<u>(345,579)</u>
Total government	<u>\$ 1,200,845</u>	<u>\$ -</u>	<u>(1,200,845)</u>
General revenues:			
Property taxes levied for debt service			1,407,564
Interest and investment earnings			12,590
Miscellaneous			61,059
Gain on sale of capital assets			<u>9,485</u>
Total general revenues and transfers			<u>1,490,698</u>
Change in net position			<u>289,853</u>
Net position - beginning			(5,728,445)
Prior period adjustment			<u>762,288</u>
Net position - ending			<u>\$ (4,676,304)</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, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
<b>ASSETS:</b>			
Restricted cash and cash equivalents (temporary)	\$ 660,958	\$ 797,630	\$ 1,458,588
Receivables:			
Accounts	1,710	-	1,710
Property taxes	122,247	-	122,247
Notes	<u>1,042,146</u>	<u>-</u>	<u>1,042,146</u>
Total assets	<u>\$ 1,827,061</u>	<u>\$ 797,630</u>	<u>\$ 2,624,691</u>
<b>LIABILITIES:</b>			
Accounts payable and other current liabilities	\$ 7,445	\$ -	\$ 7,445
Total liabilities	<u>7,445</u>	<u>-</u>	<u>7,445</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue	<u>1,164,393</u>	<u>-</u>	<u>1,164,393</u>
Total deferred inflows of resources	<u>1,164,393</u>	<u>-</u>	<u>1,164,393</u>
<b>FUND BALANCES:</b>			
Restricted for:			
Intergovernmental agreement	-	797,630	797,630
State statute	<u>655,223</u>	<u>-</u>	<u>655,223</u>
Total fund balance	<u>655,223</u>	<u>797,630</u>	1,452,853
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,827,061</u>	<u>\$ 797,630</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,372,062
Long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,164,393
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.	(569,173)
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,096,439)</u>
Net position	<u>\$ (4,676,304)</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, 2015**

	General Fund	Debt Service Fund	Total Governmental
<b>REVENUES:</b>			
Property taxes	\$ 615,641	\$ 794,829	\$ 1,410,470
Interest on investments	7,790	4,800	12,590
Miscellaneous	188,209	-	188,209
Total revenues	811,640	799,629	1,611,269
<b>EXPENDITURES:</b>			
Current:			
General government	242,078	-	242,078
Capital outlay	527,882	-	527,882
Debt service:			
Principal	-	415,000	415,000
Interest	-	386,238	386,238
Total expenditures	769,960	801,238	1,571,198
Revenues over (under) expenditures	41,680	(1,609)	40,071
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of property	9,485	-	9,485
Total other financing sources (uses)	9,485	-	9,485
Net changes in fund balances	51,165	(1,609)	49,556
<b>FUND BALANCES, BEGINNING</b>	604,058	799,239	1,403,297
<b>FUND BALANCES, ENDING</b>	\$ 655,223	\$ 797,630	\$ 1,452,853

*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, 2015**

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Amounts reported in the statement of activities are different because:

Net change in fund balances - Governmental Funds	\$ 49,556
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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	(2,906)
Notes receivable	(127,150)

Governmental funds report expenditures for capital outlay while governmental activities report the expenditures as an increase in capital assets.	(86,354)
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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	1,048	
Amortization of bond premium	40,659	
	<u>41,707</u>	

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 Position.

	<u>415,000</u>
Change in net position of governmental activities	<u><u>\$ 289,853</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)**  
**GENERAL FUND**  
**STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2015**

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 568,922	\$ 568,922	\$ 615,641	\$ 46,719
Interest on investments	2,000	2,000	7,790	5,790
Miscellaneous	609,200	609,200	188,209	(420,991)
Total revenues	1,180,122	1,180,122	811,640	(368,482)
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Materials and services	968,488	968,488	242,078	726,410
Capital outlay	1,982,936	1,982,936	527,882	1,455,054
Contingency	22,016	22,016	-	22,016
Total expenditures	2,973,440	2,973,440	769,960	2,203,480
Revenues over (under) expenditures	(1,793,318)	(1,793,318)	41,680	1,834,998
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of property	1,156,538	1,156,538	9,485	(1,147,053)
Total other financing sources (uses)	1,156,538	1,156,538	9,485	(1,147,053)
Net changes in fund balances	(636,780)	(636,780)	51,165	687,945
<b>FUND BALANCE, BEGINNING</b>	636,780	636,780	604,058	(32,722)
<b>FUND BALANCE, ENDING</b>	\$ -	\$ -	\$ 655,223	\$ 655,223

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)

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

**For the Fiscal Year Ended June 30, 2015**

### **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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34" 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 blended 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 Position 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.

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. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The Agency does not have deferred outflows of resources.

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

## **I. Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

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

**Restricted** – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by enabling legislation.

**Committed** – Includes amounts that have been committed by resolution by the Agency’s Board of Directors which is the Agency’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the Board of Directors removes the constraint by similar board action. Commitments of fund balance must be made prior to the end of the fiscal year.

**Assigned** – Includes amounts assigned for specific purposes by Agency action. Assigned fund balance is established by the Agency through adoption or amendment of the budget as intended for specific purpose.

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

#### **J. Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (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.

#### **K. Long-Term Obligations**

In the agency-wide financial statements, long-term debt obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds. 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.** This is the risk that in the event of a bank failure, the Agency's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency's deposits on up to \$250,000 for the combined total of all interest bearing accounts at each financial institution 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, 2015, none of the Agency's bank balances were exposed to credit risk. 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 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, 2015 are as follows:

	Weighted Average Maturity	Fair Value
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 1,387,311
Total cash equivalents	0.00	\$ 1,387,311

## B. Receivables

At June 30, 2015, the Agency's receivables are as follows:

Accounts	\$ 1,710
Property Taxes	122,247
Notes	1,042,146
Total receivables	<u>\$ 1,166,103</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.

A second note is for a loan for improvements to property currently under a land sale agreement. The loan is to be repaid with interest only payments due monthly at a rate of 5.25% annually, and principal payments in May of 2018 (\$100,000.00) and May of 2017 (\$350,000.00).

The land sale agreement for the same property as the loan described above is to be paid with interest only payments due monthly at a rate of 5.35% annually, and a balloon payment of the entire principal due on May 15, 2018.

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 \$1,433,437. Following is a summary of property tax transactions for the year ended June 30, 2015.

Tax Year	Property Taxes Receivable July 1, 2014	Add Levy as Extended by Assessor	Deduct Discounts Cancellations and Adjustments	Deduct Collections	Property Taxes Receivable June 30, 2015
2014-2015	\$ -	\$ 1,433,437	\$ (35,397)	\$ (1,341,815)	\$ 56,225
2013-2014	57,618	-	(305)	(24,629)	32,684
2012-2013	35,351	-	(590)	(14,082)	20,679
2011-2012	19,132	-	(256)	(12,176)	6,700
2010-2011	8,621	-	(282)	(4,924)	3,415
2009-2010	2,390	-	(299)	(1,333)	758
Prior	2,041	-	1,004	(1,259)	1,786
	<u>\$ 125,153</u>	<u>\$ 1,433,437</u>	<u>\$ (36,125)</u>	<u>\$ (1,400,218)</u>	<u>\$ 122,247</u>

### C. Deferred Inflows of Resources

Deferred inflows of resources as of June 30, 2014 consisted of \$122,247 in unavailable property taxes and \$1,042,146 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 \$52,668, with the estimated costs of \$3 million.

At June 30, 2015, the capital assets of the agency consist of the following:

	Beginning Balance, As Restated	Additions	Deletions	Ending Balance
Capital Assets, not being depreciated				
Construction in progress	\$ 139,022	\$ 18,273	\$ 104,627	\$ 52,668
Assets available for sale	<u>1,319,394</u>	<u>-</u>	<u>-</u>	<u>1,319,394</u>
Total Capital Assets	<u>\$ 1,458,416</u>	<u>\$ 18,273</u>	<u>\$ 104,627</u>	<u>\$ 1,372,062</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 continuing disclosures, as required by full disclosure and requirements of the bond issue during FY14/15. The filings were to post the adopted budget and audited City of The Dalles Comprehensive Annual Financial Statement (CAFR), which includes the Columbia Gateway Urban Renewal Agency as a blended component.

Future maturities are as follows:

	<b>Principal</b>	<b>Interest</b>
2016	\$ 430,000	\$ 373,788
2017	445,000	356,588
2018	465,000	338,788
2019	485,000	315,537
2020	510,000	291,287
2021-2025	2,890,000	1,120,713
2026-2030	2,840,000	363,250
	<u>\$ 8,065,000</u>	<u>\$ 3,159,951</u>

Changes in long-term obligations for the fiscal year ended June 30, 2015, are as follows:

	<b>6/30/14 Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>6/30/15 Balance</b>	<b>Due Within One Year</b>
<b>Urban Renewal Bonds</b>					
Series 2009	\$ 8,480,000	\$ -	\$ 415,000	\$ 8,065,000	\$ 430,000
Premium on Debt	609,832	-	40,659	569,173	40,659
	<u>\$ 9,089,832</u>	<u>\$ -</u>	<u>\$ 455,659</u>	<u>\$ 8,634,173</u>	<u>\$ 470,659</u>

## F. Net Position

The government-wide statement of net position reports \$1,452,853 of restricted net position, of which \$655,223 is restricted by enabling legislation.

## G. 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.

#### **H. Prior Period Adjustment**

During the fiscal year ended June 30, 2015 the Agency had two prior period adjustments totaling \$762,288. During 2009 the Agency entered into loan agreement with Discover Development for improvements on the Sunshine Flour Mill. The loan installments paid by the Agency were incorrectly capitalized by The City of The Dalles. The prior period adjustment in the current year was to reclassify the construction in progress to a long-term note receivable.

In 2013 the Agency entered into a land sale contract with Discover Development for the purchase of the Sunshine Flour Mill. The Sunshine Flour mill had previously been considered an asset held for sale, this prior period adjustment was to reclassify it as a note receivable.

#### **I. Subsequent Events**

Management has evaluated subsequent events through November 12, 2015, the date on which the financial statements were available to be issued and determined the following should be recognized:

The City Manager's contract was terminated on September 14, 2015. Statements indicated no wrong-doing by the City Manager, but only that the City Council desired a change.

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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, 2015**

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Property taxes	\$ 794,829	\$ 794,829	\$ 794,829	\$ -
Interest on investments	4,800	4,800	4,800	-
Total revenues	799,629	799,629	799,629	-
<b>EXPENDITURES:</b>				
Debt service:				
Principal	415,000	415,000	415,000	-
Interest	386,238	386,238	386,238	-
Contingency	801,238	801,238	-	801,238
Total expenditures	1,602,476	1,602,476	801,238	801,238
Net changes in fund balances	(802,847)	(802,847)	(1,609)	801,238
<b>FUND BALANCES, BEGINNING</b>	802,847	802,847	799,239	(3,608)
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ 797,630	\$ 797,630

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

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

We have audited the basic financial statements of the Columbia Gateway Urban Renewal Agency (Agency), a component unit of the City of The Dalles, Oregon as of and for the year ended June 30, 2015 and have issued our report thereon dated November 11, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 162-10-000 through 162-10-320 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.
- Highway revenues used for public highways, roads, and streets. This is not applicable to the Agency.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The Agency does not have any elected officials collecting or receiving money.

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, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

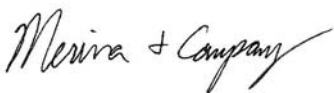
### **OAR 162-10-0230 Internal Control**

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

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

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

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 12, 2015