

**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, 2006

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
JUNE 30, 2006

BOARD OF DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Term Expires December 31,</u>
Robb Van Cleave	912 East 15 th Place The Dalles, Oregon 97058	2006
Jim Broehl	318 West 12 th Street The Dalles, OR 97058	2008
Chris Zukin	915 West 14 th Street The Dalles, OR 97058	2006
Dorothy Davison	204 East Second Street The Dalles, OR 97058	2006
Mike Tenney	923 East 12 th Street The Dalles, OR 97058	2006
Joe Seckora	1821 Minnesota Street The Dalles, OR 97058	2008

AGENCY ADDRESS

Administrative Offices
313 Court Street
The Dalles, OR 97058



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Certified Public Accountants and Business Advisors

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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, 2006, 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, 2006, the respective changes in financial position, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages a through c is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Columbia Gateway Urban Renewal Agency's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Columbia Gateway Urban Renewal Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dickey and Tremper, LLP
Dickey and Tremper, LLP
Certified Public Accountants and Consultants

September 7, 2006

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 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 program 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, 2006 and 2005 are as follows:

Assets	2006	2005
Current and other assets	\$2,053,875	\$1,852,128
Capital assets	210,917	210,917
Total assets	2,264,792	2,063,045
Liabilities		
Long-term liabilities	3,405,000	3,715,000
Other liabilities	162,274	16,252
Total liabilities	3,567,274	3,731,252
Net Assets		
Restricted	472,237	456,507
Unrestricted (deficit)	(1,774,719)	(2,124,714)
Total net assets	\$ (1,302,482)	\$ (1,668,207)

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 ending June 30, 2006 and 2005 are as follows:

	2006	2005
Revenues		
Program revenues:		
Capital grants and contributions	\$ 767	\$ 166,230
General revenues:		
Property Taxes	896,529	920,504
Other	70,787	41,271
Total revenues	968,083	1,128,005
Expenses		
Highways and streets	448,030	584,855
Interest on long-term debt	154,328	163,192
Total expenses	602,358	748,047
Change in net assets	365,725	379,958
Net assets beginning	(1,668,207)	(2,048,165)
Total net assets	<u>\$(1,302,482)</u>	<u>\$(1,668,207)</u>

AGENCY-WIDE FINANCIAL STATEMENTS (continued)

Net assets increased during the year by \$365,725 as the Agency levied taxes to repay long-term debt.

The Agency's tax levy totaled \$949,436, and is restricted to urban renewal projects and the repayment of old 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 Highways and streets in the Statement of Activities.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005 the Agency has \$210,917 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, 2006 the Agency had \$3,405,000 in debt outstanding compared to the \$3,715,000 last year. The \$310,000 decrease results from the repayment of debt.

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, you should contact the Agency's Finance Director at 313 Court Street, The Dalles, Oregon 97058.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,646,111
Receivables	403,252
Bond issuance costs	4,512
Capital assets	<u>210,917</u>
Total assets	<u>2,264,792</u>
LIABILITIES	
Accounts payable and accrued expenses	150,177
Accrued interest payable	12,097
Long-term obligation	
Due within one year	325,000
Due in more than one year	<u>3,080,000</u>
Total liabilities	<u>3,567,274</u>
NET ASSETS	
Restricted for debt service	472,237
Unrestricted (deficit)	<u>(1,774,719)</u>
Total net assets (deficit)	<u><u>\$ (1,302,482)</u></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, 2006

Functions/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expenses) and Changes in Net Assets
Primary government:			
Governmental activities:			
General government	\$ 448,030	\$ 767	\$ (447,263)
Interest on long-term debt	<u>154,328</u>	<u>-</u>	<u>(154,328)</u>
Total governmental activities	<u>\$ 602,358</u>	<u>\$ 767</u>	<u>(601,591)</u>
General revenues:			
Property taxes, levied for debt service			896,529
Interest and investment earnings			<u>70,787</u>
Total general revenues			<u>967,316</u>
Change in net assets			365,725
Net assets (deficit) - beginning			<u>(1,668,207)</u>
Net assets (deficit) - ending			<u>\$ (1,302,482)</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)

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 1,173,874	\$ 472,237	\$ 1,646,111
Receivables	403,252	-	403,252
Total assets	<u>\$ 1,577,126</u>	<u>\$ 472,237</u>	<u>\$ 2,049,363</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 150,177	\$ -	\$ 150,177
Deferred revenue	400,428	-	400,428
Total liabilities	<u>550,605</u>	<u>-</u>	<u>550,605</u>
Fund balances:			
Reserved for debt service	-	472,237	472,237
Unreserved	1,026,521	-	1,026,521
Total fund balances	<u>1,026,521</u>	<u>472,237</u>	<u>1,498,758</u>
Total liabilities and fund balances	<u>\$ 1,577,126</u>	<u>\$ 472,237</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.	210,917
Bond issuance costs reported in the governmental activities are not financial resources, and, therefore, are not reported in the funds.	4,512
Long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	400,428
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,417,097)</u>

Net assets (deficit) of governmental activities \$ (1,302,482)

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, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES			
Property taxes	\$ 445,660	\$ 470,504	\$ 916,164
Interest on investments	58,123	9,840	67,963
Miscellaneous	<u>3,591</u>	<u>-</u>	<u>3,591</u>
TOTAL REVENUES	<u>507,374</u>	<u>480,344</u>	<u>987,718</u>
EXPENDITURES			
General government	308,529	-	308,529
Capital outlay	139,501	-	139,501
Debt Service	<u>-</u>	<u>464,615</u>	<u>464,615</u>
TOTAL EXPENDITURES	<u>448,030</u>	<u>464,615</u>	<u>912,645</u>
NET CHANGE IN FUND BALANCE	59,344	15,729	75,073
FUND BALANCES AT BEGINNING OF YEAR	<u>967,177</u>	<u>456,508</u>	<u>1,423,685</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 1,026,521</u></u>	<u><u>\$ 472,237</u></u>	<u><u>\$ 1,498,758</u></u>

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

**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, 2006**

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

Property taxes	(19,635)
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Change in accrued interest	788
Amortization of bond issuance costs	(501)

310,000

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 365,725
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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, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 477,709	\$ 445,660	\$ (32,049)
Interest on investments	11,080	58,123	47,043
Miscellaneous	-	3,591	3,591
TOTAL REVENUES	<u>488,789</u>	<u>507,374</u>	<u>18,585</u>
EXPENDITURES			
Current:			
General government			
Materials and services	377,385	308,529	68,856
Capital outlay	1,118,615	139,501	979,114
TOTAL EXPENDITURES	<u>1,496,000</u>	<u>448,030</u>	<u>1,047,970</u>
NET CHANGE IN FUND BALANCE	(1,007,211)	59,344	1,066,555
FUND BALANCE AT BEGINNING OF YEAR	<u>1,007,211</u>	<u>967,177</u>	<u>(40,034)</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,026,521</u>	<u>\$ 1,026,521</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006

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 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 not 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, 2006. If bank deposits at year end are not entirely insured or collateralized with securities held by the district 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 the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the fiscal year ended June 30, 2006, the carrying amount of the Agency's deposits was \$1,102,569 and the bank balance was \$1,108,778. All deposits are held in the name of the Agency. Of the bank balance, \$650,000 was covered by federal depository insurance and collateral certificates in the Agency's name. The remaining \$458,778 was uninsured and uncollateralized.

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 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.

The Agency's cash and cash equivalents at June 30, 2006 are shown below:

Cash with County Treasurer	\$ 7,491
Carrying amount of deposits	1,102,569
Investments in LGIP	<u>536,051</u>
Total cash and cash equivalents	<u>\$ 1,646,111</u>

Cash and cash equivalents by fund are as follows:

Governmental activities:	
General	\$ 1,173,874
Debt service	<u>472,237</u>
Total cash and cash equivalents	<u>\$ 1,646,111</u>

B. Receivables

At June 30, 2006, the Agency's receivables are as follows:

Property taxes	\$ 117,983
Notes	282,445
Matured interest	<u>2,824</u>
Total receivables	<u>\$ 403,252</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 \$964,329. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$949,436. Following is a summary of property tax transactions for the year ended June 30, 2006:

	Balances July 1, 2005	2005-06 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2006
2005-06	\$ -	\$ 949,436	\$ (2,358)	\$ (22,637)	\$ (875,164)	\$ 49,277
2004-05	57,292	-	(3,261)	1	(18,949)	35,083
2003-04	43,775	-	(3,527)	-	(9,785)	30,463
2002-03	31,599	-	(22,077)	-	(6,611)	2,911
2001-02	4,843	-	(2,923)	-	(1,726)	194
2000-01	55	-	(457)	-	411	9
1999-00	20	-	(395)	5	390	20
Prior years	34	-	(193)	6	179	26
	<u>\$ 137,618</u>	<u>\$ 949,436</u>	<u>\$ (35,191)</u>	<u>\$ (22,625)</u>	<u>\$ (911,255)</u>	<u>\$ 117,983</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 \$117,983 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 businesses in the local area, and any assets constructed or improved would be property of the benefiting entity. In addition, the Agency purchases property to be refurbished and sold. At June 30, 2006, the capital assets of the Agency consist of a non-depreciable property purchased to refurbish and sell, in the amount of \$210,917.

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%. Limited tax improvement bonds are similar to general obligation bonds; however, the Agency's taxing authority is subject to constitutional limitation. Future maturities are as follows:

Year Ending June 30	Principal	Interest
2007	\$ 325,000	\$ 145,160
2008	335,000	134,110
2009	345,000	121,882
2010	360,000	108,428
2011	375,000	93,668
2012	390,000	77,542
2013	405,000	60,188
2014	425,000	41,558
2015	445,000	21,582
	<u>\$ 3,405,000</u>	<u>\$ 804,118</u>

Changes in long-term obligations for the fiscal year ended June 30, 2006, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Urban Renewal Bonds Series 2002	<u>\$ 3,715,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 3,405,000</u>	<u>\$ 325,000</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.

SUPPLEMENTAL INFORMATION

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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 463,013	\$ 470,504	\$ 7,491
Interest on investments	9,840	9,840	-
TOTAL REVENUES	472,853	480,344	7,491
EXPENDITURES			
Debt service	920,115	464,615	455,500
NET CHANGE IN FUND BALANCE	(447,262)	15,729	462,991
FUND BALANCE AT BEGINNING OF YEAR	447,262	456,508	9,246
FUND BALANCE AT END OF YEAR	\$ -	\$ 472,237	\$ 472,237

See auditor's report.

AUDITOR'S COMMENTS AND REPORTS

INDEPENDENT AUDITOR'S COMMENTS

Oregon Administrative Rules 162-10-000 through 162-10-330 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 operating as designed and no material weakness or reportable conditions were noted.

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, 2006.

Collateral

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials maintain sufficient collateral certificates to secure deposits of public funds, in excess of those insured by the Federal Deposit Insurance Corporation.

Our review of the Agency's deposited funds did not disclose any instances where the Agency exceeded Federal Deposit Insurance Corporation ("FDIC") coverage including additional certificates of collateral participation in effect at the time.

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 2005-06 and the preparation and adoption of the budget for 2006-07. The Agency has complied with statutory requirements in all material respects for the current and ensuing years 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, 2006, 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, 2006, 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.