

**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, 2005

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)

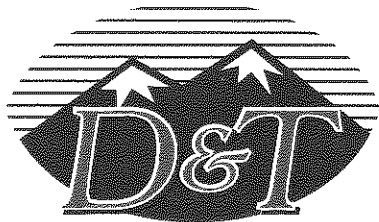
OFFICIALS OF THE AGENCY
JUNE 30, 2005

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	2700 East 18 th 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, 2005, 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, 2005, the respective changes in financial position, and the budgetary comparisons 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 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 inquires of management regarding the methods of measurement and presentation of 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 required part of the 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 2, 2005

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 know 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 to 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, 2005 and 2004 are as follows:

	2005	2004
Assets		
Current and other assets	\$ 1,852,128	\$ 1,990,611
Capital assets	210,917	-
Total assets	2,063,045	1,990,611
Liabilities		
Long-term liabilities	3,715,000	4,020,000
Other liabilities	16,252	18,776
Total liabilities	3,731,252	4,038,776
Net assets		
Restricted	456,507	454,660
Unrestricted (deficit)	(2,124,714)	(2,502,825)
Total net assets	\$ (1,668,207)	\$ (2,048,165)

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, 2005 and 2004 are as follows:

	2005	2004
Revenues		
Programs revenues:		
Capital grants and contributions	\$ 166,230	\$ -
General revenues:		
Property taxes	920,504	939,399
Other	41,271	26,827
Total revenues	1,128,005	966,226
Expenses		
Highways and streets	584,855	488,378
Interest on long-term debt	163,192	168,616
Total expenses	748,047	656,994
Change in net assets	379,958	309,232
Net assets - beginning	(2,048,165)	(2,357,397)
Prior period adjustment	-	-
Total net assets	\$ (1,668,207)	\$ (2,048,165)

AGENCY-WIDE FINANCIAL STATEMENTS (continued)

Net assets increased during the year by \$379,958 as the Agency levied taxes to repay long-term debt.

The Agency's tax levy totaled \$937,881, 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 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 had \$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, 2005, the Agency had \$3,715,000 in debt outstanding compared to \$4,020,000 last year. The \$305,000 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, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,424,229
Receivables	422,887
Bond issuance costs	5,012
Capital assets	<u>210,917</u>
Total assets	<u>2,063,045</u>
LIABILITIES	
Accounts payable and accrued expenses	3,368
Accrued interest payable	12,884
Long-term obligation	
Due within one year	310,000
Due in more than one year	<u>3,405,000</u>
Total liabilities	<u>3,731,252</u>
NET ASSETS	
Restricted for debt service	456,507
Unrestricted (deficit)	<u>(2,124,714)</u>
Total net assets (deficit)	<u>\$ (1,668,207)</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, 2005

Functions/Programs	Expenses	Program Revenues	Net (Expenses) and Changes in Net Assets
		Capital Grants and Contributions	
Primary government:			
Governmental activities:			
General government	\$ 584,855	\$ 166,230	\$ (418,625)
Interest on long-term debt	163,192	-	(163,192)
Total governmental activities	<u>\$ 748,047</u>	<u>\$ 166,230</u>	<u>(581,817)</u>
General revenues:			
Property taxes, levied for debt service			920,504
Interest and investment earnings			<u>41,271</u>
Total general revenues			<u>961,775</u>
Change in net assets			379,958
Net assets (deficit) - beginning			<u>(2,048,165)</u>
Net assets (deficit) - ending			<u>\$ (1,668,207)</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, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Capital Grants and Contributions	<u>Net (Expenses) and Changes in Net Assets</u>
Primary government:			
Governmental activities:			
General government	\$ 584,855	\$ 166,230	\$ (418,625)
Interest on long-term debt	163,192	-	(163,192)
Total governmental activities	<u>\$ 748,047</u>	<u>\$ 166,230</u>	<u>(581,817)</u>
General revenues:			
Property taxes, levied for debt service			920,504
Interest and investment earnings			41,271
Total general revenues			<u>961,775</u>
Change in net assets			379,958
Net assets (deficit) - beginning			<u>(2,048,165)</u>
Net assets (deficit) - ending			<u>\$ (1,668,207)</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, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 967,722	\$ 456,507	\$ 1,424,229
Receivables	<u>422,887</u>	<u>-</u>	<u>422,887</u>
Total assets	<u>\$ 1,390,609</u>	<u>\$ 456,507</u>	<u>\$ 1,847,116</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,368	\$ -	\$ 3,368
Deferred revenue	<u>420,063</u>	<u>-</u>	<u>420,063</u>
Total liabilities	<u>423,431</u>	<u>-</u>	<u>423,431</u>
Fund balances:			
Reserved for debt service	-	456,507	456,507
Unreserved	<u>967,178</u>	<u>-</u>	<u>967,178</u>
Total fund balances	<u>967,178</u>	<u>456,507</u>	<u>1,423,685</u>
Total liabilities and fund balances	<u>\$ 1,390,609</u>	<u>\$ 456,507</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.	5,012
Long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	420,063
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,727,884)</u>

Net assets (deficit) of governmental activities	<u>\$ (1,668,207)</u>
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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, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES			
Property taxes	\$ 435,391	\$ 462,729	\$ 898,120
Intergovernmental	166,230	-	166,230
Interest on investments	<u>34,455</u>	<u>6,816</u>	<u>41,271</u>
TOTAL REVENUES	<u>636,076</u>	<u>469,545</u>	<u>1,105,621</u>
EXPENDITURES			
General government	483,944	-	483,944
Capital outlay	311,829	-	311,829
Debt Service	<u>-</u>	<u>467,698</u>	<u>467,698</u>
TOTAL EXPENDITURES	<u>795,773</u>	<u>467,698</u>	<u>1,263,471</u>
NET CHANGE IN FUND BALANCE	(159,697)	1,847	(157,850)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,126,875</u>	<u>454,660</u>	<u>1,581,535</u>
FUND BALANCES AT END OF YEAR	<u>\$ 967,178</u>	<u>\$ 456,507</u>	<u>\$ 1,423,685</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)

**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, 2005**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (157,850)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets held for rehabilitation and sale are capitalized until disposed.	210,917
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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	22,384
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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	8
Amortization of bond issuance costs	(501)

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.

	<u>305,000</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 379,958</u>
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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, 2005**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 541,227	\$ 435,391	\$ (105,836)
Intergovernmental	250,000	166,230	(83,770)
Interest on investments	12,000	34,455	22,455
TOTAL REVENUES	<u>803,227</u>	<u>636,076</u>	<u>(167,151)</u>
EXPENDITURES			
Current:			
General government			
Materials and services	559,741	483,944	75,797
Capital outlay	<u>1,376,282</u>	<u>311,829</u>	<u>1,064,453</u>
TOTAL EXPENDITURES	<u>1,936,023</u>	<u>795,773</u>	<u>1,140,250</u>
NET CHANGE IN FUND BALANCE	(1,132,796)	(159,697)	973,099
FUND BALANCE AT BEGINNING OF YEAR	<u>1,132,796</u>	<u>1,126,875</u>	<u>(5,921)</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ 967,178</u>	<u>\$ 967,178</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, 2005

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 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. Cash, Cash Equivalents, and Investments

At June 30, 2005, the carrying amount of the Agency's deposits was \$824,050, and the bank balance was \$891,166. All deposits are held in the name of the Agency.

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, 2005. Category 1 involves the lowest degree of credit risk and includes collateralized deposits if the collateral is held by the government's agent and the collateral is held in the name of the government. Category 2 involves a higher degree of custodial risk than Category 1, and included collateralized deposits in situations where the collateral is held by either the financial institution's agent or trust department and in the name of the government. Category 3 involves the highest degree of custodial risk, and is used for all deposits that do not qualify for classification in either

Category 1 or 2. At June 30, 2005, \$650,000 of the Agency's deposits are classified as Category 1, and the remaining \$241,166 are classified as Category 2.

The Agency's investments are presented in three categories of credit risk as follows:

1. Insured or registered for which securities held by the Agency or its agent in the governments name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Agency's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent, but not in the Agency's name.

Investments in the Oregon State Treasury Local Government Investment Pool cannot be grouped into the above categories, as it is considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are mad under the provisions of ORS 294.810. These funds are held in the Agency's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at cost, which approximates fair value.

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 financial and administrative responsibilities for federal arbitrage regulations. The investments are regulated by the Oregon Short – Term Fund Board and approved by the Oregon Investment Council. The Pool is not registered with the SEC as an investment company.

Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* requires governmental entities to report on certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of the investments in the year in which the change occurred. However, since the adjustment to fair value is immaterial and would not represent an expendable increase in the Agency's cash position, the financial statements have not been adjusted. In addition, the Oregon State Treasury Local Government Investment Pool (LGIP) distributes investment income on an amortized costs basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income.

The Agency's cash and cash equivalents at June 30, 2005 are shown below:

Cash with County Treasurer	\$ 11,960
Carrying amount of deposits	824,050
Investments in LGIP	<u>588,219</u>
Total cash and cash equivalents	<u>\$ 1,424,229</u>

Cash and cash equivalents by fund are as follows:

Governmental activities:	
General	\$ 967,722
Debt service	<u>456,507</u>
Total cash and cash equivalents	<u>\$ 1,424,229</u>

B. Receivables

At June 30, 2005, the Agency's receivables are as follows:

Property taxes	\$ 137,618
Loans	282,445
Matured interest	<u>2,824</u>
Total receivables	<u>\$ 422,887</u>

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 \$953,802. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$937,881.

Following is a summary of property tax transactions for the year ended June 30, 2005:

	Balances July 1, 2004	2004-05 Levy	Adjustments	Interest (Discounts)	Collections	Balances June 30, 2005
2004-05	\$ -	\$ 937,881	\$ (5,196)	\$ (21,867)	\$ (853,526)	\$ 57,292
2003-04	63,676	-	(4,284)	92	(15,710)	43,774
2002-03	40,531	-	(2,570)	73	(6,434)	31,600
2001-02	11,840	-	(3,537)	74	(3,534)	4,843
2000-01	2,222	-	(1,045)	10	(1,132)	55
1999-00	162	-	(143)	1	-	20
1998-99	72	-	(70)	8	-	10
Prior years	29	-	(5)	-	-	24
	<u>\$ 118,532</u>	<u>\$ 937,881</u>	<u>\$ (16,850)</u>	<u>\$ (21,609)</u>	<u>\$ (880,336)</u>	<u>\$ 137,618</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 \$137,618 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, 2005, the capital assets of the Agency consist of a non-depreciable property purchased during the year 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 310,000	\$ 154,616
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>\$ 3,715,000</u>	<u>\$ 958,734</u>

Changes in long-term obligations for the fiscal year ended June 30, 2005, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Urban Renewal Bonds Series 2002	<u>\$ 4,020,000</u>	<u>-</u>	<u>\$ 305,000</u>	<u>\$ 3,715,000</u>	<u>\$ 310,000</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, 2005**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 462,729	\$ 462,729	\$ -
Interest on investments	6,816	6,816	-
TOTAL REVENUES	469,545	469,545	-
EXPENDITURES			
Debt service	468,415	467,698	717
NET CHANGE IN FUND BALANCE	1,130	1,847	717
FUND BALANCE AT BEGINNING OF YEAR	454,370	454,660	290
FUND BALANCE AT END OF YEAR	\$ 455,500	\$ 456,507	\$ 1,007

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, 2005.

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 2004-05 and the preparation and adoption of the budget for 2005-06. The Agency has complied with statutory requirements in all material respects for the current and ensuing years budget except for the following:

- The second notice of the budget committee meeting was not published for the 2005-06 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, 2005, 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, 2005, 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.