

**DALLAS COMMUNITY DEVELOPMENT COMMISSION
URBAN RENEWAL AGENCY
(A COMPONENT UNIT OF THE CITY OF DALLAS, OR)**

FINANCIAL STATEMENTS

For the Fiscal Year Ended
June 30, 2015

with

Independent Auditor's
Report

MERINA
& COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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URBAN RENEWAL AGENCY
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**DALLAS COMMUNITY DEVELOPMENT COMMISSION
URBAN RENEWAL AGENCY
LIST OF BOARD OF DIRECTORS
June 30, 2015**

<u>Name</u>	<u>Term Expires</u>
Brian Dalton PO Box 190 Dallas, Oregon 97338	December 2016
Director Kenneth Woods, Jr. 1130 Main Street Dallas, Oregon 97338	December 2016
Director Bill Hahn PO Box 405 Dallas, Oregon 97338	December 2018
Director Micky Garus 2421 SW Oakwood Dr Dallas, Oregon 97338	December 2018
Director Kevin Marshall 1048 SW Clay Street Dallas, Oregon 97338	December 2016
Director LaVonne Wilson 2129 SE Magnolia Avenue Dallas, Oregon 97338	December 2016
Director James Fairchild 297 SE Ironwood Street Dallas, Oregon 97338	December 2018
Director Murray Stewart 531 NW Douglas Street Dallas, Oregon 97338	December 2016
Director Kelly Gabliks 2452 SW Oakwood Drive Dallas, Oregon 97338	December 2016
Director Jackie Lawson 569 SE Walnut Avenue Dallas, Oregon 97338	December 2018

City Officials
Ron Foggin, City Manager
Cecilia Ward, Finance Director

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dallas Community Development Commission Urban Renewal Agency
City of Dallas, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Dallas Community Development Commission Urban Renewal Agency, a component unit of the City of Dallas, Oregon (the Agency), 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 the major fund of the Agency, as of June 30, 2015, and the respective changes in financial position and the general fund statement of revenues, expenditures, and changes in fund balance – budget to actual, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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 December 30, 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
December 30, 2015

DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 472,705
Property taxes receivable	<u>9,330</u>
Total assets	<u><u>\$ 482,035</u></u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 56,801
Current portion of long-term obligations	<u>67,526</u>
Total current liabilities	<u>124,327</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>616,878</u>
Total noncurrent liabilities	<u>616,878</u>
Total liabilities	<u>741,205</u>
NET POSITION:	
Net investment in capital assets	(684,404)
Restricted	86,395
Unrestricted	<u>338,839</u>
Total net position	<u>(259,170)</u>
Total liabilities and net position	<u><u>\$ 482,035</u></u>

The accompanying notes are an integral part of these financial statements

DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

	<u>Expenses</u>	<u>Net Revenue (Expenses) and Changes in Net Position</u>
EXPENSES:		
Governmental activities:		
Community development	\$ 97,734	\$ (97,734)
Interest	20,799	(20,799)
		<u>(118,533)</u>
GENERAL REVENUES:		
Property taxes		144,647
Interest		3,358
		<u>148,005</u>
Total general revenues		<u>148,005</u>
Change in net position		29,472
NET POSITION, BEGINNING		<u>(288,642)</u>
NET POSITION, ENDING		<u><u>\$ (259,170)</u></u>

The accompanying notes are an integral part of these financial statements

DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2015

ASSETS:

Cash and cash equivalents	\$ 472,705
Property taxes receivable	<u>9,330</u>
Total assets	<u>\$ 482,035</u>

LIABILITIES:

Accounts payable and other current liabilities	<u>\$ 56,801</u>
Total liabilities	<u>56,801</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property taxes	<u>8,246</u>
Total deferred inflows of resources	<u>8,246</u>

FUND BALANCE:

Restricted	86,395
Unassigned	<u>330,593</u>
Total fund balance	<u>416,988</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 482,035</u>

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

Total fund balance	\$ 416,988
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund	8,246
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds	<u>(684,404)</u>
Net position of governmental activities	<u>\$ (259,170)</u>

The accompanying notes are an integral part of these financial statements

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2015**

REVENUES:

Property taxes	\$ 145,103
Interest on investments	3,358
	<hr/>
Total revenues	148,461
	<hr/>

EXPENDITURES:

Personnel services	15,697
Materials and services	7,847
Capital outlay	74,190
Debt service:	
Principal	65,596
Interest	20,799
	<hr/>
Total expenditures	184,129
	<hr/>

Net change in fund balance	(35,668)
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FUND BALANCE, BEGINNING	<hr/> 452,656
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FUND BALANCE, ENDING	<hr/> <hr/> \$ 416,988
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The accompanying notes are an integral part of these financial statements

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund	\$ (35,668)
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Some revenue reported in the statement of activities do not provide current financial resources in the government fund	(456)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments	65,596
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Changes in net position of governmental activities	\$ 29,472
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DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 135,000	\$ 135,000	\$ 145,103	\$ 10,103
Interest on investments	1,000	1,000	3,358	2,358
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	137,000	137,000	148,461	11,461
EXPENDITURES:				
Personnel services	16,000	16,000	15,697	303
Materials and services	33,000	33,000	7,847	25,153
Capital outlay	195,000	195,000	74,190	120,810
Debt service:				
Principal	65,596	65,596	65,596	-
Interest	20,799	20,799	20,799	-
Contingency	55,210	55,210	-	55,210
Total expenditures	385,605	385,605	184,129	201,476
Net change in fund balances	(248,605)	(248,605)	(35,668)	212,937
FUND BALANCES, BEGINNING	335,000	335,000	452,656	117,656
FUND BALANCES, ENDING	\$ 86,395	\$ 86,395	\$ 416,988	\$ 330,593

The accompanying notes are an integral part of these financial statements

**DALLAS COMMUNITY DEVELOPMENT COMMISSION
URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015**

1. Description of the Agency and Summary of Significant Accounting Policies

The financial statements of the Agency have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Reporting Entity

The Dallas Community Development Commission, Urban Renewal Agency, a component unit of the City of Dallas, Oregon (the Agency), was organized September 7, 2004 under the provisions of Oregon Revised Statutes, Chapter 457, to create funding for revitalization of the downtown area. The fiscal year ended June 30, 2004 was the first year property taxes were levied by the Agency. As provided by ORS 457, the City Council of the City of Dallas is designated as the governing body of the Agency. Principle funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of the City of Dallas.

The Agency is a legally separate entity governed by the City Council. The Agency Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a blended component unit of the City of Dallas and, as such is included in the financial statements of the City of Dallas for the year ended June 30, 2015.

The Agency has no component units.

B. Basic Financial Statements

The Agency's financial operations are presented at both the agency-wide and fund financial levels. All activities on the Agency are categorized as governmental.

Agency-wide financial statements

The Statement of Net Position and the Statement of Activities display information about the Agency as a whole.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION
URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015**

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, and fiduciary. Currently the Agency has only governmental fund types.

C. Basis of Presentation

The financial transactions of the Agency are recorded in the General Fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures.

The GASB 34 model sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of either fund category) for the determination of major funds. For purposes of presentation, the Agency's fund is presented as a major fund.

General Fund - The General Fund is the Agency's primary operation fund. It accounts for all financial resources of the Agency. Principal sources of revenue are property taxes. Expenditures are primarily for the construction of public infrastructure assets for the City of Dallas.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

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

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 Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the agency-wide statements, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the agency-wide presentation.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION
URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015**

E. Cash and Investments

The Agency considers cash equivalents as all highly liquid investments with maturity of three months or less. Investments included in cash and cash equivalents are reported at fair value.

F. Receivables and Property Tax Calendar

Uncollected property taxes receivable, which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred inflow of resources because it is not deemed available to finance operations of the current period. Property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Polk County and remitted to the Agency. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. All property taxes receivable are due from property owners within the Agency's boundaries.

G. 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 only has one type of item that qualifies 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. 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 items 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

**DALLAS COMMUNITY DEVELOPMENT COMMISSION
URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015**

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 board 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.

I. Use of Restricted Resources

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

J. Use of Estimates

In preparing the Agency’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

On or before June 30 of each year, the Agency enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Agency Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Agency Board of Directors for budget hearings prior to enactment of the resolution. The Agency budgets all funds as required by Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personnel services, materials and services, capital outlay, debt service, transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Agency Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Agency Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION
 URBAN RENEWAL AGENCY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2015**

3. Cash and Cash Equivalents

At June 30, 2015 investments included in cash and cash equivalents of the Agency consist of the following:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer’s Local Government Investment Pool	0.00	\$ 472,705

A. Interest rate risk

The Agency does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Credit risk

State statutes authorize the Agency to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, and the State Treasurer’s Oregon Local Government Investment Pool, among others. The Agency has no investment policy that would further limit its investment choices.

C. Concentration of credit risk

The Agency does not currently have an investment policy for concentration of credit risk.

The State Treasurer’s Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company and is not rated.

D. Custodial credit risk – deposits

Custodial credit risk 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 up to \$250,000 for the combined total of all deposit accounts at each financial institution. 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 custodial credit risk.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION
URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015**

4. Long-Term Debt

Long-term debt transactions for the year were as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental loans	\$ 750,000	\$ -	\$ 65,596	\$ 684,404	\$ 67,526
Total governmental activities	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 65,596</u>	<u>\$ 684,404</u>	<u>\$ 67,526</u>

Loans

	Governmental Activities
2013 Urban Renewal Loan: original amount \$750,000; interest rate 2.90%; final payment due June 30, 2024.	<u>\$ 684,404</u>

Future governmental loan debt service requirements are as follows:

Fiscal Year	2013 Urban Renewal Loan	
	Principal	Interest
2016	\$ 67,526	\$ 18,869
2017	69,513	16,882
2018	71,559	14,836
2019	73,664	12,730
2020	75,832	10,563
2021-2025	<u>326,310</u>	<u>19,269</u>
Total	<u>\$ 684,404</u>	<u>\$ 93,149</u>

5. Deferred Inflows of Resources

Deferred inflow of resources as of June 30, 2015 consisted of uncollected property taxes not deemed available to finance operations of the current period.

6. Risk Management

The Agency is exposed to various risks of loss related to: torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. Except for unemployment compensation, the Agency purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2014 to 2015.

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

We have audited the basic financial statements of the Dallas Community Development Commission Urban Renewal Agency, a component unit of the City of Dallas, Oregon (the Agency), as of and for the year ended June 30, 2015 and have issued our report thereon dated December 30, 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. The Agency does not receive highway revenues.
- 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.



Merina & Company, LLP
West Linn, Oregon
December 30, 2015