

**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, 2020

with

Independent Auditor's  
Report



**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY  
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## **INTRODUCTORY SECTION**

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY  
LIST OF PRINCIPAL OFFICIALS  
June 30, 2020**

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| <u>Officials</u>   | <u>Term Expires</u> |
|--|---------------------|
| Brian Dalton<br>1650 SW Bridlewood Dr.<br>Dallas, OR 97338   | December 31, 2020   |
| Jennie Rummell<br>1555 SW Fairview Ave<br>Dallas, OR 97338   | December 31, 2020   |
| Terry Crawford<br>711 NW Ashley St<br>Dallas, OR 97338       | December 31, 2020   |
| Larry Briggs<br>1244 SE Academy St<br>Dallas, OR 97338       | December 31, 2022   |
| Kelly Gablicks<br>2452 SW Oakwood Dr<br>Dallas, OR 97338     | December 31, 2020   |
| Bill Hahn<br>PO Box 405<br>Dallas, OR 97338                  | December 31, 2022   |
| Jackie Lawson<br>569 SE Walnut Ave<br>Dallas, OR 97338       | December 31, 2022   |
| Michael Schilling<br>860 Se LeCreole Dr.<br>Dallas, OR 97338 | December 31, 2022   |
| Paul Trahan<br>1116 SE Barberry Ave<br>Dallas, OR 97338      | December 31, 2020   |
| Ken Woods, Jr.<br>1130 Main St<br>Dallas, OR 97338           | December 31, 2020   |

**City Officials**

Brian Latta, City Manager  
Cecilia Ward, Finance Director

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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 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, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

The Agency's 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, 2020, and the respective changes in financial position and the respective budgetary comparison statement for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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.

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

### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 28, 2020, on our consideration of City of Dallas, Oregon'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.



For Merina+Co  
Tualatin, Oregon  
December 28, 2020

## **BASIC FINANCIAL STATEMENTS**

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include interrelated sets of financial statements as required by the GASB.

The sets of statements include:

- Agency-Wide Financial Statements
- Fund Financial Statements
  - Governmental Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS:</b>                                 |                                    |
| Current assets:                                |                                    |
| Cash and cash equivalents                      | \$ 443,256                         |
| Cash with county                               | 1,845                              |
| Property taxes receivable                      | 2,595                              |
| Grants receivable                              | <u>100,000</u>                     |
| Total assets                                   | <u><u>\$ 547,696</u></u>           |
| <b>LIABILITIES:</b>                            |                                    |
| Current liabilities:                           |                                    |
| Accounts payable and other current liabilities | \$ 15,179                          |
| Interest payable                               | 3,836                              |
| Current portion of long-term debt              | <u>114,064</u>                     |
| Total current liabilities                      | <u>133,079</u>                     |
| Noncurrent liabilities:                        |                                    |
| Noncurrent portion of long-term debt           | <u>1,107,246</u>                   |
| Total noncurrent liabilities                   | <u>1,107,246</u>                   |
| Total liabilities                              | <u>1,240,325</u>                   |
| <b>NET POSITION:</b>                           |                                    |
| Restricted for:                                |                                    |
| Debt service                                   | 529,922                            |
| Unrestricted                                   | <u>(1,222,551)</u>                 |
| Total net position                             | <u>(692,629)</u>                   |
| Total liabilities and net position             | <u><u>\$ 547,696</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 Year Ended June 30, 2020**

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|                                | Expenses     | Program Revenues        |  | Net<br>Revenue<br>(Expenses)<br>and<br>Change in<br>Net Position |
|--------------------------------|--------------|-------------------------|--|--|
|                                |              | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
| <b>EXPENSES:</b>               |              |                         |  |  |
| Community development          | \$ 1,065,570 | \$ 16,818               | \$ 100,000                               | \$ (948,752)   |
| Interest on long-term debt     | 34,005       | -                       | -  | (34,005)   |
|                                |              |                         |  |  |
| Total activities               | \$ 1,099,575 | \$ 16,818               | \$ 100,000                               | (982,757)  |
| <b>GENERAL REVENUES:</b>       |              |                         |  |  |
| Property taxes                 |              |                         |  | 208,576  |
| Interest                       |              |                         |  | 17,428   |
|                                |              |                         |  |  |
| Total general revenues         |              |                         |  | 226,004  |
| Change in net position         |              |                         |  | (756,753)  |
| <b>NET POSITION, BEGINNING</b> |              |                         |  | 64,124   |
| <b>NET POSITION, ENDING</b>    |              |                         |  | \$ (692,629)   |

*The accompanying notes are an integral part of these financial statements*

**FUND FINANCIAL STATEMENTS**  
**Major Governmental Funds**

**General Fund**

This fund 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.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2020**

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**ASSETS:**

|                           |                          |
|---------------------------|--------------------------|
| Cash and cash equivalents | \$ 443,256               |
| Cash with county          | 1,845                    |
| Property taxes receivable | 2,595                    |
| Grant receivable          | <u>100,000</u>           |
| Total assets              | <u><u>\$ 547,696</u></u> |

**LIABILITIES:**

|  |                  |
|--|------------------|
| Accounts payable and other current liabilities | <u>\$ 15,179</u> |
| Total liabilities                              | <u>15,179</u>    |

**DEFERRED INFLOWS OF RESOURCES:**

|                                      |              |
|--------------------------------------|--------------|
| Unavailable revenue - property taxes | <u>2,595</u> |
| Total deferred inflows of resources  | <u>2,595</u> |

**FUND BALANCE:**

Restricted for:

|   |                          |
|---|--------------------------|
| Debt service  | <u>529,922</u>           |
| Total fund balance  | <u>529,922</u>           |
| Total liabilities, deferred inflows of resources and fund balance | <u><u>\$ 547,696</u></u> |

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

|  |                            |
|--|----------------------------|
| Total fund balance   | \$ 529,922                 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.           |                            |
| Unavailable revenues   | 2,595                      |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. |                            |
| Long-term debt   | (1,221,310)                |
| Interest payable   | <u>(3,836)</u>             |
| Net position   | <u><u>\$ (692,629)</u></u> |

*The accompanying notes are an integral part of these financial statements*

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended June 30, 2020**

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**REVENUES:**

|                      |            |
|----------------------|------------|
| Property taxes       | \$ 212,887 |
| Grants and donations | 100,000    |
| Interest             | 17,428     |
| Miscellaneous        | 16,818     |
|                      | <hr/>      |
| Total revenues       | 347,133    |
|                      | <hr/>      |

**EXPENDITURES:**

|                                    |           |
|------------------------------------|-----------|
| Current:                           |           |
| Community development              | 115,350   |
| Capital outlay                     | 950,220   |
| Debt service:                      |           |
| Principal                          | 107,832   |
| Interest                           | 35,959    |
|                                    | <hr/>     |
| Total expenditures                 | 1,209,361 |
|                                    | <hr/>     |
| Revenues over (under) expenditures | (862,228) |
|                                    | <hr/>     |

**OTHER FINANCING SOURCES (USES):**

|                                      |         |
|--------------------------------------|---------|
| Issuance of debt                     | 927,000 |
|                                      | <hr/>   |
| Total other financing sources (uses) | 927,000 |
|                                      | <hr/>   |
| Net change in fund balance           | 64,772  |

|                                |         |
|--------------------------------|---------|
| <b>FUND BALANCE, BEGINNING</b> | 465,150 |
|                                | <hr/>   |

|                             |             |
|-----------------------------|-------------|
| <b>FUND BALANCE, ENDING</b> | \$ 529,922  |
|                             | <hr/> <hr/> |

*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  
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF  
ACTIVITIES**

**For the Year Ended June 30, 2020**

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Amounts reported in the statement of activities are different because:

|                            |           |
|----------------------------|-----------|
| Net change in fund balance | \$ 64,772 |
|----------------------------|-----------|

|  |         |
|--|---------|
| Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. | (4,311) |
|--|---------|

|                          |       |
|--------------------------|-------|
| Accrued interest payable | 1,954 |
|--------------------------|-------|

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 | 107,832   |           |
| Debt issuance      | (927,000) | (819,168) |

|                        |  |                     |
|------------------------|--|---------------------|
| Change in net position |  | <u>\$ (756,753)</u> |
|------------------------|--|---------------------|

*The accompanying notes are an integral part of these financial statements*

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2020**

|   | Budget            |                   | Actual            | Variance with<br>Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
|   | Original          | Final             |                   |                               |
| <b>REVENUES:</b>                            |                   |                   |                   |                               |
| Property taxes                              | \$ 213,500        | \$ 213,500        | \$ 212,887        | \$ (613)                      |
| Grants & donations                          | 100,000           | 100,000           | 100,000           | -                             |
| Interest                                    | 10,000            | 10,000            | 17,428            | 7,428                         |
| Miscellaneous                               | 25,000            | 25,000            | 16,818            | (8,182)                       |
| <b>Total revenues</b>                       | <b>348,500</b>    | <b>348,500</b>    | <b>347,133</b>    | <b>(1,367)</b>                |
| <b>EXPENDITURES:</b>                        |                   |                   |                   |                               |
| Personnel service                           | 33,000            | 33,000            | 27,927            | 5,073 *                       |
| Materials and service                       | 135,000           | 155,000           | 87,423            | 67,577 *                      |
| Capital outlay                              | 1,135,000         | 1,135,000         | 950,220           | 184,780 *                     |
| Debt service:                               |                   |                   |                   |                               |
| Principal                                   | 125,440           | 125,440           | 107,832           | 17,608                        |
| Interest                                    | 35,960            | 35,960            | 35,959            | 1                             |
| Contingency                                 | 47,700            | 27,700            | -                 | 27,700                        |
| <b>Total expenditures</b>                   | <b>1,512,100</b>  | <b>1,512,100</b>  | <b>1,209,361</b>  | <b>302,739</b>                |
| Revenues over (under) expenditures          | (1,163,600)       | (1,163,600)       | (862,228)         | 301,372                       |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                   |                   |                   |                               |
| Issuance of debt                            | 900,000           | 900,000           | 927,000           | 27,000                        |
| <b>Total other financing sources (uses)</b> | <b>900,000</b>    | <b>900,000</b>    | <b>927,000</b>    | <b>27,000</b>                 |
| Net change in fund balance                  | (263,600)         | (263,600)         | 64,772            | 328,372                       |
| <b>FUND BALANCE, BEGINNING</b>              | <b>425,000</b>    | <b>425,000</b>    | <b>465,150</b>    | <b>40,150</b>                 |
| <b>FUND BALANCE, ENDING</b>                 | <b>\$ 161,400</b> | <b>\$ 161,400</b> | <b>\$ 529,922</b> | <b>\$ 368,522</b>             |

\* Budgetary appropriation includes personnel services, materials and services, and capital outlay.

*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, 2020**

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**I. The reporting entity and summary of significant accounting policies**

The financial statements of the Dallas Community Development Commission Urban Renewal Agency (the Agency) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and applies the provisions of all applicable Governmental Accounting Standards Board (GASB) Statements.

**A. Reporting entity**

The Agency is the urban renewal agency of the City of Dallas, Oregon (the City) and was organized on September 7, 2004 under the provisions of Oregon Revised Statutes, Chapter 457, to undertake urban renewal projects and activities for the revitalization of the downtown area.

The Agency's governing body is substantively the same as the City's governing body, therefore the Agency is presented as a blended component unit in the City's basic financial statements. All significant activities over which the Agency exercises oversight responsibility have been included in the component unit financial statements. This governing body has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. The Agency has no component units.

**B. Agency-wide and fund financial statements**

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

*Agency-wide financial statements* display information about the reporting government as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

The *statement of net position* presents information on all of the Agency's assets and liabilities, with the difference reported as *net position*.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund financial 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, or fiduciary. The Agency's only fund, the General Fund, is classified as a governmental fund type.

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

The agency-wide financial statements are presented on a *full accrual basis of accounting* with an *economic resource measurement focus*. An economic resource focus concentrates on the Agency's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

# DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2020

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The fund financial statements are presented on a *modified accrual basis of accounting* with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used 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. The Agency considers tax increment revenues susceptible to this accrual.

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

GASB Statement No. 34 sets forth criteria for the determination of major funds. For purposes of presentation, the Agency's fund is presented as major.

*General Fund* – This 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. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance**

#### **1. Deposits and investments**

Cash and investments, including restricted cash and investments, consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and the State of Oregon Local Government Investment Pool (LGIP) deposits. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

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.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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**2. Receivables and payables**

Tax increment revenues (property taxes) are levied on and become a lien against the property on July 1 in the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Tax increment revenues that are unpaid and outstanding on May 16 are considered delinquent.

In the fund financial statements, tax increment revenues receivable that are collected within 60 days after the end of the fiscal year are considered measurable and available and, therefore are recognized as revenue. Any remaining balance is deferred and recorded as unavailable revenue.

In the agency-wide financial statements, tax increment revenues receivable are recognized as revenue when earned.

**3. Capital Assets**

The Dallas Urban Renewal Agency has no capital assets. Upon completion of street improvements or building construction, the assets are transferred to the City of Dallas.

**4. Long-term obligations**

In the agency-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized 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.

**5. Net position and fund balance**

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. New position is classified in the following three categories:

*Net investment in capital assets* – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – consists of all other assets that are not included in the other categories previously mentioned.

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 – nonspendable, restricted, committed, assigned, and unassigned.

# DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2020

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*Nonspendable fund balance* – Includes items not immediately converted to cash, such as prepaid items and inventory.

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

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

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

The following order of spending regarding fund balance categories is followed: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There were no nonspendable, committed, or assigned fund balances at June 30, 2020.

### **6. 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. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency does not have any item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. 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.

### **E. Use of estimates**

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

# DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2020

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### II. Stewardship, compliance, and accountability

The Agency's budget is adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

The Budget Officer is responsible for submitting a proposed budget to the Budget Committee, which is comprised of the Agency Board and a like number of citizens of the District.

The Agency is required to prepare a balanced budget for all funds, subject to the budget requirements of state law. The Agency's budget is prepared on the modified accrual basis of accounting.

The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past two years' actual receipts and expenditures as well as current-year estimates is also included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Board for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by the Board without returning to the Budget Committee for a second approval. After the Board adopts the budget and certifies the total of *ad valorem* taxes to be levied, no additional tax levy may be made for that budget period.

The Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed appropriations. For the Agency, the levels of budgetary control established by resolution are personal services, materials and services, debt service, capital outlay, transfers and operating contingency. Appropriations lapse as of the end of the fiscal year for goods not yet received or services not yet incurred.

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board.

### III. Detailed notes on accounts

#### A. Cash and investments

Oregon Revised Statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate indebtedness, and the State of Oregon Local Government Investment Pool. The Agency has no investment policy that would further limit its investment choices.

The Agency participates in the State of Oregon Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 that is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated. The State Treasurer administers the LGIP with the oversight of the Oregon Investment Council and with the advice of the Oregon Short Term Fund Board. These funds must be invested and managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the LGIP annually.

The agency has no investments subject to custodial risk.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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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.

Cash and investments were comprised of the following at June 30, 2020:

|  | <u>Weighted Average<br/>Maturity (Years)</u> | <u>Fair Value</u> |
|--|--|-------------------|
| Investments in the State Treasurer’s Local<br>Government Investment Pool | <u>0.00</u>                                  | <u>\$ 443,257</u> |

Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned. The Agency does not have a deposit policy for custodial credit risk. 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. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2020, none of the Agency’s bank balances were exposed to custodial credit risk.

**B. Receivables**

Receivables for the Agency as of the fiscal year ended June 30, 2020 consists of tax increment revenues and a grant receivable from ODOT. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established. Amounts were as follows:

| <u>Receivables</u>         |                   |
|----------------------------|-------------------|
| Property Taxes             | \$ 2,595          |
| Cash with county treasurer | 1,845             |
| Grant receivable           | <u>100,000</u>    |
| Total                      | <u>\$ 104,440</u> |



**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

**C. Long-term obligations**

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

|                    | Outstanding<br>7/1/2019 | Issued            | Matured and<br>Redeemed | Outstanding<br>6/30/2020 | Due Within<br>One year |
|--------------------|-------------------------|-------------------|-------------------------|--------------------------|------------------------|
| Governmental Loans | \$ 402,142              | \$ -              | \$ 75,832               | \$ 326,310               | \$ 78,064              |
| Governmental Bonds | -                       | 927,000           | 32,000                  | 895,000                  | 36,000                 |
| <b>Total Debt</b>  | <b>\$ 402,142</b>       | <b>\$ 927,000</b> | <b>\$ 107,832</b>       | <b>\$ 1,221,310</b>      | <b>\$ 114,064</b>      |

The loan is secured by the Full Faith and Credit of the City of Dallas, subject to annual appropriation. The Credit Facility Bonds are payable from the following sources: a First Priority Pledge of all Tax Increment Revenues, a Pledge of all funds in the Urban Renewal Project Fund, a Pledge of all funds in the Urban Renewal Debt Service Reserve Fund, and a Pledge of Loan Proceeds until spent. In addition to other legal remedies, if an event of default occurs, the Bank may increase the interest rate to an additional 55 over the then existing market rate.

The bond is secured by the Full Faith and Credit of the City of Dallas, not subject to annual appropriation. The total amount issued by the City was \$1,648,000, \$927,000 of which is attributed to the Urban Renewal Agency for the construction of the Dallas Senior Center and Main Street Improvements. The note bears an annual interest rate of 3%. The payments are payable from the general, non-restricted revenues of the City and other funds that may be available for that purpose, including taxes levied. In addition to other legal remedies, if an event of default occurs, the Bank may increase the interest rate to an additional 5% over the then existing market rate.

The following tables show the debt service schedules for the long-term debt:

| <b>2019 Bond - Urban Renewal</b> |                   |                   | <b>2013 Urban Renewal Loan</b> |                   |                  |
|----------------------------------|-------------------|-------------------|--------------------------------|-------------------|------------------|
|                                  | Principal         | Interest          |                                | Principal         | Interest         |
| 2021                             | \$ 36,000         | \$ 26,850         | 2021                           | \$ 78,064         | \$ 8,331         |
| 2022                             | 37,000            | 25,770            | 2022                           | 80,361            | 6,034            |
| 2023                             | 38,000            | 24,660            | 2023                           | 82,725            | 3,669            |
| 2024                             | 39,000            | 23,520            | 2024                           | 85,160            | 1,235            |
| 2025                             | 40,000            | 22,350            |                                |                   |                  |
| 2026-2030                        | 219,000           | 92,970            | Total                          | <u>\$ 326,310</u> | <u>\$ 19,269</u> |
| 2031-2035                        | 254,000           | 58,109            |                                |                   |                  |
| 2036-2040                        | 232,000           | 17,700            |                                |                   |                  |
|                                  | <u>\$ 895,000</u> | <u>\$ 291,929</u> |                                |                   |                  |

**IV. Other information**

**A. Risk management**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The Agency is covered by the City of Dallas which purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this coverage during the past three fiscal years.

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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**B. Tax Abatements**

As of June 30, 2020, the Agency potentially had tax abatements through various state allowed programs that impacted levied taxes and would require disclosure under GASB 77. Based on the information available from the county as of the date of issuance of these basic financial statements, the amount of abatements for the year ended June 30, 2020 was deemed immaterial.

**C. Subsequent Events**

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). Since that time, the pandemic has significantly impacted the economic conditions in the U.S., as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. The situation is rapidly changing, and additional impacts may arise that the City is not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

## **AUDIT COMMENTS AND DISCLOSURES**

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH OREGON STATE REGULATION**

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

We have audited the basic financial statements of the City of Dallas Community Development Commission Urban Renewal Agency (the Agency), a component unit of the City of Dallas, Oregon, as of and for the year ended June 30, 2020 and have issued our report thereon dated December 28, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

**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 grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- 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 funds.
- 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.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*.

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

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 a 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.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co  
Tualatin, Oregon  
December 28, 2020