

**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, 2021

with

Independent Auditor's
Report



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INTRODUCTORY SECTION

**DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
LIST OF PRINCIPAL OFFICIALS
June 30, 2021**

<u>Officials</u>	<u>Term Expires</u>
Brian Dalton 1650 SW Bridlewood Dr Dallas, OR 97338	December 31, 2022
Michael Schilling 860 SE LeCreole Dr Dallas, OR 97338	December 31, 2022
Bill Hahn PO Box 405 Dallas, OR 97338	December 31, 2022
Paul Trahan 1116 SE Barberry Ave Dallas, OR 97338	December 31, 2024
Ken Woods, Jr. 1130 Main St Dallas, OR 97338	December 31, 2024
Terry Crawford 711 NW Ashley St Dallas, OR 97338	December 31, 2022
Larry Briggs 1244 SE Academy St Dallas, OR 97338	December 31, 2022
Kirsten Collins 1990 SE Gordon Ct Dallas, OR 97338	December 31, 2024
Rod Dunham 1123 SE Heather Ln Dallas, OR 97338	December 31, 2024
Kim Fitzgerald 490 SE Fir Villa Rd Dallas, OR 97338	December 31, 2024

City Officials

Brian Latta, City Manager
Cecilia Ward, Finance Director

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Agency Officials
Dallas Community Development Commission Urban Renewal Agency
Dallas, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Dallas Community Development Commission Urban Renewal Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Dallas Community Development Commission Urban Renewal Agency, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Dallas Community Development Commission Urban Renewal Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Dallas Community Development Commission Urban Renewal 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dallas Community Development Commission Urban Renewal Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Dallas Community Development Commission Urban Renewal Agency's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dallas Community Development Commission Urban Renewal Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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 January 10, 2022, on our consideration of the Dallas Community Development Commission Urban Renewal 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.



For Merina+Co
Tualatin, Oregon
January 10, 2022

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, 2021

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 519,749
Cash with county	1,626
Property taxes receivable	<u>6,105</u>
Total assets	<u><u>\$ 527,480</u></u>
LIABILITIES:	
Current liabilities:	
Interest payable	\$ 3,561
Current portion of long-term debt	<u>117,361</u>
Total current liabilities	<u>120,922</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>989,885</u>
Total noncurrent liabilities	<u>989,885</u>
Total liabilities	<u>1,110,807</u>
NET POSITION:	
Restricted for:	
Debt service	521,375
Unrestricted	<u>(1,104,702)</u>
Total net position	<u>(583,327)</u>
Total liabilities and net position	<u><u>\$ 527,480</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, 2021

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Net Revenue (Expenses) and Change in Net Position</u>
EXPENSES:			
Community development	\$ 105,972	\$ 16,905	\$ (89,067)
Interest on long-term debt	34,900	-	(34,900)
	<u>\$ 140,872</u>	<u>\$ 16,905</u>	<u>(123,967)</u>
GENERAL REVENUES:			
Property taxes			227,761
Interest			5,508
			<u>233,269</u>
Total general revenues			233,269
Change in net position			109,302
NET POSITION, BEGINNING			<u>(692,629)</u>
NET POSITION, ENDING			<u>\$ (583,327)</u>

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, 2021

ASSETS:

Cash and cash equivalents	\$ 519,749
Cash with county	1,626
Property taxes receivable	6,105
	<hr/>
Total assets	<u>\$ 527,480</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue - property taxes	\$ 6,105
	<hr/>
Total deferred inflows of resources	<u>6,105</u>

FUND BALANCE:

Restricted for:

Debt service	521,375
	<hr/>
Total fund balance	521,375
	<hr/>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 527,480</u>

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

Total fund balance	\$ 521,375
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.	
Unavailable revenues	6,105
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	(1,107,246)
Interest payable	(3,561)
	<hr/>
Net position	<u>\$ (583,327)</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, 2021**

REVENUES:

Property taxes	\$ 224,251
Interest	5,508
Miscellaneous	<u>16,905</u>
 Total revenues	 <u>246,664</u>

EXPENDITURES:

Current:	
Community development	70,378
Capital outlay	35,594
Debt service:	
Principal	114,064
Interest	<u>35,175</u>
 Total expenditures	 <u>255,211</u>

Net change in fund balance	(8,547)
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FUND BALANCE, BEGINNING	<u>529,922</u>
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FUND BALANCE, ENDING	<u><u>\$ 521,375</u></u>
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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
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF
ACTIVITIES**

For the Year Ended June 30, 2021

Amounts reported in the statement of activities are different because:

Net change in fund balance		\$	(8,547)
Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.			3,510
Accrued interest payable			275
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		<u>114,064</u>	<u>114,064</u>
Change in net position			<u><u>\$ 109,302</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 - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 228,500	\$ 228,500	\$ 224,251	\$ (4,249)
Interest	15,000	15,000	5,508	(9,492)
Miscellaneous	20,000	20,000	16,905	(3,095)
Total revenues	263,500	263,500	246,664	(16,836)
EXPENDITURES:				
Personnel service	12,000	12,000	13,240	(1,240) *
Materials and service	246,250	291,250	57,138	234,112 *
Capital outlay	35,000	60,000	35,594	24,406 *
Debt service:				
Principal	116,071	116,071	114,064	2,007
Interest	35,175	35,175	35,175	-
Contingency	27,758	27,758	-	27,758
Total expenditures	472,254	542,254	255,211	287,043
Net change in fund balance	(208,754)	(278,754)	(8,547)	270,207
FUND BALANCE, BEGINNING	<u>360,000</u>	<u>430,000</u>	<u>529,922</u>	<u>99,922</u>
FUND BALANCE, ENDING	<u>\$ 151,246</u>	<u>\$ 151,246</u>	<u>\$ 521,375</u>	<u>\$ 370,129</u>

* 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, 2021

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, 2021

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, 2021

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. Net 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, 2021

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, 2021.

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, 2021

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, 2021

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, 2021:

	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Investments in the State Treasurer’s Local Government Investment Pool	<u>0.00</u>	<u>\$ 519,749</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, 2021, 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, 2021 consists of tax increment revenues. 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:

Property Taxes	\$ 6,105
Cash with County Treasurer	<u>1,626</u>
Total	<u>\$ 7,731</u>

DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

C. Long-term obligations

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

	Outstanding 7/1/2020	Issued	Matured and Redeemed	Outstanding 6/30/2021	Due Within One year
Governmental Loans	\$ 326,310	\$ -	\$ 78,064	\$ 248,246	\$ 80,361
Governmental Bonds	895,000	-	36,000	859,000	37,000
Total Debt	\$ 1,221,310	\$ -	\$ 114,064	\$ 1,107,246	\$ 117,361

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:

	<u>2013 Loan - Urban Renewal</u>		<u>2019 Bond - Urban Renewal</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 80,361	\$ 6,034	\$ 37,000	\$ 25,770	\$ 117,361	\$ 31,804
2023	82,725	3,669	38,000	24,660	120,725	28,329
2024	85,160	1,235	39,000	23,520	124,160	24,755
2025	-	-	40,000	22,350	40,000	22,350
2026	-	-	219,000	92,970	219,000	92,970
2027-2031	-	-	254,000	58,109	254,000	58,109
2032-2036	-	-	232,000	17,700	232,000	17,700
	<u>\$ 248,246</u>	<u>\$ 10,938</u>	<u>\$ 859,000</u>	<u>\$ 265,079</u>	<u>\$ 1,107,246</u>	<u>\$ 276,017</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 four fiscal years.

DALLAS COMMUNITY DEVELOPMENT COMMISSION URBAN RENEWAL AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

B. Tax Abatements

As of June 30, 2021, 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, 2021 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**

The Agency Officials
Dallas Community Development Commission Urban Renewal Agency
Dallas, Oregon

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, as of and for the year ended June 30, 2021 and have issued our report thereon dated January 10, 2022. 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.

Report on Compliance

As part of obtaining reasonable assurance about whether the Dallas Community Development Commission Urban Renewal 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 162-10-0000 through 162-10-0330 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 Dallas Community Development Commission Urban Renewal 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 Dallas Community Development Commission Urban Renewal 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*.

Internal Control Over OAR 162-10-0230

In planning and performing our audit of the financial statements, we considered the Dallas Community Development Commission Urban Renewal 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 Dallas Community Development Commission Urban Renewal Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Dallas Community Development Commission Urban Renewal 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
January 10, 2022