



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY

CITY OF THE DALLES

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## AGENDA

### **Columbia Gateway Urban Renewal Agency**

City Council Chamber

313 Court Street, The Dalles, Oregon

*Meeting Conducted in a Handicap Accessible Room*

Monday, November 23, 2015

Included in the City Council Meeting

1. CALL TO ORDER

2. ROLL CALL

3. APPROVAL OF AGENDA

4. PRESENTATIONS

Presentation of Columbia Gateway Urban Renewal Agency Audit for Fiscal Year 2014-15

5. ADJOURNMENT



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**AGENDA STAFF REPORT**  
COLUMBIA GATEWAY URBAN RENEWAL AGENCY

| MEETING DATE      | AGENDA LOCATION | AGENDA REPORT # |
|-------------------|-----------------|-----------------|
| November 23, 2015 |                 |                 |

**TO:** Urban Renewal Board

**FROM:** Kate Mast, Finance Director

**DATE:** November 12, 2015

**ISSUE:** Presentation of FY14/15 Audit by Merina & Company, LLC.

**BACKGROUND:**

This presentation is scheduled to take place immediately after the presentation of the City’s audit report during the Council meeting.

The Auditor’s letter to the Board (AU-C 260) is attached to this report.

There were no findings during the audit of the Urban Renewal Books.

However, there were prior period adjustments related to the Sunshine Mill. The first is based on the change from a lease/option agreement to an actual land sale agreement for the Sunshine Mill, and the second to more properly account for the agreement for the funds loaned to Discover Development for improvements made to that property.

**BUDGET IMPLICATIONS:** None.

**ALTERNATIVES:**

- A. Staff Recommendation: *Move to accept the FY14/15 Audit as presented.*

November 12, 2015

To the Board of Directors  
Columbia Gateway Urban Renewal Agency

We have audited the financial statements of the governmental activities and each major fund of Columbia Gateway Urban Renewal Agency (Agency), a component unit of the City of The Dalles, Oregon, for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015.

We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. There were two prior period adjustments that were included in the financial statements:

In 2009 the Agency entered into a loan agreement with Discover Development for improvements to be made to the Sunshine Flour Mill Property. These loan payments were erroneously expensed and capitalized on the Agency's books. The prior period adjustment is to book the note receivable.

In 2013 the Agency entered into a land sale contract with Discover Development to purchase the Sunshine Flour Mill Property. In 2014 this agreement was amended adding the unpaid interest to the principal balance. The Sunshine Flour Mill has been considered an Asset Held For Sale, the prior period adjustment is to reclassify this as a note receivable.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events

affecting them may differ significantly from those expected. The most sensitive estimate affecting the Agency's financial statements was:

Management's estimate of the accumulated depreciation is based on historical cost or estimated historical cost if purchased or constructed and donated capital assets are recorded at estimated fair market value at the date of donation.

We evaluated the key factors and assumptions used to develop this estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Capital Assets in Note III.D to the financial statements summarizes the changes in capital assets for the year ended June 30, 2015

The disclosure of Long-Term Obligations in Note III.E to the financial statements summarizes the changes in long-term obligations, balances due, and amount due within one year as of June 30, 2015.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached copy of the management representation letter includes a summary of such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 12, 2015 which is attached to this letter.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Agency’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management’s discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit management’s discussion and analysis, and do not express an opinion or provide any assurance on this information.

We were engaged to report on the supplementary information, as listed in the table of contents, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

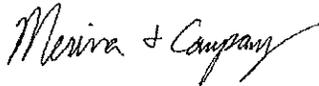
We were not engaged to report on the Officials of the Agency which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

If you should have any questions or comments, we would be pleased to discuss this report with you at your convenience.

Very truly yours,

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP  
Certified Public Accountants and Consultants



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**CITY OF THE DALLES**

November 12, 2015

Merina & Company, LLP  
5499 Amy Street  
West Linn, OR 97068

This representation letter is provided in connection with your audit of the financial statements of Columbia Gateway Urban Renewal Agency (Agency), a component unit of the City of The Dalles, Oregon, which comprise the respective financial position of the governmental activities and each major fund as of June 30, 2015 and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 12, 2015 the following representations made to you during your audit.

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in terms of the audit engagement letter dated June 3, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the Agency required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Agency's accounts. A list of the journal entries is attached to this letter.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the Agency is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the Agency and involves:

- a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements communicated by employees, former employees, regulators, or others.
  16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
  17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  18. We have disclosed to you the identity of the Agency's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. The Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
23. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance other than those already disclosed to you.
27. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
28. The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
29. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if applicable.
30. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
31. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
32. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
33. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
34. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal, as applicable.
35. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
36. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

38. We have appropriately disclosed the Agency's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
39. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
40. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
41. With respect to the supplementary information.
- a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signed: Julie Kuegan

Title: Interim City Manager

Signed: Kate Mast

Title: Finance Director

**07/01/2014 UR Fund**

|  |            |            |
|--|------------|------------|
| DR Note receivable - loan                  | 581,727.27 |            |
| DR Note receivable - land sale             | 305,123.69 |            |
| CR Deferred inflow - loan                  |            | 581,727.27 |
| CR Deferred inflow - land sale             |            | 305,123.69 |
| DR Accrued interest receivable - land sale | 3,305.51   |            |
| CR Interest revenue                        |            | 3,305.51   |

To record the prior period adjustment for the note receivable from Discovery Development for the Sunshine Flour Mill property.

**06/30/2015 UR Fund**

|  |            |            |
|--|------------|------------|
| DR Note receivable - loan (increase to loan) | 18,272.73  |            |
| DR Deferred inflow - loan                    | 131,727.27 |            |
| CR Note receivable - loan (payment)          |            | 150,000.00 |
| DR Note receivable - land sale               | 4,576.86   |            |
| CR Deferred inflow - land sale               |            | 4,576.86   |
| DR Interest revenue                          | 4,328.73   |            |
| CR Accrued interest receivable - loan        |            | 1,700.69   |
| CR Accrued interest receivable - land sale   |            | 2,628.04   |

