



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2008**

Prepared by:  
The City of The Dalles  
Finance Department

**CITY OF THE DALLES, OREGON**

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## **INTRODUCTORY SECTION**

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## **CITY of THE DALLES**

313 COURT STREET  
THE DALLES, OREGON 97058

(541) 296-5481

City Council  
City of The Dalles  
The Dalles, Oregon 97058

November 10, 2008

The Comprehensive Annual Financial Report (CAFR) of the City of The Dalles, Oregon, for the year ended June 30, 2008, is submitted herewith. This report presents a comprehensive and detailed picture of The Dalles' financial transactions during fiscal year 2007-2008 and the financial condition of the various funds and account groups at June 30, 2008. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures, rests with the City. To the best of our knowledge and belief, the report is accurate and complete in all material respects, including all activities, funds, and financial transactions, and is presented fairly to disclose the financial position and the results of operations of the City at June 30, 2008, and for the year then ended. Further, it is our belief that all disclosures necessary to enable the reader to gain an understanding of the City's financial operations have been included. The organization and content of this report, including the financial statements, supplementary information and statistical tables, follow the standards for annual financial reporting recommended by the Governmental Accounting Standards Board.

### **CITY HISTORY AND GEOGRAPHICAL AREA**

The City of The Dalles, Oregon, is situated in the north-central part of the state on the Columbia River, the nation's second largest river. It is the county seat and the largest community in Wasco County. The Dalles is one of Oregon's most historic cities and was known earlier in its history as the town at the end of the Oregon Trail. Archaeological evidence suggests the area has been inhabited more or less continuously for more than 10,000 years. The City was first incorporated by the Oregon Territorial Government in 1857 as "Dalles City" and was made the county seat shortly thereafter. In June of 2007 we celebrated our Sesquicentennial.

Strategically located on the Columbia River and bordered by the Cascade Mountains to the West, The Dalles provides an ideal distribution or manufacturing setting with available riverside locations, as well as bulk container and international shipping options. It has historically been an economic hub of the Pacific Northwest, linking major transportation routes between Eastern and Southern Oregon and Washington State. It offers residents the pleasures of rural living while providing the advantages of access to metropolitan amenities in Portland, only 80 miles to the west.

In accordance with the City Charter of 1899, revised in 1998, the City of The Dalles is governed by a City Council. This Council consists of an elected mayor and five council members. The City operates under a council-manager form of government.

## **ECONOMIC CONDITIONS**

The City has a population currently estimated at 13,112, yet the City serves a trading area of about 90,000 persons in both Oregon and Washington. Principal economic activities are agriculture, fabrication of aluminum, high tech services, small industrial businesses, hydro and wind power generation/transmission, and tourism, along with healthcare, government, and retail services. Mid Columbia Medical Center is the area's largest employer with approximately 800 employees in all their affiliated activities.

The major agricultural product of the City is sweet cherries. The Dalles is a primary producer for both domestic and overseas markets. There are in excess of 6,000 acres of sweet cherry trees around the City. Wheat is another important agricultural product with 50,000 acres currently in cultivation in The Dalles area. Additional agricultural products include cattle, hay and tree fruits.

The Port of The Dalles Industrial Center is the location of most local manufacturing, where there are 40 companies, employing over 550 people. Northwest Specialties, the last operating portion of the The Dalles Historic Aluminum smelter industry, employs about 80 employees. The old Aluminum Smelter is currently being torn down for salvage and, when that is completed by the end of 2008, it will free up over 300 acres of industrial land. Internet giant Google is located in the Port Industrial Park and employs over 175 employees including contract employees.

The City is a strategic home base for year-round recreation. Water sport enthusiasts will find boating, excellent fishing, and one of the finest windsurfing and kite boarding areas in the United States on the Columbia River. To the east are substantial opportunities to camp, fish, hike, and sightsee. To the west, ski enthusiasts have the opportunity to challenge the ski slopes of magnificent Mt. Hood, and there are numerous resorts that lie on Mt. Hood and at its base. Construction of the Columbia Gorge Discovery Center and Wasco County Historical Museum was completed in May 1997. Thousands of people visit the Center annually and it has become a center for many community festivities and events. The Center is located along the Columbia River bordering the City.

Mid-Columbia Medical Center is the major hospital in the Mid-Columbia Region of Oregon and Washington. It is also the major trauma center in the region. This first class medical facility has attracted numerous health care professionals to The Dalles area. They have added a new Oncology Center that will save the region's population from traveling to Portland to receive those services and has become a multi-state option in the Northwest.

The Wasco County Courthouse and offices are located in the City, as are various State offices. The Dalles Dam at the eastern edge of the City is a major power generating facility. Also at the eastern edge of the City is the Celilo Converter Station, one of the world's largest electric power converter stations. Electricity is transported to and from Southern California through this station.

Through a competitive process, The Dalles was selected as the site for a 151 bed Veterans' long-term nursing and care home. The facility opened in November 1997, currently providing 195 jobs and has 145 residents.

The Dalles is the major shopping center in the Mid-Columbia area. The last few years, several retail developments have been completed in the community. Most recently a 138,000 square foot regional Home Depot store opened in October 2004. This was followed by Walgreen's in 2005. Both the local Safeway and Fred Meyer stores completed multi-million dollar renovations in 2006. Fred Meyer expanded its retail space by 15,000 square feet, which included enclosing the existing garden area. A new 150,000 square foot super Wal-Mart store is planned for 2009 and will employ around four hundred people.

The City has an Urban Renewal District that is working to renovate the older commercial areas of the community. In June 2000, the City issued a \$3.4 million full faith and credit financing agreement to help finance programs. A ten block Downtown Renovation Project was completed during the summer of 2001. A \$7 million dollar reconnection of the Downtown to the Columbia River was completed in FY 2003-2004 using Urban Renewal dollars and they were matched two to one with other grant funds. Urban Renewal also caused the renovation of two major downtown structures that have been vacant for years. Several of the Downtown Urban Renewal projects are currently in various stages of Development, including a \$5 million dollar East Gateway public infrastructure project that will leverage \$25 million in private investment and a \$6 million dollar Downtown/Riverfront Connection project that includes a public dock planned for 2008.

State Tax limitation measures in 1990, 1996 and 1997 have limited property taxes. An upswing in the local economy has mitigated most of those impacts. The City, through prudent budgeting, is operating on a fiscally sound basis. The general fund balance remained relatively stable during the 2007-2008 fiscal year.

## **MAJOR INITIATIVES**

### **Utilities Master Plan**

The City purchased a site for a wastewater treatment expansion in 1997-98. The City completed updating its wastewater master plan for the plant site and collection system upgrade in 2002. A 5-year wastewater capital improvement plan is being utilized. A \$7.5 million dollar revenue bond was issued in fiscal year 2002-2003 to begin the upgrade. Phase I design and construction for the wastewater plant and collection system improvements was completed in 2006.

### **Water Master Plan**

A water master plan update has been completed. \$8.5 million in system improvements was scheduled for fiscal years 2007-2008 and 2008-2009 with a similar amount in 5 years. A \$7.9 water revenue bond was issued in 2007. Several of the improvement projects were started in FY 2007-2008 and should be completed in 2009.

### **Street Master Plan**

A transportation master plan drafted in 1999 was updated and implemented in 2006. A 5-year capital improvement plan has been implemented for street development and to provide preventative maintenance. A Transportation System Development Charge has been implemented.

### **Storm Water Master Plan**

Storm Water Master Plan was completed in 2007. A System Development Charge and a storm water utility charge have been implemented.

### **Regional Airport Authority**

Klickitat County and the City of The Dalles have formed a Regional Airport Authority. A Regional Board is now operating the Airport. A new set of aircraft hangars were constructed in 2004. Several other facility and operational plans are being developed at this time.

### **Public Works Facility Relocation**

In FY 2007-2008 the City exchanged its public works property in the 6th Street commercial district for property in the East Port Industrial Park. The exchange has provided the City room for growth and allowed a downtown car dealership to move to the visible commercial site and frees up over two acres in the downtown for redevelopment. When finished, the City will have spent approximately 2.8 million in renovating the new facilities for our use.

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

The Columbia Gateway Urban Renewal Agency, a component unit of the City of the Dalles, operated throughout the 2007-2008 fiscal year. The Agency consists of an Urban Renewal District, formed by the citizens, to resolve issues of blight within the boundaries of the District. The Agency did levy and collect tax increment proceeds during fiscal year 2007-2008. We are currently investigating expanding the expiration date from 2015 for an additional five to ten years, and increasing the debt limit.

## **FINANCIAL INFORMATION**

### **Accounting System and Budgetary Controls**

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary fund type are maintained using the accrual basis of accounting. The assets and liabilities of the agency funds are accounted for using the modified accrual basis of accounting.

The City's management is responsible for establishing and maintaining an internal control structure designed to protect the assets of the City from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Management recognizes the significance of internal controls, which are incorporated in the accounting system. We believe our internal accounting controls adequately safeguard the assets and provide reasonable assurance of proper recording of all financial transactions.

A budget is prepared and legally adopted by the City Council for each fund. All changes to the budget must be approved by the City Council. These budgets are all prepared on the modified accrual basis of accounting, complying with Oregon Local Budget Law. The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. All funds except the General Fund establish the levels of budgetary control at the personal services, materials and services, capital outlay, operation contingencies,

debt service and all other requirements levels. For the General Fund, appropriations are at the department level for personal services, materials and services, capital outlay and other uses.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council, if the change is greater than, or equal to, 10% of the original budget. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City Council approved several appropriation transfer resolutions during the year ended June 30, 2008. Appropriations lapse at year-end.

The City has established a procurement policy for the purchases of goods and services. All items purchased by the City require a purchase order. Purchase orders are initiated at the department level and are reviewed at the Finance office. Purchase orders greater than \$15,000 require the approval of the City Manager and those greater than \$50,000 require approval from the City Council.

### **Cash Management**

The City has a cash management policy, which allows investing of cash funds that are in excess of immediate need. This policy coincides with Oregon statutes restricting the types of investments that may be made by municipalities. Primary importance is placed on the safety of principal and then on the maximization of investment earnings. The City co-mingles cash and investments and allocates interest earnings based upon monthly cash balances in the various funds.

## **RISK MANAGEMENT**

The City continued to review and evaluate its risk management program during 2007-2008. A citywide safety program with regular committee meetings and inspections is in force.

The City maintains property and liability insurance coverage. The City will continue to evaluate loss potential, risk retention, and insurance coverage to achieve optimum levels of risk management.

The City does not engage in risk financing activities where the risk is retained (self-insurance) by the City at this time.

## **OTHER INFORMATION**

### **Management Discussion and Analysis**

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

### **Independent Audit**

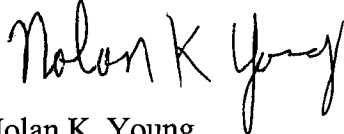
Oregon Revised Statutes Chapter 297 requires that an independent audit be made of all City funds and account groups within six months following the close of a fiscal year. The independent auditors, who were selected by the City Council, have completed their audit of the

City's funds and account groups; and their opinion and State of Oregon required audit comments and disclosures are included in this report.

**Acknowledgments**

The preparation of this report on a timely basis has been accomplished through the diligent efforts of the Finance Department's entire staff and staff from other departments. I should like to express my appreciation to all the members of this department for their assistance and contributions to its preparation. I also thank the Mayor and members of City Council for their interest and support in planning and conducting the financial operations of the City.

Respectfully submitted,



Nolan K. Young  
City Manager



Kate Mast  
Finance Director

**CITY OF THE DALLES  
OFFICIALS OF THE CITY  
AS OF JUNE 30, 2008**

**MAYOR AND CITY COUNCIL**

<u>Name and Address</u>	<u>Term Expires December 31</u>
Robb Van Cleave, Mayor 912 East 15 <sup>th</sup> Place The Dalles OR 97058	2008
Carolyn Wood 1709 Liberty Street The Dalles OR 97058	2008
Dan Spatz 2506 Jordan Street The Dalles OR 97058	2008
Rob Kovacich 1401 East 19 <sup>th</sup> Street The Dalles OR 97058	2008
Jim Wilcox 416 West 7 <sup>th</sup> Street The Dalles OR 97058	2010
Bill Dick 2520 East 14 <sup>th</sup> Street The Dalles OR 97058	2010
Jim Broehl (resigned 04/14/08) 318 West 12 <sup>th</sup> Street The Dalles OR 97058	

**City Administration**

Nolan Young, City Manager – Budget Officer  
Julie Krueger, City Clerk  
Gene E. Parker, City Attorney  
Kate Mast, Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of The Dalles  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



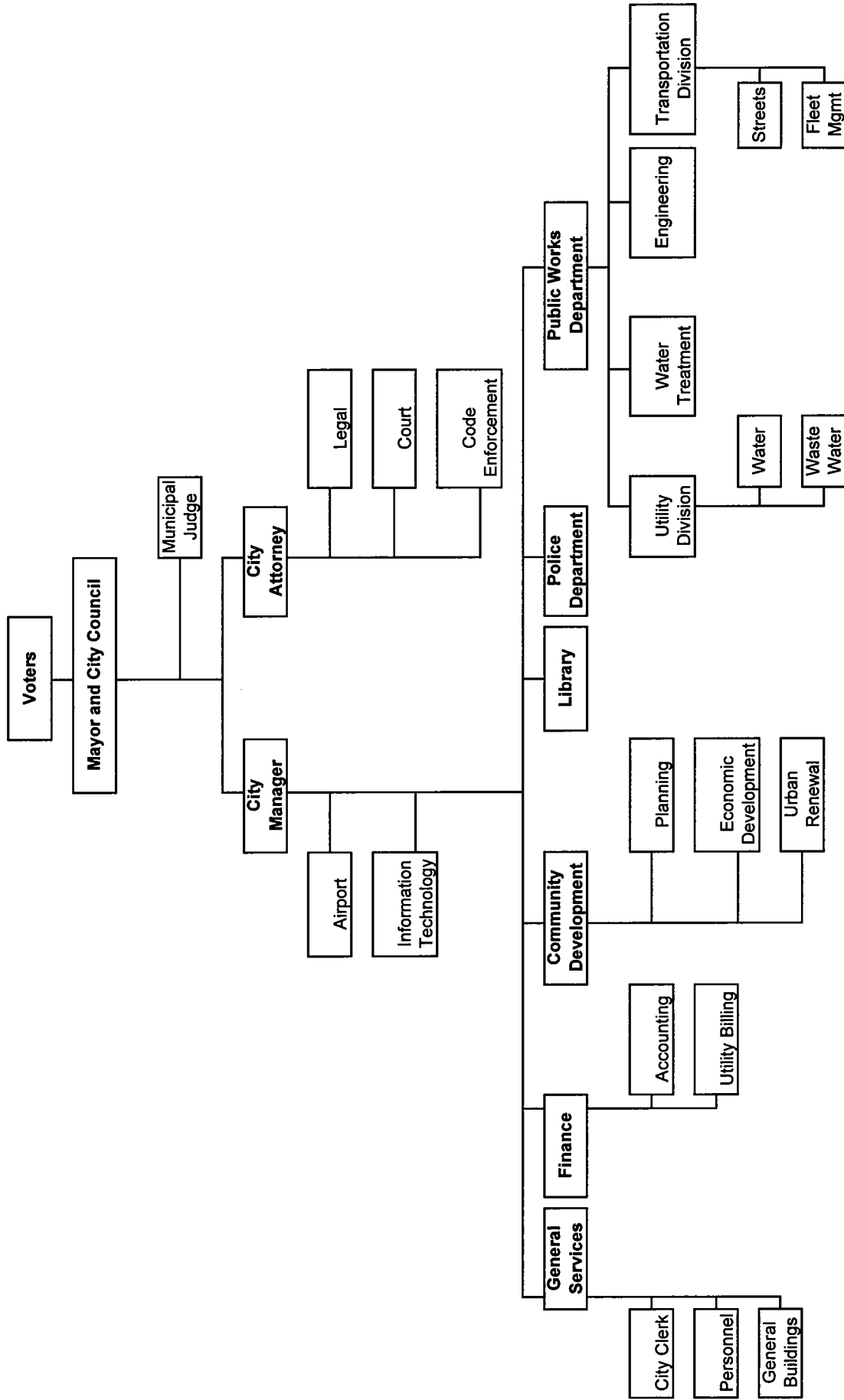
*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF THE DALLES  
ORGANIZATIONAL CHART  
June 30, 2008**





## **FINANCIAL SECTION**

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**Dickey and Tremper, LLP**  
Certified Public Accountants and Business Advisors

110 SE First Street  
P.O. Box 1533  
Pendleton, OR 97801  
Phone: (541) 276-6862  
Toll Free: 1-800-332-6862  
Fax: (541) 276-9040  
Web: [www.dickeyandtremper.com](http://www.dickeyandtremper.com)

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of The Dalles, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of The Dalles, Oregon, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of The Dalles, Oregon, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Street, and Library Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008, on our consideration of the City of The Dalles, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

The management's discussion and analysis on pages *a* through *g* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, accompanying financial information listed as supplemental information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial information listed as supplemental information in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on them.

  
**Dickey and Tremper, LLP**  
**Certified Public Accountants**

November 7, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the City of The Dalles, Oregon. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the Transmittal Letter (page1) and the City's financial statements.

### FINANCIAL HIGHLIGHTS

The City's assets exceeded its liability at June 30, 2008 by \$38,006,296 (net assets). Of this amount \$21,174,297 was invested in capital assets (net of related debt). \$12,117,294 was restricted for specific purposes, resulting in unrestricted net assets of \$4,714,705. The unrestricted net assets are made up of unrestricted governmental net assets of \$3,772,300 and unrestricted business-type net assets of \$942,405.

The City's net assets increased by \$2,699,092 (7.64%), primarily due to the construction and improvement of public infrastructure capital assets.

The City's Governmental Funds had an increase in fund balances in the amount of \$3,809,980, over \$2,000,000 from a Full Faith and Credit Obligation Bond sold in FY07/08 for the Capital Projects Fund. The General Fund experienced an increase in fund balance of \$303,522, mostly due to property tax increases due to annexations, and an increase in fees paid to the City by the Public Utility District and Natural Gas provider due to increased consumption by new industry, which produced revenues in excess of estimates. The Urban Renewal Fund balance decreased approximately \$103,891 due to increased expenditures in FY07/08.

The City's Enterprise Funds experienced an increase in net assets of \$966,236. This was partly due to rate increases (water 10% and sewer 9%) and partly a new high volume industrial customer.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of several sections. Taken together they provide a comprehensive financial report of the City. The components of the report include the following:

**Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the City.

**Basic Financial Statements.** Includes a Statement of Net Assets, a Statement of Activities, fund financial statements and the notes to the financial statements.

Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting and provide both long-term and short-term information about the City's financial status. The Governmental activities include most of the City's basic services such as police, street maintenance and improvement, community planning and governance. The Business-type activities include the operation of the City's water and sewer utilities and the operation of the City owned airport.

Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Governmental Funds". Budgetary comparison statements are

presented for the General Fund, Street Fund and Library Fund, which comprise the City's General and Major Special Revenue Funds.

Statements for the City's proprietary funds follow the governmental funds and include net assets, revenues, expenses and changes in fund net assets, and cash flows.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

**Supplemental Information.** Readers desiring additional information about other major funds not represented in the Basic Financial Statements and on non-major funds can find it in this section of the report. Included within this section are:

- Combining Statements of other governmental funds, which are classified as non-major. These statements include balance sheets and statements of revenues, expenditures and changes in fund balances.
- Budgetary Comparisons. Budgetary information for all funds, except General, Street and Library Funds, which are presented within the Basic Financial Statements, are presented here.
- Other Financial Schedules complete the Financial Section of this report.

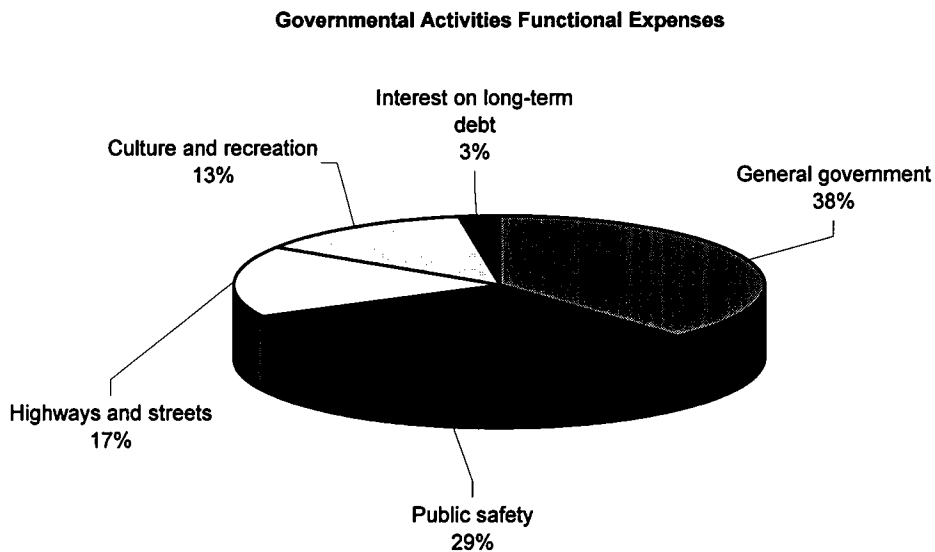
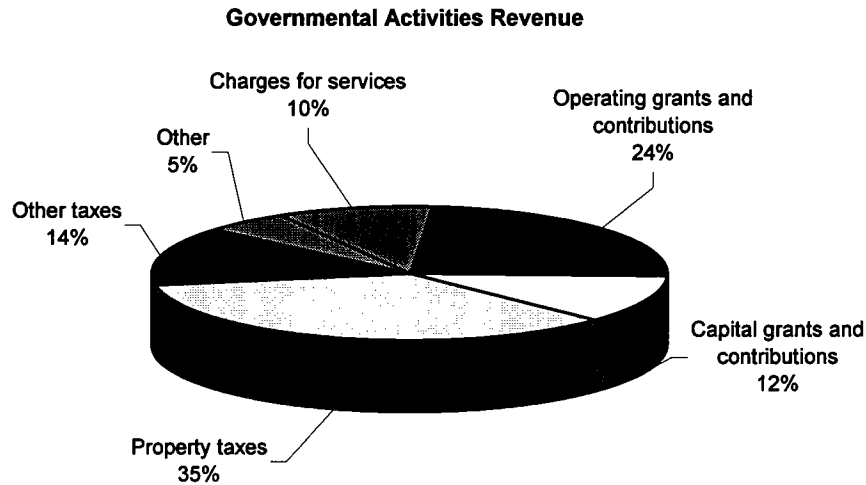
## FINANCIAL SUMMARY AND ANALYSIS

As mentioned earlier, the City's net assets as of June 30, 2008 were \$38,006,296, an increase from June 30, 2007 of \$2,699,092. By far the largest portion of net assets is comprised of the City's investment in capital assets (e.g., land, building, equipment, and public infrastructure), less any related debt outstanding that was used to acquire those assets. The City uses capital assets to provide services to citizens; therefore these assets are not available for future spending. The resources to repay the related debt is not provided by capital assets, but will be provided from other sources.

### City of The Dalles Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and other assets	10,100,725	5,868,610	8,186,585	12,291,763	18,287,310	18,160,373
Capital assets	15,165,096	14,413,854	26,687,079	22,158,113	41,852,175	36,571,967
<b>Total Assets</b>	<b>25,265,821</b>	<b>20,282,464</b>	<b>34,873,664</b>	<b>34,449,876</b>	<b>60,139,485</b>	<b>54,732,340</b>
<b>Liabilities</b>						
Long-Term liabilities	6,928,159	4,056,948	14,349,112	14,594,105	21,277,271	18,651,053
Other liabilities	607,051	227,761	248,867	546,322	855,918	774,083
<b>Total liabilities</b>	<b>7,535,210</b>	<b>4,284,709</b>	<b>14,597,979</b>	<b>15,140,427</b>	<b>22,133,189</b>	<b>19,425,136</b>
Net assets invested in capital assets, net of related debt	8,487,617	10,562,441	12,686,680	15,678,476	21,174,297	26,240,917
Restricted	5,470,694	2,433,798	6,646,600	3,014,966	12,117,294	5,448,764
Unrestricted	3,772,300	3,001,516	942,405	616,007	4,714,705	3,617,523
<b>Total net assets</b>	<b>17,730,611</b>	<b>15,997,755</b>	<b>20,275,685</b>	<b>19,309,449</b>	<b>38,006,296</b>	<b>35,307,204</b>

The governmental activities revenue comes primarily from property taxes, franchise fees, charges for services, and various grants and contributions, including over \$700,000 from a new Library Special District. During the year ending June 30, 2008, the City received a significant amount of revenue from capital grants and contributions. These will not be a continuing source of revenue, but are funding specific projects. The City's governmental expenses cover a wide variety of services, with general government, public safety and streets accounting for most of these expenses.



Property taxes are the City's primary on-going source of revenue. Property taxes comprising 35% of the City's governmental revenue are derived from the permanent tax rate and taxes levied for the repayment of bonded indebtedness.

For the year ending June 30, 2008 the City received a significant amount of capital grants and contributions. These grants and contributions consist primarily of awards for special projects.

For the fiscal year ending June 30, 2008, net assets of the Governmental activities increased by \$1,732,856, which represents a 10.8% increase. Net assets of the Business-type activities increased by \$966,236, which represents a 5% increase. Key elements of these changes, when compared to the year ending June 30, 2008 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>						
Program Revenues						
Charges for services	871,935	864,846	7,088,468	6,385,016	7,960,403	7,249,862
Operating grants and contributions	2,162,581	1,370,812	77,698	15,430	2,240,279	1,386,242
Capital grants and contributions	1,032,300	503,768	303,723	88,980	1,336,023	592,748
General Revenues						
Property taxes	3,155,162	2,852,880	-	-	3,155,162	2,852,880
Other taxes	1,249,637	1,132,588	-	-	1,249,637	1,132,588
Other	481,394	221,849	483,983	234,296	965,377	456,145
<b>Total revenues</b>	<b>8,953,009</b>	<b>6,946,743</b>	<b>7,953,872</b>	<b>6,723,722</b>	<b>16,906,881</b>	<b>13,670,465</b>
<b>Expenses</b>						
General						
government	3,110,350	2,533,876	-	-	3,110,350	2,533,876
Public safety	2,383,926	2,171,312	-	-	2,383,926	2,171,312
Highways and streets	1,360,741	1,264,372	-	-	1,360,741	1,264,372
Culture and recreation	1,079,123	764,592	-	-	1,079,123	764,592
Interest on long-term debt	208,259	181,684	-	-	208,259	181,684
Water	-	-	2,943,966	2,522,187	2,943,966	2,522,187
Waste water	-	-	2,595,685	2,520,011	2,595,685	2,520,011
Airport	-	-	525,739	440,756	525,739	440,756
<b>Total Expenses</b>	<b>8,142,399</b>	<b>6,915,836</b>	<b>6,065,390</b>	<b>5,482,954</b>	<b>14,207,789</b>	<b>12,398,790</b>
Change net assets before transfers	810,610	30,907	1,888,482	1,240,768	2,699,092	1,271,675
Transfers	922,246	778,104	(922,246)	(778,104)	-	-
Change in net assets	1,732,856	809,011	966,236	462,664	2,699,092	1,271,675
Net assets-beginning	15,997,755	15,188,744	19,309,449	18,846,785	35,307,204	34,035,529
<b>Total net assets</b>	<b>17,730,611</b>	<b>15,997,755</b>	<b>20,275,685</b>	<b>19,309,449</b>	<b>38,006,296</b>	<b>35,307,204</b>

### **Governmental Activities**

The increase in net assets is attributable to the various grants and contributions received and increases in other taxes, including \$763,353 for the Library operations, mostly from the new Special District, and over \$500,000 in Streets Capital Grants and contributions.

### **Business-type Activities**

The increase in the net assets of the Business-type activities is due primarily to increases in charges for services. This includes greater usage and increases in sewer rates to fund improvements to the wastewater treatment plant and similar increases in water rates for water storage and transmission facilities.

## **FINANCIAL ANALYSIS OF FUNDS**

As of June 30, 2008 the City's governmental funds reported a combined fund balance of \$8,201,631, which is an increase of \$3,809,980 from June 30, 2007.

The General Fund is the primary operating fund of the City. As of June 30, 2008, the General Fund balance was \$1,522,373, which is an increase of \$303,522 from June 30, 2007. This increase was the result of increasing revenues without a corresponding increase in costs.

The Street Fund balance as of June 30, 2008 was \$262,664, which is a decrease of \$2,048 from June 30, 2007. This decrease was primarily due to increases in operating expenses.

As of June 30, 2008, the Library Fund balance was \$258,914, reflecting an increase of \$354,005 from June 30, 2007. The City's Library Fund provides for the operations of the Library per a contract with the County, since the formation of the new County Library District which was approved in November of 2006. This increase in the Library Fund balance was due to the County's contribution of a share of the property taxes collected during FY07/08, which was the first full year of the new County Library District's existence.

The Special Assessments Fund balance as of June 30, 2008 was \$656,620, which is an increase of \$182,288 from June 30, 2007. This increase was due primarily to prepayments from property owners for future local improvements.

The Capital Projects Fund balance as of June 30, 2008 was \$2,635,353, which is an increase of \$2,549,326 from June 30, 2007. A Full Faith and Credit Obligation Bond in the amount of \$3,330,000 was sold in FY07/08, primarily to relocate the Public Works Facilities.

The Urban Renewal Capital Projects Fund balance as of June 30, 2008 was \$1,434,916, which is a decrease of \$103,891 from June 30, 2007. This decrease reflects an increase in construction projects.

The non-major governmental funds balance as of June 30, 2008 was \$1,430,791. This reflects an increase of \$526,778, primarily due to savings for future debt payments.

Proprietary funds provide the same type of information as presented in the government-wide statements of net assets and activities, but in more detail. The proprietary funds net assets amounted to \$20,275,685 as of June 30, 2008, reflecting a \$966,236 increase over net assets as of June 30, 2007.

The combined Water Funds balance as of June 30, 2008 was \$4,326,087, which is a decrease of 4,234,970 over June 30, 2007, and is due to the use of the 2007 Water Revenue Bond proceeds for improvements to the City's water system and infrastructure.

The combined Wastewater Funds balance as of June 30, 2008 was \$3,103,243, which is an increase of \$324,310 from June 30, 2007. This increase is primarily due to building reserves for Phase II of the treatment plant improvements.

The combined Airport Funds balance as of June 30, 2008 was \$347,893, which is an increase of \$136,742 from June 30, 2007. This increase is primarily due to projects being delayed until FY08/09.

### **BUDGETARY HIGHLIGHTS**

The original legal appropriations for FY07/08 for the General Fund totaled \$5,964,157, with contingency of \$527,442. No budget amendments were made to the General Fund during the fiscal year. Expenditures were \$843,336 under budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

As of June 30, 2008, the City had invested \$41,852,175 in capital assets of its governmental and business-type activities. This investment includes land and land improvements, buildings, equipment, and public infrastructure of roads and bridges. The investment in governmental activities capital assets increased by \$751,242 and business-type activities capital assets increased by \$4,528,966. Significant additions during the year ending June 30, 2008 were related to the improvements to water system and streets.

Additional information on the City's capital assets may be found in Note III.C of the financial statements.

The total governmental long-term debt outstanding at June 30, 2008 was \$6,928,159. Business-type activities long-term debt outstanding was \$14,349,112.

During the year the City retired a total of \$900,814 in principle long-term debt.

A summary of the City's long-term debt outstanding is as follows:

Police Facilities Revenue Bond	\$	135,000
Urban Renewal Agency Debt	\$	2,745,000
2008 FFCO Bond	\$	3,330,000
Premium on FFCO Bonds	\$	50,841
Loans Payable	\$	449,741
Airport Facilities Revenue Bond	\$	328,000
Airport Loan from Port	\$	114,000
Wastewater Revenue Bond	\$	5,875,000
Water Revenue Bond	\$	7,930,000
Compensated Absences	\$	319,689

The City issued a Full Faith and Credit Obligation Bond during the fiscal year ending June 30, 2008, for \$3,330,000 to be used for Capital Projects.

In addition to the above, the City has acted as a conduit for debt for the QualityLife Intergovernmental Agency (QLife). The City obtained a Full Faith and Credit Loan from the Columbia River Bank in May of 2008 in the amount of \$1,079,978, which was used to pay off a prior QLife FFCO loan and two State Special Public Works loans. QLife has pledged to provide the full repayment of the loan and, accordingly, the City has not recorded this debt as it is not anticipated that the City will be required to use its resources for repayment. The balance outstanding at June 30, 2008 was \$1,073,132.

Additional information on the City's long-term debt may be found in Note III.E of the financial statements.

## **ECONOMIC FACTORS**

The QLife local area fiber optic loop project will enable any current business and any future business that needs high speed access to the Internet a reason to move into our area. Google, the search engine, has started operations in a new facility here in The Dalles. The Port has developed a new subdivision, again trying to attract business to our area. Home Depot, a Fortune 500 company, has opened a new retail and commercial outlet here. Wal-Mart is pursuing construction of a “super store” in the west end of the City. Removal and environmental cleanup of the aluminum plant facility within the City limits will make that property useable for other purposes. The foregoing will impact housing and the amount being spent by the local community in our local stores. This and increased levels of other retail and industrial business will create jobs that will decrease the City’s and the county’s unemployment, which has been one of the highest in the state. The Wasco County Assessor’s rate of increase in appreciation of the housing and business units will increase revenue to the City in the near future. The voters approved creation of a regional Library District with its own tax rate. This has removed a financial burden from the City.

## **FINANCIAL CONTACT**

The City’s financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City’s finances and to demonstrate the City’s accountability. The Columbia Gateway Urban Renewal Agency has issued a separate report, which is available for those who are interested.

If you have questions about the report or need additional information, please contact the City Finance Director at 313 Court Street, The Dalles, Oregon.



## **BASIC FINANCIAL STATEMENTS**

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**CITY OF THE DALLES, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,662,202	\$ 473,208	\$ 3,135,410
Receivables:			
Property taxes	203,981	-	203,981
Accounts	345,801	667,986	1,013,787
Intergovernmental	132,798	-	132,798
Fines and forfeitures	742,942	-	742,942
Special assessments	38,292	2,635	40,927
Notes	331,548	-	331,548
Prepaid items	81,829	-	81,829
Inventories	57,535	149,554	207,089
Restricted assets (temporary):			
Cash and cash equivalents	5,470,694	6,646,601	12,117,295
Bond issuance costs	33,103	246,601	279,704
Capital assets:			
Land	328,445	5,707,215	6,035,660
Assets available for sale	210,917	-	210,917
Construction in progress	1,056,357	3,903,789	4,960,146
Depreciable assets, net of depreciation	<u>13,569,377</u>	<u>17,076,075</u>	<u>30,645,452</u>
<b>Total assets</b>	<u>25,265,821</u>	<u>34,873,664</u>	<u>60,139,485</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	447,031	162,661	609,692
Accrued interest payable	57,206	86,106	143,312
Deposits	-	100	100
Unearned revenue	102,814	-	102,814
Long-term obligations			
Due within one year	884,798	472,112	1,356,910
Due in more than one year	<u>6,043,361</u>	<u>13,877,000</u>	<u>19,920,361</u>
<b>Total liabilities</b>	<u>7,535,210</u>	<u>14,597,979</u>	<u>22,133,189</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,487,617	12,686,680	21,174,297
Restricted for:			
Streets	262,664	-	262,664
Capital projects	4,610,032	6,380,088	10,990,120
Debt service	597,998	266,512	864,510
Unrestricted	<u>3,772,300</u>	<u>942,405</u>	<u>4,714,705</u>
<b>Total net assets</b>	<u>\$ 17,730,611</u>	<u>\$ 20,275,685</u>	<u>\$ 38,006,296</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2008**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental activities:</b>							
General government	\$ 3,110,350	\$ 405,366	\$ 785,031	\$ 59,140	\$ (1,860,813)	\$ -	\$ (1,860,813)
Public safety	2,383,926	381,661	20,459	-	(1,981,806)	-	(1,981,806)
Highways and streets	1,360,741	76,652	571,602	973,160	260,673	-	260,673
Culture and recreation	1,079,123	8,256	785,489	-	(285,378)	-	(285,378)
Interest on long-term obligations	208,259	-	-	-	(208,259)	-	(208,259)
Total governmental activities	8,142,399	871,935	2,162,581	1,032,300	(4,075,583)	-	(4,075,583)
<b>Business-type activities:</b>							
Water	2,943,966	2,912,204	6,651	-	-	(25,111)	(25,111)
Wastewater	2,595,685	4,042,032	6,651	-	-	1,452,998	1,452,998
Airport	525,739	134,232	64,396	303,723	-	(23,388)	(23,388)
Total business-type activities	6,065,390	7,088,468	77,698	303,723	-	1,404,499	1,404,499
Total primary government	\$ 14,207,789	\$ 7,960,403	\$ 2,240,279	\$ 1,336,023	(4,075,583)	1,404,499	(2,671,084)
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					2,032,760	-	2,032,760
Debt service					1,122,402	-	1,122,402
Franchise and public service taxes					1,249,637	-	1,249,637
Interest and investment earnings					259,086	483,983	743,069
Miscellaneous					42,851	-	42,851
Gain (loss) on sale of property					179,457	-	179,457
Transfers					922,246	(922,246)	-
Total general revenues and transfers					5,808,439	(438,263)	5,370,176
Change in net assets					1,732,856	966,236	2,699,092
Net assets - beginning					15,997,755	19,309,449	35,307,204
Net assets - ending					\$ 17,730,611	\$ 20,275,685	\$ 38,006,296

The notes to the basic financial statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation.

#### **Street Fund**

The Street Fund accounts for the cost of maintaining City streets and storm water drainage systems. Principal sources of revenues are state gasoline taxes apportioned from the State of Oregon, local fuel taxes, charges for services to other funds, and transfers.

#### **Library Fund**

The Library Fund accounts for the operation of the City library. Principal sources of revenues are state grants, county library funds, library fines, donations, and transfers.

#### **Special Assessments Fund**

The Special Assessments Fund accounts for the financing of public improvements or services deemed to benefit primarily the properties against which the assessments are levied. Principal sources of revenues are assessment principal and interest collected.

#### **Capital Projects Fund**

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the enterprise funds. Principal resources to the fund are grants, a portion of lease payments received on the State Office Building owned by the City, and interest earned on investments.

#### **Urban Renewal Capital Projects Fund**

The Urban Renewal Capital Projects Fund accounts for services and construction costs for the development within the Columbia Gateway Urban Renewal District. Principal sources of revenues are property taxes, grants, and interest on investments.

**CITY OF THE DALLES, OREGON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008**

	General Fund	Street Fund	Library Fund	Special Assessments Fund	Capital Projects Fund	Urban Renewal Capital Projects Fund	Other Governmental Funds	Totals
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,141,015	\$ 150,710	\$ 256,741	\$ 751,400	\$ 2,961,351	\$ 1,431,032	\$ 1,440,647	\$ 8,132,896
Receivables:								
Property taxes	132,073	-	-	-	-	71,908	-	203,981
Accounts, net	306,138	25,893	-	7,417	-	6,353	-	345,801
Intergovernmental	35,598	47,994	12,722	-	-	-	36,484	132,798
Fines and forfeitures	742,942	-	-	-	-	-	-	742,942
Special assessments	-	-	-	38,292	-	-	-	38,292
Notes	-	-	-	-	-	282,445	49,103	331,548
Prepaid items	81,829	-	-	-	-	-	-	81,829
Inventories	-	57,535	-	-	-	-	-	57,535
<b>Total assets</b>	<b>\$ 2,439,595</b>	<b>\$ 282,132</b>	<b>\$ 269,463</b>	<b>\$ 797,109</b>	<b>\$ 2,961,351</b>	<b>\$ 1,791,738</b>	<b>\$ 1,526,234</b>	<b>\$ 10,067,622</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 42,207	\$ 19,468	\$ 10,549	\$ -	\$ 325,998	\$ 2,469	\$ 46,340	\$ 447,031
Deferred revenue	875,015	-	-	140,489	-	354,353	49,103	1,418,960
<b>Total liabilities</b>	<b>917,222</b>	<b>19,468</b>	<b>10,549</b>	<b>140,489</b>	<b>325,998</b>	<b>356,822</b>	<b>95,443</b>	<b>1,865,991</b>
<b>FUND BALANCES</b>								
Reserved for:								
Inventories	-	57,535	-	-	-	-	-	57,535
Debt service	-	-	-	-	-	-	597,998	597,998
Unreserved, reported in:								
Major funds	1,522,373	205,129	258,914	656,620	2,635,353	1,434,916	-	6,713,305
Special revenue funds	-	-	-	-	-	-	832,793	832,793
<b>Total fund balances (deficits)</b>	<b>1,522,373</b>	<b>262,664</b>	<b>258,914</b>	<b>656,620</b>	<b>2,635,353</b>	<b>1,434,916</b>	<b>1,430,791</b>	<b>8,201,631</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,439,595</b>	<b>\$ 282,132</b>	<b>\$ 269,463</b>	<b>\$ 797,109</b>	<b>\$ 2,961,351</b>	<b>\$ 1,791,738</b>	<b>\$ 1,526,234</b>	
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>								
Capital assets and bond issuance costs used in governmental activities are not financial resources and, therefore, are not reported in the funds.								15,198,199
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds.								1,316,146
Some liabilities, including bonds payable, accrued interest payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.								
Bonds and loans payable							(6,710,582)	
Accrued interest payable							(57,206)	
Compensated absences							(217,577)	
								<u>(6,985,365)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>								<u>\$ 17,730,611</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	General Fund	Street Fund	Library Fund	Special Assessments Fund	Capital Projects Fund	Urban Renewal Capital Projects Fund	Other Governmental Funds	Total
<b>REVENUES</b>								
Property taxes	\$ 2,012,302	\$ -	\$ -	\$ -	\$ -	\$ 660,411	\$ 450,110	\$ 3,122,823
Other taxes	633,609	364,290	-	-	-	-	-	997,899
Franchise fees	311,924	-	-	29,449	-	-	-	341,373
Assessments	-	-	-	28,777	-	-	-	28,777
Licenses and fees	20,312	-	-	-	-	-	-	20,312
Charges for services	23,903	19,845	-	-	-	-	56,807	100,555
Intergovernmental	1,112,922	567,699	782,288	-	21,615	-	658,132	3,142,656
Fines and forfeitures	334,890	-	8,256	-	-	-	-	343,146
Rental income	24,167	-	-	-	-	-	268,382	292,549
Interest on investments	50,115	6,613	7,526	20,055	46,927	85,496	37,464	254,196
Miscellaneous	52,949	3,903	3,201	616	1,272	4,914	2,200	69,055
<b>TOTAL REVENUES</b>	<b>4,577,093</b>	<b>962,350</b>	<b>801,271</b>	<b>78,897</b>	<b>69,814</b>	<b>750,821</b>	<b>1,473,095</b>	<b>8,713,341</b>
<b>EXPENDITURES</b>								
Current:								
General government	1,980,910	-	-	5,031	311,605	173,317	332,082	2,802,945
Public safety	2,286,508	-	-	-	-	-	-	2,286,508
Highways and streets	-	1,046,162	-	-	-	-	-	1,046,162
Culture and recreation	435,230	-	610,481	-	-	-	-	1,045,711
Capital outlay	110,760	8,693	9,481	2,348	679,285	681,395	96,099	1,588,061
Debt service	-	-	-	-	80,846	-	613,391	694,237
<b>TOTAL EXPENDITURES</b>	<b>4,813,408</b>	<b>1,054,855</b>	<b>619,962</b>	<b>7,379</b>	<b>1,071,736</b>	<b>854,712</b>	<b>1,041,572</b>	<b>9,463,624</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>								
	<b>(236,315)</b>	<b>(92,505)</b>	<b>181,309</b>	<b>71,518</b>	<b>(1,001,922)</b>	<b>(103,891)</b>	<b>431,523</b>	<b>(750,283)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Sale of property	10,000	-	-	-	230,046	-	-	240,046
Bond premium	-	-	-	-	51,971	-	-	51,971
Issuance of debt	-	-	-	-	3,330,000	-	-	3,330,000
Transfers in	837,250	198,119	174,196	120,000	59,231	-	101,335	1,490,131
Transfers out	(307,413)	(107,662)	(1,500)	(9,230)	(120,000)	-	(6,080)	(551,885)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>539,837</b>	<b>90,457</b>	<b>172,696</b>	<b>110,770</b>	<b>3,551,248</b>	<b>-</b>	<b>95,255</b>	<b>4,560,263</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>303,522</b>	<b>(2,048)</b>	<b>354,005</b>	<b>182,288</b>	<b>2,549,326</b>	<b>(103,891)</b>	<b>526,778</b>	<b>3,809,980</b>
<b>FUND BALANCE, Beginning</b>	<b>1,218,851</b>	<b>264,712</b>	<b>(95,091)</b>	<b>474,332</b>	<b>86,027</b>	<b>1,538,807</b>	<b>904,013</b>	<b>4,391,651</b>
<b>FUND BALANCE (DEFICIT), Ending</b>	<b>\$ 1,522,373</b>	<b>\$ 262,664</b>	<b>\$ 258,914</b>	<b>\$ 656,620</b>	<b>\$ 2,635,353</b>	<b>\$ 1,434,916</b>	<b>\$ 1,430,791</b>	<b>\$ 8,201,631</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF THE DALLES, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2008**

**Net change in fund balance - governmental funds** **\$ 3,809,980**

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays and bond issuance costs as expenditures while governmental activities report depreciation expense and amortize the bond issuance costs to allocate those expenditures over the life of the assets and debt, respectively. The difference between these two amounts is:

Bond issuance costs	\$ 30,250	
Capital asset additions	1,246,403	
Basis of assets disposed	(50,590)	
Depreciation expense	<u>(444,571)</u>	781,492

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues	58,754
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Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

525,684

Issuance of debt and bond premiums are financial resources in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets

(3,381,971)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(16,054)
Change in accrued interest	(45,001)
Amortization of bond discounts, bond premiums and bond issuance costs	<u>(28)</u>

**Change in net assets - governmental activities** **\$ 1,732,856**

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,994,405	\$ 1,994,405	\$ 2,012,302	\$ 17,897
Other taxes	623,488	623,488	633,609	10,121
Franchise fees	330,574	330,574	311,924	(18,650)
Licenses and fees	13,000	13,000	20,312	7,312
Charges for services	29,267	29,267	23,903	(5,364)
Intergovernmental	1,076,833	1,076,833	1,112,922	36,089
Fines and forfeitures	291,600	291,600	334,890	43,290
Rental income	23,460	23,460	24,167	707
Interest on investments	46,000	46,000	50,115	4,115
Miscellaneous	26,000	26,000	52,949	26,949
<b>TOTAL REVENUES</b>	<b>4,454,627</b>	<b>4,454,627</b>	<b>4,577,093</b>	<b>122,466</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,147,710	2,142,710	1,980,910	161,800
Public safety	2,405,498	2,405,498	2,286,508	118,990
Culture and recreation	431,494	436,494	435,230	1,264
Capital outlay	144,600	144,600	110,760	33,840
Contingency	527,442	527,442	-	527,442
<b>TOTAL EXPENDITURES</b>	<b>5,656,744</b>	<b>5,656,744</b>	<b>4,813,408</b>	<b>843,336</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,202,117)</b>	<b>(1,202,117)</b>	<b>(236,315)</b>	<b>965,802</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	10,000	10,000	10,000	-
Transfers in	837,250	837,250	837,250	-
Interfund loan proceeds	102,000	102,000	102,000	-
Transfers out	(307,413)	(307,413)	(307,413)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>641,837</b>	<b>641,837</b>	<b>641,837</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(560,280)</b>	<b>(560,280)</b>	<b>405,522</b>	<b>965,802</b>
Budgetary basis adjustment	-	-	(102,000)	(102,000)
<b>FUND BALANCE, Beginning</b>	<b>1,095,013</b>	<b>1,095,013</b>	<b>1,218,851</b>	<b>123,838</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 534,733</b>	<b>\$ 534,733</b>	<b>\$ 1,522,373</b>	<b>\$ 987,640</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**STREET FUND - SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Other taxes	\$ 370,000	\$ 370,000	\$ 364,290	\$ (5,710)
Charges for services	43,219	43,219	19,845	(23,374)
Intergovernmental	606,562	606,562	567,699	(38,863)
Interest on investments	7,000	7,000	6,613	(387)
Miscellaneous	500	500	3,903	3,403
<b>TOTAL REVENUES</b>	<u>1,027,281</u>	<u>1,027,281</u>	<u>962,350</u>	<u>(64,931)</u>
<b>EXPENDITURES</b>				
Current:				
Highway and streets:				
Personal services	635,382	635,382	600,246	35,136
Materials and services	611,942	611,942	445,916	166,026
Capital outlay	46,696	46,696	8,693	38,003
Contingency	14,340	14,340	-	14,340
<b>TOTAL EXPENDITURES</b>	<u>1,308,360</u>	<u>1,308,360</u>	<u>1,054,855</u>	<u>253,505</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(281,079)</u>	<u>(281,079)</u>	<u>(92,505)</u>	<u>188,574</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	198,119	198,119	198,119	-
Transfers out	(107,662)	(107,662)	(107,662)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>90,457</u>	<u>90,457</u>	<u>90,457</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(190,622)	(190,622)	(2,048)	188,574
<b>FUND BALANCE, Beginning</b>	<u>190,622</u>	<u>190,622</u>	<u>264,712</u>	<u>74,090</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,664</u>	<u>\$ 262,664</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**LIBRARY FUND - SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 790,248	\$ 790,248	\$ 782,288	\$ (7,960)
Fines and forfeitures	7,000	7,000	8,256	1,256
Interest on investments	560	560	7,526	6,966
Miscellaneous	2,575	2,575	3,201	626
<b>TOTAL REVENUES</b>	<u>800,383</u>	<u>800,383</u>	<u>801,271</u>	<u>888</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Personal services	438,633	438,633	400,342	38,291
Materials and services	270,773	270,773	210,139	60,634
Capital outlay	15,646	15,646	9,481	6,165
Debt service	102,000	102,000	102,000	-
Contingency	11,132	11,132	-	11,132
<b>TOTAL EXPENDITURES</b>	<u>838,184</u>	<u>838,184</u>	<u>721,962</u>	<u>116,222</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(37,801)</u>	<u>(37,801)</u>	<u>79,309</u>	<u>117,110</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	174,196	174,196	174,196	-
Transfers out	(1,500)	(1,500)	(1,500)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>172,696</u>	<u>172,696</u>	<u>172,696</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	134,895	134,895	252,005	117,110
Budgetary basis adjustment	-	-	102,000	102,000
<b>FUND BALANCE (DEFICIT), Beginning</b>	<u>29,741</u>	<u>29,741</u>	<u>(95,091)</u>	<u>(124,832)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 164,636</u>	<u>\$ 164,636</u>	<u>\$ 258,914</u>	<u>\$ 94,278</u>

The notes to the basic financial statements are an integral part of this statement.



## **FUND FINANCIAL STATEMENTS**

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### **Proprietary Funds**

The City of The Dalles uses three Proprietary Funds comprised entirely of Enterprise Funds.

Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of the water, wastewater, and airport facilities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

- **Water**
- **Wastewater**
- **Airport**

For budgetary purposes (see budget schedules in Supplemental Information), the above funds are accounted for in the following separate funds:

- **All Water Funds**
  - Water Utility
  - Water Capital Reserve
  - Water Bond Debt
- **All Waste Water Funds**
  - Wastewater
  - Wastewater Capital Reserve
  - Sewer Plant Construction
  - Sewer Debt Service
- **All Airport Funds**
  - Airport
  - Airport Debt Service

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2008**

	<u>Business-type Activities - Enterprise Funds</u>			
	All Water Funds	All Waste- water Funds	All Airport Funds	Total
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 115,962	\$ 47,987	\$ 309,259	\$ 473,208
Restricted cash and cash equivalents	4,001,526	2,596,142	48,933	6,646,601
<b>Receivables:</b>				
Accounts, net	251,230	405,586	11,170	667,986
Special assessments	-	2,635	-	2,635
Inventories	92,377	57,177	-	149,554
<b>Total current assets</b>	<u>4,461,095</u>	<u>3,109,527</u>	<u>369,362</u>	<u>7,939,984</u>
<b>Noncurrent assets:</b>				
Deferred charges	166,160	79,504	937	246,601
Capital assets, net	10,950,771	11,907,144	3,829,164	26,687,079
<b>Total noncurrent assets</b>	<u>11,116,931</u>	<u>11,986,648</u>	<u>3,830,101</u>	<u>26,933,680</u>
<b>Total assets</b>	<u>\$ 15,578,026</u>	<u>\$ 15,096,175</u>	<u>\$ 4,199,463</u>	<u>\$ 34,873,664</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 135,008	\$ 6,284	\$ 21,369	\$ 162,661
Accrued interest payable	27,967	55,610	2,529	86,106
Deposits	-	-	100	100
Compensated absences payable	37,150	64,962	-	102,112
Current portion of long-term debt	-	330,000	40,000	370,000
<b>Total current liabilities</b>	200,125	456,856	63,998	720,979
<b>Long-term debt, net of current portion:</b>				
Bonds payable	7,930,000	5,545,000	402,000	13,877,000
<b>Total liabilities</b>	<u>8,130,125</u>	<u>6,001,856</u>	<u>465,998</u>	<u>14,597,979</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	3,186,931	6,111,648	3,388,101	12,686,680
Restricted for capital projects	4,001,526	2,378,562	-	6,380,088
Restricted for debt service	-	217,579	48,933	266,512
Unrestricted	259,444	386,530	296,431	942,405
<b>Total net assets</b>	<u>7,447,901</u>	<u>9,094,319</u>	<u>3,733,465</u>	<u>20,275,685</u>
<b>Total liabilities and net assets</b>	<u>\$ 15,578,026</u>	<u>\$ 15,096,175</u>	<u>\$ 4,199,463</u>	<u>\$ 34,873,664</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	<b>Business-type Activities - Enterprise Funds</b>			
	All Water Funds	All Waste- water Funds	All Airport Funds	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,902,357	\$ 4,002,915	\$ 5,811	\$ 6,911,083
Rental income	3,060	-	128,421	131,481
Miscellaneous	6,787	38,367	-	45,154
<b>TOTAL OPERATING REVENUES</b>	<u>2,912,204</u>	<u>4,041,282</u>	<u>134,232</u>	<u>7,087,718</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,339,431	811,433	-	2,150,864
Materials and services	1,038,763	1,187,567	255,188	2,481,518
Depreciation	207,023	362,377	246,575	815,975
<b>TOTAL OPERATING EXPENSES</b>	<u>2,585,217</u>	<u>2,361,377</u>	<u>501,763</u>	<u>5,448,357</u>
<b>OPERATING INCOME (LOSS)</b>	<u>326,987</u>	<u>1,679,905</u>	<u>(367,531)</u>	<u>1,639,361</u>
<b>NONOPERATING INCOME (EXPENSES)</b>				
Intergovernmental	6,651	6,651	64,396	77,698
Interest on investments	371,311	99,997	12,675	483,983
Gain (loss) on disposal	-	750	-	750
Interest expense	(358,749)	(234,308)	(23,976)	(617,033)
<b>TOTAL NONOPERATING INCOME (EXPENSES)</b>	<u>19,213</u>	<u>(126,910)</u>	<u>53,095</u>	<u>(54,602)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>346,200</u>	<u>1,552,995</u>	<u>(314,436)</u>	<u>1,584,759</u>
<b>CAPITAL CONTRIBUTIONS</b>				
Intergovernmental	-	-	303,723	303,723
<b>TRANSFERS</b>				
Transfers in	427,896	1,905,371	80,396	2,413,663
Transfers out	(972,285)	(2,363,624)	-	(3,335,909)
<b>TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>(544,389)</u>	<u>(458,253)</u>	<u>384,119</u>	<u>(618,523)</u>
<b>CHANGE IN NET ASSETS</b>	(198,189)	1,094,742	69,683	966,236
<b>NET ASSETS, Beginning</b>	<u>7,646,090</u>	<u>7,999,577</u>	<u>3,663,782</u>	<u>19,309,449</u>
<b>NET ASSETS, Ending</b>	<u>\$ 7,447,901</u>	<u>\$ 9,094,319</u>	<u>\$ 3,733,465</u>	<u>\$ 20,275,685</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF THE DALLES, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	<b>Business-type Activities - Enterprise Funds</b>			
	All Water Funds	All Wastewater Funds	All Airport Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,927,111	\$ 4,086,647	\$ 146,743	\$ 7,160,501
Receipts from interfund services provided	9,178	14,449	-	23,627
Payments to suppliers	(1,567,697)	(1,433,077)	(247,252)	(3,248,026)
Payments to employees	(950,661)	(545,311)	-	(1,495,972)
Payments for interfund services used	(4,656)	(2,845)	-	(7,501)
Net cash provided from (used by) operating activities	<u>413,275</u>	<u>2,119,863</u>	<u>(100,509)</u>	<u>2,432,629</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	427,896	1,905,371	80,396	2,413,663
Transfers out	(972,285)	(2,363,624)	-	(3,335,909)
Net cash provided from (used by) non-capital financing activities	<u>(544,389)</u>	<u>(458,253)</u>	<u>80,396</u>	<u>(922,246)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from intergovernmental revenue	6,651	6,651	390,101	403,403
Proceeds from issuance of debt	-	-	125,000	125,000
Proceeds from sale of capital assets	-	750	-	750
Interfund loan payments	(98,568)	(135,028)	-	(233,596)
Acquisition of capital assets	(4,211,805)	(876,515)	(256,621)	(5,344,941)
Principal paid on long-term obligations	-	(325,000)	(49,000)	(374,000)
Interest paid on long-term obligations	(427,899)	(230,564)	(22,871)	(681,334)
Net cash provided from (used by) capital and related financing activities	<u>(4,731,621)</u>	<u>(1,559,706)</u>	<u>186,609</u>	<u>(6,104,718)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net investment sales (purchases)	169,025	382,578	41,045	592,648
Interest on investments	371,312	99,997	12,675	483,984
Net cash provided from (used by) investing activities	<u>540,337</u>	<u>482,575</u>	<u>53,720</u>	<u>1,076,632</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(4,322,398)</u>	<u>584,479</u>	<u>220,216</u>	<u>(3,517,703)</u>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>8,439,886</u>	<u>2,059,650</u>	<u>137,976</u>	<u>10,637,512</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 4,117,488</u>	<u>\$ 2,644,129</u>	<u>\$ 358,192</u>	<u>\$ 7,119,809</u>
<b>COMPRISED AS FOLLOWS:</b>				
Cash and cash equivalents	\$ 115,962	\$ 47,987	\$ 309,259	\$ 473,208
Restricted cash and cash equivalents	4,001,526	2,596,142	48,933	6,646,601
	<u>\$ 4,117,488</u>	<u>\$ 2,644,129</u>	<u>\$ 358,192</u>	<u>\$ 7,119,809</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>				
Operating income (loss)	\$ 326,987	\$ 1,679,905	\$ (367,531)	\$ 1,639,361
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	207,023	362,377	246,575	815,975
(Increase) decrease in assets:				
Receivables	24,085	59,814	12,511	96,410
Inventories	100,935	(3,748)	-	97,187
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(218,152)	(10,095)	7,936	(220,311)
Compensated absences payable	(27,603)	31,610	-	4,007
Net cash provided from (used by) operating activities	<u>\$ 413,275</u>	<u>\$ 2,119,863</u>	<u>\$ (100,509)</u>	<u>\$ 2,432,629</u>

The notes to the basic financial statements are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF THE DALLES**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of The Dalles, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the Mayor and five Council members, comprises the legislative branch of the City. Individual departments are under the direction of the City Manager, who is appointed by the City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with the following includable component unit.

**Columbia Gateway Urban Renewal Agency**

The Agency was formed to undertake urban renewal projects and activities pursuant to the City's redevelopment plan. The Board of Directors of the Agency consists of the Mayor and the five elected City Council members, which receives recommendations from a seven member advisory committee appointed by the City Council. The City is required to certify to the County Assessor any incremental taxes to be levied for the benefit of the Agency. Since the City Council acts as its governing board, it has been included as a blended component unit in the financial statements. Complete financial statements for the Agency may be obtained at the City's administrative offices, 313 Court Street, The Dalles, OR 97058.

**B. Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-types activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the City is financially accountable.

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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items

not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and

available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and culture and recreation.

The *Street Fund* accounts for the cost of maintaining City streets and storm water drainage systems. Principal sources of revenues are state gasoline taxes apportioned from the State of Oregon, local fuel taxes, charges for services to other funds, and transfers.

The *Library Fund* accounts for the operation of the City Library. Principal sources of revenues are state grants, county library funds, library fines, donations, and transfers.

The *Special Assessments Fund* accounts for the financing of public improvements or services deemed to benefit primarily the properties against which the assessments are levied. Principal sources of revenues are assessment principal and interest collected.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the enterprise funds. Principal resources to the fund are grants, a portion of lease payments received on the State Office Building owned by the City, and interest earned on investments.

The *Urban Renewal Capital Projects Fund* accounts for services and construction costs for the development within the Columbia Gateway Urban Renewal District. Principal sources of revenues are property taxes, grants, and interest on investments.

The City reports the following major proprietary funds:

The *Water Funds* account for revenues and expenses related to the City's water utility operations.

The *Wastewater Funds* account for revenues and expenses related to the City's wastewater utility operations.

The *Airport Funds* account for the activity associated with the operations and capital improvements of the City's municipal airport.

The City also includes the following fund types as other governmental funds:

*Special revenue funds* are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance

particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

*Debt service funds* account for the resources accumulated and payments made for principal and interest on long-term debt for governmental funds.

## **D. Assets, Liabilities and Equity**

### **1. Cash, Cash Equivalents, and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term investments with original maturities of three months or less from the date of acquisition.

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the Local Government Investment Pool, U.S. Government and Agency Obligations, Corporate indebtedness rated A-1 or AA or better, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments authorized for municipal corporations. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments in the Local Government Investment Pool are stated at amortized cost, which approximates fair value. All other investments are reported at fair value.

### **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. An allowance for uncollectible accounts has been established for the Water, Wastewater and Airport Funds and represents the portion of receivables not expected to be collected.

### 3. Inventories and Prepaid Expenses

Inventories in Street, Water, and Wastewater Funds are determined by physical count and are stated at the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### 4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	45
Plant in service	45
Machinery and equipment	5 - 20

It is the City's policy to record no depreciation on capital assets in the year of acquisition and a full year of depreciation in the year of disposition.

### 5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned, but unused, vacation, holiday and sick pay benefits. No liability is reported for unpaid accumulated sick pay benefits. All vacation and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Compensated absences are normally paid from the General, Library, Street, Water, and Wastewater funds.

#### **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **8. Restricted net assets**

Restrictions on net assets that are either imposed by creditors, grantors, laws or other regulations, or by enabling legislation are reported as restricted net assets.

#### **9. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the department level for the General Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, operating contingency, interfund transfers, debt service, and other uses.

Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain City Council authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2008, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2008. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. The City's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the fiscal year ended June 30, 2008, the carrying amount of the City's deposits was \$10,623,583 and the bank balance was \$11,236,559. All deposits are held in the name of the City or the Columbia Gateway Urban Renewal Agency (blended component unit). Of the bank balance, \$4,200,000 was covered by federal depository insurance and collateral certificates in the City's or Columbia Gateway Urban Renewal Agency's name. The remaining \$7,040,421 was uninsured and uncollateralized per GAAP standards, while only \$305,980 of the remaining balance was uninsured and uncollateralized per Oregon Minimum Standards.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

Effective July 1, 2008, there were significant changes to ORS 295, which governs the collateralization of Oregon public funds. Public officials will no longer request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, public officials must ensure the bank they are doing business with is on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials will be required to report to OST all bank depositories in which they deposit public funds and bank depositories will report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss.

**Investments.** The City of The Dalles has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

**Credit Risk.** State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

**Concentration of Credit Risk.** The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

**Interest Rate Risk.** The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

