



# **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**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**TABLE OF CONTENTS**

	<u><b>Page</b></u>
<u><b>INTRODUCTORY SECTION</b></u>	
Introductory Letter	i - vi
Officials of the City	vii
GFOA Certificate of Achievement	viii
Organizational Chart	ix
<u><b>FINANCIAL SECTION</b></u>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	A, B
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	a - g
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	3
Balance Sheet	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual	
General Fund	7
Street Fund	8
Library	9
Proprietary Funds:	10
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Fund Net Assets	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14 - 33
<b>SUPPLEMENTAL INFORMATION</b>	
Combining Statements – Non-Major Governmental Funds:	34
Combining Balance Sheet	35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	36

	<u>Page</u>
Budgetary Comparison Schedules:	37
Schedule of Expenditures and Other Financing Uses – Budget and Actual,	
By Department:	38
General Fund	39
Schedules of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual:	
Governmental Funds:	40
Special Revenue Funds:	
Public Works Reserve	41
Community Benevolence	42
Street and Bridge Replacement	43
Special Grants	44
State Office Building	45
Unemployment Reserve	46
Debt Service Funds:	
Police Facility Revenue Bond	47
Urban Renewal	48
Capital Projects Funds:	
Capital Projects	49
Special Assessments	50
Urban Renewal Capital Projects	51
Proprietary Funds:	52
Enterprise Funds:	
All Water Funds:	
Water Utility	53
Water Capital Reserve	54
Water Bond Debt	55
Reconciliation to Generally Accepted Accounting Principles	56
All Waste Water Funds:	
Waste Water	57
Waste Water Capital Reserve	58
Sewer Plant Construction	59
Sewer Debt Service	60
Reconciliation to Generally Accepted Accounting Principles	61
All Airport Funds:	
Airport	62
Airport Debt Service	63
Reconciliation to Generally Accepted Accounting Principles	64
Other Financial Schedules:	
Schedule of Outstanding Debt Principal and Interest Transactions	65
Schedule of Governmental Activities Debt Service Future Requirements	66
Schedule of Business-Type Activities Debt Service Future Requirements	67

### **STATISTICAL INFORMATION SECTION**

Net Assets By Component – Last Six Fiscal Years	69
Changes in Net Assets – Last Six Fiscal Years	70
Fund Balances, Governmental Funds – Last Ten Fiscal Years	71
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	72

	<u>Page</u>
Program Revenues by Function/Program – Last Six Fiscal Years	73
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	74
Assessed Valuation and Actual Values of Taxable Property – Last Ten Fiscal Years	75
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	76
Property Tax Levies and Collections – Last Ten Fiscal Years	77
Principal Taxpayers – December 31, 2007 and December 31, 1998	78
Ratios of Outstanding Debt By Type – Last Ten Fiscal Years	79
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	80
Direct and Overlapping Governmental Activities Debt	81
Legal Debt Margin Information – Last Ten Fiscal Years	82
Demographic and Economic Statistics – Last Ten Fiscal Years	83
Principal Employers – Current and Nine Years Ago	84
Full Time Equivalent City Employees by Function/Program and Bargaining Unit – Last Ten Fiscal Years	85
Operating Indicators by Function/Program – Last Ten Fiscal Years	86
Capital Asset and Infrastructure Statistics by Function/Program – Last Ten Fiscal Years	87

**REPORTS OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S COMMENTS** 88 - 89

**GOVERNMENT AUDITING STANDARDS COMPLIANCE REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 90 - 91



## **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**

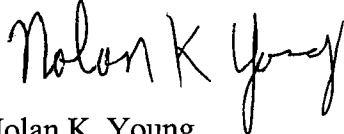
Oregon Revised Statutes Chapter 297 requires that an independent audit be made of all City funds and account groups within six months following the close of a fiscal year. The independent auditors, who were selected by the City Council, have completed their audit of the

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*

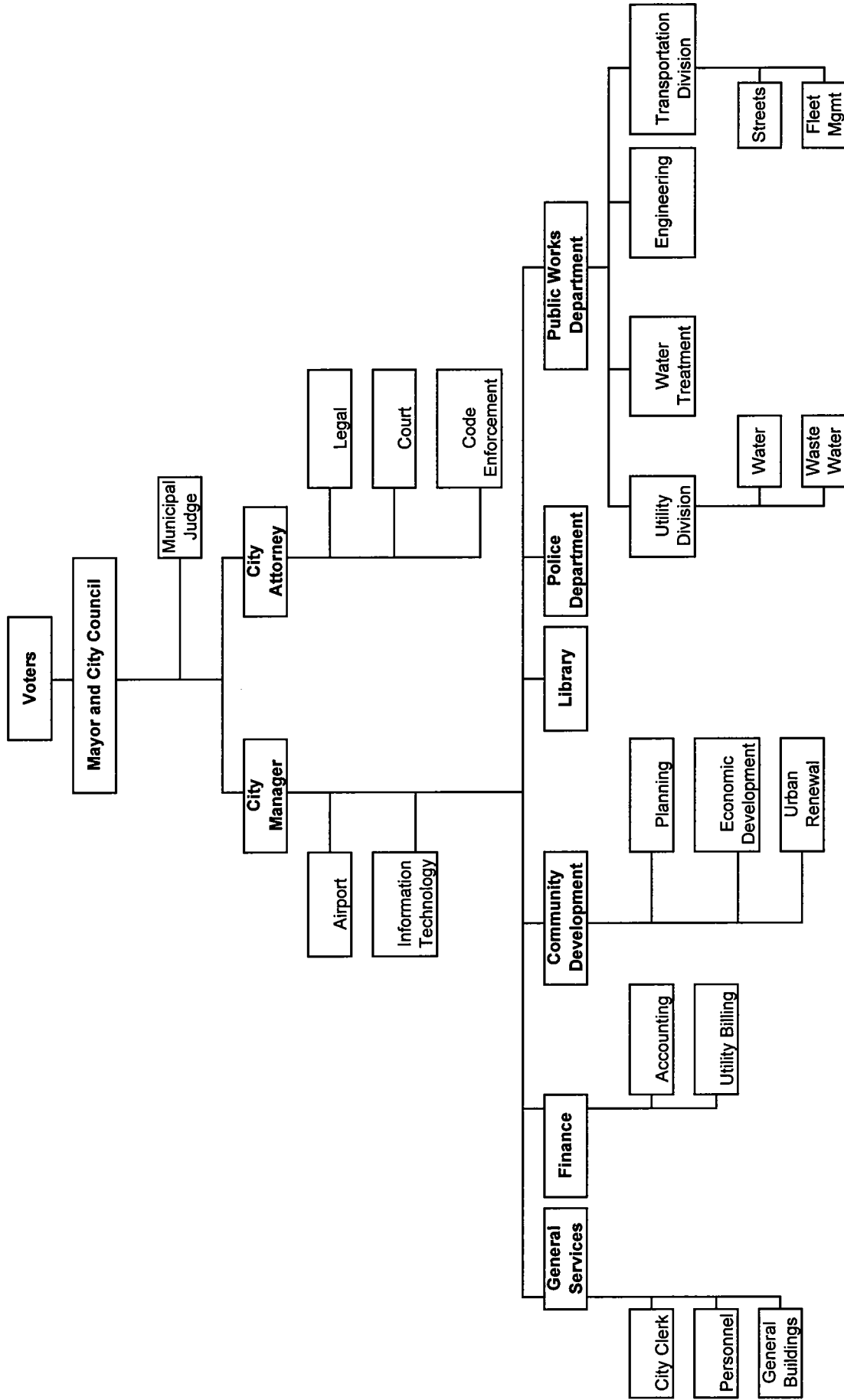
President

*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

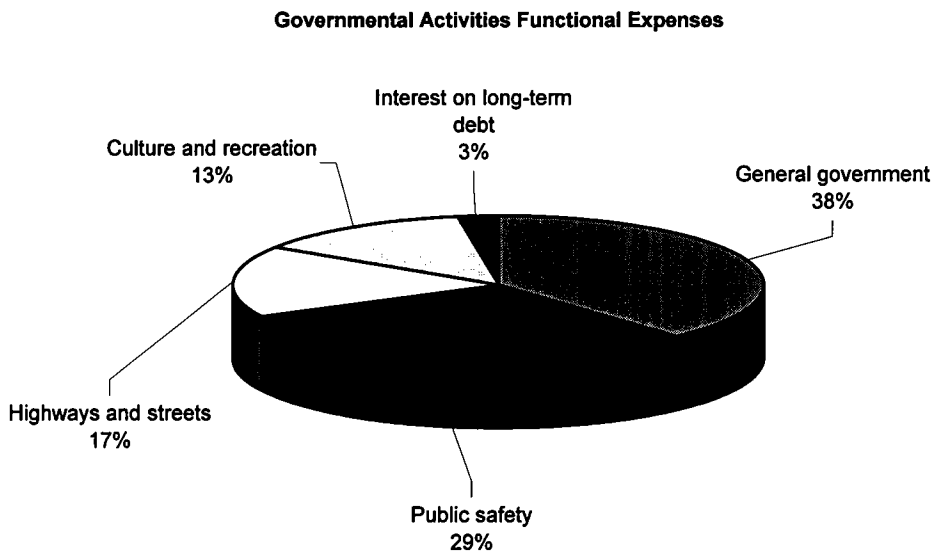
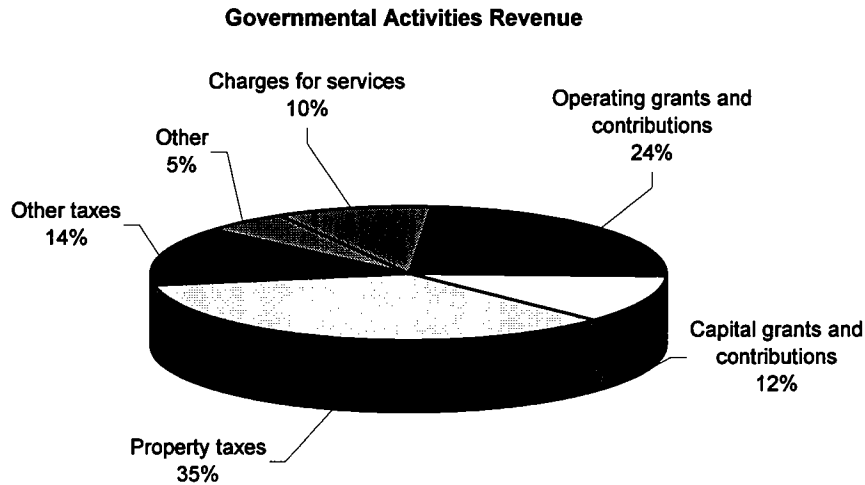
As mentioned earlier, the City's net assets as of June 30, 2008 were \$38,006,296, an increase from June 30, 2007 of \$2,699,092. By far the largest portion of net assets is comprised of the City's investment in capital assets (e.g., land, building, equipment, and public infrastructure), less any related 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.