CITY OF DALLAS, OREGON
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

Prepared by: Finance Department
Marcia Baragary, Finance Director

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City of Dallas

December 15, 2007

To the Honorable Mayor Jim Fairchild, Members of the City Council, and Citizens of the City of Dallas:

We are pleased to submit the Comprehensive Annual Financial Report of the City of Dallas, Oregon for the fiscal year ended June 30, 2007. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) and follows guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTERNAL ACCOUNTING CONTROLS

To provide a reasonable basis for making the presentations contained in this report, the City of Dallas has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Dallas' financial statements in conformity with GAAP. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

THE REPORTING ENTITY AND ITS SERVICES

The City of Dallas is located in the foothills of the Oregon Coast Range, with close proximity to the state capitol, a large metropolitan area, and extensive recreational opportunities relating to the Coast Range mountains and Pacific Ocean beaches. The certified population estimate at July 1, 2007, for the City of Dallas was 15,065.

The City of Dallas operates under the city manager-council form of government. Policy-making and legislative authority are vested in the city council, consisting of the mayor and nine other members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city manager and the city attorney. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the city, and for appointing the heads of the various departments.

The City provides a range of services as authorized in its Charter and Ordinances. This includes police protection, ambulance service, fire protection, municipal court, street construction and maintenance, water, sanitary and storm sewers, parks, aquatic center, land use planning and zoning, building inspection, economic development, public improvements, library services and administrative services. The City has engaged in extensive and careful planning for the future, as evidenced by its Comprehensive Plan, most recently approved by the Land Conservation and Development Commission (LCDC) in 2004. In addition, the City has adopted an updated plan for commercial core area revitalization and industrial expansion. The City has also adopted a long-term Capital Improvements Plan that includes a master street plan, sanitary sewer, storm drainage and water system plans.

Dallas' economy has been somewhat affected by the downturn in the State and global economy. Fortunately, even though industrial economy has slowed over the past year, commercial growth has continued. Tenant improvement plans are continually being submitted as well as plans for a large commercial development. Residential plans and developments have slowed from their record-setting pace in 2006, but Dallas' economy has remained viable due to its geographical location. Dallas has also established effective partnerships with Polk County and other adjacent cities.

To help revitalize our downtown, Dallas has developed a Commercial Core Redevelopment program with additional staff to concentrate on developing strategies, making contacts with potential new businesses, and assisting existing businesses.

The City continues to improve its infrastructure. During the past year, the City substantially completed major street improvements, necessitated by accelerated growth in newer residential areas. Also, reconstruction of the bridge on Levens Street, which is a major arterial street, was begun. Numerous utility improvements were completed to ensure that demand resulting from commercial and residential growth can be accommodated. These improvements include major upgrades to the storm and water systems. A detailed capital improvement plan, which incorporates this long-term vision, has been adopted by the city council and is continually reviewed and revised.

The City Council, City Manager and staff participate in a partnership to continue to stabilize the City's financial operations. Annually, a three-year fiscal forecast is prepared, which incorporates various assumptions, including cost of living increases, capital improvement projects and estimated population growth. The City Council's policy is to maintain adequate fund balances in all funds. As this may impact services provided to the citizens of Dallas, operations are constantly reviewed to ensure the City is operating efficiently and effectively. Additional discussion regarding the City of Dallas and economic factors can be found in Management's Discussion and Analysis included in the financial section of this report.

INDEPENDENT AUDIT

The State of Oregon (ORS 298.405 to 298.555) requires an annual audit of the fiscal affairs of the City by an independent certified public accountant. The City of Dallas' financial statements have been audited by Grove, Mueller & Swank., P.C., a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Dallas for the fiscal year ended June 30, 2007, are free of material misstatement. The independent auditor's report is presented as the first component of the financial section of this report.

FINANCIAL REPORTING AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dallas for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Dallas has received a Certificate of Achievement for the last sixteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

We would like to express our sincere gratitude to the personnel of the Finance Department who assisted and contributed to the preparation of this report. Appreciation is also extended to the Mayor, City Council and City Department Heads, whose continuing support is vital to the financial health of the City of Dallas, Oregon.

Respectfully submitted,

Marcia Baragary

Marcia Baragary
Finance Director

Jerry Wyatt
City Manager

Dallas, Oregon
January 22, 2008

MAYOR AND COUNCIL MEMBERS

Name	*Term Expires*
Mayor James Fairchild 297 SE Ironwood Dallas, Oregon 97338	January 2009
Kenneth Woods, Jr., President 1130 Main Street Dallas, Oregon 97338	January 2011
Councilor Warren Lamb 936 SW Hunter Street Dallas, Oregon 97338	January 2011
Councilor David Shein c/o 187 SE Couret Street Dallas, Oregon 97338	January 2009
Councilor Glen Scatterday 1747 SW Woodridge Court Dallas, Oregon 97338	January 2011
Councilor LaVonne Wilson 2129 SE Magnolia Avenue Dallas, Oregon 97338	January 2009
Councilor Brian Dalton PO Box 190 Dallas, Oregon 97338	January 2009
Councilor Dave Voves 558 NW Douglas Street Dallas, Oregon 97338	January 2009
Councilor Wes Scroggin 409 SE Walnut Avenue Dallas, Oregon 97338	January 2009
Council Jackie Lawson c/o 187 SE Court Street Dallas, Oregon 97338	January 2011

City Officials

Jerry Wyatt, City Manager
Maria Baragary, Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dallas

Oregon

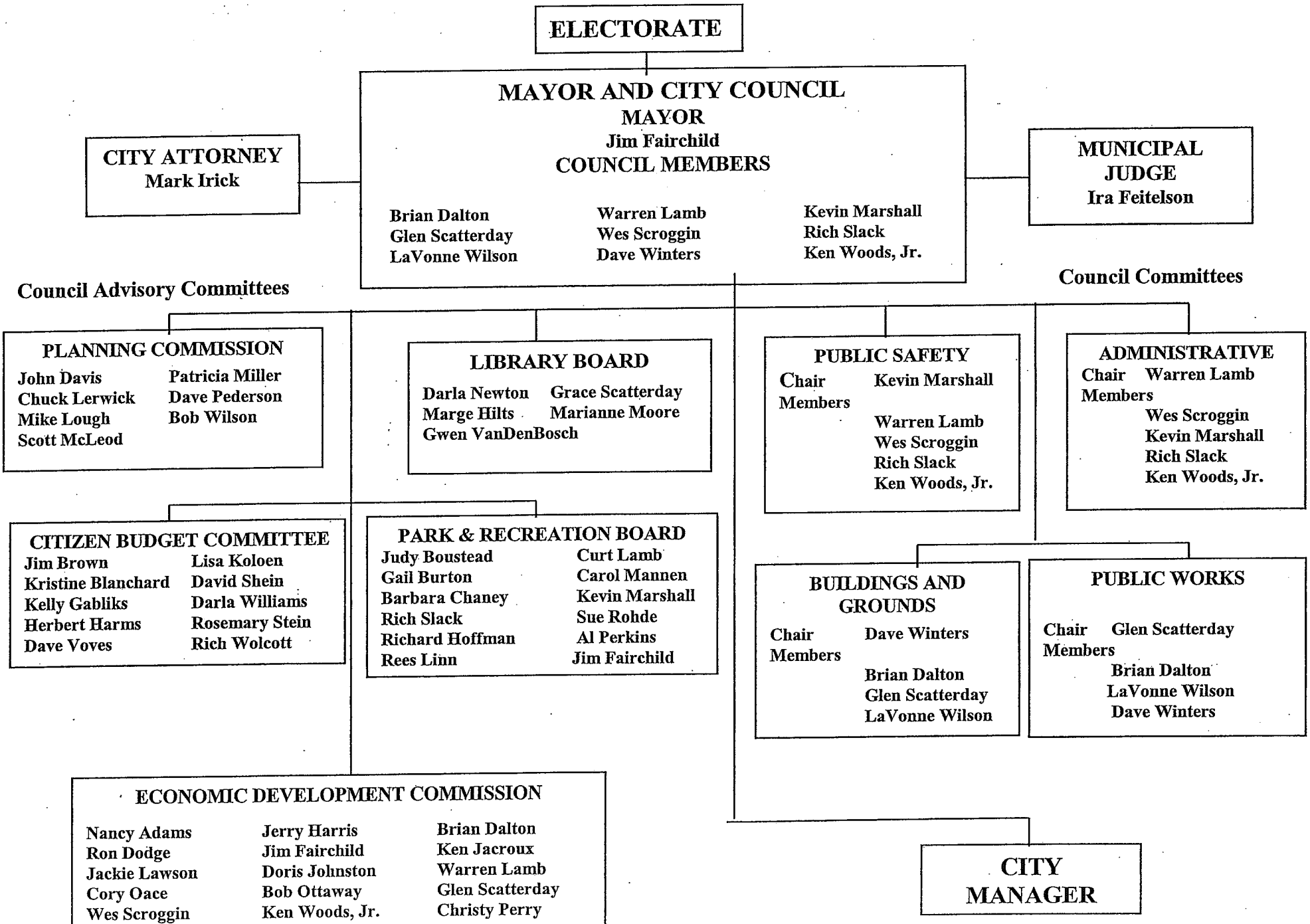
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.

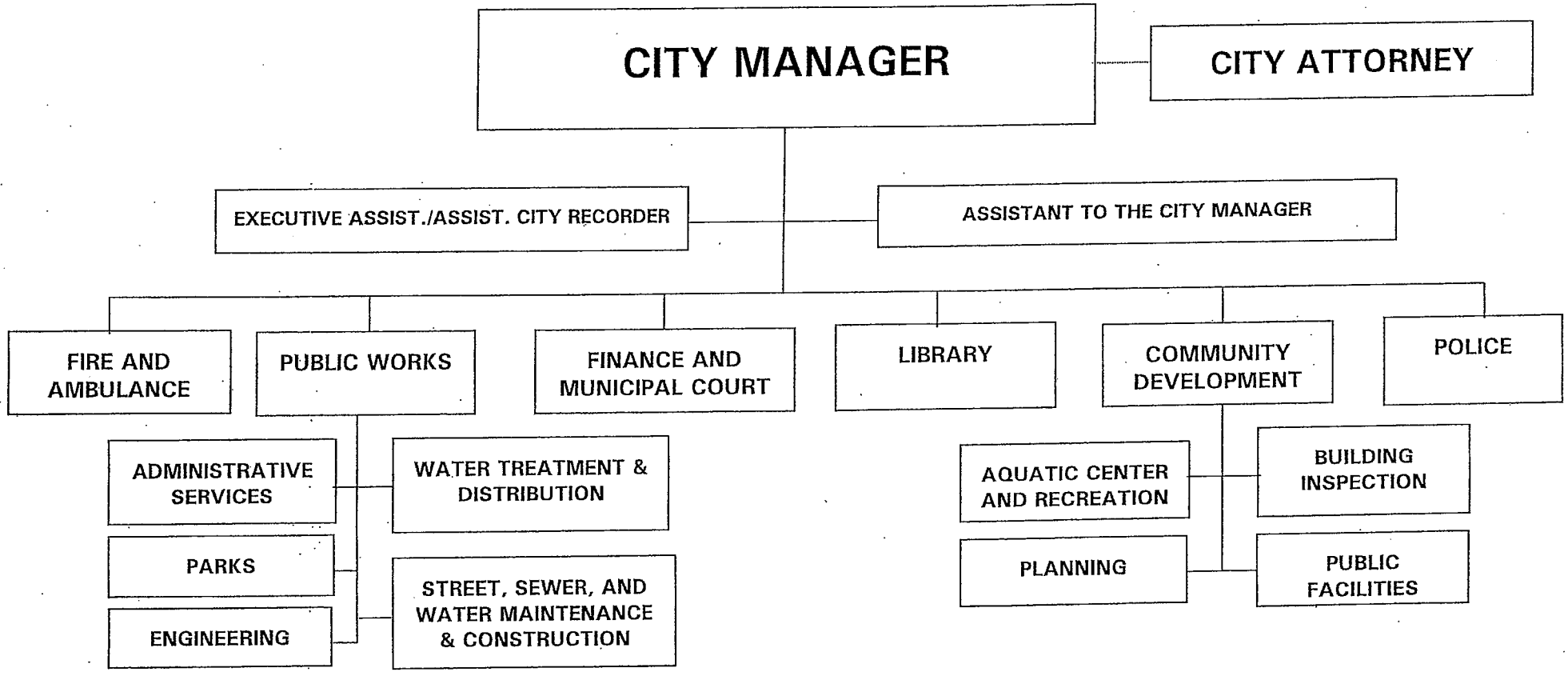
President

Executive Director

CITY OF DALLAS, OREGON



CITY OF DALLAS, OREGON
STAFF



GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council Members
City of Dallas
189 SE Court Street
Dallas, Oregon 97338

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Dallas, Oregon as of and for the year ended June 30, 2007, 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 an opinion 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 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 Dallas, Oregon as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

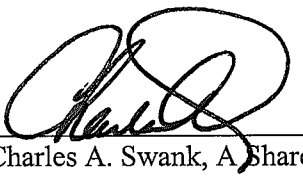
In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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.

Management's discussion and analysis 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 that consisted principally of inquiries 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 an opinion on the financial statements that collectively comprise the City of Dallas, Oregon's basic financial statements. The required information, combining and individual nonmajor fund financial statements, budgetary comparisons, and other financial schedules, as listed in the table of contents are for purposes of additional analysis and are not a required part of the basic financial statements. . The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Dallas, Oregon. Such additional information has not been subjected to the auditing procedures applied the audit of the basic financial statements, and accordingly, we express no opinion on it.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
January 18, 2008

CITY OF DALLAS
POLK COUNTY, OREGON

Year Ended June 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the City of Dallas Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2007. The information presented here should be considered in conjunction with the accompanying transmittal letter presented in the introductory section and notes to the financial statements included in this report.

The fiscal year ending June 30, 2007 is the fifth year in which the City of Dallas is required to implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*. Therefore, this discussion and analysis includes comparisons with the previous year.

FINANCIAL HIGHLIGHTS

The assets of the City of Dallas exceeded its liabilities at the close of the fiscal year ending June 30, 2007 by $106,310,662 (total net assets). Of this amount, $6,317,333 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Capital assets net of accumulated depreciation represent 87% of the total assets for all funds. Total net assets for all funds remained consistent with the prior year.

At the close of the audited fiscal year, the City of Dallas' governmental funds reported combined ending fund balances of $8,635,710. This is an 18% decrease compared to the prior year fund balances and is due primarily to the purchase of real property and completion of several major construction projects. The unreserved fund balance for the General Fund was $1,314,302, a 29% decrease from the prior year. This decrease in the General Fund fund balance is primarily due to the purchase of land and buildings and major renovation of those buildings for use by the Police and Fire Departments.

During the audited fiscal year, the City's total expenses for governmental activities exceeded total revenues for governmental activities (including program and general revenue) by $785,147. Total revenues for business-type activities exceeded total expenses for business-type activities by $316,794.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Dallas' basic financial statements. The basic financial statements include three components: the government-wide financial statements, the fund financial statements and notes to the financial statements. This report also contains other required supplementary information.

Government-wide financial statements. The government-wide financial statements present the net assets (*statement of net assets)* and results of operations (*statement of activities)* of the total reporting government. Included are all governmental and proprietary assets, liabilities and activities of the City. The measurement focus and basis of accounting are the same for the entire entity. The measurement focus is on all economic resources of the fund, including current financial resources (assets) and non-current financial resources (capital assets) and the related current and non-current liabilities and equity accounts. Both government-wide statements are prepared using the accrual basis of accounting, which is similar to the methods used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid.

The statement of net assets presents information on all the City of Dallas' assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may indicate whether the City's financial position is improving or deteriorating.

The statement of activities presents the expenses incurred in providing services to the public and the revenues associated with those activities for both governmental and business-type activities. The statement of activities begins with expenses by function. To these functions are applied charges for services, operating grants and contributions and capital grants and contributions. The resulting sums, with some adjustments, represent charges to general taxpayers and may equate to the nearest that governments can determine the "bottom line."

These government-wide financial statements are divided into two categories. Governmental activities are most services provided by the City of Dallas, which are funded through property taxes and intergovernmental revenues. The governmental activities for the City of Dallas include general government, public safety, highways and streets, and culture and recreation. Business-type activities reflect those operations for which a fee is charged to external users of goods and services and are intended to be funded primarily through charges for services. Business-type activities include sewage disposal, water service and ambulance.

The government-wide financial statements are on pages 10 through 11 of this report.

Fund Financial Statements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that is used to segregate resources that are restricted to a particular activity. The use of funds deters commingling of resources designated for specific purpose, prevents unauthorized transfer of surpluses, and ensures compliance with legal and contractual requirements. The City of Dallas has two types of fund categories: governmental funds and proprietary funds. The City has no fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources and use the modified accrual basis of accounting. Operating statements include all sources and uses of financial resources, and display the excess of revenues and other financial sources over (under) expenditures and other uses. Included in the balance sheet are liquid assets and receivables that will be converted into cash currently and short-term liabilities, including payables to vendors and employees. Unmatured bond principal or liabilities for compensated absences not to be paid in the fiscal year are not included. Because the governmental fund statements do not encompass the long-term focus of the government-wide statements, reconciliations are provided on the subsequent page of the governmental fund statements. The emphasis is on major funds that account for the predominant assets and activities of all funds.

The City of Dallas maintains nine individual governmental funds. Information is presented separately for the General Fund, General Obligation Bond Fund, Capital Improvements Fund and Systems Development Fund in the fund Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances. The other governmental funds are combined into a single, aggregated presentation. Information for these non-major governmental funds is provided in the form of *combining statements* on pages 41 through 42 in this report.

The City of Dallas adopts an annual appropriated budget for all of its funds. Budgetary comparison statements, demonstrating compliance with this budget, have been provided on pages 37 through 40 and 43 through 47 of this report.

Proprietary Funds. The City of Dallas maintains two different types of proprietary funds - enterprise and internal service funds. These funds are used to show activities that operate more like those of commercial enterprises. Fees are charged for services provided, both to outside customers and to other units of the City of Dallas. Enterprise funds are presented as business-type activities in the government-wide financial statements. The City of Dallas uses enterprise funds to account for its Sewage Disposal, Water and Ambulance. Internal service funds account for activities furnishing goods or services to other units of the government. Charges for these services are on a cost-reimbursement basis. The City of Dallas uses internal services funds to account for its shop services, which rents equipment and labor to the other operating funds, and central services, which provides accounting, legal and administrative support to the other funds.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewage Disposal, Water and Ambulance Funds. Both the Shop Services and Central Services are combined into a single column in the proprietary fund financial statements. Information on the individual internal service funds is presented in the form of *combining statements* on pages 53 through 55 in this report.

Notes to the Financial Statements. The notes to the financial statements are an integral part of the basic financial statements and should be read along with them. The notes provide additional information necessary to communicate the financial position of the City of Dallas and are on pages 19 through 34 in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information concerning the City of Dallas.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets of the City of Dallas were $127,331,961, while total liabilities were $21,021,299, resulting in combined net assets (governmental and business-type activities) of $106,310,662. The largest component of the City's total net assets, $93,173,169 or 85%, reflects its investment in capital assets (i.e., land, buildings, equipment and infrastructure, less any related debt outstanding that was needed to acquire or construct the assets). The City of Dallas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. None of the net assets of the City of Dallas are restricted by external sources, although systems development charges are restricted by ordinance.

The 11% decrease in Current Assets for Governmental Activities and the 19% decrease in Business-type Activities resulted primarily from the use of cash reserves to fund capital projects and upgrade utility systems.

Statements of Net Assets
June 30, 2007 and 2006

	Governmental Activities		*Business-type Activities*		*Total*	
	2006-07	*2005-06*	*2006-07*	*2005-06*	*2006-07*	*2005-06*
Current and other assets	$ 11,382,949	$ 12,751,743	$ 4,579,134	$ 5,668,914	$ 15,962,083	$ 18,420,657
Capital assets	78,228,314	77,754,685	33,141,564	32,690,870	111,369,878	110,445,555
Total Assets	89,611,263	90,506,428	37,720,698	38,359,784	127,331,961	128,866,212
Long-term liabilities outstanding	7,775,296	8,095,000	12,336,366	13,098,342	20,111,662	21,193,342
Other liabilities	772,280	562,593	137,357	331,261	909,637	893,854
Total Liabilities	8,547,576	8,657,593	12,473,723	13,429,603	21,021,299	22,087,196
Net Assets:						
Invested in capital assets, net of related debt	72,313,314	71,374,685	20,859,855	19,592,528	93,173,169	90,967,213
Restricted	6,820,160	7,307,917	-	-	6,820,160	7,307,917
Unrestricted	1,930,213	3,166,233	4,387,120	5,337,653	6,317,333	8,503,886
Total Net Assets	$ 81,063,687	$ 81,848,835	$ 25,246,975	$ 24,930,181	$ 106,310,662	$ 106,779,016

Governmental Activities. Total revenues for the City of Dallas' governmental activities for the fiscal year ended June 30, 2007, were $9,609,130. Approximately 36% of the total revenue for the governmental activities was derived from property taxes and approximately 21% of the total revenue is from operating grants and contributions. The 56% increase in Operating Grants and Contributions over the prior year is due to a $445,000 grant from the Department of Homeland Security to improve communications between law enforcement agencies. The 65% decrease in Capital Grants and Contributions reflects the decrease in Systems Development Charge (SDC) revenue. Total expenses for governmental activities were $11,028,017 (excluding transfers), resulting in an decrease in net assets of $785,147. The majority of the governmental activities revenue was used to fund public safety, which accounts for approximately 33% of the total governmental activities expense. Culture and recreation expenses account for 23% of the total, highways and streets account for 24%, and general government. Interest on long-term debt expenses is approximately 3% of total governmental activities expenses. All depreciation expense related to governmental activities has been allocated to individual governmental functions.

Business-Type Activities. Charges for services and general revenues of business-type activities totaled $5,510,418 for the current fiscal year. Approximately 94% of the total business-type activities revenue was derived from charges for services. Contributed capital for business-type activities was $1,178,281. The total expenses for business-type activities were $6,202,995 (excluding transfers), resulting in an increase of net assets by $316,794. The 13% increase in Sewage Disposal expenses resulted primarily from costs of upgrading sewer and storm systems. Business-type activities for the City of Dallas consist of operations for Sewage Disposal, Water and Ambulance Services.

Statements of Activities
Years Ended June 30, 2007 and 2006

	Governmental Activities		*Business-type Activities*		*Total*	
	2006-07	*2005-06*	*2006-07*	*2005-06*	*2006-07*	*2005-06*
Revenues:						
Program revenues:						
Charges for services	$ 1,297,115	$ 1,298,606	$ 5,178,652	$ 4,958,640	$ 6,475,767	$ 6,257,246
Operating grants and contributions	2,051,181	1,316,217	-	-	2,051,181	1,316,217
Capital grants and contributions	953,059	2,684,450	1,642,660	-	2,595,719	2,684,450
General revenues:						
Property taxes	3,549,521	3,257,042	-	-	3,549,521	3,257,042
Licenses and permits	803,718	725,976	-	-	803,718	725,976
Grants and contributions	190,022	260,420	-	-	190,022	260,420
Proceeds from sale of capital assets	73,977	-	-	-	73,977	-
Unrestricted investment earnings	690,537	185,139	332,216	326,968	1,022,753	512,107
	9,609,130	9,727,850	7,153,528	5,285,608	16,762,658	15,013,458
Expenses:						
General government	(439,215)	(560,440)	-	-	(439,215)	(560,440)
Public safety	(3,817,182)	(2,979,379)	-	-	(3,817,182)	(2,979,379)
Highways and streets	(3,215,818)	(919,953)	-	-	(3,215,818)	(919,953)
Culture and recreation	(3,198,380)	(2,191,735)	-	-	(3,198,380)	(2,191,735)
Interest on long-term debt	(357,421)	(368,216)	-	-	(357,421)	(368,216)
Unallocated depreciation	-	(795,053)	-	-	-	(795,053)
Sewage disposal	-	-	(3,488,856)	(3,093,131)	(3,488,856)	(3,093,131)
Water	-	-	(1,786,823)	(1,809,211)	(1,786,823)	(1,809,211)
Ambulance	-	-	(927,316)	(957,655)	(927,316)	(957,655)
Total Expenses	(11,028,016)	(7,814,776)	(6,202,995)	(5,859,997)	(17,231,011)	(13,674,773)
Increase (decrease) in net assets before transfers	(1,418,886)	1,913,074	950,533	(574,389)	(468,353)	1,338,685
Transfers	169,360	(570,930)	(169,360)	570,930	-	-
Transfer of capital assets	464,379	-	(464,379)	-	-	-
Change in net assets	(785,147)	1,342,144	316,794	(3,459)	(468,353)	1,338,685
Net assets - beginning	81,848,834	80,506,690	24,930,181	24,933,640	106,779,015	105,440,330
Net assets - end	$ 81,063,687	$ 81,848,834	$ 25,246,975	$ 24,930,181	$ 106,310,662	$ 106,779,015

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted previously, the City of Dallas uses fund accounting to segregate resources that are restricted to a particular activity. An unreserved fund balance represents the excess of the assets of the fund over its liabilities. Because the fund financial statements focus on current sources and uses of spendable resources, unreserved fund balances relating to each fund may be useful in assessing the government's net resources available.

Governmental Funds. At the end of the audited fiscal year, the City of Dallas' governmental funds reported combined ending fund balances of $8,635,710, a decrease of $1,872,608, or 18%, from the prior year. The City's governmental funds include the General Fund, the General Obligations Bond Fund, Capital Improvements Fund, the Systems Development Fund and other non-major funds.

The General Fund is the chief operating fund of the City. At the end of the audited fiscal year, the General Fund reported an unreserved fund balance of $1,314,302, a decrease of $533,961 or 29% from the prior year (on the modified accrual basis). As previously stated, the decrease is primarily due to the purchase of land and buildings and renovation of those buildings for the Police and Fire Departments.

The Systems Development Fund is used to account for Systems Development Charges (SDC) collected from individuals, builders and developers for new construction. State law requires that SDC fee revenue be spent only on projects related to providing extra capacity required due to growth in the City's population. Therefore, SDC projects generally include paying for the cost of sewer, water and street extensions, expansions or improvements. The fund balance of the Systems Development Fund has decreased by almost $475,000 or 7% due to completion of major street improvements and water system projects. The fund balance of the Systems Development Fund at the end of the audited fiscal year was $6,164,484 and represents 72% of the total of all governmental fund balances.

The Capital Improvement Fund balance at fiscal year end was $300,446. This is a 71% decrease compared to the prior year. In 2006-07, the majority of the fund balance consisted of funds received from the State of Oregon for reconstruction of the Levens Street Bridge. Reconstruction of the bridge was substantially completed in 2007-2008.

Proprietary Funds. At the end of the current fiscal year, net assets of the proprietary funds equaled $25,246,975. The change in total net assets of all the proprietary funds was insignificant. However, there were material changes in net assets of the individual proprietary funds. The Sewage Disposal Fund net assets, including capital contributions, decreased by $248,862, primarily due to the costs of capital improvement projects. Water Fund net assets, including capital contributions, increased by $1,003,116. Of this increase, $1,002,970 consisted of Capital Contributions. Capital Contributions for the Sewage Disposal and Water Funds reflect capital assets constructed from Systems Development Charge (SDC) fees. The Ambulance Fund has been greatly impacted over the last several years by changes in Medicare reimbursement rates paid by the federal government. Because it is unlikely that the federal government will legislate significant changes to the Medicare reimbursement schedule and because the Ambulance Fund could no longer remain solvent with revenue from transports, the City closed all Ambulance Fund assets and liabilities to the General Fund. In future years, the Ambulance Fund will be reflected as a department of the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was amended due to unanticipated costs that occurred during the year. These unanticipated costs included increased Municipal Court activity, increased fuel costs, major park projects, and repairs to Aquatic Center equipment. Also, contractual costs were incurred in the Recreation Department for architectural services to design a Senior Center. As permitted by local budget law, the final Library and Planning Department were less than the original budget because appropriations were transferred from those departments to other departments in the General Fund. Actual revenues (budgetary basis) exceeded budgeted amounts by $166,953 for several reasons, including additional Municipal Court revenue resulting from increased activity and increased Aquatic Center revenue, although revenue from building permits decreased by almost 40% from the prior year. Also, actual expenditures were almost 2% less than budgeted amounts due primarily to controlled spending of materials and services in several departments. The City continues its commitment to maintaining all facilities and equipment in good condition and providing excellent service to its citizens. It should be noted that approximately $75,000 of the beginning balance is dedicated to the Building Department and represents revenues in excess of expenditures for the last ten years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Dallas' capital assets for its governmental and business-type activities at the end of the current fiscal year equaled $111,369,878, net of accumulated depreciation, compared to $110,445,555 at the end of last fiscal year. Capital assets include land, buildings, improvements, equipment, and infrastructure. The increase in capital assets for governmental activities is due to the purchase of land, the purchase and remodeling of buildings for use by Fire Department and Police Department, construction of a storage building and site improvements for the Shop Services Department, and completion of major street improvements. For business-type activities, capital asset additions consisted of completion of sewer and storm projects in the Sewer Department. In the Water Department, additions included construction of an Aquifer Storage and Recovery System (ASR) in the Water Department, which will expand the City's ability to store winter rainfall for customers' use during the dry summer months. Additional information about the City's capital assets is presented in the notes to the financial statements on pages 29 through 30.

Capital Assets
June 30, 2007 and 2006

	Governmental Activities		*Business-type Activities*		*Total*	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*
Land	$ 750,587	$ 640,695	$ 853,981	$ 963,873	$ 1,604,568	$ 1,604,568
Construction in Progress	-	210,651	-	-	-	210,651
Buildings and improvements	12,913,924	11,925,404	43,216,973	41,986,542	56,130,897	53,911,946
Machinery and equipment	6,577,643	6,152,751	604,459	759,915	7,182,102	6,912,666
Infrastructure	71,012,222	70,490,379	-	-	71,012,222	70,490,379
Accumulated depreciation	(13,026,062)	(11,665,195)	(11,533,849)	(11,019,460)	(24,559,911)	(22,684,655)
Total	$ 78,228,314	$ 77,754,685	$ 33,141,564	$ 32,690,870	$ 111,369,878	$ 110,445,555

Long-term Debt. At the end of the current fiscal year, long-term debt outstanding for the governmental activities totaled $7,500,000 (excluding compensated absences payable), compared to $7,965,000 the prior year. For business-type activities, long term debt outstanding totaled $12,281,709 (excluding compensated absences payable), compared to $13,098,342 the prior year. The decreases are due to principal payments on debt outstanding. During the fiscal year, the City did not issue any additional long-term debt instruments. Additional information about the City's long-term debt is presented in the notes to the financial statements on pages 31 through 32.

Long-Term Debt
June 30, 2007 and 2006

	Governmental Activities		*Business-type Activities*		*Total*	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*
General Obligation Bonds	$ 5,915,000	$ 6,380,000	$ -	$ -	$ 5,915,000	$ 6,380,000
Pension Obligation Bonds	1,585,000	1,585,000	-	-	1,585,000	1,585,000
Notes Payable	-	-	12,281,709	13,098,342	12,281,709	13,098,342
Total	$ 7,500,000	$ 7,965,000	$ 12,281,709	$ 13,098,342	$ 19,781,709	$ 21,063,342

INFRASTRUCTURE - MODIFIED APPROACH

The City has elected to report its infrastructure assets using the modified approach. Under this method, infrastructure assets are not required to be depreciated if the City manages its eligible infrastructure assets using an asset management system designed to maintain and reserve these assets at a condition level established and disclosed by the City.

Street values have been recorded based on an estimate of their replacement value adjusted for their condition. Other subsystems of the street infrastructure have been deemed immaterial (such as landscaping, rights-of-way, fencing, guardrails, etc.) or are not the responsibility of the City to maintain (such as sidewalks).

The City uses a pavement management system, which calculates the replacement cost of all City streets based on lane feet and unit cost per linear foot. The total replacement cost was then adjusted for the current pavement condition index. The current pavement condition index for all City streets is a weighted composite of 74. The city has established a policy of maintaining City streets at a weighted composite of between 72 and 75. During the 2006-2007 fiscal year, approximately $245,000 was spent on maintaining City streets. The pavement management system indicates that a minimum of $200,000 is required annually to maintain City streets at that level. The City projects that those funds will be available and the streets will be maintained at the level established by the City for at least the next five years. Additional information about the City's use of the Modified Approach is presented in the Required Supplementary Information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

After many years of continued economic improvement, the City of Dallas' economic growth began to slow during this last fiscal year. This mirrored the national slowing in economic growth that affected industry throughout the country. The downturn in the economy has affected two major industrial employers in town – Weyerhauser and TTM. During the summer of 2007, Weyerhauser, a lumber products manufacturer, reduced the number of employees by 100. TTM, an electronics manufacturer, closed their plant in 2007. The closure affected 320 employees, with approximately ten individuals continuing to work for TTM at their Utah plant. Approximately 40% of TTM's employees lived and worked in Dallas. The Polk Job and Career Center assisted nearly 75% of the displaced workers with additional training or governmental assistance programs. In addition, with the assessed value of TTM's plant at $25 million, the closure will mean a significant loss of property tax revenue in the General Fund. This closure will also affect user fee revenue in the utility funds. This impact is somewhat offset by the reduction in demand for services resulting from the plant closure. The TTM facilities are very modern and we anticipate the property will be sold within a fairly short period of time and a new industry will replace the lost jobs. Also, the addition of new jobs by smaller manufacturers has helped stabilize the community's economy.

Forest River, a manufacturer of recreational and utility trailers, is anticipating an expansion of the recreational vehicle portion of their production, with an addition of nearly 100 jobs expected. We also anticipate construction of several new commercial buildings at the Jasper Crossing location. Jasper Crossing occupies approximately 12 acres and will be a large commercial center with both office space and retail space. Development will begin in early 2008. Overall, the commercial sector has continued strong over the past few years, with a significant reduction in vacancy rate for commercial properties. The Dallas Economic Development commission continues its mission of encouraging local economic growth. The goal of the Comprehensive Plan is to increase the number of jobs in the community at a higher rate than the increase in residents, which would mean that fewer citizens would need to commute to work outside our community. As part of this effort, Dallas continues to work with neighboring cities of Monmouth and Independence in a partnership to expand each city's industrial base.

REQUESTS FOR INFORMATION

This financial report is designed to provide the City of Dallas's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to: City of Dallas, 187 SE Court Street, Dallas, Oregon 97338.

BASIC FINANCIAL STATEMENTS

CITY OF DALLAS, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	*Business-type Activities*	*Totals*
ASSETS			
Cash and investments	$ 8,958,677	$ 4,080,602	$ 13,039,279
Accounts receivable	636,209	269,235	905,444
Property taxes receivable	193,379	-	193,379
Special assessments	4,318	-	4,318
Inventories	5,366	229,297	234,663
Prepaid pension assets	1,585,000	-	1,585,000
Nondepreciable capital assets	71,762,809	853,981	72,616,790
Other capital assets, net of depreciation	6,465,505	32,287,583	38,753,088
Total Assets	89,611,263	37,720,698	127,331,961
LIABILITIES			
Accounts payable	772,280	137,357	909,637
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	677,754	677,754
Bonds payable	445,000	170,000	615,000
Accrued compensated absences	44,026	8,741	52,767
Due in more than one year:			
Notes payable	-	10,515,955	10,515,955
Bonds payable	7,055,000	918,000	7,973,000
Accrued compensated absences	231,270	45,916	277,186
Noncurrent liabilities	7,775,296	12,336,366	20,111,662
Total Liabilities	8,547,576	12,473,723	21,021,299
NET ASSETS			
Investment in capital assets (net of related debt)	72,313,314	20,859,855	93,173,169
Restricted for special purposes	-	-	-
Construction	6,164,484	-	6,164,484
Donor / grantor restrictions	655,676	-	655,676
Unrestricted	1,930,213	4,387,120	6,317,333
Total Net Assets	$ 81,063,687	$ 25,246,975	$ 106,310,662

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

		Program Revenues	
	Expenses	***Fees, Fines, and Charges for Services***	***Operating Grants and Contributions***
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	$ 439,215	$ 481,966	$ 94,338
Public safety	3,817,182	325,233	1,207,950
Highways and streets	3,215,818	-	669,468
Culture and recreation	3,198,380	489,916	79,425
Interest on long-term debt	357,421	-	-
Unallocated depreciation	-	-	-
Total Govermental Activities	11,028,016	1,297,115	2,051,181
Business-type Activities:			
Water	1,786,823	1,873,004	-
Sewer	3,488,856	2,570,349	-
Ambulance	927,316	735,299	-
Total Business-type Activities	6,202,995	5,178,652	-
Total Activities	$ 17,231,011	$ 6,475,767	$ 2,051,181
General Revenues:			
Property taxes			
Franchise fees			
Unrestricted intergovernmental revenues			
Miscellaneous			
Proceeds from sale of assets			
Total General Revenues			
Transfers			
Transfer of capital assets			
Change in net assets			
Net assets, July 1, 2006			
Net assets, June 30, 2007			

Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Assets: Governmental Activities	Business-type Activities	Totals
$ 547,060	$ 684,149	$ -	$ 684,149
33,353	(2,250,646)	-	(2,250,646)
206,515	(2,339,835)	-	(2,339,835)
166,131	(2,462,908)	-	(2,462,908)
-	(357,421)	-	(357,421)
-	-	-	-
953,059	(6,726,661)	-	(6,726,661)
1,002,970	-	1,089,151	1,089,151
639,690	-	(278,817)	(278,817)
-	-	(192,017)	(192,017)
1,642,660	-	618,317	618,317
$ 2,595,719	(6,726,661)	618,317	(6,108,344)
	3,549,521	-	3,549,521
	803,718	-	803,718
	190,022	-	190,022
	690,537	332,216	1,022,753
	73,977	-	73,977
	5,307,775	332,216	5,639,991
	169,360	(169,360)	-
	464,379	(464,379)	-
	(785,147)	316,794	(468,353)
	81,848,834	24,930,181	106,779,015
	$ 81,063,687	$ 25,246,975	$ 106,310,662

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	*Systems Development*	*General Obligation Bond*
ASSETS			
Cash and investments	$ 1,235,405	$ 6,220,694	$ 190,749
Accounts receivable	166,627	-	-
Property taxes receivable	146,583	-	46,796
Special assessments	-	-	-
Total Assets	$ 1,548,615	$ 6,220,694	$ 237,545
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 86,929	$ 56,210	$ -
Deferred revenue	147,384	-	46,796
Total Liabilities	234,313	56,210	46,796
Fund Balances			
Unreserved, reported in:			
General fund	1,314,302	-	-
Special revenue funds	-	6,164,484	-
Capital projects fund	-	-	-
Debt service funds	-	-	190,749
Total Fund Balances	1,314,302	6,164,484	190,749
Total Liabilities and Fund Balances	$ 1,548,615	$ 6,220,694	$ 237,545

Capital Improvements	*Other Governmental Funds*	*Totals*
$ 427,523	$ 655,950	$ 8,730,321
-	469,582	636,209
-	-	193,379
-	4,318	4,318
$ 427,523	$ 1,129,850	$ 9,564,227
$ 127,077	$ 459,802	$ 730,018
-	4,319	198,499
127,077	464,121	928,517
-	-	1,314,302
-	659,386	6,823,870
300,446	-	300,446
-	6,343	197,092
300,446	665,729	8,635,710
$ 427,523	$ 1,129,850	$ 9,564,227

The accompanying notes are an integral part of the financial statements.

RECONCILIATION TO THE STATEMENT OF NET ASSETS

Fund Balances	$	8,635,710
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.		198,499
Prepaid pension assets are recorded on the Statement of Net Assets.		1,585,000
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.		
Capital assets, cost		90,760,624
Accumulated depreciation		(13,026,062)
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.		
Bonds payable		(7,500,000)
Accrued compensated absences		(231,270)
Internal service funds are proprietary-type funds and not reported with governmental funds. However, because internal service funds primarily benefit governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the Statement of Net Assets.		641,186
Net Assets of Governmental Activities	$	81,063,687

CITY OF DALLAS, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	*Systems Development*	*General Obligation Bond*
REVENUES			
Taxes and assessments	$ 2,738,415	$ -	$ 726,620
Charges for services	549,374	-	-
Licenses and permits	313,358	1,360,317	-
Franchise fees	803,718	-	-
Intergovernmental	434,509	-	-
Fines and forfeitures	325,233	-	-
Miscellaneous	267,486	342,118	-
Total Revenues	5,432,093	1,702,435	726,620
EXPENDITURES			
Current operating:			
General government	686,809	-	-
Highways and streets	-	-	-
Culture and recreation	1,796,188	-	-
Public safety	3,255,154	-	-
Capital outlay	501,263	2,177,065	-
Debt service principal	-	-	465,000
Debt service interest	-	-	279,229
Total Expenditures	6,239,414	2,177,065	744,229
REVENUES OVER (UNDER) EXPENDITURES	(807,321)	(474,630)	(17,609)
OTHER FINANCING SOURCES (USES)			
Transfers in	417,775	-	-
Transfers out	(144,415)	-	-
Total Other Financing Sources (Uses)	273,360	-	-
NET CHANGE IN FUND BALANCES	(533,961)	(474,630)	(17,609)
FUND BALANCES, Beginning of year	1,848,263	6,639,114	208,358
FUND BALANCES, End of year	$ 1,314,302	$ 6,164,484	$ 190,749

Capital Improvements	*Other Governmental Funds*	*Totals*
$ -	$ 78,192	$ 3,543,227
-	-	549,374
-	-	1,673,675
-	-	803,718
-	1,560,348	1,994,857
-	-	325,233
128,972	439,176	1,177,752
128,972	2,077,716	10,067,836
-	35,990	722,799
-	840,978	840,978
-	2,201	1,798,389
-	498,494	3,753,648
872,059	461,182	4,011,569
-	-	465,000
-	78,192	357,421
872,059	1,917,037	11,949,804
(743,087)	160,679	(1,881,968)
-	42,000	459,775
-	(306,000)	(450,415)
-	(264,000)	9,360
(743,087)	(103,321)	(1,872,608)
1,043,533	769,050	10,508,318
$ 300,446	$ 665,729	$ 8,635,710

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	$	(1,872,608)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.		5,673
Governmental funds do not report expenditures for unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.		(37,313)
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.		
Capital outlay		1,690,912
Depreciation		(1,213,954)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.		
debt pricipal paid		595,000
Internal service funds are used by management to charge the costs of certain activities, such as insurance and facilities and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		47,143
Change in net assets of governmental activities	$	(785,147)

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities -		
	Sewer	***Water***	***Ambulance***
ASSETS			
Current assets			
Cash and investments	$ 2,788,579	$ 1,157,001	$ 2,380
Accounts receivable	136,034	132,656	-
Inventories	34,306	194,991	-
Total Current Assets	2,958,919	1,484,648	2,380
Noncurrent assets			
Capital assets	22,665,237	10,476,327	-
Total Assets	25,624,156	11,960,975	2,380
LIABILITIES			
Current liabilities			
Accounts payable	86,597	48,380	2,380
Interest payable	-	-	-
Compensated absences payable	4,115	4,626	-
Notes payable - current portion	677,754	-	-
Bonds payable - current portion	-	170,000	-
Total Current Liabilities	768,466	223,006	2,380
Noncurrent liabilities			
Compensated absences payable	21,620	24,296	-
Note payable	10,515,955	-	-
Bonds payable	-	918,000	-
Total Liabilities	11,306,041	1,165,302	2,380
NET ASSETS			
Investment in capital assets (net of related debt)	11,471,528	9,388,327	-
Unrestricted	2,846,587	1,407,346	-
Total Net Assets	$ 14,318,115	$ 10,795,673	$ -

Enterprise Funds		*Governmental Activities*
Outside Water	*Totals*	*Total Internal Service Funds*
$ 132,642	$ 4,080,602	$ 228,356
545	269,235	-
-	229,297	5,366
133,187	4,579,134	233,722
-	33,141,564	493,752
133,187	37,720,698	727,474
-	137,357	42,262
-	-	-
-	8,741	-
-	677,754	-
-	170,000	-
-	993,852	42,262
-	45,916	44,026
-	10,515,955	-
-	918,000	-
-	12,473,723	86,288
-	20,859,855	493,752
133,187	4,387,120	147,434
$ 133,187	$ 25,246,975	$ 641,186

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities -		
	Sewer	*Water*	*Ambulance*
OPERATING REVENUES			
Charges for services	$ 2,570,349	$ 1,851,484	$ 735,299
Miscellaneous	90,203	26,720	-
Total Operating Revenues	2,660,552	1,878,204	735,299
OPERATING EXPENSES			
Personal services	748,810	747,851	659,857
Materials and services	1,633,930	705,864	267,459
Depreciation	587,707	289,284	-
Total Operating Expenses	2,970,447	1,742,999	927,316
OPERATING INCOME (LOSS)	(309,895)	135,205	(192,017)
NONOPERATING REVENUES (EXPENSES)			
Interest income	150,328	64,965	-
Interest expense	(518,409)	(43,824)	-
Transfers in	-	-	197,415
Transfers out	(210,575)	(156,200)	-
Total Nonoperating Revenue (Expenses)	(578,656)	(135,059)	197,415
NET INCOME BEFORE CONTRIBUTIONS	(888,551)	146	5,398
CAPITAL CONTRIBUTIONS	639,690	1,002,970	-
TRANSFER OF CAPITAL ASSETS	-	-	(464,379)
CHANGE IN NET ASSETS	(248,861)	1,003,116	(458,981)
NET ASSETS, Beginning of year	14,566,976	9,792,557	458,981
NET ASSETS, End of year	$ 14,318,115	$ 10,795,673	$ -

Enterprise Funds			*Governmental Activities*
Outside Water	*Totals*		*Total Internal Service Funds*
$ 21,520	$ 5,178,652		$ 1,077,352
-	116,923		384,962
21,520	5,295,575		1,462,314
-	2,156,518		860,176
-	2,607,253		568,082
-	876,991		146,913
-	5,640,762		1,575,171
21,520	(345,187)		(112,857)
-	215,293		-
-	(562,233)		-
-	197,415		160,000
-	(366,775)		-
-	(516,300)		160,000
21,520	(861,487)		47,143
-	1,642,660		-
-	(464,379)		-
21,520	316,794		47,143
111,667	24,930,181		594,043
$ 133,187	$ 25,246,975		$ 641,186

The accompanying notes are an integral part of the financial statements.

CITY OF DALLAS, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Enterprise Funds		
	Water	*Sewer*	*Ambulance*
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	$ 1,848,491	$ 2,788,277	$ 753,468
Paid to suppliers	(711,975)	(1,705,718)	(269,642)
Paid to employees	(745,128)	(749,906)	(678,861)
Net Cash Provided by (Used in) Operating Activities	391,388	332,653	(195,035)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	197,415
Transfers out	(156,200)	(210,575)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(156,200)	(210,575)	197,415
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(149,404)	-	-
Principal paid on contracts/bonds payable	(164,000)	(652,633)	-
Interest paid	(43,824)	(518,409)	-
Net Cash Used in Capital Related Financing Activities	(357,228)	(1,171,042)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	64,965	150,328	-
Increase (Decrease) in Cash and Investments	(57,075)	(898,636)	2,380
CASH AND INVESTMENTS, Beginning of year	1,214,076	3,687,215	-
CASH AND INVESTMENTS, End of year	$ 1,157,001	$ 2,788,579	$ 2,380
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 135,205	$ (309,895)	$ (192,017)
Depreciation	289,284	587,707	-
Change in assets and liabilities			
Accounts receivable	(29,713)	(28,458)	18,169
Inventory	25,176	14,018	-
Accounts payable and accrued liabilities	(31,287)	(85,806)	(2,183)
Due to other funds	-	156,183	-
Compensated absences payable	2,723	(1,096)	(19,004)
Net Cash Provided by (Used in) Operating Activities	$ 391,388	$ 332,653	$ (195,035)
NONCASH FINANCING ACTIVITIES			
Contribution of capital assets from (to) governmental activities	$ 1,002,970	$ 639,690	$ (464,379)

Enterprise Funds		Governmental Activities
Outside Water	Totals	Total Internal Service Funds
$ 21,320	$ 5,411,556	$ 1,462,314
(2,594)	(2,689,929)	(544,065)
-	(2,173,895)	(862,472)
18,726	547,732	55,777
-	197,415	160,000
-	(366,775)	-
-	(169,360)	160,000
-	(149,404)	(143,584)
-	(816,633)	-
-	(562,233)	-
-	(1,528,270)	(143,584)
-	215,293	-
18,726	(934,605)	72,193
113,916	5,015,207	156,163
$ 132,642	$ 4,080,602	$ 228,356
$ 21,520	$ (345,187)	$ (112,857)
-	876,991	146,913
(200)	(40,202)	-
-	39,194	(484)
(2,594)	(121,870)	24,501
-	156,183	-
-	(17,377)	(2,296)
$ 18,726	$ 547,732	$ 55,777
$ -	$ 1,178,281	$ -

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Dallas, Oregon (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The Financial Reporting Entity

The City of Dallas, Oregon is governed by an elected mayor and nine council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2007.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

Basic Financial Statements

The government-wide financial statements report information on all activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees, fines, and charges for services.

The Statement of Activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include (1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund 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.

Basis of Presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The government-wide and proprietary fund financial statements are accounted for using an economic resources measurement focus, whereby all assets and liabilities are included in the Statement of Net Assets and the Statement of Fund Net Assets. The increases and decreases in those net assets are presented in the government-wide Statement of Activities and in the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. The City has elected not to apply FASB guidance issued subsequent to November 30, 1989 to business-type activities and to enterprise funds, unless specifically adopted by the GASB.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule, the effect of interfund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues in the Statement of Activities include (1) fines, fees, and 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. Grants and contributions not restricted are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Operating revenues and operating expenses are intermediate components within the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets, and include only those transactions that constitute their principal, ongoing activities exclusive of investing or financing transactions. Significant operating revenues include charges for services and rental income. Significant operating expenses include personnel, materials and supplies, outside services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements

The governmental fund financial statements are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recorded only when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures other than interest on noncurrent obligations, are recorded when the fund liability is incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements (Continued)

Real and personal property taxes are levied as of July 1 for each fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Polk County and remitted to the City.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Rental income is typically received in advance and is deferred when appropriate.

Special assessments receivable and repayment of revolving loans expected to be collected within sixty days after year end are considered measurable and available and are recognized as revenue. Assessment installments that are long-term are offset by deferred revenues.

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

The reporting model sets forth minimum criteria (percentage of the assets liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

General Fund
Systems Development Fund
General Obligation Bond Fund
Capital Improvements Fund

The City reports the following major proprietary funds:

Sewer Fund
Water Fund
Ambulance Fund
Outside Water Fund

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2007. Actual results may differ from such estimates.

Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. Investments are reported at fair value.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the enterprise funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Polk County, Oregon.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Interest earned on assessments in the governmental fund types is accrued when due and is approximately offset by the related improvement bond interest expenditure which is also recognized when due.

Inventory

Inventory in the proprietary funds is stated at cost (first-in, first-out basis) and is charged to expense as used. Inventory in the special revenue funds is stated at cost (first-in, first-out basis) and is charged to expenditures using the purchase method.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value as of the date of the donation.

GAAP require governments to report and depreciate new infrastructure assets effective with the City's prior fiscal year. Infrastructure assets include roads, bridges, and underground pipe (other than that of the enterprise fund). These infrastructure assets are likely to be the largest assets class of the City.

However, GAAP allow governments to use a modified approach for reporting infrastructure assets. This modified approach requires the government to manage its eligible infrastructure assets using an asset management system and to document that the eligible infrastructure assets are being preserved at or above a condition level established and disclosed by the government.

The City of Dallas has elected to use the modified approach for reporting its infrastructure assets. Using a pavement management system, the City has inventoried all City streets, assigned a condition category to each section of street, and arrived at an overall weighted composite index for all streets. The pavement management system allows the City to calculate a replacement cost for all functional classes of streets using line feet and unit cost per linear foot. The total replacement cost was then adjusted for the current pavement condition index to arrive at an estimated value for City streets. Bridges and traffic signals were not included in the 2002-2003 audited financial statement, but have been included in this year's audited financial statement. The costs of maintenance and preservation that do not add to the asset's capacity or efficiency are not capitalized. It is anticipated that funds will be available for the City to maintain streets at the condition level established by the government.

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Buildings	20-50 years
Water and sewer system	30-50 years
Machinery and equipment	5-20 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Assets. Repayment of general bonded debt will be made from General Obligation Bond Fund.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for vacation pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Vacation amounts are paid from the same fund as the employee's payroll.

Restricted Net Assets

Net revenues received by the City which are restricted by donors or legislation are reported as restricted net assets. Such net revenues include system development charges (SDC's), state gas tax, and designated donations or grants.

Budget and Budgetary Accounting

Annual budgets for all funds are adopted on the modified accrual basis of accounting, which is consistent with Oregon Revised Statutes. All annual appropriations lapse at year end.

The City is required to budget for all funds. The budget is prepared by fund, department, activity and line, and includes information on the past two years' actual expenditures as well as current-year estimates. Each April, the City Manager submits a proposed budget to the Budget Committee. The Budget Committee consists of members of the City Council and a like number of citizens of the City. Before June 30 each year, the proposed budget is presented to the full City Council for review.

The Council holds public hearings, and a final budget must be prepared and legally adopted no later than June 30. The resolution establishes appropriations for each fund, and expenditures cannot legally exceed these appropriations at the levels of personal services, materials and services, capital outlay, debt service, or other expenditures for each fund or, in the case of the General Fund, Trust/Reseve Fund and Central Services Fund for each department.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting (continued)

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may also be added to the budget through the use of a supplemental budget. The City adopted one supplemental budget during the year.

ORGANIZATION AND OPERATION

The City's financial operations are accounted for in the following funds and account groups:

Governmental Fund Types

General Fund

The General Fund is the City's primary operation fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenues are property taxes, charges for services and licenses

Special Revenue Funds

The special revenue funds account for revenue derived from specific tax or other earmarked revenue sources, including state gas tax, grants and funds set aside to finance particular functions or activities. Funds included in this category are:

Systems Development Fund - This fund accounts for construction of oversize sewers, over-wide streets, water mains and other related needs.

Street Fund - This fund accounts for state highway apportionment, federal funds, and grants, which are restricted to road maintenance.

Revenue Sharing Fund - This fund accounts for receipts from the State Revenue Sharing Program.

Trust/Reserve Fund - This fund accounts for funds dedicated to specific purposes, including donations and bail monies held pending disposition of municipal court cases.

Grants Fund - This fund accounts for major grants to the City.

Debt Service Funds

General Obligation Bond Fund

The General Obligations Bond Fund is a debt service fund used to account for the resources and payment of long-term debt.

***ORGANIZATION AND OPERATION** (Continued)*

Improvement Bond Fund

The Improvement Bond Fund is a debt service fund that accounts for interest revenue on bond proceeds.

General Debt Fund

The General Debt Fund was established to pay principal and interest on the City's PERS pension obligation bonds.

Capital Projects Fund

Capital Improvements Fund

The Capital Improvements Fund is used to account for capital projects-related activity.

Proprietary Fund Types

Enterprise Funds

The City has four enterprise funds. These funds account for the acquisition, operation and maintenance of the municipal sewer and water systems and the ambulance service.

Sewer Fund - This fund accounts for sewer operation of the City's sewer utilities.

Water Fund - This fund accounts for the operation of the City's water department.

Ambulance Fund - This fund accounts for the operations of the City's municipal ambulance service. At June 30, 2007, the Fund was closed and all assets and liabilties were transferred to the General Fund.

Outside Water Fund - This fund accounts for water service provided to customers outside the city limits.

Internal Service Funds

Shop Service Fund - This fund is used to account for equipment rentals to other funds of the City.

Central Services Fund - This fund is used to account for central services charged for expenses incurred by the mayor and city council, the City manager's office, the finance department and the City attorney.

CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed on the Statement of Net Assets as part of "cash and investments."

Cash and investments are comprised of the following at June 30, 2007:

Cash	
Cash on hand	$ 645
Deposits with financial institutions	289,009
Cash held by fiscal agents	38,289
Certificates of deposit	2,369,254
Investments	
Local Government Investment Pool	8,224,055
US Government securities	2,118,027
	$ 13,039,279

Deposits

At year end, the book balance of the City's deposit accounts is $289,009 and the bank balance is $1,049,997. The difference is due to transactions in process. The first $200,000 is insured by Federal Depository Insurance. Certificates of deposit and the remaining deposit amounts are secured by collateral in accordance with Oregon Revised Statutes.

Custodial Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the City. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Investments

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others. The City's investment policy follows state statutes.

***CASH AND INVESTMENTS** (Continued)*

Investments (continued)

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

The City's other investments are composed primarily of debt issued by US Government agencies, including Federal Home Loan, Fannie Mae and Freddie Mac discount notes. All are held by the City's agent in the City's name.

The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

The City has concentration in the following investments:

Investment Type	*Credit Risk*	*Maturities*	*% of Portfolio*	*Amount*
Local Government Investment Pool	See above	Avg 6-18 months	79.52%	$ 8,224,055
Federal Home Loan Bank	AAA	Within 12 months	6.66%	689,241
Federal Home Loan Bank	AAA	Within 12 months	6.76%	699,370
Federal Home Loan Bank	AAA	Within 12 months	7.05%	729,416
				$ 10,342,082

CAPITAL ASSETS

The changes in capital assets for business-type activities for the year ended June 30, 2007 is as follows:

	Balances July 1, 2006	*Additions*	*Retirements*	*Balances June 30, 2007*
Business-type activities:				
Nondepreciable:				
Land	$ 963,873	$ -	$ (109,892)	$ 853,981
Depreciable:				
Buildings and improvements	41,986,542	1,642,660	(412,229)	43,216,973
Machinery and equipment	759,915	149,404	(304,860)	604,459
Total depreciable	42,746,457	1,792,064	(717,089)	43,821,432
Accumulated depreciation:				
Buildings and improvements	(10,371,330)	(843,264)	110,138	(11,104,456)
Machinery and equipment	(648,130)	(75,991)	294,728	(429,393)
Total accumulated depreciation	(11,019,460)	(919,255)	404,866	(11,533,849)
Total capital assets being depreciated, net	31,726,997	872,809	(312,223)	32,287,583
Capital assets, net	$ 32,690,870	$ 872,809	$ (422,115)	$ 33,141,564

***CAPITAL ASSETS** (Continued)*

The changes in capital assets for the governmental activities for the year ended June 30, 2007 is as follows:

	Balances July 1, 2006	***Additions***	***Retirements***	***Balances June 30, 2007***
Governmental activities:				
Nondepreciable:				
Land	$ 640,695	$ 109,892	$ -	$ 750,587
Construction in process	210,651	-	(210,651)	-
Infrastructure	70,490,379	521,843	-	71,012,222
Total nondepreciable	71,341,725	631,735	(210,651)	71,762,809
Depreciable:				
Buildings and improvements	11,925,404	988,520	-	12,913,924
Machinery and equipment	6,152,751	424,892	-	6,577,643
Total depreciable	18,078,155	1,413,412	-	19,491,567
Accumulated depreciation:				
Buildings and improvements	(5,915,717)	(450,864)	-	(6,366,581)
Machinery and equipment	(5,749,478)	(910,003)	-	(6,659,481)
Total accumulated depreciation	(11,665,195)	(1,360,867)	-	(13,026,062)
Total capital assets being depreciated, net	6,412,960	52,545	-	6,465,505
Capital assets, net	$ 77,754,685	$ 684,280	$ (210,651)	$ 78,228,314

Depreciation on internal service capital assets in the amount of $146,913 is included in general government expenses. All depreciation on governmental capital assets is allocated to governmental functions on the statement of activities as follows:

General government	$ 424,301
Public safety	227,252
Culture and recreation	709,314
	$ 1,360,867

LONG-TERM DEBT

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

Governmental activities	*Outstanding BOY*	*Issued*	*Matured/ Redeemed During Year*	*Outstanding EOY*	*Due within one year*
Series 1999, original amount $6,145,000, interest rate is 4.95%, final payment due June 30, 2018	$ 920,000	$ -	$ (295,000)	$ 625,000	$ 305,000
Series 2003, original amount $850,000, interest at rates from 4.25% to 5%, final payment due June 1, 2019	790,000	-	(35,000)	755,000	40,000
Series 2005, original amount $4,695,000, interest at rates from 3.50% to 4.00 %, final payment due June 1, 2019	4,670,000	-	(135,000)	4,535,000	100,000
2005 PERS bonds, original amount $1,585,000 interest at rates from 4.38% to 5.00%, final payment due June 1, 2028	1,585,000	-	-	1,585,000	-
Total Governmental	$ 7,965,000	$ -	$ (465,000)	$ 7,500,000	$ 445,000

Business-type activities	*Outstanding BOY*	*Issued*	*Matured/ Redeemed During Year*	*Outstanding EOY*	*Due within one year*
Sewage 1998, original amount $523,000, interest rate is 4.74%, final payment due December 1, 2017	$ 372,639	$ -	$ (24,025)	$ 348,614	$ 24,199
Sewage DEQ, original amount $14,500,000, interest rate is 3.93%, final payment due February 1, 2020	11,473,703	-	(628,608)	10,845,095	653,555
Water 2005 Refunding, original amount $1,347,000 interest rate 3.75%, final payment due December 1,2012	1,252,000	-	(164,000)	1,088,000	170,000
Total business-type	$ 13,098,342	$ -	$ (816,633)	$ 12,281,709	$ 847,754

***LONG-TERM DEBT** (Continued)*

Future debt service requirements are as follows:

Governmental Activities

Fiscal Year Ending June 30,	***Principal***	***Interest***	***Total***
2008	$ 445,000	$ 337,743	$ 782,743
2009	475,000	318,095	793,095
2010	470,000	297,047	767,047
2011	495,000	277,547	772,547
2012	525,000	256,853	781,853
2013-17	2,855,000	892,871	3,747,871
2018-22	1,370,000	341,536	1,711,536
2023-2027	780,000	154,368	934,368
2028	85,000	4,253	89,253
	$ 7,500,000	$ 2,880,313	$ 10,380,313

Business-type Activities

Fiscal Year Ending June 30,	***Principal***	***Interest***	***Total***
2008	$ 847,754	$ 526,824	$ 1,374,578
2009	879,877	489,993	1,369,870
2010	919,041	451,732	1,370,773
2011	954,285	411,756	1,366,041
2012	990,658	370,220	1,360,878
2013-17	4,638,551	1,239,860	5,878,411
2018-20	3,051,543	235,482	3,287,025
	$ 12,281,709	$ 3,725,867	$ 16,007,576

The agreement with the DEQ requires the City to maintain a minimum cash balance equal to the subsequent year's debt service requirements. At June 30, 2007 this amount was $1,126,015. Cash in the Sewer Fund exceeded this amount at all times during the year.

EMPLOYEE RETIREMENT SYSTEM

City employees participate in the Oregon Public Employee's Retirement System (PERS). Contributions are made for employees after six months of employment unless they are members of PERS and eligible for contributions when they begin employment. PERS is a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service in a PERS covered position. Retirement is allowed at age 58 with un-reduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70. Contributions made by, or on behalf of, the employee are payable in a lump sum or monthly amounts using several payment options. Contributions made on behalf of the employee to the employer account can only be taken in monthly payments. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes, Chapter 238, Oregon revised Statutes. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

The City's contribution rate, based on the most current actuarial valuation using the entry age actuarial cost method, was 10.5% of covered payroll. The required employee contribution is 6% of covered compensation. The contribution requirements of the City are established or may be amended by the PERS Retirement Board while the employees' rate is set by the state statute, ORS 238.200. The City's payroll for employees covered by PERS for the year ended June 30, 2007 was $4,568,215, the City's total payroll was $4,815,739.

For fiscal 2006-07, the City's annual pension cost of $861,729 for PERS was equal to the City's required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 1999 actuarial valuation using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8.5% per year; (b) projected annual salary increases for inflation and merit of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of PERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

Because the underlying calculations in the actuarial valuation are long-term in nature, and one of the goals of the actuarial valuation process is to ensure funding stability, it can be advantageous to smooth out short-term fluctuations in the market value of the system's assets. The PERS Board approved implementation of an asset smoothing method effective for the investment commencing in 2000. Annual investment gains and losses will be recognized over a period of four years, and the Actuarial Value of Assets will be limited to the corridor between 90% and 100% of Fair Market Value.

The following table presents three-year trend information for the City's defined benefit pension plan:

Year Ending June 30,	*Annual Pension Cost (APC)*	*Percentage of APC Contributed*	*Net Pension Obligation*
2005	$ 679,810	100%	$ -
2006	681,032	100	-
2007	861,729	100	-

COMPENSATED ABSENCES

	Outstanding July 1, 2006	*Earned*	*Redeemed*	*Outstanding June 30, 2007*	*Due Within One Year*
Governmental	$ 240,278	$ 215,227	$ (180,209)	$ 275,296	$ 44,026
Business-type	72,034	36,649	(54,026)	54,657	8,741
	$ 312,312	$ 251,876	$ (234,235)	$ 329,953	$ 52,767

TRANSFERS

Transfers In	*Transfers Out*				
	General	*Sewer*	*Water*	*All Other Funds*	*Total*
General	$ -	$ 146,575	$ 92,200	$ 179,000	$ 417,775
Street	-	-	-	42,000	42,000
Shop Service	-	64,000	64,000	32,000	160,000
Ambulance	144,415	-	-	53,000	197,415
	$ 144,415	$ 210,575	$ 156,200	$ 306,000	$ 817,190

Transfers on the modified accrual basis are different from transfer on the full accrual basis due to capital assets acquired by the Systems Development Fund being transferred to the enterprise funds. Such transfers are not reported on the modified accrual basis of accounting but are recorded on the full accrual basis.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend then, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

The City has elected to use the modified approach for reporting its infrastructure assets. Using a pavement management system, the City has inventoried all City streets, assigned a condition category to each section of street, and arrived at an overall weighted composite index for all streets. The pavement management system allows the City to calculate a replacement cost for all functional classes of streets using lane feet and unit cost per linear foot. The total replacement cost was then adjusted for the current pavement condition index to arrive at an estimated value for City streets. The costs of maintenance and preservation that do not add to the asset's capacity or maintain streets at the condition level established by the government are expensed. It is anticipated that funds will be available for the City to maintain streets at the condition level established by the City.

The City has adopted the modified approach for reporting infrastructure assets. Under the modified approach, infrastructure assets are not depreciated as long as the City can demonstrate that the assets are properly managed and are being preserved at or above an established condition level. Instead of depreciation, the costs to maintain and preserve infrastructure assets are expensed, while additions and improvements are capitalized. The City owns approximately 988,000 lane feet of streets.

Streets

The City's pavement management system is a computer software package currently in use by more than 200 cities, counties, airports, and consulting firms. It provides users with a management tool to perform many functions, including inventory, condition assessment, condition forecasting, economic analysis and budget forecasting, and annual and long-range maintenance and rehabilitation work planning. The pavement management system divides networks into branches and sections. A branch is a readily identifiable part of a network and has a distinct function as a street. Because a street may not have consistent characteristics for its entire length, a branch is often divided into sections. Factors that are considered when dividing a branch into sections include pavement structure, traffic, construction history, functional classification, drainage facilities and shoulders, and condition.

Because the pavement management system provides detailed information on the condition of streets, it assists management in making optimal maintenance and budgetary decisions. The Pavement Condition Index (PCI) is the basis for the management system and is a composite index of the pavement's structural integrity and operating condition based on a visual inspection of sample portions. The PCI is a measurement scale, which ranges from 0 (failed) to 100 (excellent), for determining a pavement's condition. It is based on measured distress type, severity, and amount. Nineteen different pavement distresses have been identified and include alligator cracking, bleeding, potholes, edge cracking, depressions, etc. Each distress is then rated for severity (low, medium, and high) and quantity (for example, 10 square feet). Strict definitions exist for the distresses and their severity, resulting in a highly accurate and quantifiable measure of pavement condition.

GAAP state that a government's asset management system must meet the following minimum requirements in order for the government to use the modified approach for infrastructure reporting:

a. Have an up-to-date inventory of eligible infrastructure assets.
b. Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
c. Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

The pavement management system used by the City allows the City of Dallas to meet these requirements.

The City completed a condition assessment of all streets in 2006. The pavement management system divides streets into four functional classifications, including arterial, collector, residential/local and other. The system assigns a condition class to a percentage of each classification. Condition classes are ranked "Very Good" (PCI of 75 - 100), "Good" (PCE of 55 - 75), "Poor" (PCI of 30 - 55), and "Very Poor" (PCI of 0 - 30). The calculations of the management system indicate that 66.9% of City streets rank as "Very Good," 19.4% are ranked at "Good," 11.2% are ranked as "Poor," and only 2.5% are ranked as "Very Poor." The weighted composite index of all City streets is 74.

The pavement management system also allows the City to project the costs of maintaining the streets at a certain level. The City's policy is to maintain streets at a weighted composite index between 72 and 75. Analysis indicates that the City would be required to spend approximately $200,000 each year to maintain streets at a weighted composite index between 72 and 75. Following is information regarding the actual expenditures for street maintenance for the last five fiscal years:

2006-2007	*2005-2006*	*2004-2005*	*2003-2004*	*2002-2003*
$ 245,333	$ 244,280	$ 246,487	$ 125,000	$ 72,700

Funding sources for street maintenance include federal highway funds, charges to the Sewer and Water Departments for trenching of the streets, and funds provided to the City from State gas tax and motor vehicle title and registration fees. The adopted 2005-2006 budget includes over $200,000 for street maintenance. It is anticipated that funding for street maintenance will continue at that level in the future, allowing the City to maintain a composite index of approximately 75.

GASB No. 34 allows governments to use the modified approach as long as at least one complete condition assessment is available and the government documents that the eligible infrastructure assets are being preserved approximately at (or above) the condition level the government has established and disclosed. Although the City of Dallas also performed a pavement condition assessment in 1994, the weighted composite index from that assessment is not available and would not be comparable due to the addition of many new streets in the City.

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	*Final*	*Actual*	*Variance*
REVENUES				
Taxes and assessments	$ 2,703,140	$ 2,703,140	$ 2,738,415	$ 35,275
Charges for services	531,000	531,000	549,374	18,374
Licenses and permits	451,000	451,000	313,358	(137,642)
Franchise fees	812,000	812,000	803,718	(8,282)
Intergovernmental	393,000	393,000	434,509	41,509
Fines and forfeitures	235,000	235,000	325,233	90,233
Miscellaneous	140,000	140,000	267,486	127,486
Total Revenues	5,265,140	5,265,140	5,432,093	166,953
EXPENDITURES				
Municipal Court	282,445	296,445	289,054	7,391
Fire Department	790,891	834,891	806,304	28,587
Police Department	2,631,939	2,631,939	2,619,323	12,616
Library	521,588	506,588	496,915	9,673
Community Development Facilities	15,328	15,328	15,322	6
Community Development Parks	221,885	251,885	248,000	3,885
Community Development Recreation	108,060	130,060	125,950	4,110
Community Development Aquatic	834,110	923,110	910,001	13,109
Community Development Inspections	399,828	402,828	400,554	2,274
Community Development Planning	274,826	254,826	246,329	8,497
Non-Departmental & Contingency	475,000	99,000	81,662	17,338
Total Expenditures	6,555,900	6,346,900	6,239,414	107,486
REVENUES OVER (UNDER) EXPENDITURES	(1,290,760)	(1,081,760)	(807,321)	274,439
OTHER FINANCING SOURCES (USES)				
Transfers in	432,775	432,775	417,775	(15,000)
Transfers out	(42,000)	(181,000)	(144,415)	(36,585)
Total Other Financing Sources (Uses)	390,775	251,775	273,360	(51,585)
NET CHANGE IN FUND BALANCE	(899,985)	(829,985)	(533,961)	222,854
FUND BALANCE, Beginning of year	1,847,805	1,847,805	1,848,263	458
FUND BALANCE, End of year	$ 947,820	$ 1,017,820	$ 1,314,302	$ 223,312

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SYSTEMS DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	*Final*	*Actual*	*Variance*
REVENUES				
Licenses and permits	$ 2,370,000	$ 2,370,000	$ 1,360,317	$ (1,009,683)
Miscellaneous	-	-	342,118	342,118
Total Revenues	2,370,000	2,370,000	1,702,435	(667,565)
EXPENDITURES				
Capital outlay	8,681,405	8,681,405	2,177,065	6,504,340
REVENUES OVER (UNDER) EXPENDITURES	(6,311,405)	(6,311,405)	(474,630)	5,836,775
FUND BALANCE, Beginning of year	6,311,405	6,311,405	6,639,114	327,709
FUND BALANCE, End of year	$ -	$ -	$ 6,164,484	$ 6,164,484

OTHER SUPPLEMENTARY INFORMATION

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL OBLIGATION BOND FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes and assessments	$ 740,000	$ 740,000	$ 726,620	$ (13,380)
EXPENDITURES				
Debt service	744,240	744,240	744,229	11
REVENUES OVER (UNDER) EXPENDITURES	(4,240)	(4,240)	(17,609)	(13,369)
FUND BALANCE, Beginning of year	215,347	215,347	208,358	(6,989)
FUND BALANCE, End of year	$ 211,107	$ 211,107	$ 190,749	$ (20,358)

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	*Final*	*Actual*	*Variance*
REVENUES				
Miscellaneous	$ 75,000	$ 75,000	$ 128,972	$ 53,972
EXPENDITURES				
Capital outlay	5,325,000	5,325,000	872,059	4,452,941
REVENUES OVER (UNDER) EXPENDITURES	(5,250,000)	(5,250,000)	(743,087)	4,506,913
OTHER FINANCING SOURCES (USES)				
Loan proceeds	4,000,000	4,000,000	-	(4,000,000)
NET CHANGE IN FUND BALANCE	(1,250,000)	(1,250,000)	(743,087)	506,913
FUND BALANCE, Beginning of year	1,250,000	1,250,000	1,043,533	(206,467)
FUND BALANCE, End of year	$ -	$ -	$ 300,446	$ 300,446

CITY OF DALLAS, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue		
	Street	***Revenue Sharing***	***Trust/Reserve***
ASSETS			
Cash and investments	$ 210,002	$ 3,710	$ 395,472
Accounts receivable	-	-	-
Special assessments	-	-	-
Total Assets	$ 210,002	$ 3,710	$ 395,472
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 8,251	$ -	$ 6,530
Deferred revenue	-	-	-
Total Liabilities	8,251	-	6,530
Fund Balances			
Unreserved, reported in:			
Special revenue funds	201,751	3,710	388,942
Debt service fund	-	-	-
Total Fund Balances	201,751	3,710	388,942
Total Liabilities and Fund Balances	$ 210,002	$ 3,710	$ 395,472

		Debt Service	
		Improvement	
Grants		Bond	Totals
$	40,422	$ 6,344	$ 655,950
	469,582	-	469,582
	-	4,318	4,318
$	510,004	$ 10,662	$ 1,129,850
$	445,021	$ -	$ 459,802
	-	4,319	4,319
	445,021	4,319	464,121
	64,983	-	659,386
	-	6,343	6,343
	64,983	6,343	665,729
$	510,004	$ 10,662	$ 1,129,850

CITY OF DALLAS, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue		
	Street	***Revenue Sharing***	***Trust/Reserve***
REVENUES			
Taxes and assessments	$ -	$ -	$ -
Intergovernmental	783,683	94,338	-
Miscellaneous	18,710	-	309,901
Total Revenues	802,393	94,338	309,901
EXPENDITURES			
Current operating:			
General government	-	-	-
Highways and streets	840,978	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	297,075
Debt service	-	-	-
Total Expenditures	840,978	-	297,075
REVENUES OVER (UNDER) EXPENDITURES	(38,585)	94,338	12,826
OTHER FINANCING SOURCES (USES)			
Transfers in	42,000	-	-
Transfers out	(32,000)	(95,000)	-
Total Other Financing Sources (Uses)	10,000	(95,000)	-
NET CHANGE IN FUND BALANCES	(28,585)	(662)	12,826
FUND BALANCES, Beginning of year	230,336	4,372	376,116
FUND BALANCES, End of year	$ 201,751	$ 3,710	$ 388,942

	Debt Service		
Grants	*Improvement Bond*	*General Debt*	*Totals*
$ -	$ -	$ 78,192	$ 78,192
682,327	-	-	1,560,348
-	110,565	-	439,176
682,327	110,565	78,192	2,077,716
-	35,990	-	35,990
-	-	-	840,978
500,695	-	-	500,695
-	164,107	-	461,182
-	-	78,192	78,192
500,695	200,097	78,192	1,917,037
181,632	(89,532)	-	160,679
-	-	-	42,000
(179,000)	-	-	(306,000)
(179,000)	-	-	(264,000)
2,632	(89,532)	-	(103,321)
62,351	95,875	-	769,050
$ 64,983	$ 6,343	$ -	$ 665,729

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - STREET FUND

YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	*Final*	*Actual*	*Variance*
REVENUES				
Intergovernmental	$ 773,800	$ 773,800	$ 783,683	$ 9,883
Miscellaneous	12,500	12,500	18,710	6,210
Total Revenues	786,300	786,300	802,393	16,093
EXPENDITURES				
Personal services	341,690	356,690	342,730	13,960
Materials and services	680,035	700,035	498,248	201,787
Capital outlay	1,000	1,000	-	1,000
Contingency	127,788	92,788	-	92,788
Total Expenditures	1,150,513	1,150,513	840,978	309,535
REVENUES OVER (UNDER) EXPENDITURES	(364,213)	(364,213)	(38,585)	325,628
OTHER FINANCING SOURCES (USES)				
Transfers in	42,000	42,000	42,000	-
Transfers out	(32,000)	(32,000)	(32,000)	-
Total Other Financing Sources (Uses)	10,000	10,000	10,000	-
NET CHANGE IN FUND BALANCE	(354,213)	(354,213)	(28,585)	325,628
FUND BALANCE, Beginning of year	354,213	354,213	230,336	(123,877)
FUND BALANCE, End of year	$ -	$ -	$ 201,751	$ 201,751

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - REVENUE SHARING FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	*Final*	*Actual*	*Variance*
REVENUES				
Intergovernmental	$ 92,975	$ 92,975	$ 94,338	$ 1,363
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	92,975	92,975	94,338	1,363
OTHER FINANCING SOURCES (USES)				
Transfers out	(95,000)	(95,000)	(95,000)	-
NET CHANGE IN FUND BALANCE	(2,025)	(2,025)	(662)	1,363
FUND BALANCE, Beginning of year	2,025	2,025	4,372	2,347
FUND BALANCE, End of year	$ -	$ -	$ 3,710	$ 3,710

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TRUST/RESERVE FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	***Final***	***Actual***	***Variance***
REVENUES				
Miscellaneous	$ 466,500	$ 466,500	$ 309,901	$ (156,599)
EXPENDITURES				
Park	10,500	500	-	500
Skate park	5,000	5,000	-	5,000
Fire equipment	127,300	127,300	18,216	109,084
Ambulance equipment	5,000	5,000	-	5,000
Library	18,000	18,000	5,681	12,319
Bail	100,000	110,000	102,158	7,842
Aquatic center	24,000	17,000	-	17,000
Improvement	250,000	250,000	81,045	168,955
Street Improvement	250,000	250,000	49,405	200,595
Police	35,000	42,000	39,770	2,230
Development park	25,000	25,000	-	25,000
Civic center	5,000	5,000	800	4,200
Economic development	7,000	7,000	-	7,000
Total Expenditures	861,800	861,800	297,075	564,725
REVENUES OVER (UNDER) EXPENDITURES	(395,300)	(395,300)	12,826	408,126
FUND BALANCE, Beginning of year	395,300	395,300	376,116	(19,184)
FUND BALANCE, End of year	$ -	$ -	$ 388,942	$ 388,942

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	*Final*	*Actual*	*Variance*
REVENUES				
Intergovernmental	$ 669,000	$ 1,188,791	$ 682,327	$ (506,464)
EXPENDITURES				
Capital outlay	550,000	1,019,791	500,695	519,096
REVENUES OVER (UNDER) EXPENDITURES	119,000	169,000	181,632	12,632
OTHER FINANCING SOURCES (USES)				
Transfers out	(194,000)	(194,000)	(179,000)	15,000
NET CHANGE IN FUND BALANCE	(75,000)	(25,000)	2,632	27,632
FUND BALANCE, Beginning of year	75,000	25,000	62,351	37,351
FUND BALANCE, End of year	$ -	$ -	$ 64,983	$ 64,983

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - IMPROVEMENT BOND FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Miscellaneous	$ 129,000	$ 129,000	$ 110,565	$ (18,435)
EXPENDITURES				
Materials and services	117,213	117,213	35,990	81,223
Capital outlay	100,000	100,000	164,107	(64,107)
Total Expenditures	217,213	217,213	200,097	17,116
REVENUES OVER (UNDER) EXPENDITURES	(88,213)	(88,213)	(89,532)	(1,319)
FUND BALANCE, Beginning of year	88,213	88,213	95,875	7,662
FUND BALANCE, End of year	$ -	$ -	$ 6,343	$ 6,343

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL DEBT FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Original	*Final*	*Actual*	*Variance*
REVENUES				
Taxes and assessments	$ 78,450	$ 78,450	$ 78,192	$ (258)
EXPENDITURES				
Debt service	78,450	78,450	78,192	258
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	$ -	$ -	$ -	$ -

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET (NON-GAAP BASIS) AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Charges for services	$ 2,696,000	$ 2,696,000	$ 2,570,349	$ 2,570,349
Miscellaneous	235,500	235,500	240,531	240,531
Total Revenues	2,931,500	2,931,500	2,810,880	2,810,880
EXPENSES				
Personal services	797,282	817,282	749,906	748,810
Materials and services	1,653,859	1,698,859	1,619,912	1,633,930
Capital outlay/depreciation	20,000	20,000	-	587,707
Debt service	1,171,041	1,171,041	1,171,042	518,409
Contingency	2,896,318	2,831,318	-	-
Total Expenses	6,538,500	6,538,500	3,540,860	3,488,856
REVENUES OVER (UNDER) EXPENSES	(3,607,000)	(3,607,000)	(729,980)	(677,976)
OTHER FINANCING SOURCES (USES)				
Transfers out	(210,575)	(210,575)	(210,575)	(210,575)
Contributed capital	-	-	-	639,690
Total Other Financing Sources (Uses)	(210,575)	(210,575)	(210,575)	429,115
NET CHANGE IN NET ASSETS	(3,817,575)	(3,817,575)	(940,555)	(248,861)
NET ASSETS, Beginning of year	3,817,575	3,817,575	3,778,571	14,566,976
NET ASSETS, End of year	$ -	$ -	$ 2,838,016	$ 14,318,115

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET (NON-GAAP BASIS) AND ACTUAL - WATER FUND

YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Budget	GAAP
	Original	Final	Basis	Basis
REVENUES				
Charges for services	$ 1,792,000	$ 1,792,000	$ 1,851,484	$ 1,851,484
Miscellaneous	52,000	52,000	91,685	91,685
Total Revenues	1,844,000	1,844,000	1,943,169	1,943,169
EXPENSES				
Personal services	688,845	763,845	745,128	747,851
Materials and services	710,322	736,322	680,688	705,864
Capital outlay/depreciation	11,000	211,000	149,404	289,284
Debt service	207,875	207,875	207,824	43,824
Contingency	1,202,414	901,414	-	-
Total Expenses	2,820,456	2,820,456	1,783,044	1,786,823
REVENUES OVER (UNDER) EXPENSES	(976,456)	(976,456)	160,125	156,346
OTHER FINANCING SOURCES (USES)				
Transfers out	(156,200)	(156,200)	(156,200)	(156,200)
Contributed capital	-	-	-	1,002,970
Total Other Financing Sources (Uses)	(156,200)	(156,200)	(156,200)	846,770
NET CHANGE IN NET ASSETS	(1,132,656)	(1,132,656)	3,925	1,003,116
NET ASSETS, Beginning of year	1,132,656	1,132,656	1,219,912	9,792,557
NET ASSETS, End of year	$ -	$ -	$ 1,223,837	$ 10,795,673

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET (NON-GAAP BASIS) AND ACTUAL - AMBULANCE FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Budget	GAAP
	Original	Final	Basis	Basis
REVENUES				
Charges for services	$ 810,000	$ 810,000	$ 735,299	$ 735,299
EXPENSES				
Personal services	666,747	691,747	678,861	659,857
Materials and services	260,826	283,826	267,459	267,459
Capital outlay/depreciation	8,000	-	-	-
Total Expenses	935,573	975,573	946,320	927,316
REVENUES OVER (UNDER) EXPENSES	(125,573)	(165,573)	(211,021)	(192,017)
OTHER FINANCING SOURCES (USES)				
Transfers in	95,000	234,000	197,415	197,415
Transfer of capital assets	-	-	-	(464,379)
Total Other Financing Sources (Uses)	95,000	234,000	197,415	(266,964)
NET CHANGE IN NET ASSETS	(30,573)	68,427	(13,606)	(458,981)
NET ASSETS, Beginning of year	30,573	30,573	13,606	458,981
NET ASSETS, End of year	$ -	$ 99,000	$ -	$ -

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET (NON-GAAP BASIS) AND ACTUAL - OUTSIDE WATER FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Charges for services	$ 20,000	$ 20,000	$ 21,520	$ 21,520
EXPENDITURES				
Personal services	15,500	15,500	-	-
Materials and services	61,296	61,296	-	-
Total Expenditures	76,796	76,796	-	-
REVENUES OVER (UNDER) EXPENDITURES	(56,796)	(56,796)	21,520	21,520
NET ASSETS, Beginning of year	56,796	56,796	111,667	111,667
NET ASSETS, End of year	$ -	$ -	$ 133,187	$ 133,187

CITY OF DALLAS, OREGON
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
JUNE 30, 2007

	Shop Service	*Internal Service*	*Totals*
ASSETS			
Current assets			
Cash and investments	$ 211,760	$ 16,596	$ 228,356
Inventories	5,366	-	5,366
Total Current Assets	217,126	16,596	233,722
Noncurrent assets			
Capital assets, net	482,957	10,795	493,752
Total Assets	700,083	27,391	727,474
LIABILITIES			
Current liabilities			
Accounts payable	25,666	16,596	42,262
Noncurrent liabilities			
Compensated absences payable	3,245	40,781	44,026
Total Liabilities	28,911	57,377	86,288
NET ASSETS			
Investment in capital assets	482,957	10,795	493,752
Unrestricted (deficit)	188,215	(40,781)	147,434
Total Net Assets	$ 671,172	$ (29,986)	$ 641,186

CITY OF DALLAS, OREGON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2007

	Shop Service	*Internal Service*	*Totals*
OPERATING REVENUES			
Charges for services	$ -	$ 1,077,352	$ 1,077,352
Miscellaneous	384,962	-	384,962
Total Operating Revenues	384,962	1,077,352	1,462,314
OPERATING EXPENSES			
Personal services	114,234	745,942	860,176
Materials and services	237,483	330,599	568,082
Depreciation	137,879	9,034	146,913
Total Operating Expenses	489,596	1,085,575	1,575,171
OPERATING INCOME (LOSS)	(104,634)	(8,223)	(112,857)
NONOPERATING REVENUES (EXPENSES)			
Transfers in	160,000	-	160,000
Total Nonoperating Revenue (Expenses)	160,000	-	160,000
CHANGE IN NET ASSETS	55,366	(8,223)	47,143
NET ASSETS (DEFICIT), Beginning of year	615,806	(21,763)	594,043
NET ASSETS (DEFICIT), End of year	$ 671,172	$ (29,986)	$ 641,186

CITY OF DALLAS, OREGON
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

	Shop Services Fund	*Central Services Fund*	*Totals*
CASH FLOWS FROM OPERATING ACTIVITIES			
Collected from customers	$ 384,962	$ 1,077,352	$ 1,462,314
Paid to suppliers	(227,299)	(316,766)	(544,065)
Paid to employees	(115,719)	(746,753)	(862,472)
Net Cash Provided by (Used in) Operating Activities	41,944	13,833	55,777
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	160,000	-	160,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(143,584)	-	(143,584)
Increase (Decrease) in Cash and Investments	58,360	13,833	72,193
CASH AND INVESTMENTS, Beginning of year	153,400	2,763	156,163
CASH AND INVESTMENTS, End of year	$ 211,760	$ 16,596	$ 228,356
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	$ (104,634)	$ (8,223)	$ (112,857)
Depreciation	137,879	9,034	146,913
Change in assets and liabilities			
Inventory	(484)	-	(484)
Accrued vacation payable	(1,485)	(811)	(2,296)
Accounts payable and accrued liabilities	10,668	13,833	24,501
Net Cash Provided by (Used in) Operating Activities	$ 41,944	$ 13,833	$ 55,777

CITY OF DALLAS, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAPP BASIS) AND ACTUAL - SHOP SERVICE FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Budget	GAAP
	Original	Final	Basis	Basis
REVENUES				
Miscellaneous	$ 359,000	$ 359,000	$ 384,962	$ 384,962
EXPENDITURES				
Personal services	140,793	140,793	115,719	114,234
Materials and services	342,827	328,827	237,967	237,483
Capital outlay	135,000	149,000	143,584	137,879
Total Expenditures	618,620	618,620	497,270	489,596
REVENUES OVER (UNDER) EXPENDITURES	(259,620)	(259,620)	(112,308)	(104,634)
OTHER FINANCING SOURCES (USES)				
Transfers in	160,000	160,000	160,000	160,000
NET CHANGE IN FUND BALANCE	(99,620)	(99,620)	47,692	55,366
FUND BALANCE, Beginning of year	99,620	99,620	138,402	615,806
FUND BALANCE, End of year	$ -	$ -	$ 186,094	$ 671,172

CITY OF DALLAS, OREGON

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAPP BASIS) AND ACTUAL - CENTRAL SERVICES FUND YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Budget	GAAP
	Original	Final	Basis	Basis
REVENUES				
Charges for services	$ 1,083,088	$ 1,113,088	$ 1,077,352	$ 1,077,352
EXPENDITURES				
Mayor and city council	26,000	26,000	22,997	22,997
Human resources	87,892	87,892	87,717	87,717
City manager	288,354	298,354	297,234	297,234
Finance office	497,005	485,005	483,164	491,387
City attorney	54,400	56,400	56,000	56,000
Facilities maintenance	129,437	159,437	130,240	130,240
Total Expenditures	1,083,088	1,113,088	1,077,352	1,085,575
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(8,223)
FUND BALANCE (DEFICIT), Beginning of year	-	-	-	(21,763)
FUND BALANCE (DEFICIT), End of year	$ -	$ -	$ -	$ (29,986)

OTHER FINANCIAL SCHEDULES

CITY OF DALLAS, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
YEAR ENDED JUNE 30, 2007

Tax Year	*Uncollected Balances July 1, 2006*	*2006-2007 Levy*	*Discounts & Adjustments*	*Turnovers*	*Uncollected Balances June 30, 2007*
2006-07	$ -	$ 3,555,585	$ (93,475)	$ 3,339,468	$ 122,642
2005-06	115,072	-	2,688	78,673	39,087
2004-05	36,814	-	2,117	20,627	18,304
2003-04	19,439	-	2,219	14,169	7,489
2002-03	8,832	-	1,719	9,298	1,253
2001-02	2,427	-	265	1,112	1,580
Prior Years	4,129	-	581	1,686	3,024
Total	$ 186,713	$ 3,555,585	$ (83,886)	$ 3,465,033	$ 193,379

CITY OF DALLAS, OREGON
SCHEDULE OF BOND AND BOND INTEREST TRANSACTIONS
YEAR ENDED JUNE 30, 2007

	Interest Rates	*Date of Issue*	*Fiscal Year of Maturity*
DEBT PRINCIPAL TRANSACTIONS			
Governmental activities			
Series 1999	4.95%	1999	2017-18
Series 2003	4.25-5.00%	2003	2018-19
Series 2005	3.50%-4.00%	2005	2018-19
2005 PERS bonds	4.38%-5.00%	2005	2027-28
Property purchase contracts	0%-6.0%	2005	2006-07
Business-type activities			
Sewage 1998	4.74%	1998	2017-18
Sewage DEQ	3.93%	2000	2019-20
Water Refunding 2005	3.75%	2005	2012-13

	Interest Rates	*Date of Issue*	*Unmatured Interest Outstanding July 1, 2006*
DEBT INTEREST TRANSACTIONS			
Governmental activities			
Series 1999	4.95%	1999	$ 82,245
Series 2003	4.25-5.00%	2003	269,032
Series 2005	3.50%-4.00%	2005	1,606,800
2005 PERS bonds	4.38%-5.00%	2005	1,325,948
			3,284,025
Business-type activities			
Sewage 1998	4.74%	1998	128,407
Sewage DEQ	3.93%	2000	3,991,968
Water Refunding 2005	3.75%	2005	167,775
			4,288,150
			$ 7,572,175

Outstanding July 1, 2006	*New Issues*	*Debt Paid*	*Outstanding June 30, 2007*
$ 920,000	$ -	$ (295,000)	$ 625,000
790,000	-	(35,000)	755,000
4,670,000	-	(135,000)	4,535,000
1,585,000	-	-	1,585,000
130,000	-	(130,000)	-
8,095,000	-	(595,000)	7,500,000
372,639	-	(24,025)	348,614
11,473,703	-	(628,608)	10,845,095
1,252,000	-	(164,000)	1,088,000
13,098,342	-	(816,633)	12,281,709
$ 21,193,342	$ -	$ (1,411,633)	$ 19,781,709

New Issues	*Interest Paid*	*Unmatured Interest June 30, 2007*
$ -	$ (40,345)	$ 41,900
-	(38,234)	230,798
-	(200,650)	1,406,150
-	(78,192)	1,247,756
-	(357,421)	2,926,604
-	(17,797)	110,610
-	(500,612)	3,491,356
-	(43,824)	123,951
-	(562,233)	3,725,917
$ -	$ (919,654)	$ 6,652,521

CITY OF DALLAS, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

JUNE 30, 2007

Governmental Activities

Fiscal Year Ending June 30,	*Series 1999*			*Series 2003*		
	Principal	*Interest*	*Total*	*Principal*	*Interest*	*Total*
2008	$ 305,000	$ 27,660	$ 332,660	$ 40,000	$ 36,383	$ 76,383
2009	320,000	14,240	334,240	50,000	34,155	84,155
2010	-	-	-	55,000	31,566	86,566
2011	-	-	-	60,000	28,710	88,710
2012	-	-	-	70,000	25,493	95,493
2013	-	-	-	70,000	22,028	92,028
2014	-	-	-	75,000	18,439	93,439
2015	-	-	-	80,000	14,603	94,603
2016	-	-	-	80,000	10,643	90,643
2017	-	-	-	85,000	6,559	91,559
2018	-	-	-	90,000	2,229	92,229
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	$ 625,000	$ 41,900	$ 666,900	$ 755,000	$ 230,808	$ 985,808

Business-type Activities

Fiscal Year Ending June 30,	*Sewage 1998*			*Sewage DEQ*		
	Principal	*Interest*	*Total*	*Principal*	*Interest*	*Total*
2008	$ 24,199	$ 16,751	$ 40,950	$ 653,555	$ 472,460	$ 1,126,015
2009	24,386	15,675	40,061	679,491	443,193	1,122,684
2010	29,583	14,577	44,160	706,458	412,761	1,119,219
2011	29,791	13,232	43,023	734,494	381,124	1,115,618
2012	30,014	11,847	41,861	763,644	348,229	1,111,873
2013	30,251	10,422	40,673	793,950	314,030	1,107,980
2014	30,506	8,955	39,461	825,459	278,473	1,103,932
2015	35,777	7,460	43,237	858,218	241,506	1,099,724
2016	36,061	5,706	41,767	892,277	203,071	1,095,348
2017	36,364	3,902	40,266	927,688	163,111	1,090,799
2018	41,682	2,084	43,766	964,504	121,566	1,086,070
2019	-	-	-	1,002,782	78,370	1,081,152
2020	-	-	-	1,042,575	33,462	1,076,037
	$ 348,614	$ 110,611	$ 459,225	$ 10,845,095	$ 3,491,356	$ 14,336,451

Series 2005			PERS Bonds		
Principal	*Interest*	*Total*	*Principal*	*Interest*	*Total*
$ 100,000	$ 195,250	$ 295,250	$ -	$ 78,450	$ 78,450
100,000	191,250	291,250	5,000	78,450	83,450
405,000	187,250	592,250	10,000	78,231	88,231
420,000	171,050	591,050	15,000	77,787	92,787
435,000	154,250	589,250	20,000	77,110	97,110
455,000	136,850	591,850	30,000	76,010	106,010
475,000	114,100	589,100	35,000	74,626	109,626
455,000	90,350	545,350	40,000	72,993	112,993
480,000	67,600	547,600	50,000	71,050	121,050
385,000	48,400	433,400	60,000	68,620	128,620
405,000	33,000	438,000	70,000	65,705	135,705
420,000	16,800	436,800	80,000	62,304	142,304
-	-	-	90,000	58,416	148,416
-	-	-	100,000	54,043	154,043
-	-	-	115,000	49,039	164,039
-	-	-	125,000	43,285	168,285
-	-	-	140,000	37,030	177,030
-	-	-	155,000	38,024	193,024
-	-	-	170,000	22,268	192,268
-	-	-	190,000	13,761	203,761
-	-	-	85,000	4,253	89,253
$ 4,535,000	$ 1,406,150	$ 5,941,150	$ 1,585,000	$ 1,201,455	$ 2,786,455

Water 2005		
Principal	*Interest*	*Total*
$ 170,000	$ 37,613	$ 207,613
176,000	31,125	207,125
183,000	24,394	207,394
190,000	17,400	207,400
197,000	10,144	207,144
172,000	3,224	175,224
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
$ 1,088,000	$ 123,900	$ 1,211,900

Governmental Activities

Fiscal Year Ending June 30,	*Totals*		
	Principal	*Interest*	*Total*
2008	$ 445,000	$ 337,743	$ 782,743
2009	475,000	318,095	793,095
2010	470,000	297,047	767,047
2011	495,000	277,547	772,547
2012	525,000	256,853	781,853
2013	555,000	234,888	789,888
2014	585,000	207,165	792,165
2015	575,000	177,946	752,946
2016	610,000	149,293	759,293
2017	530,000	123,579	653,579
2018	565,000	100,934	665,934
2019	500,000	79,104	579,104
2020	90,000	58,416	148,416
2021	100,000	54,043	154,043
2022	115,000	49,039	164,039
2023	125,000	43,285	168,285
2024	140,000	37,030	177,030
2025	155,000	38,024	193,024
2026	170,000	22,268	192,268
2027	190,000	13,761	203,761
2028	85,000	4,253	89,253
	$ 7,500,000	$ 2,880,313	$ 10,380,313

Business-type Activities

Fiscal Year Ending June 30,	*Totals*		
	Principal	*Interest*	*Total*
2008	$ 847,754	$ 526,824	$ 1,374,578
2009	879,877	489,993	1,369,870
2010	919,041	451,732	1,370,773
2011	954,285	411,756	1,366,041
2012	990,658	370,220	1,360,878
2013	996,201	327,676	1,323,877
2014	855,965	287,428	1,143,393
2015	893,995	248,966	1,142,961
2016	928,338	208,777	1,137,115
2017	964,052	167,013	1,131,065
2018	1,006,186	123,650	1,129,836
2019	1,002,782	78,370	1,081,152
2020	1,042,575	33,462	1,076,037
	$ 12,281,709	$ 3,725,867	$ 16,007,576

STATISTICAL SECTION

This part of the City of Dallas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	62-67
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	68-72
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	73-76
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	77-78
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the service the City provides and the activities it performs.	79-80

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS

CITY OF DALLAS, OREGON
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS

	2007	2006	2005
Governmental activities:			
Invested in capital assets (net of related debt)	$ 72,313,314	$ 69,659,685	$ 70,836,711
Restricted for special purposes	6,820,160	7,307,917	6,414,868
Unrestricted	1,930,213	4,881,233	3,255,110
Total governmental activities net assets	$ 81,063,687	$ 81,848,835	$ 80,506,689
Business-type activities:			
Invested in capital assets (net of related debt)	$ 20,859,855	$ 19,592,528	$ 18,820,679
Restricted for special purposes	-	-	-
Unrestricted	4,387,120	5,337,653	6,008,749
Total business-type activities net assets	$ 25,246,975	$ 24,930,181	$ 24,829,428
Primary government:			
Invested in capital assets (net of related debt)	$ 93,173,169	$ 89,382,213	$ 89,657,390
Restricted for special purposes	6,820,160	7,307,917	6,414,868
Unrestricted	6,317,333	10,088,886	9,263,859
Total primary government net assets	$ 106,310,662	$ 106,779,016	$ 105,336,117

2004	*2003*
$ 70,842,393	$ 69,101,619
3,947,439	-
2,138,540	6,133,760
$ 76,928,372	$ 75,235,379
$ 18,499,585	$ 16,972,442
-	-
7,915,724	7,995,732
$ 26,415,309	$ 24,968,174
$ 89,341,978	$ 86,074,061
3,947,439	-
10,054,264	14,129,492
$ 103,343,681	$ 100,203,553

CITY OF DALLAS, OREGON
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS

	2007	2006	2005
EXPENSES			
Governmental activities:			
General government	$ 439,215	$ 560,440	$ 511,423
Public safety	3,817,182	2,979,379	2,686,979
Highways and streets	3,215,818	919,953	1,817,002
Culture and recreation	3,198,380	2,191,735	2,096,956
Interest on long-term debt	357,421	368,216	360,394
Unallocated depreciation	-	795,053	2,534,598
Total governmental activities expenses	11,028,016	7,814,776	10,007,352
Business-type activities:			
Sewage disposal	1,786,823	3,093,131	1,782,699
Water	3,488,856	1,809,211	3,415,917
Ambulance	927,316	957,655	894,982
Total business-type activities expenses	6,202,995	5,859,997	6,093,598
Total expenses	$ 17,231,011	$ 13,674,773	$ 16,100,950
PROGRAM REVENUES			
Governmental activities:			
Charges for services	$ 1,297,115	$ 1,298,606	$ 890,574
Operating grants and contributions	2,051,181	1,316,217	1,423,578
Capital grants and contributions	953,059	2,684,450	3,482,523
Total governmental activities program revenues	4,301,355	5,299,273	5,796,675
Business-type activities:			
Charges for services	5,178,652	4,958,640	4,741,264
Operating grants and contributions	-	-	-
Capital grants and contributions	1,642,660	-	-
Total business-type activities program revenues	6,821,312	4,958,640	4,741,264
Total program revenues	$ 11,122,667	$ 10,257,913	$ 10,537,939

2004	*2003*
$ 445,968	$ 621,035
2,850,336	2,975,244
717,131	927,237
1,724,036	1,755,912
369,980	339,247
-	-
6,107,451	6,618,675
2,961,851	2,820,693
1,665,304	2,172,125
848,941	835,400
5,476,096	5,828,218
$ 11,583,547	$ 12,446,893
$ 1,907,183	$ 1,857,698
257,890	405,664
1,832	80,654
2,166,905	2,344,016
5,603,815	5,366,247
-	21,422
1,234,269	-
6,838,084	5,387,669
$ 9,004,989	$ 7,731,685

CITY OF DALLAS, OREGON
CHANGES IN NET ASSETS (Continued)
LAST FIVE FISCAL YEARS

	2007	2006	2005
PROGRAM REVENUES (Continued)			
Net (Expense)/Revenue			
Governmental activities	$ (6,726,661)	$ (2,515,503)	$ (4,210,677)
Business-type activities	618,317	(901,357)	(1,352,334)
Total net expense	$ (6,108,344)	$ (3,416,860)	$ (5,563,011)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes and assessments	$ 3,549,521	$ 3,257,042	$ 3,103,432
Franchise Fees	803,718	725,976	1,146,135
Intergovernmental	190,022	260,420	202,655
Miscellaneous	690,537	185,139	138,529
Transfer of capital assets	464,379	-	-
Proceeds from property sales	73,977	-	-
Transfers	169,360	(570,930)	55,300
Total governmental activities	$ 5,941,514	$ 3,857,647	$ 4,646,051
Business-type activities:			
Miscellaneous	$ 332,216	$ 326,968	$ 212,594
Transfer of capital assets	(464,379)	-	463,737
Transfers	(169,360)	570,930	(55,300)
Total business-type activities	(301,523)	897,898	621,031
Total	$ 5,639,991	$ 4,755,545	$ 5,267,082
Change in Net Assets			
Governmental activities	$ (785,147)	$ 1,342,144	$ 435,374
Business-type activities	316,794	(3,459)	(731,303)
Total	$ (468,353)	$ 1,338,685	$ (295,929)

2004	*2003*
$ (3,940,546)	$ (4,274,659)
1,361,988	(440,549)
$ (2,578,558)	$ (4,715,208)
$ 2,990,420	$ 2,870,005
864,322	890,480
302,728	274,209
42,735	74,441
-	-
-	-
-	(42,891)
$ 4,200,205	$ 4,066,244
$ 85,147	$ 229,832
-	-
-	42,891
85,147	272,723
$ 4,285,352	$ 4,338,967
$ 259,659	$ (208,415)
1,447,135	(167,826)
$ 1,706,794	$ (376,241)

CITY OF DALLAS, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2007	*2006*	*2005*	*2004*
General Fund:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	1,314,302	1,848,263	1,179,784	1,845,014
Total General Fund	$ 1,314,302	$ 1,848,263	$ 1,179,784	$ 1,845,014
Special Revenue Funds:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	659,386	673,175	861,144	213,461
Total Special Revenue Funds	$ 659,386	$ 673,175	$ 861,144	$ 213,461
Debt Service Funds:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	***197,092***	304,233	317,810	335,602
Total Debt Service Funds	$ 197,092	$ 304,233	$ 317,810	$ 335,602
Capital Projects Funds:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	6,464,930	7,682,647	7,169,032	3,502,200
Total Capital Projects Funds	$ 6,464,930	$ 7,682,647	$ 7,169,032	$ 3,502,200
All Governmental Funds:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	8,635,710	10,508,318	9,527,770	5,896,277
Total All Governmental Funds	$ 8,635,710	$ 10,508,318	$ 9,527,770	$ 5,896,277

2003	*2002*	*2001*	*2000*	*1999*	*1998*
$ -	$ -	$ -	$ -	$ -	$ -
1,791,241	2,033,969	2,396,727	2,571,298	2,527,065	2,444,923
$ 1,791,241	$ 2,033,969	$ 2,396,727	$ 2,571,298	$ 2,527,065	$ 2,444,923
$ -	$ -	$ -	$ -	$ -	$ -
202,645	239,413	344,720	395,378	366,895	294,077
$ 202,645	$ 239,413	$ 344,720	$ 395,378	$ 366,895	$ 294,077
$ -	$ -	$ -	$ -	$ -	$ -
346,402	309,018	318,921	299,451	791,715	260,017
$ 346,402	$ 309,018	$ 318,921	$ 299,451	$ 791,715	$ 260,017
$ -	$ -	$ -	$ -	$ -	$ -
3,528,226	3,402,793	3,421,035	5,377,132	9,041,132	2,622,240
$ 3,528,226	$ 3,402,793	$ 3,421,035	$ 5,377,132	$ 9,041,132	$ 2,622,240
$ -	$ -	$ -	$ -	$ -	$ -
5,868,514	5,985,193	6,481,403	8,643,259	12,726,807	5,621,257
$ 5,868,514	$ 5,985,193	$ 6,481,403	$ 8,643,259	$ 12,726,807	$ 5,621,257

CITY OF DALLAS, OREGON

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS

	2007	2006	2005
REVENUES			
Taxes and assessments	$ 3,543,227	$ 3,257,264	$ 3,085,020
Licenses and permits	549,374	503,499	458,856
Intergovernmental	1,673,675	3,086,508	2,027,205
Franchise fees	803,718	725,976	891,804
Charges for services	1,994,857	1,565,327	3,080,657
Fines and forfeitures	325,233	250,291	273,498
Miscellaneous	1,177,752	340,849	566,478
Total Revenues	10,067,836	9,729,714	10,383,518
EXPENDITURES			
Current operating:			
General government	722,799	616,946	511,619
Highways and streets	840,978	867,888	729,940
Culture and recreation	1,798,389	1,648,851	1,636,836
Public Safety	3,753,648	3,070,333	2,818,643
Capital outlay	4,011,569	2,152,064	1,611,851
Debt service			
Interest	465,000	435,000	343,094
Principal	357,421	368,216	435,000
Total Expenditures	11,949,804	9,159,298	8,086,983
REVENUES OVER (UNDER) EXPENDITURES	(1,881,968)	570,416	2,296,535
OTHER FINANCING SOURCES (USES)			
Transfers in	459,775	1,045,630	781,780
Transfers out	(450,415)	(820,500)	(786,480)
Payment of prepaid pension asset		(1,585,000)	-
Debt proceeds		6,410,000	-
Bond refunding		(4,640,000)	-
Total Other Financing Sources (Uses)	9,360	410,130	(4,700)
NET CHANGE IN FUND BALANCES	$ (1,872,608)	$ 980,546	$ 2,291,835
Debt service as a percentage of noncapital expenditures	7.39%	9.61%	10.65%

2004	*2003*
$ 3,018,928	$ 2,902,330
294,130	237,098
1,190,830	1,420,468
864,322	890,480
659,985	628,030
153,475	159,985
227,999	337,769
6,409,669	6,576,160
420,400	558,856
2,779,104	2,753,751
717,131	844,594
1,553,207	1,578,281
167,344	976,419
369,980	378,600
374,600	339,247
6,381,766	7,429,748
27,903	(853,588)
116,880	289,500
(116,880)	(332,391)
-	-
-	885,000
-	-
-	842,109
$ 27,903	$ (11,479)
13.21%	10.70%

CITY OF DALLAS, OREGON
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS

	2007	2006	2005
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	$ 1,587,743	$ 2,927,908	$ 1,524,755
Public safety	1,566,536	775,432	882,153
Highways and streets	875,983	1,025,289	2,608,285
Culture and recreation	735,472	570,644	781,482
Total Governmental Activities	4,765,734	5,299,273	5,796,675
Business-type Activities:			
Sewage disposal	1,873,388	2,521,270	2,363,972
Water	2,570,349	1,669,428	1,588,820
Ambulance	735,299	767,942	788,472
Total Business-type Activities	5,179,036	4,958,640	4,741,264
Total Activitites	$ 9,944,770	$ 10,257,913	$ 10,537,939

2004	*2003*
$ 322,502	$ 295,948
387,023	391,998
795,189	750,777
402,469	418,975
1,907,183	1,857,698
2,931,532	2,751,060
1,873,665	1,849,990
798,618	765,197
5,603,815	5,366,247
$ 7,510,998	$ 7,223,945

REVENUE CAPACITY

CITY OF DALLAS, OREGON
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Fiscal Year	Property	Special Assessments	Total
1998	$ 1,846,499	$ 93,309	$ 1,939,808
1999	2,007,369	45,771	2,053,140
2000	2,488,093	25,689	2,513,782
2001	2,668,864	16,033	2,684,897
2002	2,804,325	138,899	2,943,224
2003	2,858,082	44,247	2,902,329
2004	3,017,579	1,349	3,018,928
2005	3,103,432	15,405	3,118,837
2006	3,257,042	1,642	3,258,684
2007	3,465,035	1,276	3,466,311
Change 1998-2007	87.7%	-98.6%	

CITY OF DALLAS, OREGON

ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	*Real Property*		*Personal Property**		*Public Utility Property*	
	Assessed Value	*Estimated Actual Value*	*Assessed Value*	*Estimated Actual Value*	*Assessed Value*	*Estimated Actual Value*
1998	$357,308,070	$ 357,308,070	$ 26,222,405	$ 26,222,405	$ 9,134,658	$ 9,134,658
1999	402,726,613	538,273,997	12,332,705	12,923,071	10,206,377	10,675,580
2000	417,960,536	540,422,888	12,799,214	12,974,662	10,592,453	10,718,199
2001	446,962,120	575,162,502	13,687,330	13,808,703	11,327,446	11,407,190
2002	488,662,187	616,835,884	14,964,312	18,889,378	12,384,258	15,632,588
2003	516,659,170	649,288,878	15,821,664	19,883,186	13,093,791	16,455,051
2004	545,163,148	688,278,376	16,694,542	21,077,163	13,816,173	17,443,169
2005	579,256,376	764,548,023	20,875,465	27,971,269	13,854,291	18,242,132
2006	630,735,332	918,616,960	24,096,450	35,080,312	14,214,536	20,755,852
2007	673,197,624	1,067,904,738	25,708,194	40,781,341	15,210,681	24,128,960

All property is assessed as of July 1 of the fiscal year.

* Includes mobile homes

Source: Polk County Department of Assessment and Taxation.

Total		*Ratio of*	
Assessed Value	*Estimated Actual Value*	*Total Assessed to Total Estimated Actual Value*	*Total Direct Tax Rate*
$392,665,133	$ 392,665,133	100.00 %	$ 4.87
425,265,695	561,872,648	75.69	4.00
441,352,203	564,115,749	78.24	5.78
471,976,896	600,378,395	78.61	5.75
516,010,757	651,357,850	79.22	5.56
545,574,625	685,627,115	79.57	5.55
575,673,863	726,798,708	79.21	5.52
613,986,132	810,761,424	75.73	5.42
669,046,318	974,453,124	68.66	5.31
714,116,499	1,132,815,039	63.04	5.21

CITY OF DALLAS, OREGON

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER $1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	*City of Dallas*	*Polk County*	*Polk* ESD*	*School District #2*	*Mid-Willamette Area ESD*	*Dallas Cemetery District*	*Total*
1998	$ 4.87	$ 2.22	$ 0.28	$ 7.17	$ 0.91	$ 0.06	$ 15.51
1999	4.85	2.13	0.28	6.59	0.88	0.06	14.79
2000	5.78	2.09	0.28	7.11	0.88	0.06	16.20
2001	5.75	2.11	0.28	6.29	0.92	0.05	15.40
2002	5.56	2.05	0.28	6.43	0.84	0.05	15.21
2003	5.55	2.02	0.30	6.50	0.85	0.05	15.27
2004	5.52	2.03	0.30	6.45	1.05	0.05	15.40
2005	5.42	2.00	0.30	6.53	1.05	0.10	15.40
2006	5.31	1.97	0.30	6.33	1.02	0.10	15.03
2007	5.21	2.40	0.78	6.20	0.30	0.05	14.94

Source: Polk County Department of Assessment and Taxation.

CITY OF DALLAS, OREGON

PRINCIPAL TAXPAYERS FOR POLK COUNTY
CURRENT YEAR AND NINE YEARS AGO

	2007			1998		
Taxpayer	*Assessed Value*	*Rank*	*% of Total City Taxable Assessed Value*	*Assessed Value*	*Rank*	*% of Total City Taxable Assessed Value*
Northwest Natural Gas Co.	$ 37,161,900	1	5.20%	$ 14,171,000	4	3.61%
Weyerhauser Company	33,989,585	2	4.76%	13,684,013	5	3.48%
Meriwether NW Land & Timber	24,620,782	3	3.45%	-	-	-
Qwest Corporation	17,005,001	4	2.38%	16,795,844	2	4.28%
TTM Printed Circuit Group, LP	16,796,260	5	2.35%	11,968,037	6	3.05%
Portland General Electric Co.	16,211,350	6	2.27%	11,725,760	7	2.99%
Capital Manor	11,962,090	7	1.68%	-	-	-
Wyant Family Trust	11,486,310	8	1.61%	-	-	-
Medallion Cabinetry	9,069,340	9	1.27%	-	-	-
Roth IGA Foodliner, Inc.	8,617,180	10	1.21%	-	-	-
Pacificorp (PP&L)	-	-	-	16,836,600	1	4.29%
Agripac, Inc.	-	-	-	16,250,030	3	4.14%
Boise Cascade Corporation	-	-	-	10,312,128	8	2.63%
TranCo	-	-	-	7,857,310	9	2.00%
Rainsweet, Inc.	-	-	-	5,335,191	10	1.36%
	$ 186,919,798		26.18%	$ 124,935,913		31.83%

Source: Polk County Department of Assessment and Taxation.

CITY OF DALLAS, OREGON

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	*Total Tax Levy*	*Collected in year of levy*		*Collected in subsequent years*	*Total collections to date*	
		Amount	*Percent of Levy*		*Amount*	*Percent of Levy*
1998	$ 1,916,909	$ 1,769,902	92.33%	$ 147,429	$ 1,917,331	100.02%
1999	2,063,474	1,964,604	95.21	98,621	2,063,225	99.99
2000	2,552,783	2,371,334	92.89	181,369	2,552,703	100.00
2001	2,713,147	2,508,604	92.46	203,317	2,711,921	99.95
2002	2,813,592	2,615,970	92.98	196,042	2,812,012	99.94
2003	2,876,224	2,682,338	93.26	192,633	2,874,971	99.96
2004	3,030,151	2,843,667	93.85	178,995	3,022,662	99.75
2005	3,186,424	3,068,521	96.30	99,599	3,168,120	99.43
2006	3,337,387	3,141,622	94.13	156,678	3,141,622	94.13
2007	3,555,585	3,339,468	93.92	-	3,141,622	88.36

Source: Information derived from Comprehensive Annual Financial Reports for all governmental funds.

DEBT CAPACITY

CITY OF DALLAS, OREGON

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

GOVERNMENTAL ACTIVITIES:

Fiscal Year Ended June 30,	*Population*	*Assessed Value*	*Bonded Debt*	*Ratio of Bonded Debt to Assessed Value*	*Bonded Debt Per Capita*
1998	12,020	$ 392,665,133	$ 2,516,000	0.0064%	$ 209.32
1999	12,530	425,265,695	8,537,400	0.0201	681.36
2000	12,870	441,352,203	7,728,800	0.0175	600.53
2001	12,577	471,976,896	7,385,200	0.0156	587.20
2002	12,650	516,010,757	7,051,600	0.0137	557.44
2003	12,850	545,574,625	7,558,000	0.0139	588.17
2004	13,420	575,673,863	7,155,000	0.0124	533.16
2005	13,500	613,986,132	6,760,000	0.0110	500.74
2006	14,585	668,374,992	7,965,000	0.0119	546.11
2007	15,065	714,116,499	7,500,000	0.0105	497.84

BUSINESS-TYPE ACTIVITIES:

Fiscal Year Ended June 30,	*Population*	*Assessed Value*	*Notes Payable and Bonded Debt*	*Ratio of Bonded Debt to Assessed Value*	*Bonded Debt Per Capita*
1998	12,020	$ 392,665,133	$ 2,099,052	0.0053%	$ 174.63
1999	12,530	425,265,695	2,525,083	0.0059	201.52
2000	12,870	441,352,203	2,412,796	0.0055	187.47
2001	12,577	471,976,896	16,034,690	0.0340	1,274.92
2002	12,650	516,010,757	15,924,550	0.0309	1,258.86
2003	12,850	545,574,625	15,249,254	0.0280	1,186.71
2004	13,420	575,673,863	14,544,219	0.0253	1,083.77
2005	13,500	613,986,132	13,809,348	0.0225	1,022.91
2006	14,585	668,374,992	13,098,342	0.0196	898.07
2007	15,065	714,116,499	12,281,709	0.0172	815.25

TOTAL DEBT:

Fiscal Year Ended June 30,	*Population*	*Assessed Value*	*Notes Payable and Bonded Debt*	*Ratio of Bonded Debt to Assessed Value*	*Bonded Debt Per Capita*
1998	12,020	$ 392,665,133	$ 4,615,052	0.0118%	$ 383.95
1999	12,530	425,265,695	11,062,483	0.0260	882.88
2000	12,870	441,352,203	10,141,596	0.0230	788.00
2001	12,577	471,976,896	23,419,890	0.0496	1,862.12
2002	12,650	516,010,757	22,976,150	0.0445	1,816.30
2003	12,850	545,574,625	22,807,254	0.0418	1,774.88
2004	13,420	575,673,863	21,699,219	0.0377	1,616.93
2005	13,500	613,986,132	20,569,348	0.0335	1,523.66
2006	14,585	668,374,992	21,063,342	0.0315	1,444.18
2007	15,065	714,116,499	19,781,709	0.0277	1,313.09

CITY OF DALLAS, OREGON
COMPUTATION OF OVERLAPPING GENERAL OBLIGATION DEBT
JUNE 30, 2007

Jurisdiction	*General Obligation Debt Outstanding*	*Percent Applicable Inside City of Dallas*	*Amount Applicable Inside City of Dallas*
City of Dallas	$ 6,380,000	100.00 %	$ 6,380,000
School District #2	9,820,000	65.00	6,383,000
Polk County	1,005,000	17.00	170,850
			$ 12,933,850

Source: Oregon Municipal Debt Advisory Commission.

CITY OF DALLAS, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2007

ORS 287.004 provides a debt limit of 3% of true cash value of all taxable property within the City boundaries:

Assessed value	$ 714,116,499
Rate	x 3%
Debt limit	21,423,495
Debt applicable to limit	(5,724,251)
Legal debt margin	$ 15,699,244

Fiscal year ended June 30,	Debt Limit	Debt Applicable to Limit	Legal Debt Margin
1998	$ 11,779,954	$ 2,079,983	$ 9,699,971
1999	12,757,971	7,593,284	5,164,687
2000	13,240,566	7,335,550	5,905,016
2001	14,159,307	7,006,079	7,153,228
2002	15,480,323	6,690,982	8,789,341
2003	16,367,239	7,274,123	9,093,116
2004	17,270,216	7,197,235	10,072,981
2005	18,419,584	6,530,663	11,888,921
2006	20,051,248	6,126,398	13,924,850
2007	21,423,495	5,724,251	15,699,244

CITY OF DALLAS, OREGON

SCHEDULE OF PLEDGED REVENUE BOND COVERAGE

LAST TEN FISCAL YEARS

WATER REVENUE BONDS

Fiscal Year Ended June 30,	*Gross Revenue*	*Expenditures*	*Net Revenue Available for Debt Service*	*Debt Service Requirements*			*Percent Coverage*
				Principal	*Interest*	*Total*	
1998	$ 1,235,675	$ 941,197	$ 294,478	$ 85,480	$ 133,911	$ 219,391	134.23%
1999	1,431,167	855,474	575,693	90,719	128,671	219,390	262.41
2000	1,427,203	1,056,604	370,599	96,281	123,110	219,391	168.92
2001	1,406,531	1,077,285	329,246	102,183	117,209	219,392	150.07
2002	1,412,153	1,211,506	200,647	108,447	110,945	219,392	91.46
2003	1,489,488	1,793,876	(304,388)	115,094	104,297	219,391	(138.74)
2004	1,516,841	1,310,768	206,073	122,150	97,241	219,391	93.93
2005	1,602,796	1,319,693	283,103	129,637	89,754	219,391	129.04
2006	1,713,652	1,342,009	371,643	95,000	111,287	206,287	180.16
2007	1,943,169	1,575,220	367,949	164,000	43,824	207,824	177.05

SEWER REVENUE BONDS

Fiscal Year Ended June 30,	*Gross Revenue*	*Expenditures*	*Net Revenue Available for Debt Service*	*Debt Service Requirements*			*Percent Coverage*
				Principal	*Interest*	*Total*	
1998	$ 2,245,772	$ 865,914	$1,379,858	$ 91,334	$ -	$ 91,334	1510.78%
1999	2,455,023	1,047,296	1,407,727	6,442	10,755	17,197	8,185.89
2000	2,670,680	1,169,461	1,501,219	18,006	23,925	41,931	3,580.21
2001	2,612,599	1,465,895	1,146,704	255,962	1,467,047	1,723,009	66.55
2002	2,467,215	1,755,076	712,139	519,456	623,607	1,143,063	62.30
2003	2,419,277	1,717,866	701,411	560,202	624,357	1,184,559	59.21
2004	2,484,673	1,801,600	683,073	582,885	599,614	1,182,499	57.77
2005	2,542,994	1,993,494	549,500	605,234	573,565	1,178,799	46.62
2006	2,784,549	1,987,523	797,026	628,471	546,513	1,174,984	67.83
2007	2,810,880	2,369,818	441,062	652,632	518,409	1,171,041	37.66

SPECIAL ASSESSMENT BONDS

Fiscal Year Ended June 30,	*Assessment Principal Collections*	*Debt Service Requirements*			*Percent Coverage*
		Principal	*Interest*	*Total*	
1998	$ 93,309	$ -	$ 6,049	$ 6,049	1542.55%
1999	38,693	23,600	8,978	32,578	118.77
2000	25,688	58,600	7,806	66,406	38.68
2001	16,033	33,600	4,868	38,468	41.68
2002	10,775	8,600	3,169	11,769	91.55
2003	44,247	8,600	2,707	11,307	391.32
2004	1,348	8,600	2,234	10,834	12.44
2005	14,504	34,400	1,752	36,152	40.12
2006	1,642	-	-	-	-
2007	1,246	-	-	-	-

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF DALLAS, OREGON
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2007			1997 (1)		
Employer	***Employees***	***Rank***	***% of Total City Employment***	***Employees***	***Rank***	***% of Total City Employment***
Tyco Printed Circuit Group, LP	-	-	3.36%	519	1	10.38%
Dallas Public Schools	340	1	6.02%	220	3	4.40%
Forest River, Inc.	330	2	5.84%	177	6	3.54%
Polk County	300	3	4.55%	96	10	1.92%
Dallas Retirement Village	250	4	4.36%	-	-	-
Wal-Mart	180	5	3.45%	180	5	3.60%
West Valley Hospital	150	6	3.09%	-	-	-
Safeway Stores, Inc.	138	7	2.91%	230	2	4.61%
Weyerhauser Corp.	137	8	2.67%	210	4	4.22%
City of Dallas	135	9	2.45%	155	7	3.10%
James W. Fowler Company	120	10	2.29%	120	8	2.40%
Balderson Industries	-	-	-	120	9	2.40%
	2,080		40.99%	2,027		40.57%

Source: City of Dallas and Employers

(1) Figures for 1998 are unavailable

CITY OF DALLAS, OREGON
FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*
General government	15	15	15	15	16	16	15
Public safety	23	24	25	26	27	27	25
Highways and streets	5	5	5	6	6	6	6
Culture and recreation	11	11	12	25	28	25	23
Sewage disposal	8	9	10	10	9	10	10
Water	7	7	9	9	9	9	9
Ambulance	13	13	14	12	12	13	13
Total	82	84	90	103	107	106	101

Source: City of Dallas

2005	*2006*	*2007*
15	16	17
25	25	26
6	6	4
24	24	25
11	10	11
9	9	11
14	14	15
104	104	109

OPERATING INFORMATION

CITY OF DALLAS, OREGON
OPERATING INDICATORS
LAST TEN FISCAL YEARS

Function	***1998***	***1999***	***2000***	***2001***	***2002***	***2003***
Police						
Arrests	1,143	1,011	1,502	1,261	1,265	1,067
Traffic violations	1,709	1,664	1,818	2,408	1,821	1,412
Municipal Court Cases	2,224	2,320	2,931	3,151	2,655	2,223
Fire Responses						
City	220	199	200	214	238	244
Rural	239	246	226	200	213	301
Ambulance						
Transports	1,393	1,368	1,477	1,804	1,732	1,955
Building Activity						
Permits Issued	222	193	150	177	233	173
Estimated Value (000's)	$20,932	$22,798	$12,760	$11,848	$19,885	$25,227
Planning Applications	46	25	30	26	49	53
Library						
Circulation	175,236	160,033	171,604	173,036	176,531	174,058
Miles of Streets Maintained	48.51	48.98	49.27	49.61	50.00	50.00
Water						
Connections	3,929	3,947	3,979	4,113	4,201	4,319
Sewer						
Connections	3,416	3,479	3,532	3,591	3,611	3,719

Source: City of Dallas

2004	*2005*	*2006*	*2007*
1,201	1,271	1,257	N/A
1,437	819	1,040	N/A
1,933	1,727	1,859	N/A
232	220	278	N/A
305	300	335	N/A
2,038	1,931	1,834	N/A
296	251	249	N/A
$36,801	$38,581	$39,384	N/A
46	55	63	N/A
185,527	176,408	173,008	N/A
54.70	54.80	54.80	N/A
4,417	4,635	4,737	N/A
3,905	4,100	4,187	N/A

CITY OF DALLAS, OREGON
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	***1998***	***1999***	***2000***	***2001***	***2002***	***2003***	***2004***
Public safety							
Patrol units	6	6	6	6	6	6	6
Officers	12	13	13	13	13	13	13
Highways and streets							
Streets (miles)	48	48	49	49	50	50	50
Culture and recreation							
Number of parks	10	10	11	11	11	11	11
Acreage	63	63	80	80	80	80	80
Aquatic centers (sq ft)	2883	2883	32170	32170	32170	32170	32170
Sewage disposal							
Max daily capacity	2 mgd	12.5 mgd	12.5 mgd	12.5 mgd	12.5 mgd	12.5 mgd	12.5 mgd
Water							
Max daily capacity	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd	8.5 mgd
Fire hydrants	389	405	409	412	418	431	444
Ambulance							
Number of ambulances	3	3	3	3	3	3	3

Source: City of Dallas

2005	*2006*	*2007*
6	6	6
12	12	12
54	54	54
11	11	11
80	80	80
32170	32170	32170
12.5 mgd	12.5 mgd	12.5 mgd
8.5 mgd	8.5 mgd	8.5 mgd
453	468	475
3	3	3

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporate the Minimum Standards for Audits of Oregon Municipal Corporations. These standards, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth following.

Significant Accounting Policies

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the basic financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented in the notes to the basic financial statements.

Internal Accounting Control

We have audited the basic financial statements of the City of Dallas as of and for the year ended June 30, 2007, and have issued our report thereon dated January 18, 2008. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a significant deficiency.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2007.

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements at June 30, 2007.

Budget Compliance

The City has complied with Local Budget Law (ORS 294) in the preparation and adoption of its budget and tax levy for fiscal years ending June 30, 2007 and 2008.

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2007. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies.

Programs Funded from Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by the other governmental agencies. The City is in compliance with the guidelines in all material respects.

Use Of State Highway Funds

The City has complied with the legal requirements relating to the use of revenue from taxes on motor vehicle use fuel.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2007.

Public Contracting and Purchasing

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

Financial Reporting Requirements

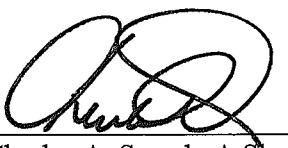
We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

Schedule of Accountability of Independently Elected Officials

There are no elected City officials who collect or receive funds on behalf of the City.

This report is intended for the information and use of the City of Dallas and the Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these specified parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder
January 18, 2008

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council
City of Dallas, Oregon

We have audited the financial statements of City of Dallas, Oregon, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 17, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Dallas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dallas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dallas' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dallas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
January 18, 2008

GROVE, MUELLER & SWANK, P.C.
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475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Dallas, Oregon

Compliance

We have audited the compliance of City of Dallas, Oregon with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of City of Dallas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Dallas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Dallas' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
January 18, 2008

CITY OF DALLAS, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Federal Grantor/Program Title	***Federal CFDA Number***	***Expenditures***
U.S. Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Fund	66.468	$ 634,130
U.S. Department of Homeland Security		
Equipment Grant	97.074	444,791
Total Federal Financial Assistance Expenditures		$ 1,078,921

See notes to schedule of expenditures of federal awards.

Purpose of the Schedule

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the City of Dallas' financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the City of Dallas, it is not intended to and does not present either the financial position, changes in fund balances, or the operating funds' revenues and expenditures for the City of Dallas.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Federal Financial Assistance

Pursuant to the Single Audit Act of 1984 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act of 1984 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City of Dallas are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in the notes to the financial statements. Additionally, the Schedule includes all federal programs administered by the City of Dallas for the year ended JUne 30, 2007.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued:	Unqualified
Internal control reporting:	
• Material weakness identified?	No
• Significant deficiency identified that is not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified that is not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major program:

CFDA Numbers	***Name of Federal Program or Cluster***
66.468	Safe Drinking Water Revolving Loan
97.074	Homeland Security

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.