

Comprehensive Annual

# Financial Report

For the fiscal year ended June 30, 2009



City of Dallas  
Polk County ~ Oregon

(This page intentionally left blank)

***CITY OF DALLAS, OREGON  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2009***

***Prepared by: Finance Department  
Cecilia Ward, Finance Director***

(This page intentionally left blank)

**CITY OF DALLAS, OREGON**  
**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
<i>LETTER OF TRANSMITTAL</i>	<i>i-iii</i>
<i>OFFICIALS OF THE CITY OF DALLAS, OREGON</i>	<i>iv</i>
<i>GFOA CERTIFICATE OF ACHIEVEMENT</i>	<i>v</i>
<i>ORGANIZATION CHART</i>	<i>vi</i>
<i>ADMINISTRATIVE ORGANIZATIONAL CHART</i>	<i>vii</i>
<b>FINANCIAL SECTION</b>	
<i>INDEPENDENT AUDITOR'S REPORT</i>	<i>1-2</i>
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	<i>3-9</i>
<i>BASIC FINANCIAL STATEMENTS</i>	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Notes to Basic Financial Statements	19-37
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
Infrastructure Assets Reported Using the Modified Approach	38-39
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	40
Systems Development Fund	41
<i>OTHER SUPPLEMENTARY INFORMATION</i>	
Nonmajor Governmental Funds	
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43

(This page intentionally left blank)

**CITY OF DALLAS, OREGON**  
**TABLE OF CONTENTS (Continued)**

---

**Page**

**FINANCIAL SECTION (Continued)**

**OTHER SUPPLEMENTARY INFORMATION (Continued)**

Nonmajor Governmental Funds (Continued)

Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Street Fund	44
Revenue Sharing Fund	45
Trust/Reserve Fund	46
Grants Fund	47
Urban Renewal Fund	48
Improvement Bond Fund	49
General Debt Fund	50
General Obligation Bond Fund	51
Capital Improvements Fund	52

Proprietary Funds

Schedules of Revenues, Expenses and Changes in Fund Net Assets -  
Budget (Non-GAAP Basis) and Actual

Sewer Fund	53
Water Fund	54
Outside Water Fund	55

Combining Statement of Net Assets - Internal Service Funds 56

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets -

Internal Service Funds	57
------------------------	----

Combining Statement of Cash Flows - Internal Service Funds 58

Schedules of Revenues, Expenses and Changes in Fund Balance -

Budget (Non-GAAP Basis) and Actual

Shop Service Fund	59
Central Services Fund	60

Other Financial Schedules

Schedule of Property Tax Transactions and Outstanding Balances 61

Schedule of Bond and Bond Interest Transactions 62

Schedule of Future Debt Service Requirements 63-64

**STATISTICAL SECTION**

Financial Trends

Net Assets by Component - Last Seven Fiscal Years 65

Changes in Net Assets - Last Seven Fiscal Years 66-67

Fund Balances, Governmental Funds - Last Ten Fiscal Years 68

Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years 69

Program Revenues by Function/Program - Last Seven Fiscal Years 70

Revenue Capacity

Tax Revenue by Source, Governmental Funds - Last Ten Fiscal Years 71

Assessed and Estimated Value of Taxable Property - Last Ten Fiscal Years 72

Property Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years 73

Principal Taxpayers for Polk County 74

Property Tax Levies and Collections - Last Ten Fiscal Years 75

(This page intentionally left blank)

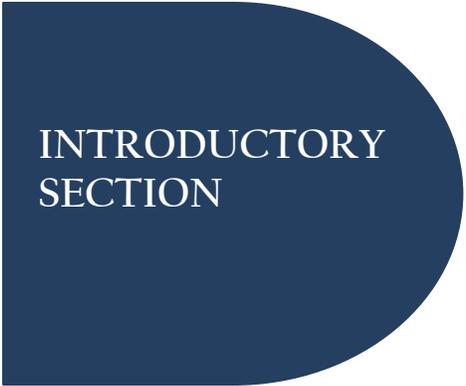
***STATISTICAL SECTION (Continued)***

Debt Capacity	
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	76
Computation of Overlapping General Obligation Debt	77
Computation of Legal Debt Margin	78
Schedule of Pledged Revenue Bond Coverage - Last Ten Fiscal Years	79
Demographic and Economic Information	
Demographic and Economic Statistics	80
Principal Employers - Current Year and Five Years Ago	81
Full-Time Equivalent City Employees by Function - Last Ten Fiscal Years	82
Operating Information	
Operating Indicators - Last Ten Fiscal Years	83
Capital Asset Statistics by Function - Last Ten Fiscal Years	84

***REGULATORY SECTION***

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	85-86
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	87-88
Schedule of Expenditures of Federal Awards	89-90
Schedule of Findings and Questioned Costs	91-93
Comments and Disclosures Required By State of Oregon Minimum Standards for Audits of Oregon Municipal Corporations	94-96

(This page intentionally left blank)

A dark blue semi-circular graphic on the right side of the page, containing the text 'INTRODUCTORY SECTION'.

INTRODUCTORY  
SECTION

(This page intentionally left blank)



January 25, 2010

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, 2009. 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 includes all funds of the City including the Dallas Community Development Commission Urban Renewal Agency. Financial data for the Urban Renewal District is included in these statements as a blended component unit.

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).

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.

#### ABOUT DALLAS, OREGON

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. It is the county seat and largest city in Polk County. The certified population estimate at July 1, 2009, for the City of Dallas was 15,445.

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.

#### ECONOMIC OUTLOOK

Dallas' economy has been affected by the downturn in the State and global economy. Residential plans and

developments have virtually stopped from their record-setting pace in 2006. The City has established effective partnerships with SEDCOR, Council of Governments, Polk County and other adjacent cities to survive these tough times.

To help revitalize our downtown, Dallas has developed a Commercial Redevelopment program with 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, utility improvements were continued to ensure that demand resulting from commercial and residential growth can be accommodated. These improvements include 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.

The City has prepared a new Development Code and Master Plans for the Node Developments. The City has also adopted a long-term Capital Improvements Plan (CIP) that includes a master street plan, sanitary sewer, storm drainage and water system plans. The CIP includes 1, 3, 5 and 20-year projects. Long-term financial planning is based on a 3-year fiscal forecast.

## FINANCIAL INFORMATION

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.

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

## 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, 2009, 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, 2008. 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 eighteen 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

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department, City Department Heads and the certified public accountants of Grove, Mueller & Swank, P.C. Each has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Dallas City Council, preparation of this report would not have been possible.

Respectfully submitted,



Cecilia Ward  
Finance Director



Jerry Wyatt  
City Manager

Dallas, Oregon

**MAYOR AND COUNCIL MEMBERS**

<u><i>Name</i></u>	<u><i>Term Expires</i></u>
Mayor James Fairchild 297 SE Ironwood Dallas, Oregon 97338	January 2011
Kenneth Woods, Jr. 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 Court Street Dallas, Oregon 97338	January 2011
Councilor Kevin Marshall c/o 187 SE Court Street Dallas, Oregon 97338	January 2013
Councilor LaVonne Wilson 2129 SE Magnolia Avenue Dallas, Oregon 97338	January 2013
Councilor Brian Dalton, President PO Box 190 Dallas, Oregon 97338	January 2013
Councilor Dave Voves 558 NW Douglas Street Dallas, Oregon 97338	January 2013
Councilor Wes Scroggin 409 SE Walnut Avenue Dallas, Oregon 97338	January 2013
Council Jackie Lawson c/o 187 SE Court Street Dallas, Oregon 97338	January 2011

**City Officials**

Jerry Wyatt, City Manager  
Cecilia Ward, 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, 2008

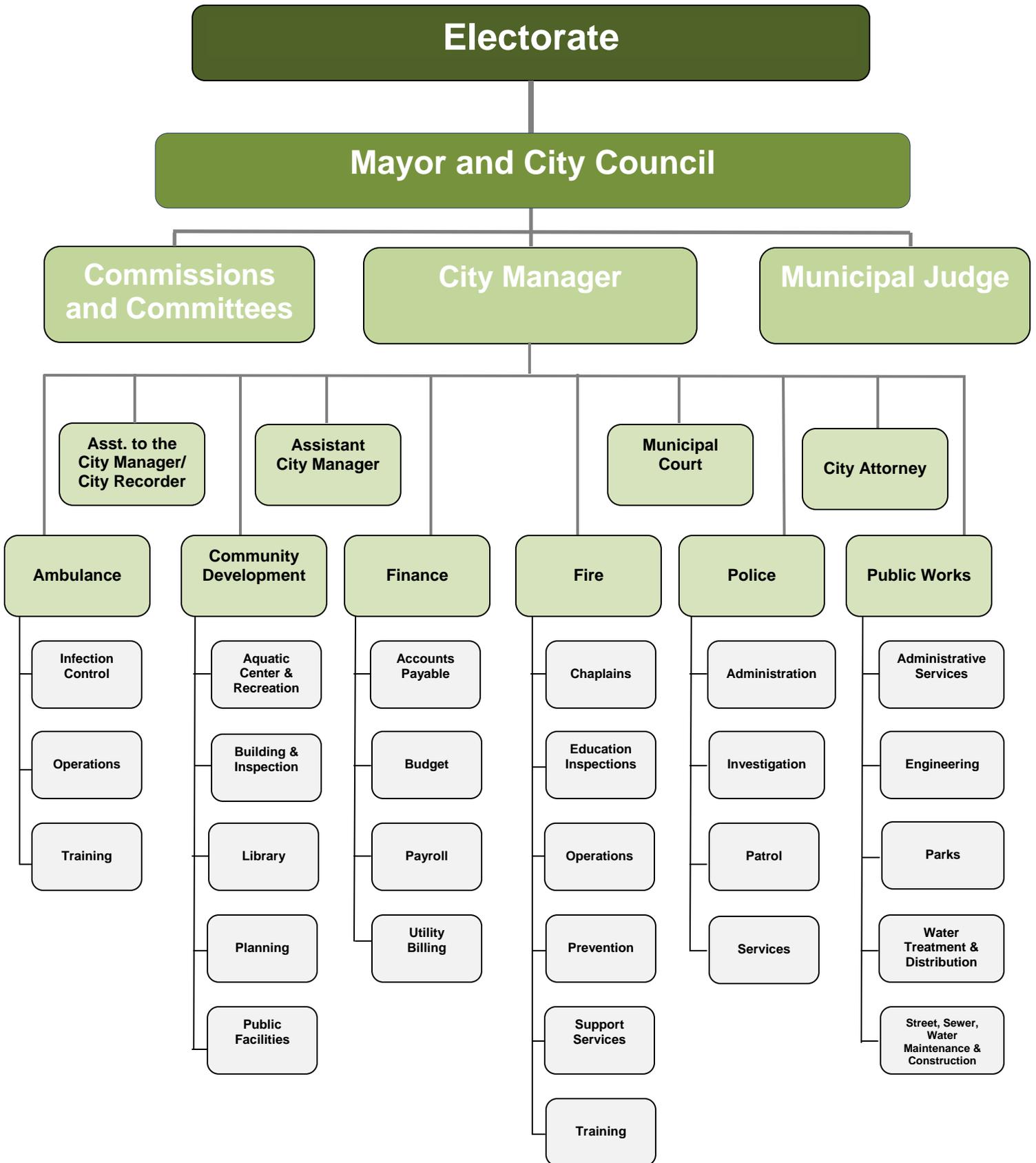
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Dallas, Oregon Organization Chart



A dark blue rounded rectangle with a flat left edge and a curved right edge, containing the text "FINANCIAL SECTION".

FINANCIAL  
SECTION

(This page intentionally left blank)



## 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2009 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 25, 2010 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 and infrastructure assets reported using the modified approach are not required parts of the basic financial statements, but are 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the schedule of revenues, expenditures and changes in fund balance (non GAAP budgetary basis) - budget and actual for the General and Systems Development Funds, the other supplementary information, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts 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. The schedule of revenues, expenditures and changes in fund balance (non GAAP budgetary basis) - budget and actual for the General and Systems Development Funds, other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

By:   
Charles A. Swank, A Shareholder  
January 25, 2010

**CITY OF DALLAS  
POLK COUNTY, OREGON**

**Year Ended June 30, 2009**

**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, 2009. 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, 2009 is the seventh 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**

	June 30,		Change
	2009	2008	
Net assets	\$ 106,592,930	\$ 106,701,127	\$ (108,197)
Change in net assets	(108,197)	332,566	(440,763)
Governmental fund balances	6,650,664	7,403,846	(753,182)
Proprietary funds unrestricted net assets	3,601,695	3,658,086	(56,391)
Change in governmental fund balances	(753,182)	(1,289,762)	536,580
Change in business-type net assets	253,896	410,660	(156,764)

**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 comingling 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 eleven individual governmental funds. Information is presented separately for the General 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 42 through 43 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 40 through 41 and 44 through 52 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 and Water. 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 and Water 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 56 through 57 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 and results of operations of the City of Dallas and are on pages 19 through 37 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 \$129,140,272, while total liabilities were \$22,356,947, resulting in combined net assets (governmental and business-type activities) of \$106,592,930. The largest component of the City's total net assets, \$96,281,496 or 90%, 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.

### Statements of Net Assets June 30, 2009 and 2008

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008-09</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2007-08</i>
Current and other assets	\$ 8,882,266	\$ 9,785,353	\$ 3,771,453	\$ 3,799,004	\$ 12,653,719	\$ 13,584,357
Capital assets	79,248,975	79,033,864	37,237,578	36,543,297	116,486,553	115,577,161
<i>Total Assets</i>	88,131,241	88,819,217	41,009,031	40,342,301	129,140,272	129,161,518
Long-term liabilities	7,167,717	7,350,650	14,992,931	14,559,126	22,160,648	21,909,776
Other liabilities	91,729	425,074	104,570	125,541	196,299	550,615
<i>Total Liabilities</i>	7,259,446	7,775,724	15,097,501	14,684,667	22,356,947	22,460,391
Net Assets:						
Invested in capital assets, net of related debt	73,971,661	73,563,864	22,309,835	21,999,548	96,281,496	95,563,412
Restricted	5,529,207	6,458,604	-	-	5,529,207	6,458,604
Unrestricted	1,180,532	1,021,025	3,601,695	3,658,086	4,782,227	4,679,111
<i>Total Net Assets</i>	\$ 80,681,400	\$ 81,043,493	\$ 25,911,530	\$ 25,657,634	\$ 106,592,930	\$ 106,701,127

**Statements of Activities**  
**Years Ended June 30, 2009 and 2008**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008-09</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2007-08</i>
<i>Revenues:</i>						
<i>Program revenues:</i>						
Charges for services	\$ 2,132,449	\$ 2,585,542	\$ 4,757,990	\$ 4,498,870	\$ 6,890,439	\$ 7,084,412
Operating grants and contributions	1,217,259	1,523,440	-	-	1,217,259	1,523,440
Capital grants and contributions	797,474	1,218,332	-	-	797,474	1,218,332
<i>General revenues:</i>						
Property taxes	3,799,318	3,762,441	-	-	3,799,318	3,762,441
Franchise fees	828,690	822,530	-	-	828,690	822,530
Unrestricted intergovernmental	289,854	180,474	-	-	289,854	180,474
Miscellaneous	290,244	246,708	250,705	291,996	540,949	538,704
<i>Total Revenues</i>	<u>9,355,288</u>	<u>10,339,467</u>	<u>5,008,695</u>	<u>4,790,866</u>	<u>14,363,983</u>	<u>15,130,333</u>
<i>Expenses:</i>						
General government	(776,276)	(1,117,810)	-	-	(776,276)	(1,117,810)
Public safety	(5,181,413)	(4,374,809)	-	-	(5,181,413)	(4,374,809)
Highways and streets	(771,311)	(1,128,744)	-	-	(771,311)	(1,128,744)
Culture and recreation	(2,657,682)	(2,961,453)	-	-	(2,657,682)	(2,961,453)
Interest on long-term debt	(290,438)	(337,515)	-	-	(290,438)	(337,515)
Sewage disposal	-	-	(2,760,869)	(2,917,079)	(2,760,869)	(2,917,079)
Water	-	-	(2,034,191)	(1,960,357)	(2,034,191)	(1,960,357)
<i>Total Expenses</i>	<u>(9,677,120)</u>	<u>(9,920,331)</u>	<u>(4,795,060)</u>	<u>(4,877,436)</u>	<u>(14,472,180)</u>	<u>(14,797,767)</u>
Increase (decrease) in net assets before transfers	(321,832)	419,136	213,635	(86,570)	(108,197)	332,566
Transfers	312,600	325,450	(312,600)	(325,450)	-	-
Transfer of capital assets	(352,861)	(822,680)	352,861	822,680	-	-
Change in net assets	(362,093)	(78,094)	253,896	410,660	(108,197)	332,566
Net assets - beginning	81,043,493	81,121,587	25,657,634	25,246,974	106,701,127	106,368,561
Net assets - end	<u>\$ 80,681,400</u>	<u>\$ 81,043,493</u>	<u>\$ 25,911,530</u>	<u>\$ 25,657,634</u>	<u>\$ 106,592,930</u>	<u>\$ 106,701,127</u>

**Governmental Activities.** Total revenues for the City of Dallas' governmental activities for the fiscal year ended June 30, 2009, were \$9,355,288. Approximately 41% of the total revenue for the governmental activities was derived from property taxes and approximately 13% of the total revenue is from operating grants and contributions. The 20% decrease in operating grants and contributions compared to the prior year is due to a decrease in various grants received the year before for school resource officer, core area manager, library and recreation. The 35% decrease in capital grants and contributions reflects the decrease in systems development charge (SDC) revenue. Total expenses for governmental activities were \$9,677,120 (excluding transfers), resulting in a decrease in net assets of \$362,093. The majority of the governmental activities revenue was used to fund public safety, which accounts for approximately 54% of the total governmental activities expense. Culture and recreation expenses account for 27% of the total, highways and streets account for 8%, and general government expenses account for 8% of the total. 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 \$5,008,695 for the current fiscal year. Approximately 95% of the total business-type activities revenue was derived from charges for services. The total expenses for business-type activities were \$4,795,060 (excluding transfers), resulting in an increase of net assets by \$253,896. The 5% decrease in sewage disposal expenses resulted primarily from reductions of utilities and contractual services. Business-type activities for the City of Dallas consist of operations for sewage disposal and water.

## 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 \$6,650,664, a decrease of \$753,182, or 10%, from the prior year. The City's governmental funds include the General 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 \$1,526,191, an increase of \$412,182 or 37% from the prior year (on the modified accrual basis). As previously stated, the increase is primarily due to transfers in from other funds.

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 \$1,400,174 or 24% due to continued sewer and water projects and an interfund loan. The fund balance of the Systems Development fund at the end of the fiscal year was \$4,496,325 and represents 68% of the total of all governmental fund balances.

**Proprietary Funds.** At the end of the current fiscal year, net assets of the proprietary funds equaled \$25,911,530. The change in total net assets of all the proprietary funds was not significant. The Sewer fund net assets increased by \$59,856, primarily due to capital projects. Water fund net assets, including capital contributions, increased by \$206,941, primarily due to capital projects.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were several amendments to the original budget. Actual revenues (budgetary basis) did not exceeded budgeted amounts by \$34,969 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 34% from the prior year. Also, actual expenditures were almost 5% 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 \$116,486,553, net of accumulated depreciation, compared to \$115,577,161 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 purchase of a new ambulance, Aquatic Center energy efficiency upgrades and park improvements. For business-type activities, capital asset additions consisted of completion of sewer small bore line replacement projects in the Sewer Department. In the Water Department, additions included completion of 2MG storage tank and associated fill piping and water line replacement projects, which will expand the City's ability to store treated water for customers' use. Additional information about the City's capital assets is presented in the notes to the financial statements on pages 28 through 30.

**Capital Assets**  
**June 30, 2009 and 2008**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Land	\$ 892,046	\$ 892,046	\$ 853,981	\$ 853,981	\$ 1,746,027	\$ 1,746,027
Construction in Progress	-	-	4,285,011	3,109,794	4,285,011	3,109,794
Buildings and improvements	13,382,466	13,235,338	44,788,839	44,347,324	58,171,305	57,582,662
Machinery and equipment	7,488,226	6,806,573	690,832	690,832	8,179,058	7,497,405
Infrastructure	72,182,932	72,152,703	-	-	72,182,932	72,152,703
Accumulated depreciation	(14,696,695)	(14,052,796)	(13,381,085)	(12,458,634)	(28,077,780)	(26,511,430)
<i>Total</i>	<i>\$ 79,248,975</i>	<i>\$ 79,033,864</i>	<i>\$ 37,237,578</i>	<i>\$ 36,543,297</i>	<i>\$ 116,486,553</i>	<i>\$ 115,577,161</i>

**Long-term Debt.** At the end of the current fiscal year, long-term debt outstanding for the governmental activities totaled \$6,857,314 (excluding compensated absences payable), compared to \$7,055,000 the prior year. For business-type activities, long term debt outstanding totaled \$14,927,743 (excluding compensated absences payable), compared to \$14,543,749 the prior year. The decreases in governmental debt are due to principal payments on debt outstanding. The increase in business-type activity debt is the result of additional \$1,263,871 loan from OECDD. Additional information about the City's long-term debt is presented in the notes to the financial statements on pages 30 through 32.

**Long-Term Debt**  
**June 30, 2008 and 2009**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
General Obligation Bonds	\$ 5,210,000	\$ 5,470,000	\$ -	\$ -	\$ 5,210,000	\$ 5,470,000
Pension Obligation Bonds	1,580,000	1,585,000	-	-	1,580,000	1,585,000
Special Assessment Debt	-	-	-	-	-	-
Capital Lease	67,314	-	-	-	67,314	-
Notes Payable	-	-	14,927,743	14,543,749	14,927,743	14,543,749
<i>Total</i>	<i>\$ 6,857,314</i>	<i>\$ 7,055,000</i>	<i>\$ 14,927,743</i>	<i>\$ 14,543,749</i>	<i>\$ 21,785,057</i>	<i>\$ 21,598,749</i>

**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 69. The City has established a policy of maintaining City streets at a weighted composite of between 72 and 75. During the 2008-2009 fiscal year, no funds were spent on maintaining City streets. The pavement management system indicates that a minimum of \$450,000 is required annually to maintain City streets at that level. The City projects that those funds will be available, if a street fee is established, and the streets will be maintained at the level established by the City. 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**

The economic downturn experienced nationally continued through 2009 and naturally had an effect on the local economy. Most significant was the complete closure of the Dallas Weyerhaeuser plant costing the City of Dallas nearly 140 living-wage jobs. Additionally, a decline in property values and the financial sectors' inability to lend money has resulted in little interest in the TTM plant, closed since 2007. The combined result of these two events resulted in a significant loss of property tax revenue that will be reflected in the General Fund. Looking forward to 2010, however, industrial real estate firm CB Richard Ellis, the listing agent of the TTM plant, has reported an increase in interest by at least two potential users of the plant. Obviously, until an agreement to purchase the plant is in place, information is confidential except to say that an adaptable reuse of this modern facility can be expected to provide new jobs and increased revenue for the City of Dallas. Weyerhaeuser maintains ownership of the closed plant and is working to find a company willing to purchase the property and reopen with a new lumber products manufacturer use. Again, new industrial activity on the property will have a positive impact on the local economy.

MAK Metals, a locally owned metal fabrication business, has expanded into a new multi-million dollar facility and has increased production by manufacturing on-site components that were previously subcontracted out to companies outside of Dallas and Polk County. MAK Metals has also introduced a new product under the name MAK Grills and is manufacturing and marketing high-end recreational grills and smokers with great initial success. MAK Metals / MAK Grills has created 10 new jobs since it's facility and product expansion and is anticipating creating 5 to 10 new jobs in 2010. Dallas has also seen increased commercial business activity in 2009 despite the economic downturn. Commercial vacancy rates are at a 6-year low with only 7 or 8 commercial buildings standing vacant or not under development for new uses. The inventory of available commercial property for new development is also very low. Several new commercial retail businesses have opened in 2009 with one of them planning a significant expansion in 2010.

The City of Dallas and the Dallas Economic Development Commission continues to be committed to providing incentives and assistance to all existing and new industrial and commercial activity. To that end, the Community Development Department will be launching a new communication tool in 2010 outlining all of the business assistance and incentives available at the local, regional, and state level.

## **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.

(This page intentionally left blank)

***BASIC FINANCIAL STATEMENTS***

(This page intentionally left blank)

**CITY OF DALLAS, OREGON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Cash and investments	\$ 6,754,389	\$ 3,332,783	\$ 10,087,172
Accounts receivable	254,681	262,249	516,930
Property taxes receivable	286,296	-	286,296
Special assessments	1,816	-	1,816
Inventories	5,084	176,421	181,505
Prepaid pension assets	1,580,000	-	1,580,000
Nondepreciable capital assets	73,074,978	5,138,992	78,213,970
Other capital assets, net of depreciation	6,173,997	32,098,586	38,272,583
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	88,131,241	41,009,031	129,140,272
<b>LIABILITIES</b>			
Accounts payable	91,729	104,570	196,299
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	945,143	945,143
Bonds payable	500,000	183,000	683,000
Vehicle lease payable	25,513	-	25,513
Accrued compensated absences	51,896	11,734	63,630
Due in more than one year:			
Notes payable	-	13,240,600	13,240,600
Bonds payable	6,290,000	559,000	6,849,000
Vehicle lease payable	41,801	-	41,801
Accrued compensated absences	258,507	53,454	311,961
Other postemployment benefits	190,395	-	190,395
	<hr/>	<hr/>	<hr/>
<i>Noncurrent liabilities</i>	7,358,112	14,992,931	22,351,043
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	7,449,841	15,097,501	22,547,342
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	73,971,661	22,309,835	96,281,496
Fund net assets			
Restricted for:			
Debt service	253,644	-	253,644
Construction	4,577,721	-	4,577,721
Grants and donations	697,842	-	697,842
Unrestricted	1,180,532	3,601,695	4,782,227
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	\$ 80,681,400	\$ 25,911,530	\$ 106,592,930
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**CITY OF DALLAS, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b><i>FUNCTIONS/PROGRAMS</i></b>			
<b><i>Governmental Activities:</i></b>			
General government	\$ 776,276	\$ 301,725	\$ 108,644
Public safety	5,181,413	1,311,170	406,221
Highways and streets	771,311	-	592,314
Culture and recreation	2,657,682	519,554	110,080
Interest on long-term debt	290,438	-	-
<i>Total Governmental Activities</i>	9,677,120	2,132,449	1,217,259
<b><i>Business-type Activities:</i></b>			
Water	2,034,191	1,911,278	-
Sewer	2,760,869	2,846,712	-
<i>Total Business-type Activities</i>	4,795,060	4,757,990	-
<i>Total Activities</i>	<u>\$ 14,472,180</u>	<u>\$ 6,890,439</u>	<u>\$ 1,217,259</u>
<b><i>General Revenues:</i></b>			
Property taxes			
Franchise fees			
Unrestricted intergovernmental			
Miscellaneous			
<i>Total General Revenues</i>			
<b><i>Transfers</i></b>			
<b><i>Transfer of capital assets</i></b>			
<b><i>Change in net assets</i></b>			
<b><i>Net assets, July 1, 2008</i></b>			
<b><i>Net assets, June 30, 2009</i></b>			

<i>Net Revenues (Expenses) and Changes in Net Assets</i>			
<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 525,953	\$ 160,046	\$ -	\$ 160,046
25,860	(3,438,162)	-	(3,438,162)
64,161	(114,836)	-	(114,836)
181,500	(1,846,548)	-	(1,846,548)
-	(290,438)	-	(290,438)
797,474	(5,529,938)	-	(5,529,938)
-	-	(122,913)	(122,913)
-	-	85,843	85,843
-	-	(37,070)	(37,070)
<u>\$ 797,474</u>	<u>(5,529,938)</u>	<u>(37,070)</u>	<u>(5,567,008)</u>
	3,799,318	-	3,799,318
	828,690	-	828,690
	289,854	-	289,854
	290,244	250,705	540,949
	<u>5,208,106</u>	<u>250,705</u>	<u>5,458,811</u>
	312,600	(312,600)	-
	(352,861)	352,861	-
	<u>(362,093)</u>	<u>253,896</u>	<u>(108,197)</u>
	<u>81,043,493</u>	<u>25,657,634</u>	<u>106,701,127</u>
<u>\$ 80,681,400</u>	<u>\$ 25,911,530</u>	<u>\$ 106,592,930</u>	

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

**CITY OF DALLAS, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<i>General</i>	<i>Systems Development</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
<b>ASSETS</b>				
Cash and investments	\$ 810,015	\$ 4,528,820	\$ 1,137,557	\$ 6,476,392
Accounts receivable	201,430	-	5,098	206,528
Property taxes receivable	223,034	-	63,262	286,296
Special assessments	-	-	1,816	1,816
Due from other funds	514,507	-	-	514,507
<i>Total Assets</i>	<u>\$ 1,748,986</u>	<u>\$ 4,528,820</u>	<u>\$ 1,207,733</u>	<u>\$ 7,485,539</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ (763)	\$ 32,495	\$ -	\$ 31,732
Due to other funds	-	-	514,507	514,507
Deferred revenue	223,558	-	65,078	288,636
<i>Total Liabilities</i>	<u>222,795</u>	<u>32,495</u>	<u>579,585</u>	<u>834,875</u>
<b>Fund Balances</b>				
Reserved for donations / bail	-	-	676,339	676,339
Unreserved, reported in:				
General fund	1,526,191	-	-	1,526,191
Special revenue funds	-	4,496,325	271,742	4,768,067
Capital projects fund	-	-	(514,507)	(514,507)
Debt service fund	-	-	194,574	194,574
<i>Total Fund Balances</i>	<u>1,526,191</u>	<u>4,496,325</u>	<u>628,148</u>	<u>6,650,664</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,748,986</u>	<u>\$ 4,528,820</u>	<u>\$ 1,207,733</u>	<u>\$ 7,485,539</u>

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

**CITY OF DALLAS, OREGON**

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

---

**RECONCILIATION TO THE STATEMENT OF NET ASSETS**

<i>Fund Balances</i>	\$ 6,650,664
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.	288,638
Prepaid pension assets are recorded on the Statement of Net Assets.	1,580,000
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	92,084,501
Accumulated depreciation	(13,219,106)
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.	
Leases payable	(67,314)
Bonds payable	(6,790,000)
Accrued compensated absences	(270,468)
Other post employment benefits	(190,395)
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.	614,880
	<hr/>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 80,681,400</u></u>

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

**CITY OF DALLAS, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Systems Development</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 2,955,945	\$ -	\$ 841,249	\$ 3,797,194
Charges for services	197,485	740,894	-	938,379
Licenses and permits	1,570,479	-	-	1,570,479
Franchise fees	828,690	-	-	828,690
Intergovernmental	505,211	-	829,479	1,334,690
Fines and forfeitures	353,964	-	-	353,964
Miscellaneous	181,297	-	286,383	467,680
<i>Total Revenues</i>	6,593,071	740,894	1,957,111	9,291,076
<b>EXPENDITURES</b>				
Current operating:				
General government	1,997,088	-	-	1,997,088
Highways and streets	-	-	682,657	682,657
Culture and recreation	1,631,550	-	-	1,631,550
Public safety	3,902,463	-	-	3,902,463
Capital outlay	126,609	618,872	2,085,816	2,831,297
Debt service principal	27,547	-	475,000	502,547
Debt service interest	-	-	317,989	317,989
<i>Total Expenditures</i>	7,685,257	618,872	3,561,462	11,865,591
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,092,186)	122,022	(1,604,351)	(2,574,515)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	304,862	-	1,263,871	1,568,733
Transfers in	1,241,506	61,623	842,000	2,145,129
Transfers out	(42,000)	(1,583,819)	(266,710)	(1,892,529)
<i>Total Other Financing Sources (Uses)</i>	1,504,368	(1,522,196)	1,839,161	1,821,333
<b>NET CHANGE IN FUND BALANCES</b>	412,182	(1,400,174)	234,810	(753,182)
<b>FUND BALANCES, Beginning of year</b>	1,114,009	5,896,499	393,338	7,403,846
<b>FUND BALANCES, End of year</b>	\$ 1,526,191	\$ 4,496,325	\$ 628,148	\$ 6,650,664

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

**CITY OF DALLAS, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

---

**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* \$ (753,182)

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.

64,256

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.

(25,844)

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

859,010

Depreciation

(506,012)

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 principal paid

502,547

proceeds from issuance of debt

(304,861)

Changes in pension assets are reported as expenditures in the governmental funds as  
paid, but are reported as expenses in the Statement of Activities as used.

Pension assets

(5,000)

Other post employment benefits

(190,395)

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.

(2,612)

*Change in net assets of governmental activities*

\$ (362,093)

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

**CITY OF DALLAS, OREGON**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	<i>Enterprise Funds</i>		<i>Enterprise Funds</i>	
	<i>Sewer</i>	<i>Water</i>	<i>Outside Water</i>	<i>Totals</i>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ 2,052,541	\$ 1,175,172	\$ 105,070	\$ 3,332,783
Accounts receivable	145,292	116,442	515	262,249
Inventories	15,900	160,521	-	176,421
<i>Total Current Assets</i>	2,213,733	1,452,135	105,585	3,771,453
<b>Noncurrent assets</b>				
Nondepreciable capital assets	795,736	4,343,256	-	5,138,992
Other capital assets, net of depreciation	21,654,688	10,443,898	-	32,098,586
<i>Total Assets</i>	24,664,157	16,239,289	105,585	41,009,031
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	10,530	88,590	5,450	104,570
Compensated absences payable	4,647	7,087	-	11,734
Notes payable - current portion	736,041	209,102	-	945,143
Bonds payable - current portion	-	183,000	-	183,000
<i>Total Current Liabilities</i>	751,218	487,779	5,450	1,244,447
<b>Noncurrent liabilities</b>				
Compensated absences payable	21,167	32,287	-	53,454
Notes payable	9,076,037	4,164,563	-	13,240,600
Bonds payable	-	559,000	-	559,000
<i>Total Liabilities</i>	9,848,422	5,243,629	5,450	15,097,501
<b>NET ASSETS</b>				
Investment in capital assets (net of related debt)	12,638,346	9,671,489	-	22,309,835
Unrestricted	2,177,389	1,324,171	100,135	3,601,695
<i>Total Net Assets</i>	\$ 14,815,735	\$ 10,995,660	\$ 100,135	\$ 25,911,530

---

*Governmental  
Activities*

*Total  
Internal  
Service Funds*

\$ 326,150

-

5,084

---

331,234

7,010

376,570

---

714,814

59,999

5,916

-

-

---

65,915

34,019

-

-

---

99,934

383,580

231,300

---

---

\$ 614,880

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

**CITY OF DALLAS, OREGON****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009**

	<i>Enterprise Funds</i>	
	<i>Sewer</i>	<i>Water</i>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,846,712	\$ 1,889,843
Miscellaneous	92,025	43,023
<i>Total Operating Revenues</i>	2,938,737	1,932,866
<b>OPERATING EXPENSES</b>		
Personal services	489,643	766,077
Materials and services	1,194,664	897,896
Depreciation	617,694	304,757
<i>Total Operating Expenses</i>	2,302,001	1,968,730
<b>OPERATING INCOME (LOSS)</b>	636,736	(35,864)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	66,652	49,005
Interest expense	(458,868)	(31,125)
<b>INCOME BEFORE TRANSFERS</b>	244,520	(17,984)
Transfers out	(181,300)	(131,300)
<b>NET INCOME BEFORE CONTRIBUTIONS</b>	63,220	(149,284)
<b>TRANSFER OF CAPITAL ASSETS</b>	143,721	209,140
<b>CHANGE IN NET ASSETS</b>	206,941	59,856
<b>NET ASSETS, Beginning of year</b>	14,608,794	10,935,804
<b>NET ASSETS, End of year</b>	\$ 14,815,735	\$ 10,995,660

<i>Enterprise Funds</i>		<i>Governmental Activities</i>
<i>Outside Water</i>	<i>Totals</i>	<i>Total Internal Service Funds</i>
\$ 21,435	\$ 4,757,990	\$ 1,692,400
-	135,048	-
21,435	4,893,038	1,692,400
9,574	1,265,294	928,921
24,762	2,117,322	688,204
-	922,451	137,887
34,336	4,305,067	1,755,012
(12,901)	587,971	(62,612)
-	115,657	-
-	(489,993)	-
(12,901)	213,635	(62,612)
-	(312,600)	-
(12,901)	(98,965)	(2,612)
-	352,861	-
(12,901)	253,896	(2,612)
113,036	25,657,634	617,492
\$ 100,135	\$ 25,911,530	\$ 614,880

*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, 2009**

	<i>Enterprise Funds</i>	
	<i>Sewer</i>	<i>Water</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collected from customers	\$ 2,951,095	\$ 1,940,736
Paid to suppliers	(1,180,912)	(837,007)
Paid to employees	(482,370)	(763,539)
<i>Net Cash Provided by (Used in) Operating Activities</i>	1,287,813	340,190
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers in	-	-
Transfers out	(181,300)	(131,300)
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(181,300)	(131,300)
<b>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	-	-
Principal paid on contracts/bonds payable	(703,877)	(176,000)
Interest paid	(458,868)	(31,125)
<i>Net Cash Used in Capital Related Financing Activities</i>	(1,162,745)	(207,125)
<i>Increase (Decrease) in Cash and Investments</i>	10,420	50,770
<b>CASH AND INVESTMENTS, Beginning of year</b>	2,042,121	1,124,402
<b>CASH AND INVESTMENTS, End of year</b>	<u>\$ 2,052,541</u>	<u>\$ 1,175,172</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 636,736	\$ (35,864)
Depreciation	617,694	304,757
<i>Change in assets and liabilities</i>		
Accounts receivable	12,358	7,870
Inventory	18,394	27,817
Accounts payable and accrued liabilities	(4,642)	33,072
Compensated absences payable	7,273	2,538
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 1,287,813</u>	<u>\$ 340,190</u>
<b>NONCASH FINANCING ACTIVITIES</b>		
Contribution of capital assets from governmental activities	\$ 143,721	\$ 1,473,011
Contribution of debt from governmental activities	-	1,263,871

<i>Enterprise Funds</i>		<i>Governmental Activities</i>	
<i>Outside Water</i>	<i>Totals</i>	<i>Total Internal Service Funds</i>	
\$ 21,504	\$ 4,913,335	\$ 1,692,400	
(34,162)	(2,052,081)	(663,988)	
(9,574)	(1,255,483)	(940,012)	
(22,232)	1,605,771	88,400	
-	-	60,000	
-	(312,600)	-	
-	(312,600)	60,000	
-	-	-	
-	(879,877)	-	
-	(489,993)	-	
-	(1,369,870)	-	
(22,232)	38,958	148,400	
127,302	3,293,825	177,750	
<u>\$ 105,070</u>	<u>\$ 3,332,783</u>	<u>\$ 326,150</u>	
\$ (12,901)	\$ 587,971	\$ (62,612)	
-	922,451	137,887	
69	20,297	-	
-	46,211	(319)	
(9,400)	19,030	24,535	
-	9,811	(11,091)	
<u>\$ (22,232)</u>	<u>\$ 1,605,771</u>	<u>\$ 88,400</u>	
\$ -	\$ 1,616,732	\$ -	
-	1,263,871	-	

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

(This page intentionally left blank)

***NOTES TO BASIC FINANCIAL STATEMENTS***

(This page intentionally left blank)

**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, 2009.

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.

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The City of Dallas's financial statements include the Dallas Urban Renewal Agency as a blended component unit. The City Commission and Board of Directors of Dallas Urban Renewal Agency are composed of the same individuals.

*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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

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 Statements of 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.

Operating revenues and operating expenses are intermediate components within the proprietary fund Statement of Revenues, Expenses and Changes in 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 (30 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.

**CITY OF DALLAS, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2009*

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Governmental Fund Financial Statements (Continued)*

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

The City reports the following major proprietary funds:

- Sewer Fund
- Water Fund
- Outside Water Fund

*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, 2009. Actual results may differ from such estimates.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 thirty 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.

*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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets (Continued)*

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. GAAP allows 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. 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 and a useful life in excess of one year 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:

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 modified approach for infrastructure, 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.

**CITY OF DALLAS, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, primarily the General fund and the Street fund.

*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/Reserve Fund and Central Services Fund for each department.

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.

*Improvement Fund* – This fund accounts for interest revenue on special assessments.

*Urban Renewal Fund* - This fund accounts for the City's urban renewal activities.

*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.

*General Debt Fund*

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

**CITY OF DALLAS, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2009*

---

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

*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 three enterprise funds. These funds account for the acquisition, operation and maintenance of the municipal sewer and water systems.

*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.*

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

*Internal Service Funds*

The City has two internal service funds. These funds account for services provided to other City funds and departments.

*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, 2009:

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

---

**CASH AND INVESTMENTS (Continued)**

**Cash**

Cash on hand	\$ 645
Deposits with financial institutions	283,798

**Investments**

Certificates of deposit	2,657,262
Local Government Investment Pool	7,145,467

\$ 10,087,172

*Deposits*

At year end, the book balance of the City's deposit accounts (including the certificates of deposit) is \$2,941,060 and the bank balance is \$3,077,466. The difference is due to transactions in process. The first \$395,482 is insured by Federal Depository Insurance. Certificates of deposit and the remaining deposit amounts are secured by collateral in accordance with Oregon Revised Statutes.

*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.

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 fair value of the City's position in the LGIP is approximately the same as the value of the LGIP shares. 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 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. However, the City manages its exposure to declines in fair value of its investments by substantially limiting its investments to the Local Government Investment Pool.

The City has concentration in the following investments:

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**CASH AND INVESTMENTS (Continued)**

*Investments (continued)*

<u>Investment Type</u>	<u>Credit Risk</u>	<u>Maturities</u>	<u>% of Portfolio</u>	<u>Amount</u>
Local Government Investment Pool	Not rated	Avg 6-18 months	100.00%	<u>\$ 7,145,467</u>

**CAPITAL ASSETS**

The changes in capital assets for business-type activities for the year ended June 30, 2009 is as follows:

	<u>Balances July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances June 30, 2009</u>
Business-type activities:				
Nondepreciable:				
Land	\$ 853,981	\$ -	\$ -	\$ 853,981
Construction in progress	3,109,794	1,175,217	-	4,285,011
Total nondepreciable	<u>3,963,775</u>	<u>1,175,217</u>	<u>-</u>	<u>5,138,992</u>
Depreciable:				
Buildings and improvements	44,347,324	441,515	-	44,788,839
Machinery and equipment	690,832	-	-	690,832
Total depreciable	<u>45,038,156</u>	<u>441,515</u>	<u>-</u>	<u>45,479,671</u>
Accumulated depreciation:				
Buildings and improvements	(11,968,795)	(853,368)	-	(12,822,163)
Machinery and equipment	(489,839)	(69,083)	-	(558,922)
Total accumulated depreciation	<u>(12,458,634)</u>	<u>(922,451)</u>	<u>-</u>	<u>(13,381,085)</u>
Total capital assets being depreciated, net	<u>32,579,522</u>	<u>(480,936)</u>	<u>-</u>	<u>32,098,586</u>
Capital assets, net	<u>\$ 36,543,297</u>	<u>\$ 694,281</u>	<u>\$ -</u>	<u>\$ 37,237,578</u>

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

---

**CAPITAL ASSETS (Continued)**

Depreciation expense is allocated to business-type functions as follows:

Sewer	\$ 617,694
Water	304,757
	<u>922,451</u>
	<u>\$ 922,451</u>

The changes in capital assets for the governmental activities for the year ended June 30, 2009 is as follows:

	<i>Balances July 1, 2008</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2009</i>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activities:				
Nondepreciable:				
Land	\$ 892,046	\$ -	\$ -	\$ 892,046
Infrastructure	72,152,703	30,229	-	72,182,932
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total nondepreciable	73,044,749	30,229	-	73,074,978
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Depreciable:				
Buildings and improvements	13,235,338	147,128	-	13,382,466
Machinery and equipment	6,806,573	681,653	-	7,488,226
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total depreciable	20,041,911	828,781	-	20,870,692
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Accumulated depreciation:				
Buildings and improvements	(8,077,264)	(382,357)	-	(8,459,621)
Machinery and equipment	(5,975,532)	(261,542)	-	(6,237,074)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total accumulated depreciation	(14,052,796)	(643,899)	-	(14,696,695)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total capital assets being depreciated, net	5,989,115	184,882	-	6,173,997
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets, net	\$ 79,033,864	\$ 215,111	\$ -	\$ 79,248,975
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**CAPITAL ASSETS (Continued)**

Depreciation on internal service capital assets in the amount of \$153,893 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	\$ 156,864
Public safety	86,022
Culture and recreation	263,126
	<u>\$ 506,012</u>

**LONG-TERM DEBT**

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

	<u>Outstanding July 1, 2008</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Transferred</u>	<u>Outstanding June 30, 2009</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>						
Series 1999, original amount \$6,145,000, interest rate is 4.95%, final payment due June 30, 2018	\$ 320,000	\$ -	\$ (320,000)	-	-	-
Series 2003, original amount \$850,000, interest at rates from 4.25% to 5%, final payment due June 1, 2019	715,000	-	(50,000)	-	665,000	55,000
Series 2005, original amount \$4,695,000, interest at rates from 3.50% to 4.00 %, final payment due June 1, 2019	4,435,000	-	(100,000)	-	4,335,000	405,000
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	-	(5,000)	-	1,580,000	10,000
Series 2008, original amount \$210,000 interest rate at 3.00% to 4.05% final payment due Jan 1, 2015	-	210,000	-	-	210,000	30,000
OECD Safe Drinking Water loan, original amount \$5,650,000, interest rate 3.38%, final payment due December 1, 2028	-	1,263,871	-	(1,263,871)	-	-
Vehicle lease, original amount \$37,105 interest at 5.00%, final payment due May 17, 2011	-	37,105	(11,770)	-	25,335	12,359
Vehicle lease, original amount \$57,576 interest at 6.25%, final payment due January 23, 2012	-	57,756	(15,777)	-	41,979	13,154
Total Governmental	<u>\$ 7,055,000</u>	<u>\$ 1,568,732</u>	<u>\$ (502,547)</u>	<u>\$ -</u>	<u>\$ 6,857,314</u>	<u>\$ 525,513</u>

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**LONG-TERM DEBT (Continued)**

The City records all debt proceeds in the Capital Improvement Fund, which is a governmental fund. Expenditure of debt proceeds is also recorded in the Capital Improvement Fund. Any capital assets constructed for enterprise funds are transferred to the appropriate enterprise fund, along with any related debt which will be repaid from that fund. The transfer of capital assets and related debt is recorded as a contribution to capital in the enterprise fund receiving the assets and the debt.

	<i>Outstanding July 1, 2008</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Transferred</i>	<i>Outstanding June 30, 2009</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>						
Sewage 1998, original amount \$523,000, interest rate is 4.74%, final payment due December 1, 2017	\$ 324,415	\$ -	\$ (24,386)	-	\$ 300,029	\$ 29,583
Sewage DEQ, original amount \$14,500,000, interest rate is 3.93%, final payment due February 1, 2020	10,191,540	-	(679,491)	-	9,512,049	706,458
Water 2005 Refunding, original amount \$1,347,000 interest rate 3.75%, final payment due December 1, 2012	918,000	-	(176,000)	-	742,000	209,102
OECCDD Safe Drinking Water loan, original amount \$5,650,000, interest rate 3.38%, final payment due December 1, 2028	3,109,794	-	-	1,263,871	4,373,665	-
Total Business-type	<u>\$ 14,543,749</u>	<u>\$ -</u>	<u>\$ (879,877)</u>	<u>\$ 1,263,871</u>	<u>\$ 14,927,743</u>	<u>\$ 945,143</u>

Future debt service requirements are as follows:

*Governmental Activities*

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 525,513	\$ 310,994	\$ 836,507
2011	556,952	286,641	843,593
2012	574,849	263,286	838,135
2013	590,000	239,168	829,168
2014	620,000	210,150	830,150
2015-2019	2,820,000	632,476	3,452,476
	<u>\$ 6,857,314</u>	<u>\$ 2,262,834</u>	<u>\$ 9,120,148</u>

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

---

**LONG-TERM DEBT (Continued)**

Business-type activity debt is shown for the full amount of the OECDD Safe Drinking Water loan. This loan was only partially disbursed at June 30, 2009.

*Business-type Activities*

<b>Fiscal Year</b> <b>Ending</b> <b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 1,128,143	\$ 635,865	\$ 1,764,008
2011	1,170,455	588,822	1,759,277
2012	1,214,135	539,979	1,754,114
2013	1,227,231	489,882	1,717,113
2014	1,094,804	441,825	1,536,629
2015-2019	6,116,236	1,472,071	7,588,307
2020-2024	2,602,297	439,920	3,042,217
2025-2028	1,448,511	124,433	1,572,944
	<b>\$ 16,001,812</b>	<b>\$ 4,732,797</b>	<b>\$ 20,734,609</b>

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, 2009 this amount was \$1,122,864. Cash in the Sewer Fund exceeded this amount at all times during the year.

**PENSION PLAN**

*Plan Description*

The City is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

**CITY OF DALLAS, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2009*

---

**PENSION PLAN (Continued)**

*Plan Description (Continued)*

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

*Funding Status*

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. For rate changes implemented July 1, 2005, the PERB voted to phase in the rate changes for PERS (for most employers a rate increase). On July 1, 2007 the City's rate decreased to 4.07 percent based on the 2005 valuation.

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. These rates were 13.55 percent and 16.82 percent, respectively, on July 1, 2007 based on the December 31, 2005 valuation.

The City's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial liability ("UAL") created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, and 2007) and ending on December 31, 2027 using closed amortization. Beginning in 2007, each valuation's UAL will be amortized over 20 years, again using closed amortization. The actuarial assumptions include an investment return of 8% per year, projected salary increase of 4.25%, health cost inflation graded from 8.5% in 2004 to 5% in 2013, and a consumer price inflation component of 3.25%.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

*Annual Pension Cost*

The City's contributions to PERS for the fiscal years ending June 30, 2007, 2008, and 2009 were \$681,032, \$861,729, and \$877,215, respectively, which equaled the required contribution for the year.

*Retiree Healthcare*

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). Consequently, each employer reports the contractually required contributions. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2009 through June 30, 2011 is calculated and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**PENSION PLAN (Continued)**

	<i>Payroll</i>		
	<i>Tier 1/Tier 2</i>	<i>OPSRP</i>	
		<i>General Services</i>	<i>Police and Fire</i>
July 1, 2007 to June 30, 2009	0.37%	0.26%	0.26%
July 1, 2009 to June 30, 2011	0.29%	0.19%	0.19%

**OTHER POST EMPLOYMENT BENEFITS**

The City implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* prospectively beginning in fiscal year June 30, 2009. GASB 45 is applicable to the City due only to the implicit rate subsidy. The City qualifies under the alternative measuring method and therefore is not required to obtain a formal actuarial valuation.

*Funding Policy*

The City funds the plan only to the extent of current year insurance premium requirement on a pay-as-you-go basis. At June 30, 2009, the City had 76 active employees participating in the program with all insurance premium costs paid in full by the individual. The City has not established an irrevocable trust to accumulate assets to fund the cost of the OPEB obligation that arises from the implicit subsidy.

*Annual OPEB Cost and Net OPEB Obligation*

The City's annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2009, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Normal cost at year end	\$ 147,103
Amortization of UAAL	<u>43,292</u>
Annual required contribution	190,395
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 190,395</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 was as follows:

<i>Fiscal Year End</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contribution</i>	<i>Net OPEB Obligation</i>
06/30/09	\$ 190,395	0%	\$ 190,395

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**OTHER POST EMPLOYMENT BENEFITS (Continued)**

*Annual OPEB Cost and Net OPEB Obligation (Continued)*

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 valuation, the entry age normal actuarial cost method was used. The assumptions included a 5.5% investment rate of return (net of administrative expenses) and an annual healthcare cost rate of between 5.6% and 7%. The UAAL is being amortized over an initial period of 30 years.

<b>Valuation Date</b>	<b>Value of Assets (a)</b>	<b>Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
06/30/2009	\$ -	\$ 1,165,719	\$ 1,165,719	0%	\$ 5,029,713	23.2%

**COMPENSATED ABSENCES**

	<b>Outstanding July 1, 2008</b>	<b>Earned</b>	<b>Redeemed</b>	<b>Outstanding June 30, 2009</b>	<b>Due Within One Year</b>
Governmental	\$ 295,650	\$ 236,491	\$ (221,738)	\$ 310,403	\$ 51,896
Business-type	55,377	51,344	(41,533)	65,188	11,734
	<u>\$ 351,027</u>	<u>\$ 287,835</u>	<u>\$ (263,271)</u>	<u>\$ 375,591</u>	<u>\$ 63,630</u>

**CITY OF DALLAS, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**TRANSFERS**

<u>Transfers In</u>	<u>Transfers Out</u>					<u>Total</u>
	<u>General</u>	<u>Systems Development</u>	<u>Sewer</u>	<u>Water</u>	<u>All Other Funds</u>	
General	\$ -	\$ 783,819	\$ 157,300	\$ 107,300	\$ 193,087	\$ 1,241,506
Street	42,000	-	-	-	-	42,000
Systems Development	-	-	-	-	61,623	61,623
Trust	-	800,000	-	-	-	800,000
Shop Service	-	-	24,000	24,000	12,000	60,000
	<u>\$ 42,000</u>	<u>\$ 1,583,819</u>	<u>\$ 181,300</u>	<u>\$ 131,300</u>	<u>\$ 266,710</u>	<u>\$ 2,205,129</u>

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.

**OVEREXPENDITURE OF APPROPRIATIONS AND DEFICIT FUND BALANCES**

The City had the following appropriation overexpenditures during the year.

<u>Fund</u>	<u>Category</u>	<u>Amount</u>
General	Municipal Court	\$ 38
	Police	26,821

**CITY OF DALLAS, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2009*

---

**OVEREXPENDITURE OF APPROPRIATIONS AND DEFICIT FUND BALANCES (Continued)**

Approximately \$67,000 of the Police overexpenditure shown on page 38 was due to vehicle leases reported as debt proceeds and capital outlay for reporting purposes. For budgetary purposes, only the current year payment was budgeted. For purposes of Oregon local budget law, the overexpenditure is only \$26,821.

At June 30, 2009, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Capital Improvements	\$ 515,945
Central Services	44,515

**GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”, issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

(This page intentionally left blank)

***REQUIRED SUPPLEMENTARY INFORMATION***

(This page intentionally left blank)

**CITY OF DALLAS, OREGON**  
**INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH**  
**YEAR ENDED JUNE 30, 2009**

---

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 may not 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. This fiscal year's statements include the City's streets, bridges and traffic signals in infrastructure. The estimated total value of the City's infrastructure is \$72,182,932.

*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.

**CITY OF DALLAS, OREGON**

**INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH (Continued)**

**YEAR ENDED JUNE 30, 2009**

---

The City completed a condition assessment of all streets in 2008. 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" (PCI of 55 - 75), "Poor" (PCI of 30 - 55), and "Very Poor" (PCI of 0 - 30). The calculations of the management system indicate that 55.5% of City streets rank as "Very Good," 27.8% are ranked at "Good," 11.4% are ranked as "Poor," and only 5.3% are ranked as "Very Poor." The weighted composite index of all City streets is 69.

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 70 and 75. Analysis indicates that the City would be required to spend approximately \$450,000 each year to maintain streets at a weighted composite index between 70 and 73. Following is information regarding the actual expenditures for street maintenance for the last five fiscal years:

<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2004-2005</u>
\$ -	\$ 392,533	\$ 245,333	\$ 244,280	\$ 246,487

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 2009-10 budget includes approximately \$300,000 for street maintenance. It is anticipated that funding for street maintenance will continue at that level in the future if a street fee is implemented, allowing the City to maintain a composite index of approximately 70.

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 (MODIFIED ACCRUAL BASIS)  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 3,009,225	\$ 3,009,225	\$ 2,955,945	\$ (53,280)
Licenses and permits	251,000	251,000	197,485	(53,515)
Charges for services	1,455,000	1,455,000	1,570,479	115,479
Franchise fees	870,000	870,000	828,690	(41,310)
Intergovernmental	583,815	583,815	505,211	(78,604)
Fines and forfeitures	334,000	334,000	353,964	19,964
Miscellaneous	125,000	125,000	181,297	56,297
<i>Total Revenues</i>	<u>6,628,040</u>	<u>6,628,040</u>	<u>6,593,071</u>	<u>(34,969)</u>
<b>EXPENDITURES</b>				
Municipal court	344,044	360,044	360,082	(38)
Ambulance department	1,336,834	1,399,834	1,383,093	16,741
Fire department	757,654	769,654	763,792	5,862
Police department	2,657,430	2,837,430	2,931,745	(94,315)
Library	441,724	441,724	430,309	11,415
Community development facilities	19,790	19,790	19,758	32
Community development parks	239,381	239,381	239,262	119
Community development recreation	27,386	61,086	60,684	402
Community development aquatic	883,294	883,294	881,537	1,757
Community development inspections	346,480	346,480	343,781	2,699
Community development planning	220,395	220,395	220,301	94
Nondepartmental	51,000	51,000	50,913	87
Contingency	375,000	8,800	-	8,800
<i>Total Expenditures</i>	<u>7,700,412</u>	<u>7,638,912</u>	<u>7,685,257</u>	<u>(46,345)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,072,372)</u>	<u>(1,010,872)</u>	<u>(1,092,186)</u>	<u>(81,314)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	210,000	304,862	94,862
Transfers in	394,600	1,178,419	1,241,506	63,087
Transfers out	(42,000)	(103,500)	(42,000)	61,500
<i>Total Other Financing Sources (Uses)</i>	<u>352,600</u>	<u>1,284,919</u>	<u>1,504,368</u>	<u>219,449</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(719,772)</u>	<u>274,047</u>	<u>412,182</u>	<u>138,135</u>
<b>FUND BALANCE, Beginning of year</b>	<u>989,789</u>	<u>989,789</u>	<u>1,114,009</u>	<u>124,220</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 270,017</u>	<u>\$ 1,263,836</u>	<u>\$ 1,526,191</u>	<u>\$ 262,355</u>

**CITY OF DALLAS, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SYSTEMS DEVELOPMENT FUND (MODIFIED ACCRUAL BASIS)  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Licenses and permits	\$ 1,125,000	\$ 1,125,000	\$ 740,894	\$ (384,106)
<b>EXPENDITURES</b>				
Capital outlay	5,475,661	5,475,661	618,872	4,856,789
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(4,350,661)	(4,350,661)	122,022	4,472,683
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	61,623	61,623
Transfers out	(1,583,819)	(1,583,819)	(1,583,819)	-
<i>Total Other Financing Sources (Uses)</i>	(1,583,819)	(1,583,819)	(1,522,196)	61,623
<b>NET CHANGE IN FUND BALANCE</b>	(5,934,480)	(5,934,480)	(1,400,174)	4,534,306
<b>FUND BALANCE, Beginning of year</b>	5,934,480	5,934,480	5,896,499	(37,981)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 4,496,325	\$ 4,496,325

***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF DALLAS, OREGON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<b>Special Revenue</b>		
	<b>Street</b>	<b>Trust/Reserve</b>	<b>Grants</b>
<b>ASSETS</b>			
Cash and investments	\$ 81,396	\$ 676,339	\$ 16,405
Accounts receivable	-	-	5,098
Property taxes receivable	-	-	-
Special assessments	-	-	-
<i>Total Assets</i>	<u>\$ 81,396</u>	<u>\$ 676,339</u>	<u>\$ 21,503</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
<i>Total Liabilities</i>	-	-	-
<b>Fund Balances</b>			
Reserved for donations / bail	-	676,339	-
Unreserved, reported in:			
Special revenue funds	81,396	-	21,503
Capital projects funds	-	-	-
Debt service fund	-	-	-
<i>Total Fund Balances</i>	<u>81,396</u>	<u>676,339</u>	<u>21,503</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 81,396</u>	<u>\$ 676,339</u>	<u>\$ 21,503</u>

<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Debt Service</u>		
<u>Urban Renewal</u>	<u>Improvement Bond</u>	<u>Capital Improvements</u>	<u>General Obligation Bond</u>		<u>Totals</u>
\$ 51,791	\$ 117,052	\$ -	\$ 194,574	\$	1,137,557
-	-	-	-		5,098
4,192	-	-	59,070		63,262
-	1,816	-	-		1,816
<u>\$ 55,983</u>	<u>\$ 118,868</u>	<u>\$ -</u>	<u>\$ 253,644</u>	<u>\$</u>	<u>1,207,733</u>
\$ -	\$ -	\$ 514,507	\$ -	\$	514,507
4,192	1,816	-	59,070		65,078
<u>4,192</u>	<u>1,816</u>	<u>514,507</u>	<u>59,070</u>		<u>579,585</u>
-	-	-	-		676,339
51,791	117,052	-	-		271,742
-	-	(514,507)	-		(514,507)
-	-	-	194,574		194,574
<u>51,791</u>	<u>117,052</u>	<u>(514,507)</u>	<u>194,574</u>		<u>628,148</u>
<u>\$ 55,983</u>	<u>\$ 118,868</u>	<u>\$ -</u>	<u>\$ 253,644</u>	<u>\$</u>	<u>1,207,733</u>

**CITY OF DALLAS, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009**

	<i>Special Revenue</i>			
	<i>Street</i>	<i>Revenue Sharing</i>	<i>Trust/Reserve</i>	<i>Grants</i>
<b>REVENUES</b>				
Taxes and assessments	\$ -	\$ -	\$ 62,390	\$ -
Intergovernmental	587,216	108,643	-	133,620
Miscellaneous	18,279	-	167,971	-
<i>Total Revenues</i>	605,495	108,643	230,361	133,620
<b>EXPENDITURES</b>				
Current operating:				
Highways and streets	682,657	-	-	-
Capital outlay	-	-	725,908	28,056
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total Expenditures</i>	682,657	-	725,908	28,056
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(77,162)	108,643	(495,547)	105,564
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	-
Transfers in	42,000	-	800,000	-
Transfers out	(12,000)	(108,988)	-	(145,722)
<i>Total Other Financing Sources (Uses)</i>	30,000	(108,988)	800,000	(145,722)
<b>NET CHANGE IN FUND BALANCES</b>	(47,162)	(345)	304,453	(40,158)
<b>FUND BALANCES (Deficit), Beginning of year</b>	128,558	345	371,886	61,661
<b>FUND BALANCES (Deficit), End of year</b>	\$ 81,396	\$ -	\$ 676,339	\$ 21,503

<i>Special Revenue</i>		<i>Capital Projects</i>	<i>Debt Service</i>		<i>Totals</i>
<i>Urban Renewal</i>	<i>Improvement Bond</i>	<i>Capital Improvements</i>	<i>General Debt</i>	<i>General Obligation Bond</i>	
\$ 75,982	\$ -	\$ -	\$ -	\$ 702,877	\$ 841,249
-	-	-	-	-	829,479
1,676	15,130	(17)	83,344	-	286,383
77,658	15,130	(17)	83,344	702,877	1,957,111
-	-	-	-	-	682,657
56,271	13,165	1,262,416	-	-	2,085,816
-	-	-	5,000	470,000	475,000
-	-	-	78,344	239,645	317,989
56,271	13,165	1,262,416	83,344	709,645	3,561,462
21,387	1,965	(1,262,433)	-	(6,768)	(1,604,351)
-	-	1,263,871	-	-	1,263,871
-	-	-	-	-	842,000
-	-	-	-	-	(266,710)
-	-	1,263,871	-	-	1,839,161
21,387	1,965	1,438	-	(6,768)	234,810
30,404	115,087	(515,945)	-	201,342	393,338
\$ 51,791	\$ 117,052	\$ (514,507)	\$ -	\$ 194,574	\$ 628,148

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - STREET FUND**  
**YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 790,500	\$ 790,500	\$ 587,216	\$ (203,284)
Miscellaneous	11,000	11,000	18,279	7,279
<i>Total Revenues</i>	801,500	801,500	605,495	(196,005)
<b>EXPENDITURES</b>				
Personal services	333,127	333,127	320,691	12,436
Materials and services	518,807	518,807	361,966	156,841
Capital outlay	1,000	1,000	-	1,000
Contingency	109,317	109,317	-	109,317
<i>Total Expenditures</i>	962,251	962,251	682,657	279,594
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(160,751)	(160,751)	(77,162)	83,589
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	42,000	42,000	42,000	-
Transfers out	(12,000)	(12,000)	(12,000)	-
<i>Total Other Financing Sources (Uses)</i>	30,000	30,000	30,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(130,751)	(130,751)	(47,162)	83,589
<b>FUND BALANCE, Beginning of year</b>	130,751	130,751	128,558	(2,193)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 81,396	\$ 81,396

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - REVENUE SHARING FUND**  
**YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 129,000	\$ 129,000	\$ 108,643	\$ (20,357)
<b>EXPENDITURES</b>	-	-	-	-
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	129,000	129,000	108,643	(20,357)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(130,000)	(130,000)	(108,988)	21,012
<b>NET CHANGE IN FUND BALANCE</b>	(1,000)	(1,000)	(345)	655
<b>FUND BALANCE, Beginning of year</b>	1,000	1,000	345	(655)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF DALLAS, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - TRUST/RESERVE FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 75,000	\$ 75,000	\$ 62,390	\$ (12,610)
Miscellaneous	482,500	482,500	167,971	(314,529)
<i>Total Revenues</i>	<i>557,500</i>	<i>557,500</i>	<i>230,361</i>	<i>(327,139)</i>
<b>EXPENDITURES</b>				
Park	26,000	30,000	28,353	1,647
Skate park	5,000	5,000	-	5,000
Fire equipment	51,000	51,000	13,987	37,013
Ambulance equipment	5,000	5,000	40	4,960
Library	9,000	9,000	3,427	5,573
Bail	120,000	120,000	103,810	16,190
Aquatic Center	825,000	825,000	416,428	408,572
Improvements	300,000	300,000	107,374	192,626
Street improvements	300,000	293,600	-	293,600
Police	10,000	10,000	3,045	6,955
Development park	1,000	3,400	3,386	14
Civic center	2,500	2,500	-	2,500
Economic development	3,000	3,000	1,633	1,367
Transient	75,000	75,000	44,425	30,575
<i>Total Expenditures</i>	<i>1,732,500</i>	<i>1,732,500</i>	<i>725,908</i>	<i>1,006,592</i>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(1,175,000)	(1,175,000)	(495,547)	679,453
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	825,000	825,000	800,000	(25,000)
<b>NET CHANGE IN FUND BALANCE</b>				
	(350,000)	(350,000)	304,453	654,453
<b>FUND BALANCE, Beginning of year</b>				
	374,500	374,500	371,886	(2,614)
<b>FUND BALANCE, End of year</b>				
	\$ 24,500	\$ 24,500	\$ 676,339	\$ 651,839

**CITY OF DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GRANTS FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,424,000	\$ 1,471,121	\$ 133,620	\$ (1,337,501)
<b>EXPENDITURES</b>				
Capital outlay	104,000	151,121	28,056	123,065
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	1,320,000	1,320,000	105,564	(1,214,436)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,321,000)	(1,321,000)	(145,722)	1,175,278
<b>NET CHANGE IN FUND BALANCE</b>	(1,000)	(1,000)	(40,158)	(39,158)
<b>FUND BALANCE, Beginning of year</b>	1,000	1,000	61,661	60,661
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 21,503	\$ 21,503

**CITY OF DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - URBAN RENEWAL FUND  
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 49,880	\$ 49,880	\$ 75,982	\$ 26,102
Miscellaneous	2,500	2,500	1,676	(824)
<i>Total Revenues</i>	52,380	52,380	77,658	25,278
<b>EXPENDITURES</b>				
Capital outlay	84,536	84,536	56,271	28,265
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(32,156)	(32,156)	21,387	53,543
<b>FUND BALANCE, Beginning of year</b>	32,156	32,156	30,404	(1,752)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 51,791	\$ 51,791

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - IMPROVEMENT FUND**  
**YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 406,000	\$ 406,000	\$ 15,130	\$ (390,870)
<b>EXPENDITURES</b>				
Materials and services	112,344	112,344	-	112,344
Capital outlay	400,000	400,000	13,165	386,835
<i>Total Expenditures</i>	<u>512,344</u>	<u>512,344</u>	<u>13,165</u>	<u>499,179</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(106,344)	(106,344)	1,965	108,309
<b>FUND BALANCE, Beginning of year</b>	<u>106,344</u>	<u>106,344</u>	<u>115,087</u>	<u>8,743</u>
<b>FUND BALANCE, End of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 117,052</u></u>	<u><u>\$ 117,052</u></u>

**CITY OF DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL DEBT FUND  
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 83,450	\$ 83,450	\$ 83,344	\$ (106)
<b>EXPENDITURES</b>				
Debt service				
Principal	5,000	5,000	5,000	-
Interest	78,450	78,450	78,344	106
	<u>83,450</u>	<u>83,450</u>	<u>83,344</u>	<u>106</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	-	-
<b>FUND BALANCE, Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF DALLAS, OREGON**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL OBLIGATION BOND FUND  
YEAR ENDED JUNE 30, 2009**

---

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 720,000	\$ 720,000	\$ 702,877	\$ (17,123)
<b>EXPENDITURES</b>				
Debt service				
Principal	470,000	470,000	470,000	-
Interest	239,646	239,646	239,645	1
	<u>709,646</u>	<u>709,646</u>	<u>709,645</u>	<u>1</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	10,354	10,354	(6,768)	(17,122)
<b>FUND BALANCE, Beginning of year</b>	<u>205,823</u>	<u>205,823</u>	<u>201,342</u>	<u>(4,481)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 216,177</u>	<u>\$ 216,177</u>	<u>\$ 194,574</u>	<u>\$ (21,603)</u>

**CITY OF DALLAS, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 7,000,000	\$ 7,000,000	\$ (17)	\$ (7,000,017)
<b>EXPENDITURES</b>				
Capital outlay	14,700,000	14,700,000	1,262,416	13,437,584
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(7,700,000)	(7,700,000)	(1,262,433)	6,437,567
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	6,500,000	6,500,000	1,263,871	(5,236,129)
Transfers in	1,200,000	1,200,000	-	(1,200,000)
<i>Total Other Financing Sources (Uses)</i>	7,700,000	7,700,000	1,263,871	(6,436,129)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	1,438	1,438
<b>FUND BALANCE (Deficit), Beginning of year</b>	-	-	(515,945)	(515,945)
<b>FUND BALANCE (Deficit), End of year</b>	\$ -	\$ -	\$ (514,507)	\$ (514,507)

**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, 2009**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 2,910,000	\$ 2,910,000	\$ 2,846,712	\$ 2,846,712
Miscellaneous	236,000	236,000	158,677	158,677
<i>Total Revenues</i>	<u>3,146,000</u>	<u>3,146,000</u>	<u>3,005,389</u>	<u>3,005,389</u>
<b>EXPENSES</b>				
Personal services	550,572	550,572	482,370	489,643
Materials and services	1,347,534	1,347,534	1,176,271	1,194,664
Capital outlay/depreciation	2,500	2,500	-	617,694
Debt service				
Principal	703,877	703,877	703,877	-
Interest	458,868	458,868	458,868	458,868
Contingency	500,000	500,000	-	-
<i>Total Expenses</i>	<u>3,563,351</u>	<u>3,563,351</u>	<u>2,821,386</u>	<u>2,760,869</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>				
	(417,351)	(417,351)	184,003	244,520
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(181,300)	(181,300)	(181,300)	(181,300)
Contributed capital	-	-	-	143,721
<i>Total Other Financing Sources (Uses)</i>	<u>(181,300)</u>	<u>(181,300)</u>	<u>(181,300)</u>	<u>(37,579)</u>
<b>NET CHANGE IN NET ASSETS</b>	(598,651)	(598,651)	2,703	206,941
<b>NET ASSETS, Beginning of year</b>	<u>1,986,015</u>	<u>1,986,015</u>	<u>2,184,599</u>	<u>14,608,794</u>
<b>NET ASSETS, End of year</b>	<u>\$ 1,387,364</u>	<u>\$ 1,387,364</u>	<u>\$ 2,187,302</u>	<u>\$ 14,815,735</u>

**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, 2009**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Charges for services	\$ 2,024,500	\$ 2,024,500	\$ 1,889,843	\$ 1,889,843
Miscellaneous	121,500	121,500	92,028	92,028
<i>Total Revenues</i>	<u>2,146,000</u>	<u>2,146,000</u>	<u>1,981,871</u>	<u>1,981,871</u>
<b>EXPENSES</b>				
Personal services	774,452	774,452	763,539	766,077
Materials and services	876,121	961,121	870,078	897,896
Capital outlay/depreciation	2,500	2,500	-	304,757
Debt service				
Principal	176,000	176,000	176,000	-
Interest	31,126	31,126	31,125	31,125
Contingency	400,000	315,000	-	-
<i>Total Expenses</i>	<u>2,260,199</u>	<u>2,260,199</u>	<u>1,840,742</u>	<u>1,999,855</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>				
	(114,199)	(114,199)	141,129	(17,984)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(131,300)	(131,300)	(131,300)	(131,300)
Contributed capital	-	-	-	209,140
<i>Total Other Financing Sources (Uses)</i>	<u>(131,300)</u>	<u>(131,300)</u>	<u>(131,300)</u>	<u>77,840</u>
<b>NET CHANGE IN NET ASSETS</b>	(245,499)	(245,499)	9,829	59,856
<b>NET ASSETS, Beginning of year</b>	<u>956,222</u>	<u>956,222</u>	<u>1,175,756</u>	<u>10,935,804</u>
<b>NET ASSETS, End of year</b>	<u>\$ 710,723</u>	<u>\$ 710,723</u>	<u>\$ 1,185,585</u>	<u>\$ 10,995,660</u>

**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, 2009**

---

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Charges for services	\$ 20,000	\$ 20,000	\$ 21,435	\$ 21,435
<b>EXPENDITURES</b>				
Personal services	15,500	15,500	9,574	9,574
Materials and services	47,000	47,000	24,762	24,762
<i>Total Expenditures</i>	<u>62,500</u>	<u>62,500</u>	<u>34,336</u>	<u>34,336</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(42,500)	(42,500)	(12,901)	(12,901)
<b>NET ASSETS, Beginning of year</b>	<u>97,189</u>	<u>97,189</u>	<u>113,036</u>	<u>113,036</u>
<b>NET ASSETS, End of year</b>	<u>\$ 54,689</u>	<u>\$ 54,689</u>	<u>\$ 100,135</u>	<u>\$ 100,135</u>

**CITY OF DALLAS, OREGON**  
**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS**  
**JUNE 30, 2009**

	<i>Shop Service</i>	<i>Central Services</i>	<i>Totals</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 265,262	\$ 60,888	\$ 326,150
Inventories	5,084	-	5,084
<i>Total Current Assets</i>	270,346	60,888	331,234
<b>Noncurrent assets</b>			
Nondepreciable capital assets	7,010	-	7,010
Other capital assets net, of related debt	376,570	-	376,570
<i>Total Assets</i>	653,926	60,888	714,814
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	-	59,999	59,999
Compensated absences payable	956	4,960	5,916
<i>Total Current Liabilities</i>	956	64,959	65,915
<b>Noncurrent liabilities</b>			
Compensated absences payable	5,495	28,524	34,019
<i>Total Liabilities</i>	6,451	93,483	99,934
<b>NET ASSETS</b>			
Investment in capital assets	383,580	-	383,580
Unrestricted (deficit)	263,895	(32,595)	231,300
<i>Total Net Assets</i>	\$ 647,475	\$ (32,595)	\$ 614,880

**CITY OF DALLAS, OREGON****COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2009**

---

	<u>Shop Service</u>	<u>Central Services</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 447,810	\$ 1,244,590	\$ 1,692,400
<b>OPERATING EXPENSES</b>			
Personal services	136,915	792,006	928,921
Materials and services	249,301	438,903	688,204
Depreciation	136,126	1,761	137,887
	<u>522,342</u>	<u>1,232,670</u>	<u>1,755,012</u>
<i>Total Operating Expenses</i>			
<b>OPERATING INCOME (LOSS)</b>	(74,532)	11,920	(62,612)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers in	60,000	-	60,000
	<u>60,000</u>	<u>-</u>	<u>60,000</u>
<b>CHANGE IN NET ASSETS</b>	(14,532)	11,920	(2,612)
<b>NET ASSETS (DEFICIT), Beginning of year</b>	<u>662,007</u>	<u>(44,515)</u>	<u>617,492</u>
<b>NET ASSETS (DEFICIT), End of year</b>	<u>\$ 647,475</u>	<u>\$ (32,595)</u>	<u>\$ 614,880</u>

**CITY OF DALLAS, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<b>Shop Service</b>	<b>Central Services</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collected from customers	\$ 447,810	\$ 1,244,590	\$ 1,692,400
Paid to suppliers	(276,161)	(387,827)	(663,988)
Paid to employees	(135,214)	(804,798)	(940,012)
	<u>36,435</u>	<u>51,965</u>	<u>88,400</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	96,435	51,965	148,400
<b>CASH AND INVESTMENTS, Beginning of year</b>			
	<u>168,827</u>	<u>8,923</u>	<u>177,750</u>
<b>CASH AND INVESTMENTS, End of year</b>			
	<u><u>\$ 265,262</u></u>	<u><u>\$ 60,888</u></u>	<u><u>\$ 326,150</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (74,532)	\$ 11,920	\$ (62,612)
Depreciation	136,126	1,761	137,887
<b>Change in assets and liabilities</b>			
Inventory	(319)	-	(319)
Accrued vacation payable	1,701	(12,792)	(11,091)
Accounts payable and accrued liabilities	(26,541)	51,076	24,535
	<u>36,435</u>	<u>51,965</u>	<u>88,400</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>\$ 36,435</u></u>	<u><u>\$ 51,965</u></u>	<u><u>\$ 88,400</u></u>

**CITY OF DALLAS, OREGON****SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BASIS) AND ACTUAL - SHOP SERVICE FUND  
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	474,000	474,000	447,810	447,810
<b>EXPENDITURES</b>				
Personal services	150,022	150,022	135,215	136,915
Materials and services	463,073	463,073	249,619	249,301
Capital outlay	50,000	50,000	-	136,126
<i>Total Expenditures</i>	<u>663,095</u>	<u>663,095</u>	<u>384,834</u>	<u>522,342</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(189,095)	(189,095)	62,976	(74,532)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(129,095)	(129,095)	122,976	(14,532)
<b>FUND BALANCE, Beginning of year</b>	<u>129,095</u>	<u>129,095</u>	<u>142,286</u>	<u>662,007</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,262</u>	<u>\$ 647,475</u>

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL - CENTRAL SERVICES FUND**  
**YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 1,208,276	\$ 1,208,276	\$ 1,244,590	\$ 1,244,590
<b>EXPENDITURES</b>				
Mayor and city council	13,500	15,000	14,429	16,190
Human resources	107,196	107,196	103,015	103,015
City manager	289,488	289,488	298,088	298,088
Finance office	564,801	624,801	611,775	598,982
City attorney	61,300	61,300	59,625	59,625
Facilities maintenance	171,991	171,991	156,770	156,770
<i>Total Expenditures</i>	<u>1,208,276</u>	<u>1,269,776</u>	<u>1,243,702</u>	<u>1,232,670</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	(61,500)	888	11,920
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	61,500	-	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	888	11,920
<b>FUND BALANCE</b>				
<b>(DEFICIT), Beginning of year</b>	-	-	-	(44,515)
<b>FUND BALANCE (DEFICIT), End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888</u>	<u>\$ (32,595)</u>

***OTHER FINANCIAL SCHEDULES***

(This page intentionally left blank)

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**YEAR ENDED JUNE 30, 2009**

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2008</u>	<u>2008-2009 Levy</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2009</u>
2008-09	\$ -	\$ 3,861,639	\$ (97,195)	\$ (3,574,325)	\$ 190,119
2007-08	141,634	-	3,718	(88,016)	57,336
2006-07	47,055	-	2,643	(25,765)	23,933
2005-06	19,368	-	1,898	(12,204)	9,062
2004-05	7,234	-	1,317	(7,373)	1,178
2003-04	806	-	48	(214)	640
Prior Years	4,278	-	75	(325)	4,028
Total	<u>\$ 220,375</u>	<u>\$ 3,861,639</u>	<u>\$ (87,496)</u>	<u>\$ (3,708,222)</u>	<u>\$ 286,296</u>

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF BOND AND BOND INTEREST TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
<b>DEBT PRINCIPAL TRANSACTIONS</b>			
<b>Governmental activities</b>			
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
Series 2008	3.00%-4.05%	2008	2015-16
2008 Vehicle lease	5.00%	2008	2010-11
2009 Vehicle lease	6.25%	2008	2011-12
<b>Business-type activities</b>			
Sewage 1998	4.74%	1998	2017-18
Sewage DEQ	3.93%	2000	2019-20
Water Refunding 2005	3.75%	2005	2012-13
OECCD Safe Drinking Water loan	3.38%	2007	2028-29
			<b>Unmatured Interest Outstanding July 1, 2008</b>
<b>DEBT INTEREST TRANSACTIONS</b>			
<b>Governmental activities</b>			
Series 1999	4.95%	1999	\$ 14,240
Series 2003	4.25-5.00%	2003	213,102
Series 2005	3.50%-4.00%	2005	1,192,214
2005 PERS bonds	4.38%-5.00%	2005	1,169,534
Series 2008	3.00%-4.05%	2008	31,089
2008 Vehicle lease	5.00%	2008	-
2009 Vehicle lease	6.25%	2008	-
			<u>2,620,179</u>
<b>Business-type activities</b>			
Sewage 1998	4.74%	1998	93,859
Sewage DEQ	3.93%	2000	3,018,896
Water Refunding 2005	3.75%	2005	86,356
OECCD Safe Drinking Water loan	3.38%	2007	2,311,821
			<u>5,510,932</u>
			<u>\$ 8,131,111</u>

<i>Outstanding July 1, 2008</i>	<i>New Issues</i>	<i>Principal Paid</i>	<i>Outstanding June 30, 2009</i>
\$ 320,000	\$ -	\$ (320,000)	\$ -
715,000	-	(50,000)	665,000
4,435,000	-	(100,000)	4,335,000
1,585,000	-	(5,000)	1,580,000
-	210,000	-	210,000
-	37,105	(11,770)	25,335
-	57,756	(15,777)	41,979
<u>7,055,000</u>	<u>304,861</u>	<u>(502,547)</u>	<u>6,857,314</u>
324,415	-	(24,386)	300,029
10,191,540	-	(679,491)	9,512,049
918,000	-	(176,000)	742,000
3,109,794	1,263,871	-	4,373,665
<u>14,543,749</u>	<u>1,263,871</u>	<u>(879,877)</u>	<u>14,927,743</u>
<u>\$ 21,598,749</u>	<u>\$ 1,568,732</u>	<u>\$ (1,382,424)</u>	<u>\$ 21,785,057</u>
		<i>Unmatured Interest June 30, 2009</i>	
<i>New Issues</i>	<i>Interest Paid</i>		
\$ -	\$ (14,240)	\$ -	
-	(34,155)	178,947	
-	(191,250)	1,000,964	
-	(78,344)	1,091,190	
-	-	31,089	
3,771	(1,855)	1,916	
5,354	-	5,354	
<u>9,125</u>	<u>(319,844)</u>	<u>2,309,460</u>	
-	(15,675)	78,184	
-	(443,193)	2,575,703	
-	(31,125)	55,231	
-	-	2,311,821	
<u>-</u>	<u>(489,993)</u>	<u>5,020,939</u>	
<u>\$ 9,125</u>	<u>\$ (809,837)</u>	<u>\$ 7,330,399</u>	

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2009**

**Governmental Activities**

<i>Fiscal Year Ending June 30,</i>	<i>Series 2003</i>			<i>Series 2005</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 55,000	\$ 31,566	\$ 86,566	\$ 405,000	\$ 187,250	\$ 592,250
2011	60,000	28,710	88,710	420,000	171,050	591,050
2012	70,000	25,493	95,493	435,000	154,250	589,250
2013	70,000	22,028	92,028	455,000	136,850	591,850
2014	75,000	18,439	93,439	475,000	114,100	589,100
2015	80,000	14,603	94,603	455,000	90,350	545,350
2016	80,000	10,643	90,643	480,000	67,600	547,600
2017	85,000	6,559	91,559	385,000	48,400	433,400
2018	90,000	2,229	92,229	405,000	33,000	438,000
2019	-	-	-	420,000	16,800	436,800
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 665,000</u>	<u>\$ 160,270</u>	<u>\$ 825,270</u>	<u>\$ 4,335,000</u>	<u>\$ 1,019,650</u>	<u>\$ 5,354,650</u>

**Business-type Activities**

<i>Fiscal Year Ending June 30,</i>	<i>Sewage 1998</i>			<i>Sewage DEQ</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 300,029</u>	<u>\$ 78,185</u>	<u>\$ 378,214</u>	<u>\$ 9,512,049</u>	<u>\$ 2,575,703</u>	<u>\$ 12,087,752</u>

<i>PERS Bonds</i>			<i>Series 2008</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 10,000	\$ 78,231	\$ 88,231	\$ 30,000	\$ 10,056	\$ 40,056
15,000	77,787	92,787	35,000	6,643	41,643
20,000	77,110	97,110	35,000	5,505	40,505
30,000	76,010	106,010	35,000	4,280	39,280
35,000	74,626	109,626	35,000	2,985	37,985
40,000	72,993	112,993	40,000	1,620	41,620
50,000	71,050	121,050	-	-	-
60,000	68,620	128,620	-	-	-
70,000	65,705	135,705	-	-	-
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	-	-	-
<b>\$ 1,580,000</b>	<b>\$ 1,044,555</b>	<b>\$ 2,624,555</b>	<b>\$ 210,000</b>	<b>\$ 31,089</b>	<b>\$ 241,089</b>

<i>Water 2005</i>			<i>OECD Safe Drinking Water loan (fully disbursed)</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 183,000	\$ 24,394	\$ 207,394	\$ 209,102	\$ 184,133	\$ 393,235
190,000	17,400	207,400	216,170	177,066	393,236
197,000	10,144	207,144	223,477	169,759	393,236
172,000	3,224	175,224	231,030	162,206	393,236
-	-	-	238,839	154,397	393,236
-	-	-	246,912	146,324	393,236
-	-	-	255,257	137,978	393,235
-	-	-	263,885	129,351	393,236
-	-	-	272,804	120,431	393,235
-	-	-	282,025	111,211	393,236
-	-	-	291,558	101,678	393,236
-	-	-	301,412	91,824	393,236
-	-	-	311,600	81,636	393,236
-	-	-	322,132	71,104	393,236
-	-	-	333,020	60,216	393,236
-	-	-	344,276	48,960	393,236
-	-	-	355,913	37,323	393,236
-	-	-	367,943	25,293	393,236
-	-	-	380,379	12,857	393,236
<b>\$ 742,000</b>	<b>\$ 55,162</b>	<b>\$ 797,162</b>	<b>\$ 5,447,734</b>	<b>\$ 2,023,747</b>	<b>\$ 7,471,481</b>

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS (Continued)**  
**JUNE 30, 2009**

---

**Governmental Activities**

<i>Fiscal Year Ending June 30,</i>	<i>2008 Vehicle Lease</i>			<i>2009 Vehicle Lease</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 12,359	\$ 1,267	\$ 13,626	\$ 13,154	\$ 2,624	\$ 15,778
2011	12,976	649	13,625	13,976	1,802	15,778
2012	-	-	-	14,849	928	15,777
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 25,335</u>	<u>\$ 1,916</u>	<u>\$ 27,251</u>	<u>\$ 41,979</u>	<u>\$ 5,354</u>	<u>\$ 47,333</u>

---

<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 525,513	\$ 310,994	\$ 836,507
556,952	286,641	843,593
574,849	263,286	838,135
590,000	239,168	829,168
620,000	210,150	830,150
615,000	179,566	794,566
610,000	149,293	759,293
530,000	123,579	653,579
565,000	100,934	665,934
500,000	79,104	579,104
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
\$ 6,857,314	\$ 2,262,834	\$ 9,120,148
\$ 6,857,314	\$ 2,262,834	\$ 9,120,148

(This page intentionally left blank)



STATISTICAL  
SECTION

(This page intentionally left blank)

## *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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	63-68
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	69-73
<b>Debt Capacity</b> 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.	74-77
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	78-80
<b>Operating Information</b> 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.	81-82

**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.

(This page intentionally left blank)

***FINANCIAL TRENDS***

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Governmental activities:</b>			
Invested in capital assets (net of related debt)	\$ 73,971,661	\$ 73,563,864	\$ 72,313,314
Restricted for special purposes	5,529,207	6,458,604	6,820,160
Unrestricted	1,180,532	1,021,024	1,930,213
<i>Total governmental activities net assets</i>	<u>\$ 80,681,400</u>	<u>\$ 81,043,492</u>	<u>\$ 81,063,687</u>
<b>Business-type activities:</b>			
Invested in capital assets (net of related debt)	\$ 22,309,835	\$ 21,999,548	\$ 20,859,855
Unrestricted	3,601,695	3,658,086	4,387,120
<i>Total business-type activities net assets</i>	<u>\$ 25,911,530</u>	<u>\$ 25,657,634</u>	<u>\$ 25,246,975</u>
<b>Primary government:</b>			
Invested in capital assets (net of related debt)	\$ 96,281,496	\$ 95,563,412	\$ 93,173,169
Restricted for special purposes	5,529,207	6,458,604	6,820,160
Unrestricted	4,782,227	4,679,110	6,317,333
<i>Total primary government net assets</i>	<u>\$ 106,592,930</u>	<u>\$ 106,701,126</u>	<u>\$ 106,310,662</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

*Source: City of Dallas Comprehensive Annual Financial Reports*

---

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 69,659,685	\$ 70,836,711	\$ 70,842,393	\$ 69,101,619
7,307,917	6,414,868	3,947,439	-
4,881,233	3,255,110	2,138,540	6,133,760
<u>\$ 81,848,835</u>	<u>\$ 80,506,689</u>	<u>\$ 76,928,372</u>	<u>\$ 75,235,379</u>
\$ 19,592,528	\$ 18,820,679	\$ 18,499,585	\$ 16,972,442
5,337,653	6,008,749	7,915,724	7,995,732
<u>\$ 24,930,181</u>	<u>\$ 24,829,428</u>	<u>\$ 26,415,309</u>	<u>\$ 24,968,174</u>
\$ 89,382,213	\$ 89,657,390	\$ 89,341,978	\$ 86,074,061
7,307,917	6,414,868	3,947,439	-
10,088,886	9,263,859	10,054,264	14,129,492
<u>\$ 106,779,016</u>	<u>\$ 105,336,117</u>	<u>\$ 103,343,681</u>	<u>\$ 100,203,553</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>EXPENSES</b>			
<b>Governmental activities:</b>			
General government	\$ 776,276	\$ 1,117,810	\$ 439,215
Public safety	5,181,413	4,374,809	3,817,182
Highways and streets	771,311	1,128,744	3,215,818
Culture and recreation	2,657,682	2,961,453	3,198,380
Interest on long-term debt	290,438	337,515	357,421
Unallocated depreciation	-	-	-
<i>Total governmental activities expenses</i>	<u>9,677,120</u>	<u>9,920,331</u>	<u>11,028,016</u>
<b>Business-type activities:</b>			
Sewage disposal	2,760,869	2,917,079	1,786,823
Water	2,034,191	1,960,357	3,488,856
Ambulance	-	-	927,316
<i>Total business-type activities expenses</i>	<u>4,795,060</u>	<u>4,877,436</u>	<u>6,202,995</u>
<i>Total expenses</i>	<u>\$ 14,472,180</u>	<u>\$ 14,797,767</u>	<u>\$ 17,231,011</u>
<b>PROGRAM REVENUES</b>			
<b>Governmental activities:</b>			
Charges for services			
General Government	\$ 301,725	\$ 792,460	\$ 481,966
Public Safety	1,311,170	1,285,393	325,233
Culture and Recreation	519,554	507,689	489,916
Operating grants and contributions	1,217,259	1,523,440	2,051,181
Capital grants and contributions	797,474	1,218,332	953,059
<i>Total governmental activities program revenues</i>	<u>4,147,182</u>	<u>5,327,314</u>	<u>4,301,355</u>
<b>Business-type activities:</b>			
Charges for services	4,757,990	4,498,870	5,178,652
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	1,642,660
<i>Total business-type activities program revenues</i>	<u>4,757,990</u>	<u>4,498,870</u>	<u>6,821,312</u>
<i>Total program revenues</i>	<u>\$ 8,905,172</u>	<u>\$ 9,826,184</u>	<u>\$ 11,122,667</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

Source: City of Dallas Comprehensive Annual Financial Reports

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 560,440	\$ 511,423	\$ 445,968	\$ 621,035
2,979,379	2,686,979	2,850,336	2,975,244
919,953	1,817,002	717,131	927,237
2,191,735	2,096,956	1,724,036	1,755,912
368,216	360,394	369,980	339,247
795,053	2,534,598	-	-
<u>7,814,776</u>	<u>10,007,352</u>	<u>6,107,451</u>	<u>6,618,675</u>
3,093,131	1,782,699	2,961,851	2,820,693
1,809,211	3,415,917	1,665,304	2,172,125
957,655	894,982	848,941	835,400
<u>5,859,997</u>	<u>6,093,598</u>	<u>5,476,096</u>	<u>5,828,218</u>
<u>\$ 13,674,773</u>	<u>\$ 16,100,950</u>	<u>\$ 11,583,547</u>	<u>\$ 12,446,893</u>
\$ 610,373	\$ 58,923	\$ 322,502	\$ 687,946
250,291	196,964	387,023	750,777
437,942	421,602	402,469	418,975
1,316,217	1,423,578	257,890	405,664
2,684,450	3,378,448	1,832	80,654
<u>5,299,273</u>	<u>5,479,515</u>	<u>1,371,716</u>	<u>2,344,016</u>
4,958,640	4,741,264	5,603,815	5,366,247
-	-	-	21,422
-	-	1,234,269	-
<u>4,958,640</u>	<u>4,741,264</u>	<u>6,838,084</u>	<u>5,387,669</u>
<u>\$ 10,257,913</u>	<u>\$ 10,220,779</u>	<u>\$ 8,209,800</u>	<u>\$ 7,731,685</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>PROGRAM REVENUES (Continued)</b>			
<b>Net (Expense)/Revenue</b>			
Governmental activities	\$ (5,529,938)	\$ (4,593,017)	\$ (6,726,661)
Business-type activities	(37,070)	(378,566)	618,317
Total net expense	<u>\$ (5,567,008)</u>	<u>\$ (4,971,583)</u>	<u>\$ (6,108,344)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Taxes and assessments	\$ 3,799,318	\$ 3,762,441	\$ 3,549,521
Franchise Fees	828,690	822,530	803,718
Intergovernmental	289,854	180,474	190,022
Miscellaneous	290,244	246,708	690,537
Transfer of capital assets	(352,861)	(822,680)	464,379
Proceeds from property sales	-	-	73,977
Transfers	312,600	325,450	169,360
Total governmental activities	<u>5,167,845</u>	<u>4,514,923</u>	<u>5,941,514</u>
Business-type activities:			
Miscellaneous	250,705	291,996	332,216
Transfer of capital assets	352,861	822,680	(464,379)
Transfers	(312,600)	(325,450)	(169,360)
Total business-type activities	<u>290,966</u>	<u>789,226</u>	<u>(301,523)</u>
Total	<u>\$ 5,458,811</u>	<u>\$ 5,304,149</u>	<u>\$ 5,639,991</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ (362,093)	\$ (78,094)	\$ (785,147)
Business-type activities	253,896	410,660	316,794
Total	<u>\$ (108,197)</u>	<u>\$ 332,566</u>	<u>\$ (468,353)</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

Source: City of Dallas Comprehensive Annual Financial Reports

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ (2,515,503)	\$ (4,527,837)	\$ (4,735,735)	\$ (4,274,659)
(901,357)	(1,352,334)	1,361,988	(440,549)
<u>\$ (3,416,860)</u>	<u>\$ (5,880,171)</u>	<u>\$ (3,373,747)</u>	<u>\$ (4,715,208)</u>
\$ 3,257,042	\$ 3,103,432	\$ 2,990,420	\$ 2,870,005
725,976	1,146,135	864,322	890,480
260,420	202,655	302,728	274,209
185,139	138,529	42,735	74,441
-	-	-	-
-	-	-	-
(570,930)	55,300	-	(42,891)
<u>3,857,647</u>	<u>4,646,051</u>	<u>4,200,205</u>	<u>4,066,244</u>
326,968	212,594	85,147	229,832
-	463,737	-	-
570,930	(55,300)	-	42,891
<u>897,898</u>	<u>621,031</u>	<u>85,147</u>	<u>272,723</u>
<u>\$ 4,755,545</u>	<u>\$ 5,267,082</u>	<u>\$ 4,285,352</u>	<u>\$ 4,338,967</u>
\$ 1,342,144	\$ 118,214	\$ (535,530)	\$ (208,415)
(3,459)	(731,303)	1,447,135	(167,826)
<u>\$ 1,338,685</u>	<u>\$ (613,089)</u>	<u>\$ 911,605</u>	<u>\$ (376,241)</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Fund:</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,526,191	1,114,009	1,314,302	1,848,263
<i>Total General Fund</i>	<u>\$ 1,526,191</u>	<u>\$ 1,114,009</u>	<u>\$ 1,314,302</u>	<u>\$ 1,848,263</u>
<b>Special Revenue Funds:</b>				
Reserved	\$ 676,339	\$ -	\$ -	\$ -
Unreserved	4,768,067	6,489,353	659,386	673,175
<i>Total Special Revenue Funds</i>	<u>\$ 5,444,406</u>	<u>\$ 6,489,353</u>	<u>\$ 659,386</u>	<u>\$ 673,175</u>
<b>Debt Service Funds:</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	194,574	316,429	197,092	304,233
<i>Total Debt Service Funds</i>	<u>\$ 194,574</u>	<u>\$ 316,429</u>	<u>\$ 197,092</u>	<u>\$ 304,233</u>
<b>Capital Projects Funds:</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	(514,507)	(515,945)	6,464,930	7,682,647
<i>Total Capital Projects Funds</i>	<u>\$ (514,507)</u>	<u>\$ (515,945)</u>	<u>\$ 6,464,930</u>	<u>\$ 7,682,647</u>
<b>All Governmental Funds:</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	6,650,664	7,403,846	8,635,710	10,508,318
<i>Total All Governmental Funds</i>	<u>\$ 6,650,664</u>	<u>\$ 7,403,846</u>	<u>\$ 8,635,710</u>	<u>\$ 10,508,318</u>

Source: City of Dallas Comprehensive Annual Financial Reports

<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,179,784	1,845,014	1,791,241	2,033,969	2,396,727	2,571,298
<u>\$ 1,179,784</u>	<u>\$ 1,845,014</u>	<u>\$ 1,791,241</u>	<u>\$ 2,033,969</u>	<u>\$ 2,396,727</u>	<u>\$ 2,571,298</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
861,144	213,461	202,645	239,413	344,720	395,378
<u>\$ 861,144</u>	<u>\$ 213,461</u>	<u>\$ 202,645</u>	<u>\$ 239,413</u>	<u>\$ 344,720</u>	<u>\$ 395,378</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
317,810	335,602	346,402	309,018	318,921	299,451
<u>\$ 317,810</u>	<u>\$ 335,602</u>	<u>\$ 346,402</u>	<u>\$ 309,018</u>	<u>\$ 318,921</u>	<u>\$ 299,451</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,169,032	3,502,200	3,528,226	3,402,793	3,421,035	5,377,132
<u>\$ 7,169,032</u>	<u>\$ 3,502,200</u>	<u>\$ 3,528,226</u>	<u>\$ 3,402,793</u>	<u>\$ 3,421,035</u>	<u>\$ 5,377,132</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,527,770	5,896,277	5,868,514	5,985,193	6,481,403	8,643,259
<u>\$ 9,527,770</u>	<u>\$ 5,896,277</u>	<u>\$ 5,868,514</u>	<u>\$ 5,985,193</u>	<u>\$ 6,481,403</u>	<u>\$ 8,643,259</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 3,797,194	\$ 3,734,315	\$ 3,543,227
Licenses and permits	1,570,479	1,526,492	1,673,675
Intergovernmental	1,334,690	1,367,900	1,994,857
Franchise fees	828,690	822,530	803,718
Charges for services	938,379	1,516,376	549,374
Fines and forfeitures	353,964	365,946	325,233
Miscellaneous	467,680	980,026	1,177,752
<i>Total Revenues</i>	<u>9,291,076</u>	<u>10,313,585</u>	<u>10,067,836</u>
<b>EXPENDITURES</b>			
Current operating:			
General government	1,997,088	1,682,609	722,799
Highways and streets	682,657	902,450	840,978
Culture and recreation	1,631,550	1,817,384	1,798,389
Public Safety	3,902,463	3,533,823	3,753,648
Capital outlay	2,831,297	6,219,811	4,011,569
Debt service:			
Interest	317,989	337,515	357,421
Principal	502,547	445,000	465,000
<i>Total Expenditures</i>	<u>11,865,591</u>	<u>14,938,592</u>	<u>11,949,804</u>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(2,574,515)	(4,625,007)	(1,881,968)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,145,129	593,375	459,775
Transfers out	(1,892,529)	(367,925)	(450,415)
Payment of prepaid pension asset	-	-	-
Debt proceeds	1,568,733	3,109,795	-
Bond refunding	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>1,821,333</u>	<u>3,335,245</u>	<u>9,360</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (753,182)</u>	<u>\$ (1,289,762)</u>	<u>\$ (1,872,608)</u>
Debt service as a percentage of noncapital expenditures	<u>9.99%</u>	<u>9.86%</u>	<u>11.56%</u>

Source: City of Dallas Comprehensive Annual Financial Reports

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 3,257,264	\$ 3,085,020	\$ 3,018,928	\$ 2,858,083	\$ 2,943,224	\$ 2,684,897	\$ 2,513,782
503,499	458,856	294,130	237,098	182,284	122,443	157,666
3,086,508	2,027,205	1,190,830	1,011,711	1,088,921	1,020,673	1,027,884
725,976	891,804	864,322	706,930	635,915	639,050	640,457
1,565,327	3,080,657	659,985	628,030	606,272	444,432	396,144
250,291	273,498	153,475	159,985	171,328	194,978	173,463
340,849	566,478	227,999	790,773	240,344	663,425	857,983
<u>9,729,714</u>	<u>10,383,518</u>	<u>6,409,669</u>	<u>6,392,610</u>	<u>5,868,288</u>	<u>5,769,898</u>	<u>5,767,379</u>
616,946	511,619	420,400	558,856	399,227	381,795	375,610
867,888	729,940	2,779,104	844,594	915,676	655,152	538,132
1,648,851	1,636,836	717,131	1,578,281	1,609,061	1,332,005	806,710
3,070,333	2,818,643	1,553,207	2,753,751	2,522,233	2,334,724	2,210,944
2,152,064	1,611,851	167,344	976,419	233,450	2,501,564	4,411,297
368,216	343,094	369,980	339,247	353,979	369,328	401,595
435,000	435,000	374,600	378,600	333,600	343,600	808,600
<u>9,159,298</u>	<u>8,086,983</u>	<u>6,381,766</u>	<u>7,429,748</u>	<u>6,367,226</u>	<u>7,918,168</u>	<u>9,552,888</u>
570,416	2,296,535	27,903	(1,037,138)	(498,938)	(2,148,270)	(3,785,509)
1,045,630	781,780	116,880	473,050	421,503	66,000	120,091
(820,500)	(786,480)	(116,880)	(332,391)	(399,244)	(387,154)	(271,091)
(1,585,000)	-	-	-	-	-	-
6,410,000	-	-	885,000	-	307,568	-
(4,640,000)	-	-	-	-	-	-
<u>410,130</u>	<u>(4,700)</u>	<u>-</u>	<u>1,025,659</u>	<u>22,259</u>	<u>(13,586)</u>	<u>(151,000)</u>
<u>\$ 980,546</u>	<u>\$ 2,291,835</u>	<u>\$ 27,903</u>	<u>\$ (11,479)</u>	<u>\$ (476,679)</u>	<u>\$ (2,161,856)</u>	<u>\$ (3,936,509)</u>
<u>12.95%</u>	<u>13.66%</u>	<u>13.61%</u>	<u>12.52%</u>	<u>12.62%</u>	<u>15.16%</u>	<u>30.78%</u>

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

<b>FUNCTIONS/PROGRAMS</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Governmental Activities:</b>			
General government	\$ 936,322	\$ 1,663,143	\$ 1,123,364
Public safety	1,743,251	1,986,654	1,566,536
Highways and streets	656,475	912,983	875,983
Culture and recreation	811,134	764,534	735,472
<i>Total Governmental Activities</i>	<u>4,147,182</u>	<u>5,327,314</u>	<u>4,301,355</u>
<b>Business-type Activities:</b>			
Sewage disposal	2,846,712	2,617,239	3,210,039
Water	1,911,278	1,881,631	2,875,974
Ambulance	-	-	735,299
<i>Total Business-type Activities</i>	<u>4,757,990</u>	<u>4,498,870</u>	<u>6,821,312</u>
<i>Total Activities</i>	<u>\$ 8,905,172</u>	<u>\$ 9,826,184</u>	<u>\$ 11,122,667</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to present data beginning with the implementation of GASB Statement No. 34, which occurred June 2003.

*Source: City of Dallas Comprehensive Annual Financial Reports*

---

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 2,927,908	\$ 1,524,755	\$ 322,502	\$ 295,948
775,432	882,153	387,023	391,998
1,025,289	2,608,285	795,189	750,777
570,644	781,482	402,469	418,975
<u>5,299,273</u>	<u>5,796,675</u>	<u>1,907,183</u>	<u>1,857,698</u>
2,521,270	2,363,972	2,931,532	2,751,060
1,669,428	1,588,820	1,873,665	1,849,990
767,942	788,472	798,618	765,197
<u>4,958,640</u>	<u>4,741,264</u>	<u>5,603,815</u>	<u>5,366,247</u>
<u>\$ 10,257,913</u>	<u>\$ 10,537,939</u>	<u>\$ 7,510,998</u>	<u>\$ 7,223,945</u>

(This page intentionally left blank)

***REVENUE CAPACITY***

(This page intentionally left blank)

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

---

<b>Fiscal Year</b>	<b>Property</b>	<b>Special Assessments</b>	<b>Total</b>
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
2008	3,615,110	2,244	3,617,354
2009	3,734,804	518	3,735,322
Change 2001-2009	39.9%	-96.8%	

**CITY OF DALLAS, OREGON**  
**ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

<i>Fiscal Year</i> <i>Ended</i> <i>June 30,</i>	<i>Real Property</i>		<i>Personal Property*</i>		<i>Public Utility Property</i>	
	<i>Assessed</i>	<i>Estimated</i>	<i>Assessed</i>	<i>Estimated</i>	<i>Assessed</i>	<i>Estimated</i>
	<i>Value</i>	<i>Actual</i> <i>Value</i>	<i>Value</i>	<i>Actual</i> <i>Value</i>	<i>Value</i>	<i>Actual</i> <i>Value</i>
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
2008	694,267,295	1,133,818,532	25,085,157	25,992,860	14,327,720	14,335,524
2009	718,755,409	1,077,982,914	26,479,386	27,345,280	17,996,620	18,003,660

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

\* Includes mobile homes

Source: Polk County Department of Assessment and Taxation.

---

<i>Total</i>	<i>Estimated</i>	<i>Ratio of</i>	<i>Total</i>
<i>Assessed</i>	<i>Actual</i>	<i>Total Assessed to</i>	<i>Direct</i>
<i>Value</i>	<i>Value</i>	<i>Total Estimated</i>	<i>Tax Rate</i>
<i>Value</i>	<i>Value</i>	<i>Actual Value</i>	
\$ 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
733,680,172	1,174,146,916	62.49	5.27
763,231,415	1,123,331,854	67.94	5.26

**CITY OF DALLAS, OREGON**

**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS**

**(PER \$1,000 OF ASSESSED VALUE)**

**LAST TEN FISCAL YEARS**

---

<b><i>Fiscal Year Ended June 30,</i></b>	<b><i>City of Dallas</i></b>	<b><i>Polk County</i></b>	<b><i>School District #2</i></b>	<b><i>Chemeketa Community College</i></b>	<b><i>Chemeketa Regional Library</i></b>	<b><i>Polk Conservation District</i></b>
2000	\$ 5.78	\$ 2.09	\$ 7.11	\$ 0.76	\$ 0.08	\$ -
2001	5.75	2.11	6.29	0.76	0.08	-
2002	5.56	2.05	6.43	0.76	0.08	-
2003	5.55	2.02	6.50	0.77	0.08	0.05
2004	5.52	2.03	6.45	0.96	0.08	0.05
2005	5.46	2.00	6.53	0.96	0.08	0.05
2006	5.36	1.97	6.33	0.94	0.08	0.05
2007	5.27	2.40	6.20	0.70	0.08	0.05
2008	5.26	2.26	5.77	0.70	0.08	0.05
2009	5.09	2.24	6.07	0.82	0.08	0.05

*Source: Polk County Department of Assessment and Taxation.*

---

<i>Willamette ESD</i>	<i>Dallas Cemetery District</i>	<i>Total</i>
\$ 0.88	\$ 0.06	\$ 16.76
0.92	0.05	15.96
0.28	0.05	15.21
0.30	0.05	15.32
0.30	0.05	15.44
0.30	0.05	15.43
0.30	0.05	15.08
0.30	0.05	15.05
0.30	0.05	14.47
0.30	0.05	14.70

**CITY OF DALLAS, OREGON**  
**PRINCIPAL TAXPAYERS FOR POLK COUNTY**  
**CURRENT YEAR AND NINE YEARS AGO**

<i>Taxpayer</i>	<b>2009</b>			<b>2000</b>		
	<i>Assessed Value</i>	<i>Rank</i>	<i>% of Total City Taxable Assessed Value</i>	<i>Assessed Value</i>	<i>Rank</i>	<i>% of Total City Taxable Assessed Value</i>
Weyerhaeuser Company	\$ 15,471,594	1	2.03%	\$ 16,080,563	3	3.64%
Northwest Natural Gas	7,902,000	2	1.04%	15,592,239	4	3.53%
Greenway	6,399,540	3	0.84%	-	-	-
Wal-Mart	5,445,130	4	0.71%	-	-	-
Victoria Place General Partnership	5,323,690	5	0.70%	-	-	-
Dallas Mennonite Retirement Center	4,288,840	6	0.56%	-	-	-
TTM Printed Circuit Group	3,352,250	7	0.44%	13,361,531	7	3.03%
Qwest Corporation	3,977,400	8	0.52%	17,511,665	2	3.97%
FR Acquisition, Inc.	2,829,160	9	0.37%	-	-	-
Charter Communications	2,859,900	10	0.37%	-	-	-
Pacificorp (PP&L)	-	-	-	19,298,400	1	4.37%
Agripac, Inc.	-	-	-	14,396,610	5	3.26%
Boise Cascade Corporation	-	-	-	12,105,380	8	2.74%
Portland General Electric	-	-	-	13,925,780	6	3.16%
TranCo	-	-	-	6,498,480	9	1.47%
Rainsweet, Inc.	-	-	-	5,197,270	10	1.18%
	<u>\$ 57,849,504</u>		<u>7.58%</u>	<u>\$ 133,967,918</u>		<u>30.35%</u>

Source: Polk County Department of Assessment and Taxation

**CITY OF DALLAS, OREGON**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

<i>Fiscal Year Ended June 30,</i>	<i>Total tax levy (net of discounts)</i>	<i>Collected in year of levy</i>		<i>Collected in subsequent years</i>	<i>Total collections to date</i>	
		<i>Amount</i>	<i>Percent of Levy</i>		<i>Amount</i>	<i>Percent of Levy</i>
2000	\$ 2,552,783	\$ 2,371,334	92.89 %	\$ 181,046	\$ 2,552,380	99.98 %
2001	2,713,147	2,508,604	92.46	203,737	2,712,341	99.97
2002	2,813,592	2,615,970	92.98	196,414	2,812,384	99.96
2003	2,876,224	2,682,338	93.26	192,275	2,874,613	99.94
2004	3,030,151	2,843,667	93.85	185,844	3,029,511	99.98
2005	3,186,424	3,068,521	96.30	116,725	3,185,246	99.96
2006	3,337,387	3,141,622	94.13	186,703	3,328,325	99.73
2007	3,555,585	3,339,468	93.92	192,184	3,531,652	99.33
2008	3,670,965	3,529,331	96.14	84,298	3,613,629	98.44
2009	3,764,444	3,574,325	94.95	-	3,574,325	94.95

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

(This page intentionally left blank)

***DEBT CAPACITY***

(This page intentionally left blank)

**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:

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Debt as % Personal Income</u>	<u>Bonded Debt Per Capita</u>
2001	12,577	\$ 471,976,896	\$ 7,385,200	0.0156	2.37%	\$ 587.20
2002	12,650	516,010,757	7,051,600	0.0137	2.26%	557.44
2003	12,850	545,574,625	7,558,000	0.0139	2.35%	588.17
2004	13,420	575,673,863	7,155,000	0.0124	1.95%	533.16
2005	13,500	613,986,132	6,760,000	0.0110	1.81%	500.74
2006	14,585	668,374,992	7,965,000	0.0119	1.88%	546.11
2007	15,065	714,116,499	7,500,000	0.0105	1.64%	497.84
2008	15,360	733,680,172	7,055,000	0.0096	N/A	459.31
2009	15,445	763,231,415	6,790,000	0.0089	N/A	439.62

BUSINESS-TYPE ACTIVITIES:

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Notes Payable and Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Debt as % Personal Income</u>	<u>Bonded Debt Per Capita</u>
2001	12,577	\$ 471,976,896	\$16,034,690	0.0340	5.15%	\$ 1,274.92
2002	12,650	516,010,757	15,924,550	0.0309	5.10%	1,258.86
2003	12,850	545,574,625	15,249,254	0.0280	4.75%	1,186.71
2004	13,420	575,673,863	14,544,219	0.0253	3.96%	1,083.77
2005	13,500	613,986,132	13,809,348	0.0225	3.69%	1,022.91
2006	14,585	668,374,992	13,098,342	0.0196	3.09%	898.07
2007	15,065	714,116,499	12,281,709	0.0172	2.69%	815.25
2008	15,360	733,680,172	14,543,749	0.0198	N/A	946.86
2009	15,445	763,231,415	14,927,743	0.0196	N/A	966.51

TOTAL DEBT:

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Notes Payable and Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Debt as % Personal Income</u>	<u>Bonded Debt Per Capita</u>
2001	12,577	\$ 471,976,896	\$23,419,890	0.0496	7.52%	\$ 1,862.12
2002	12,650	516,010,757	22,976,150	0.0445	7.36%	1,816.30
2003	12,850	545,574,625	22,807,254	0.0418	7.10%	1,774.88
2004	13,420	575,673,863	21,699,219	0.0377	5.91%	1,616.93
2005	13,500	613,986,132	20,569,348	0.0335	5.50%	1,523.66
2006	14,585	668,374,992	21,063,342	0.0315	4.97%	1,444.18
2007	15,065	714,116,499	19,781,709	0.0277	4.33%	1,313.09
2008	15,360	733,680,172	21,598,749	0.0294	N/A	1,406.17
2009	15,445	763,231,415	21,717,743	0.0285	N/A	1,406.13

N/A - data not available

Source: City of Dallas Comprehensive Annual Financial Reports

**CITY OF DALLAS, OREGON**  
**COMPUTATION OF OVERLAPPING GENERAL OBLIGATION DEBT**  
**JUNE 30, 2009**

---

<u>Jurisdiction</u>	<u>General Obligation Debt Outstanding</u>	<u>Percent Applicable Inside City of Dallas</u>	<u>Amount Applicable Inside City of Dallas</u>
City of Dallas	\$ 5,000,000	100.00 %	\$ 5,000,000
School District #2	5,445,000	65.00 %	3,539,250
Polk County	17,080,000	17.15 %	2,929,220
			<u>\$ 11,468,470</u>

*Source: City of Dallas, Dallas School District #2, Polk County*  
*Method of calculation: (County %) - Assessed property value*  
*inside city limits / total county assessed property value*

**CITY OF DALLAS, OREGON**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2009**

---

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

Assessed value	\$ 763,231,415
Rate	<u>                    x 3%</u>
Debt limit	22,896,942
Debt applicable to limit	<u>(4,805,426)</u>
Legal debt margin	<u><u>\$ 18,091,516</u></u>

<u>Fiscal year ended June 30,</u>	<u>Debt Limit</u>	<u>Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>
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
2008	22,010,405	5,268,658	16,741,747
2009	22,896,942	4,805,426	18,091,516

Source: Polk County Department of Assessment and Taxation and City of Dallas

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF PLEDGED REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**

**WATER REVENUE BONDS**

<i>Fiscal Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Expenditures</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			<i>Percent Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
				2000	\$ 1,427,203	\$1,056,604	
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
2008	1,928,847	1,628,083	300,764	170,000	37,613	207,613	144.87
2009	1,981,871	1,633,617	348,254	176,000	31,125	207,125	168.14

**SEWER REVENUE BONDS**

<i>Fiscal Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Expenditures</i>	<i>Net Revenue Available for Debt Service</i>	<i>Debt Service Requirements</i>			<i>Percent Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
				2000	\$ 2,670,680	\$1,169,461	
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
2008	2,839,969	2,142,221	697,748	677,754	489,211	1,166,965	59.79
2009	3,005,389	1,658,641	1,346,748	703,877	458,868	1,162,745	115.82

**SPECIAL ASSESSMENT BONDS**

<i>Fiscal Year Ended June 30,</i>	<i>Assessment Principal Collections</i>	<i>Debt Service Requirements</i>			<i>Percent Coverage</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
		2000	\$ 25,688	\$ 58,600	
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	-	-	-	-
2008	2,244	-	-	-	-
2009	518	-	-	-	-

Source: City of Dallas Comprehensive Annual Financial Reports

***DEMOGRAPHIC AND ECONOMIC INFORMATION***

**CITY OF DALLAS, OREGON**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

---

<i>Fiscal Year Ended June 30,</i>	<i>Population</i>	<i>Per Capita Personal Income</i>	<i>Total Personal Income (in 000's)</i>	<i>Area in square miles</i>	<i>Average Density (persons / square mile)</i>	<i>Average Annual Unemployment</i>
2000	12,870	\$ 24,450	\$ 314,672	4.45	2,892.1	5.4%
2001	12,577	24,732	311,054	4.45	2,826.3	6.3%
2002	12,650	24,682	312,227	4.45	2,842.7	7.1%
2003	12,850	24,978	320,967	4.45	2,887.6	7.7%
2004	13,420	27,367	367,265	4.45	3,015.7	7.4%
2005	13,500	27,699	373,937	4.45	3,033.7	6.2%
2006	14,585	29,107	424,526	4.45	3,277.5	6.3%
2007	15,065	30,324	456,831	4.45	3,385.4	5.6%
2008	15,360	N/A	N/A	4.45	3,451.7	7.3% *
2009	15,445	N/A	N/A	4.45	3,470.8	8.0% *

N/A - information is not available

\*Polk County

*Source: U.S. Department of Commerce-Bureau of Economic Analysis  
Oregon Employment Department*

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

<i>Employer</i>	<b>2009</b>			<b>2005 (1)</b>		
	<i>Employees</i>	<i>Rank</i>	<i>% of Total City Employment</i>	<i>Employees</i>	<i>Rank</i>	<i>% of Total City Employment</i>
Tyco Printed Circuit Group, LP	-	-	-	450	1	8.18%
Dallas Public Schools	310	1	6.20%	290	2	5.27%
Polk County	265	2	5.30%	280	3	5.09%
Dallas Retirement Village	252	3	5.04%	215	6	3.91%
Forest River	125	8	2.50%	219	5	3.98%
Wal-Mart	150	5	3.00%	150	10	2.73%
City of Dallas	103	9	2.06%	-	-	-
West Valley Hospital	125	7	2.50%	150	9	2.73%
James W. Fowler Company	160	4	3.20%	200	7	3.64%
Safeway Stores, Inc.	145	6	2.90%	275	4	5.00%
Weyerhaeuser Corp.	-	-	-	190	8	3.45%
	<u>1,635</u>		<u>32.70%</u>	<u>2,419</u>		<u>43.98%</u>

Source: Dallas Chamber of Commerce and Employers

(1) Figures from 1998-2004 are unavailable

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

<b>Function</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General government	15	15	16	16	15	15	16
Public safety	25	26	27	27	25	25	25
Highways and streets	5	6	6	6	6	6	6
Culture and recreation	12	25	28	25	23	24	24
Sewage disposal	10	10	9	10	10	11	10
Water	9	9	9	9	9	9	9
Ambulance	14	12	12	13	13	14	14
Total	90	103	107	106	101	104	104

Source: City of Dallas

---

<u>2007</u>	<u>2008</u>	<u>2009</u>
17	14	20
26	25	26
4	5	6
25	25	17
11	8	6
11	9	9
15	14	19
<u>109</u>	<u>100</u>	<u>103</u>

(This page intentionally left blank)

***OPERATING INFORMATION***

**CITY OF DALLAS, OREGON**  
**OPERATING INDICATORS**  
**LAST TEN FISCAL YEARS**

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Police						
Arrests	1,502	1,261	1,265	1,067	1,201	1,271
Traffic violations	1,818	2,408	1,821	1,412	1,437	819
Municipal Court Cases	2,931	3,151	2,655	2,223	1,933	1,727
Fire Responses						
City	200	214	238	244	232	220
Rural	226	200	213	301	305	300
Ambulance						
Transports	1,477	1,804	1,732	1,955	2,038	1,931
Building Activity						
Permits Issued	150	177	233	173	296	251
Estimated Value (000's)	\$ 12,760	\$ 11,848	\$ 19,885	\$ 25,227	\$ 36,801	\$ 38,581
Planning Applications	30	26	49	53	46	55
Library						
Circulation	171,604	173,036	176,531	174,058	185,527	176,408
Miles of Streets Maintained	49.27	49.61	50.00	50.00	54.70	54.80
Water						
Connections	3,979	4,113	4,201	4,319	4,417	4,635
Sewer						
Connections	3,532	3,591	3,611	3,719	3,905	4,100

Source: City of Dallas

---

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1,257	1,009	772	586
1,040	1,236	1,207	707
1,859	2,573	1,933	1,381
278	261	381	319
335	404	367	316
1,956	2,334	1,718	1,804
249	197	191	145
\$39,384	\$22,328	\$17,049	\$14,736
63	N/A	54	33
173,008	176,228	181,473	176,004
54.80	54.8	55.00	55.00
4,737	4,788	4,930	5,073
4,187	4,235	4,326	4,417

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

<b><i>Function</i></b>	<b><i>2000</i></b>	<b><i>2001</i></b>	<b><i>2002</i></b>	<b><i>2003</i></b>	<b><i>2004</i></b>	<b><i>2005</i></b>	<b><i>2006</i></b>
Public safety							
Patrol units	6	6	6	6	6	6	6
Officers	13	13	13	13	13	12	12
Highways and streets							
Streets (miles)	49	49	50	50	50	54	54
Culture and recreation							
Number of parks	11	11	11	11	11	11	11
Acreage	80	80	80	80	80	80	80
Aquatic centers (sq ft)	32170	32170	32170	32170	32170	32170	32170
Sewage disposal							
Max daily capacity	12.5 mgd						
Water							
Max daily capacity	8.5 mgd						
Fire hydrants	409	412	418	431	444	453	468
Ambulance							
Number of ambulances	3	3	3	3	3	3	3

*Source: City of Dallas*

---

<u>2007</u>	<u>2008</u>	<u>2009</u>
6	6	6
12	12	12
54	54	59
11	11	11
80	80	80
32170	32170	32170
12.5 mgd	12.5 mgd	12.5 mgd
8.5 mgd	8.5 mgd	10.5 mgd
475	479	483
3	3	3

(This page intentionally left blank)

***COMPLIANCE SECTION***

(This page intentionally left blank)



**GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

***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***

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

We have audited the financial statements 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 and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 25, 2010. Our report was qualified for not maintaining historical cost and depreciation records for capital assets. 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 the City's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's 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. We consider items 2009-1, 2009-2 and 2009-3 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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. We did not identify any control deficiencies that we consider to be material weaknesses.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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.

This report is intended solely for the information and use of 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

January 25, 2010



**GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200 § Salem, Oregon 97301  
(503) 581-7788

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

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

**Compliance**

We have audited the compliance of the 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, 2009. 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 of Dallas 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, 2009.

**Internal Control Over Compliance**

The management of the 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 the City's 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 the City's 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 of Dallas, 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

January 25, 2010

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

---

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>Environmental Protection Agency</b>		
Passed through State of Oregon Economic and Community Development Department		
Safe Drinking Water Revolving Loan Fund	66.468	\$ 1,262,416
 <b>U.S. Department of Labor</b>		
Direct Assistance		
COBRA Premium Assistance	17.151	<u>3,324</u>
<i>Total Federal Assistance</i>		<u>\$ 1,265,740</u>

*See notes to schedule of expenditures of federal awards.*

***CITY OF DALLAS, OREGON***  
***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***  
***YEAR ENDED JUNE 30, 2009***

---

***PURPOSE OF THE SCHEDULE***

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

***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.

The outstanding balance of the loan due to OECD at June 30, 2009 was \$4,373,665.

***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 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 notes to the basic financial statements. This schedule includes all federal programs administered by the City for the year ended June 30, 2009.

***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.

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2009**

---

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are 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?	Yes

Identification of major program:

**CFDA Numbers**

**Name of Federal Program or Cluster**

66.468

Safe Drinking Water Revolving Loan Fund

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

**FINANCIAL STATEMENT FINDINGS**

**2009-1 Timely Bank Reconciliations**

*Criteria*

Good internal controls mandate that bank reconciliations be completed timely.

*Condition*

The City was as much as eight months behind in reconciling the bank accounts. The City reconciled the bank account activity for October 2008 and all subsequent months after the June 30, 2009 fiscal year-end.

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

---

**FINANCIAL STATEMENT FINDINGS (Continued)**

**2009-1 Timely Bank Reconciliations (Continued)**

*Cause*

An update to the City's financial software caused erroneous activity to be recorded which was not fully corrected until after year-end.

*Effect*

The lack of timely bank reconciliations make the process more difficult to identify and correct reconciling items. It also does not allow management and the City Council to review activity of the City on a timely basis.

*Recommendation*

We recommend that the City require that bank reconciliations be completed and reviewed timely.

*Management Response*

The cause of the problem has been addressed and resolved. Timeliness of bank reconciliations is no longer a problem.

**2009-2 Journal Entries**

*Criteria*

Good internal control mandates that manual journal entries be documented and reviewed to verify the necessity and accuracy of the entry.

*Condition*

All employees in the Finance Department have the ability to initiate, enter and post journal entries into the accounting software with no required review process.

*Cause*

The City has not developed formal procedures to review journal entries.

*Recommendation*

We recommend that the City establish procedures to review all journal entries.

*Management Response*

We have established procedures to review all journal entries.

**CITY OF DALLAS, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

---

**FINANCIAL STATEMENT FINDINGS (Continued)**

**2009-3 Adjustments to General Ledger Accounts (Continued)**

*Criteria*

Sound accounting requires the understanding and correct use of general ledger accounts. Recording journal entries to incorrect accounts leads to incorrect financial reporting.

*Condition*

The City posted reclassifying journal entries to budgetary beginning fund balance and GAAP adjustment accounts. This type of entry should be posted to revenue or expense accounts.

*Cause*

The City did not understand that posting adjustments to fund balance and GAAP adjustment accounts would cause be incorrectly reporting its beginning fund balances, revenue and expenses for the current year.

*Recommendation*

We recommend that the City monitor adjustments made to all general ledger accounts to verify that accounts are used properly.

*Management Response*

We will monitor adjustments posted to general ledger accounts.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

(This page intentionally left blank)

COMMENTS OF  
THE INDEPENDENT  
ACCOUNTANTS  
REQUIRED BY THE  
STATE OF OREGON

(This page intentionally left blank)

## ***CITY OF DALLAS, OREGON***

### ***AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS YEAR ENDED JUNE 30, 2009***

---

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, 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 annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules are set forth on the following pages.

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Dallas, Oregon (the City) as of and for the year ended June 30, 2009, which collectively comprised City's basic financial statements and have issued our report thereon dated. 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.

#### *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 on the title page and in the notes to the basic financial statements.

#### *Internal Accounting Control and Accounting Records*

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's 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 accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement 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. Our findings are listed in the Schedule of Findings and Questioned Costs. A separate letter on control deficiencies was issued.

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

## ***CITY OF DALLAS, OREGON***

### ***AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS YEAR ENDED JUNE 30, 2009***

---

#### ***Indebtedness***

The general obligation bonded debt of the entity is in compliance with the limitation imposed by ORS. We noted no defaults in principal, interest, sinking fund, of redemption provision with respect to any of the entity's bonded debt, and no breach of the bond agreements at June 30, 2009.

#### ***Adequacy of Collateral Securing Depository Balances***

The City has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

#### ***Insurance and Fidelity Bonds***

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force.

#### ***Budget Compliance***

The City has not complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, of the current year, and the preparation and adoption of its budget for the year ending June 30 of the subsequent year, except as noted in the notes to the financial statements, and the actual unappropriated ending fund balance for the 06/07 fiscal year does not agree with the beginning fund balance for the 07/08 fiscal year for some funds in the published budget document.

#### ***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, 2009.

#### ***Public Contracting and Purchasing***

Based on our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279), the City was in compliance with the applicable statutes.

#### ***Highway Funds***

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel.

#### ***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.

***CITY OF DALLAS, OREGON***

*AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE OF OREGON MINIMUM  
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS  
YEAR ENDED JUNE 30, 2009*

---

This report is intended solely for the information and use of City Council, management, federal awarding agencies, State of Oregon Division of Audits, and pass-through entities 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 25, 2010