



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2005

Prepared by:
The City of The Dalles
Finance Department

Daniel W. Izzo
Finance Director

CITY OF THE DALLES, OREGON

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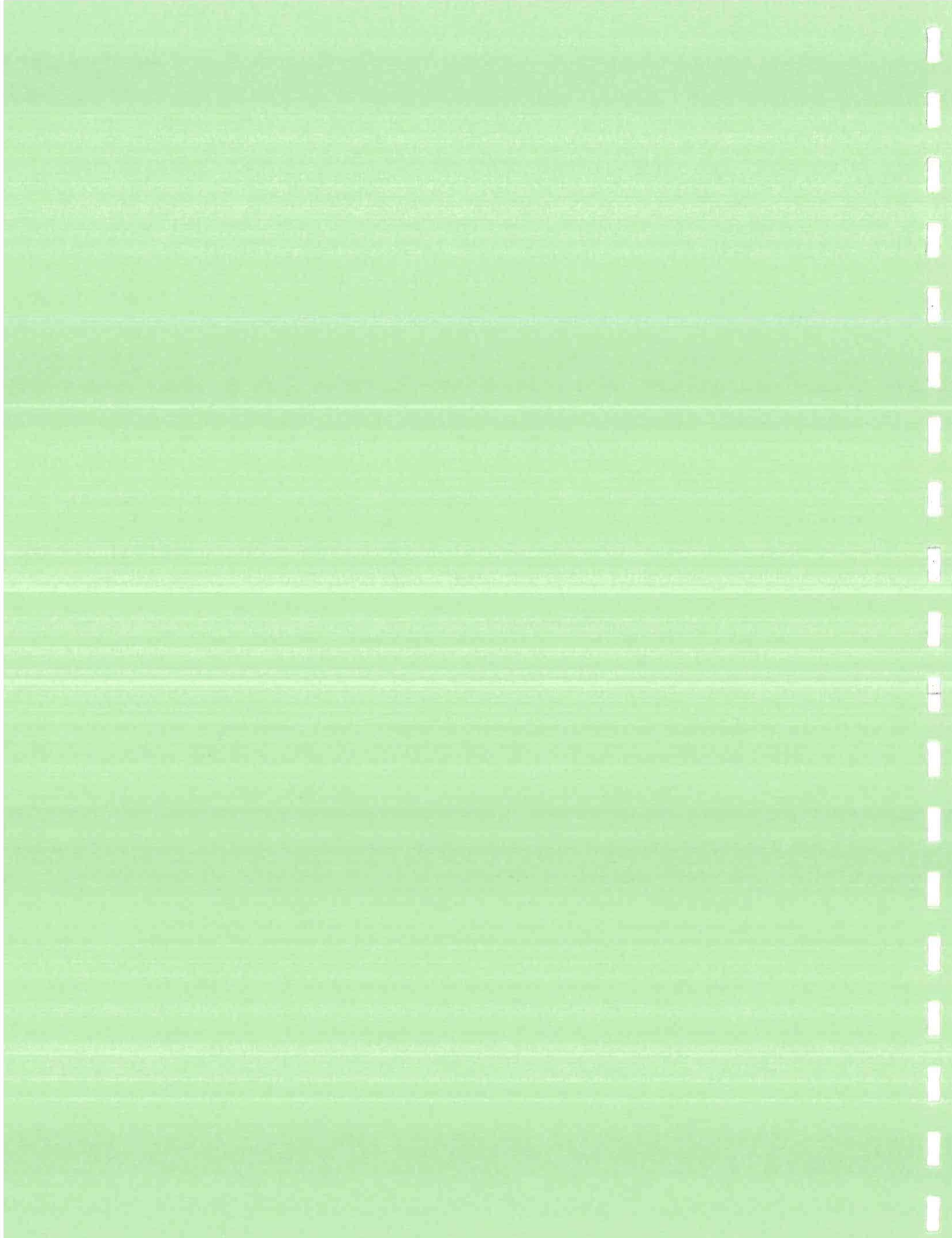
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INTRODUCTORY SECTION





CITY of THE DALLES

313 COURT STREET
THE DALLES, OREGON 97058

(541) 296-5481

City Council
City of The Dalles
The Dalles, Oregon 97058

January 9, 2006

The Comprehensive Annual Financial Report (CAFR) of the City of The Dalles, Oregon, for the year ended June 30, 2005, is submitted herewith. This report presents a comprehensive and detailed picture of The Dalles' financial transactions during FY 2004-2005 and the financial condition of the various funds and account groups at June 30, 2005. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures, rests with the City. To the best of our knowledge and belief, the report is accurate and complete in all material respects, including all activities, funds, and financial transactions, and is presented fairly to disclose the financial position and the results of operations of the City at June 30, 2005, and for the year then ended. Further, it is our belief that all disclosures necessary to enable the reader to gain an understanding of the City's financial operations have been included. The organization and content of this report, including the financial statements, supplementary information and statistical tables, follow the standards for annual financial reporting recommended by the Governmental Accounting Standards Board.

This report is divided into four sections:

The first section, which is unaudited, is an introduction containing this letter of transmittal, the City Officials, and an organizational chart of the City.

Following the introduction is the financial section. This section consists of the Independent Auditor's Report, Management's Discussion and Analysis (MD&A) and the Basic Financial Statements, which disclose fully and fairly the City's financial position as of June 30, 2005, and the results of its operations and cash flows for the year then ended. This is followed by supplemental information containing individual fund and combining statements, and other schedules. The MD&A should be read in conjunction with this letter of transmittal to assist in understanding the financial statements.

The third section contains statistical information of interest to bond rating agencies, dealers in municipal securities, investors and citizens who are interested in financial statistics of the City.

The fourth section includes reports of independent certified public accountants. These include audit comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations and auditor reports and schedules as required under federal granting agency audit requirements.

CITY HISTORY AND GEOGRAPHICAL AREA

The City of The Dalles, Oregon, is situated in the north-central part of the state on the Columbia River, the nation's second largest river. It is the county seat and the largest community in Wasco County. The Dalles is one of Oregon's most historic cities and was known earlier in its history as the town at the end of the Oregon Trail. Archaeological evidence suggests the area has been inhabited more or less continuously for more than 10,000 years. The City was first incorporated by the Oregon Territorial Government in 1857 as "Dalles City" and was made the county seat shortly thereafter. Strategically located on the Columbia River and bordered by the Cascade Mountains to the West, The Dalles provides an ideal distribution or manufacturing setting with available riverside locations, as well as bulk container and international shipping options. It has historically been an economic hub of the Pacific Northwest, linking major transportation routes between Eastern and Southern Oregon and Washington State. It offers residents the pleasures of rural living while providing the advantages of access to metropolitan amenities in Portland, only 80 miles to the west.

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

ECONOMIC CONDITIONS

The City has a population currently estimated at 12,503, yet the City serves a trading area of about 70,000 persons. Principal economic activities are agriculture, aluminum smelting and alloys, small industrial businesses, power generation/transmission and tourism, along with healthcare, government, and retail services.

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

Northwest Aluminum Company is the largest manufacturing employer in the area. In addition to the production of primary metals, several years ago the firm added a sixteen million-dollar smelter facility allowing a move into production of secondary metals. Due to current energy costs, the plants in The Dalles and Goldendale, Washington, have significantly curtailed operation since April 2001, and anticipate continuing curtailment for the foreseeable future. New power sources are being developed to allow this facility to open and be competitive in the world aluminum market.

The City is a strategic home base for year-round recreation. Water sport enthusiasts will find boating, excellent fishing, and one of the finest windsurfing areas in the United States on the Columbia River. To the east are substantial opportunities to camp, fish, hike, and sightsee. To the west, ski enthusiasts have the opportunity to challenge the ski slopes of magnificent Mt. Hood; and there are numerous resorts that lie on Mt. Hood and at its base. Construction of the Columbia Gorge National Scenic Area Discovery Center and Wasco County Museum was completed in May 1997, in time to open for the Memorial Day weekend. The Center is located along the Columbia River bordering the City. Thousands of visitors are expected annually at this attraction. Over 60,000 visited the Center during its first four years of operation. It has become a center for many community festivities and events.

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

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

Through a competitive process, The Dalles was selected as the site for a 150 bed Veterans' long-term nursing and care home. The facility opened in November 1997, currently providing 151 jobs and has 100 residents.

The Dalles is the major shopping center in the Mid-Columbia area. The last few years, several retail developments have been completed in the community. A new 138,000 square foot regional Home Depot Store is scheduled to open in October 2004.

The City has an Urban Renewal District that is working to renovate the older commercial areas of the community. In June 2000, the city issued a \$3.4 million full faith and credit financing agreement to help finance programs. A 10 Block Downtown Renovation Project was completed during the summer of 2001. A \$7 million dollar reconnection of the Downtown to the Columbia River was completed in FY 2003-2004 using Urban renewal dollars and they were matched 2 to 1 with other grant funds. Urban Renewal has also caused the renovation of 2 major downtown structures that have been vacant for years.

On November 6, 1990, the Oregon voters approved a State constitutional limit on property taxes for schools and non-school government operations. Under the provisions of the limitation, taxes are separated into those for public school systems and those for other local government operations. The limitation specifies the maximum allowable tax to be imposed for all non-school local governments at \$10 for each \$1000 of real market value. If the total allowable levies for all non-school governments exceed \$10 per \$1000 of real market value, only \$10 is imposed and collections are distributed to the pertinent local governments on a pro rata basis, thereby reducing the allowable taxes to the limitation.

In November 1996, the voters of the State approved Ballot Measure 47, placing further limitations on property taxes in Oregon. The measure called for rolling property tax values back to 1994-95 levels, or 1995-96 levels less 10%, and capping future growth in tax values at 3% per year. The measure had several other components relating to property taxes, assessed value, bonded debt and fees charged by governments. In addressing the implementation of the measure, the Oregon Legislature put another measure on the May 1997 ballot. This measure, Ballot Measure 50, incorporated the main concepts, while attempting to simplify many of the complexities of the previous measure. Ballot Measure 50 was passed at the May election, and the Legislature enacted implementing legislation, calling for a reduction in property taxes of 17% statewide. While impacts to specific areas may be greater or less than the target 17%, the legislation calls for maintaining the statewide average at 17%. The initial impact of the Ballot Measure on the City was a \$204,470 reduction in property tax collections relative to the prior fiscal year. It will continue to limit funds in future years, as the increase in property values cannot exceed 3%.

The City, through prudent budgeting, is operating on a fiscally sound basis. The general fund balance remained relatively stable during the 2004-2005 fiscal year.

MAJOR INITIATIVES

Utilities Master Plan

The City purchased a site for a wastewater treatment expansion in 1997-98. The City completed updating its wastewater master plan for the plant site and collection system upgrade in 2002. A 5-year water and wastewater capital improvement plan is being utilized. A \$7.5 million dollar revenue bond was issued in FY 2002-03 to begin the upgrade. Design for the wastewater plant and collection system improvements is underway currently with construction planned to start in early 2005. A water master plan update has been started and will be completed in the spring of 2006.

Street Master Plan

The 1993-94 Street Master Plan is currently being updated. A 5-year capital improvement plan has been implemented for street development and to provide preventative maintenance. A transportation master plan drafted in 1999 will be updated and implemented in 2006.

Regional Airport Authority

For the last four years, Kilckitat County and the City have been investigating formation of a Regional Airport Authority. The City and County have completed negotiations in 2003. A Regional Board is now operating the Airport. Several facility and operational plans are being developed at this time.

Columbia Gateway Urban Renewal Agency

The Columbia Gateway Urban Renewal Agency, a component unit of the City of the Dalles, operated throughout the 2004-2005 fiscal year. The Agency consists of an Urban Renewal District, formed by the citizens, to resolve issues of blight within the boundaries of the District. The Agency did levy and collect tax increment proceeds during 2004-2005.

FINANCIAL INFORMATION

Accounting System and Budgetary Controls

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

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

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council, if the change is greater than, or equal to, 10% of the original budget. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City Council approved several appropriation transfer resolutions during the year ended June 30, 2005. Appropriations lapse at year-end.

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

Cash Management

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

RISK MANAGEMENT

The City continued to review and evaluate its risk management program during 2004-2005. A citywide safety program with regular committee meetings and inspections is in force.

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

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

OTHER INFORMATION

Independent Audit

Oregon Revised Statutes Chapter 297 requires that an independent audit be made of all City funds and account groups within six months following the close of a fiscal year. The independent auditors, who were selected by the City Council, have completed their audit of the City's funds and account groups; and their opinion and State of Oregon required audit comments and disclosures are included in this report.

For the year ended June 30, 2005, the City was required to undergo a single audit in conformity with the provisions of the Single Audit Act and US Office of Management of Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of Federal awards, findings and questioned costs, and auditor's reports on the internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grants is include in this document.

Acknowledgments

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

Respectfully submitted,

Daniel W. Izzo
Finance Director



CITY OF THE DALLES
OFFICIALS OF THE CITY
AS OF JUNE 30, 2005

MAYOR AND CITY COUNCIL

<u>Name and Address</u>	<u>Term Expires December 31,</u>
Robb Van Cleave, Mayor 912 East 15 th Place The Dalles, OR 97058	2006
Jim Broehl 318 West 12 th Street The Dalles, OR 97058	2008
Chris Zukin 915 West 14 th Street The Dalles, OR 97058	2006
Dorothy Davison 2700 East 18 th Street The Dalles, OR 97058	2006
Mike Tenney 923 East 12 th Street The Dalles, OR 97058	2006
Joe Seckora 1821 Minnesota Street The Dalles, OR 97058	2008

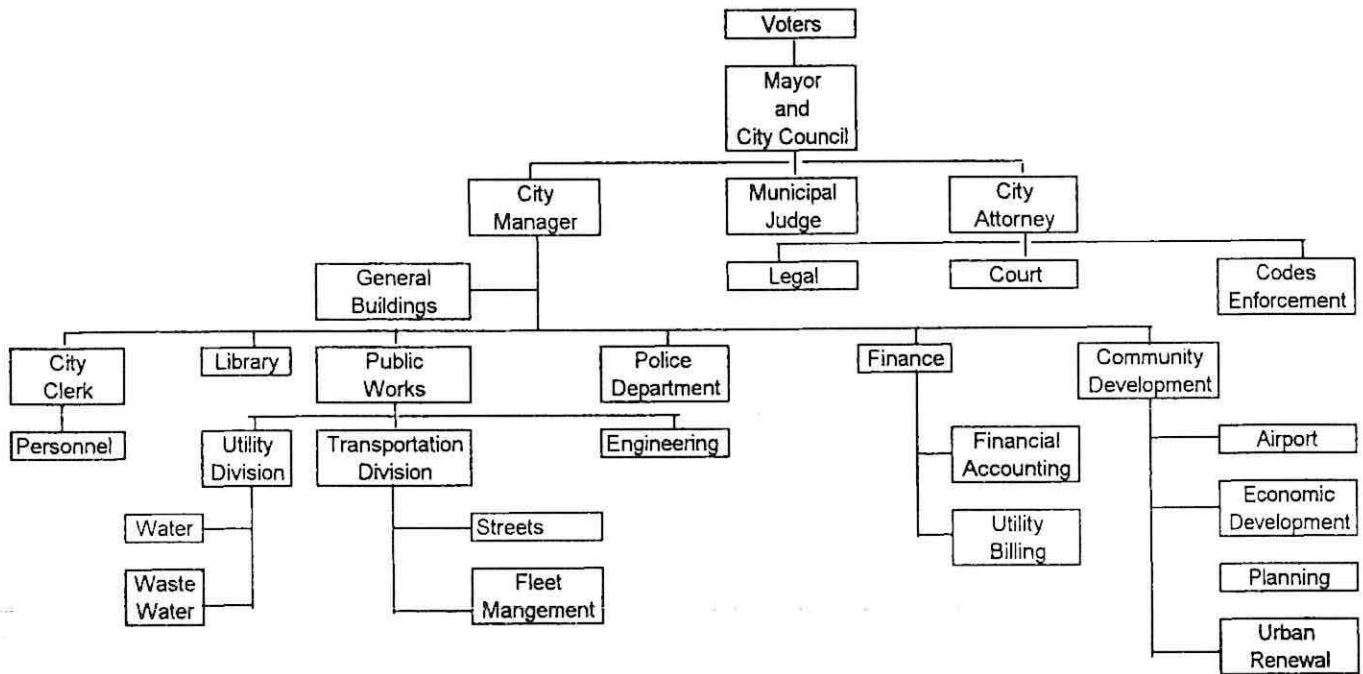
City Administration

Nolan Young, City Manager – Budget Officer
Julie Krueger, City Clerk

Daniel W. Izzo, Finance Director/Treasurer
Gene E. Parker, City Attorney

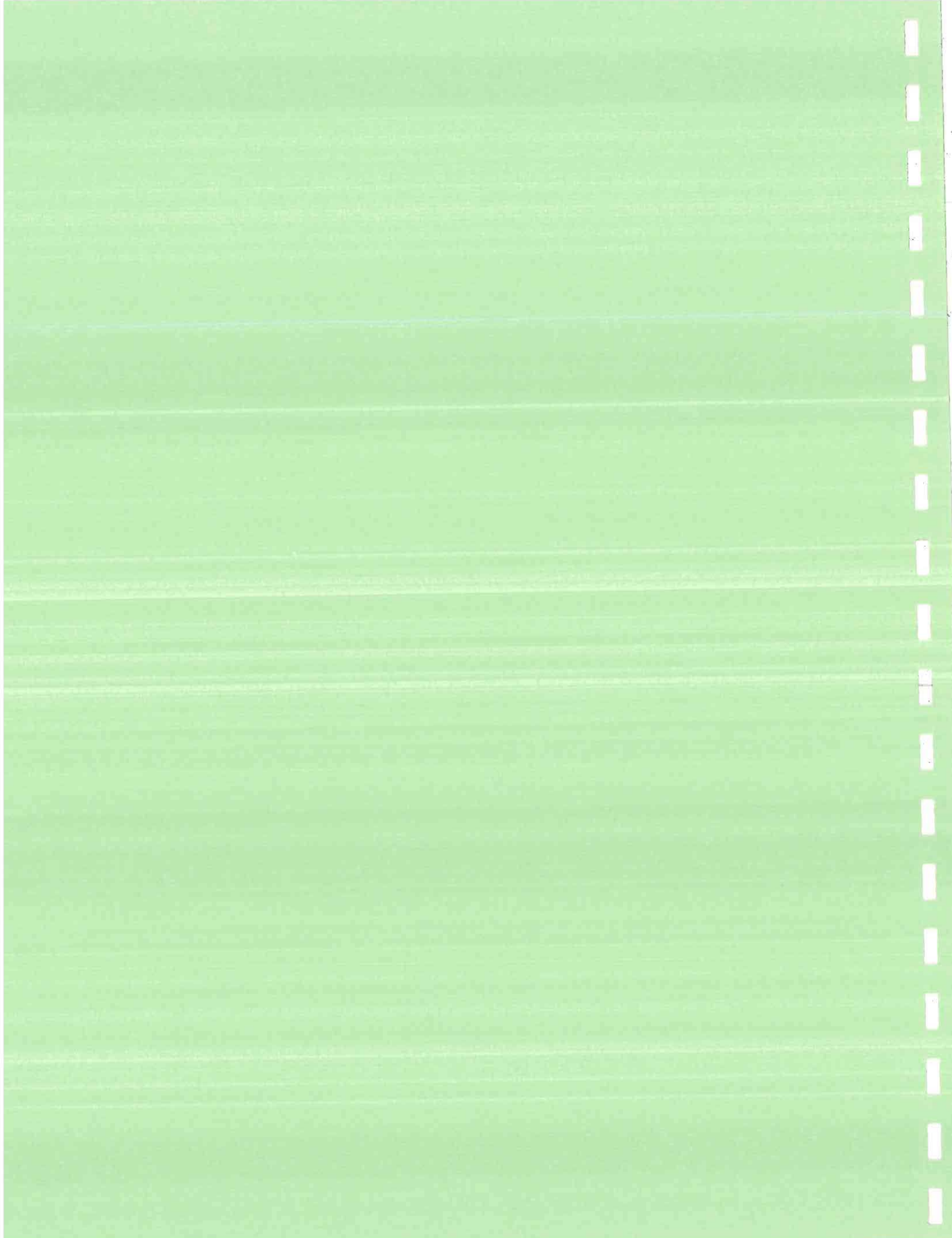


**CITY OF THE DALLES, OREGON
ORGANIZATIONAL CHART
JUNE 30, 2005**





FINANCIAL SECTION





Dickey and Tremper, LLP

Certified Public Accountants and Business Advisors

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of The Dalles, Oregon, as of and for the year ended June 30, 2005, 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 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 The Dalles, Oregon, as of June 30, 2005, the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, Street, and Library Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2005, on our consideration of the City of The Dalles, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 read in conjunction with this report in considering the results of our audit.

A

INDEPENDENT AUDITOR'S REPORT (Continued)

The management's discussion and analysis on pages *a* through *f* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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 accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

November 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the Transmittal Letter (page 1) and the City's financial statements.

FINANCIAL HIGHLIGHTS

The City's assets exceeded its liabilities at June 30, 2005 by \$32,929,635 (*net assets*). Of this amount \$19,955,996 was invested in capital assets (net of related debt), \$8,913,129 was restricted for specific purposes resulting in an unrestricted net assets of \$4,060,510. The unrestricted net assets are made up of unrestricted governmental net assets of \$3,156,416 and unrestricted net assets of \$904,094 in Business-type activities.

The City's net assets increased by \$874,904 (2.7%), which was due primarily to the construction and improvement of public infrastructure capital assets.

The City's Governmental Funds had a decrease in fund balances in the amount of \$459,007, with the General Fund experiencing a decrease in fund balance of \$19,464.

The City's Enterprise Funds experienced an increase in net assets of \$528,343.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Statistical section. This section includes trend information and demographics.

Independent auditor's comments. These are supplemental communications on the city's compliance and internal controls as required by Oregon Statutes.

Government Auditing Standards compliance reports. Additional reports by the city's independent auditor and the schedules of expenditures of federal awards as required by Government Auditing Standards and the Single Audit Act.

FINANCIAL SUMMARY AND ANALYSIS

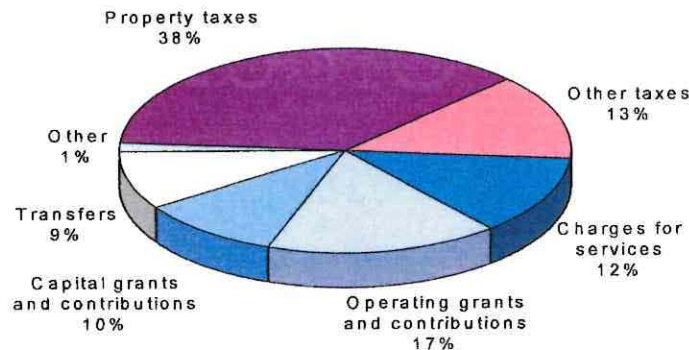
As mentioned earlier, the City's net assets as of June 30, 2005 are \$32,929,635, an increase from June 30, 2004 of \$874,904. By far the largest portion of net assets is comprised of the City's investment in capital assets (e.g., land, building, equipment and public infrastructure), less any related debt outstanding that was used to acquire those assets. The City uses capital assets to provide services to citizens; therefore these assets are not available for future spending. The resources to repay the related debt is not provided by capital assets, but will be provided from other sources.

City of The Dalles net Assets

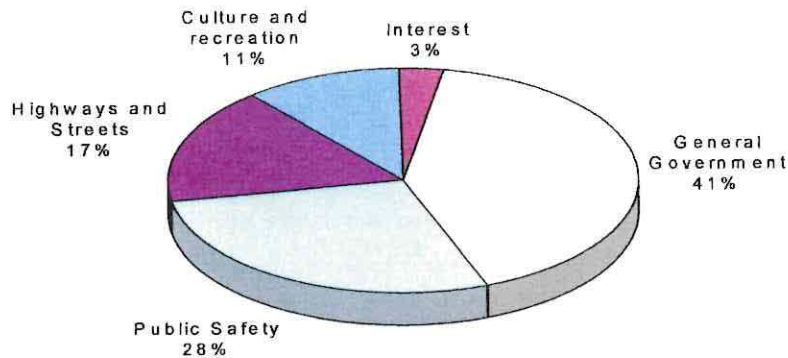
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Assets						
Current and other assets	\$ 5,693,994	\$ 5,888,319	\$ 8,872,361	\$ 10,384,161	\$ 14,566,355	\$ 16,272,480
Capital assets	14,303,084	14,081,577	17,655,623	15,290,600	31,958,707	29,372,177
Total assets	19,997,078	19,969,896	26,527,984	25,674,761	46,525,062	45,644,657
Liabilities						
Long-term liabilities	5,018,109	5,445,542	7,359,030	7,686,404	12,377,139	13,131,946
Other liabilities	294,599	180,438	923,689	277,542	1,218,288	457,980
Total liabilities	5,312,708	5,625,980	8,282,719	7,963,946	13,595,427	13,589,926
Net assets						
Invested in capital assets, net of related debt	9,463,165	8,813,333	10,492,831	13,783,100	19,955,996	22,596,433
Restricted	2,064,789	2,805,731	6,848,340	2,640,941	8,913,129	5,446,672
Unrestricted	3,156,416	2,724,852	904,094	1,286,774	4,060,510	4,011,626
Total net assets	\$ 14,684,370	\$ 14,343,916	\$ 18,245,265	\$ 17,710,815	\$ 32,929,635	\$ 32,054,731

The governmental activities revenue comes primarily from property taxes, charges for services and various grants and contributions. During the year ended June 30, 2005 the city received a significant amount of capital grants and contributions. These will not be a continuing sources of revenue, but are funding specific projects. The city's governmental expenses cover a wide variety of services, with general government, public safety and highways and streets accounting for most of these expenses.

**City of The Dalles
Governmental Activities Revenue**



**City of The Dalles
Governmental Activities
Functional Expenses**



Property taxes are the city's primary on-going sources of revenue. Property taxes comprising 38% of the city's governmental revenue is derived from the permanent tax rate and taxes levied for the repayment of bonded indebtedness.

For the year ended June 30, 2005 the city received a significant amount of capital grants and contributions. These grants consist primarily of awards for the construction related to the urban renewal area and capital grants passed through to the QualityLife Intergovernmental Agency to construct a fiber optic network.

For the fiscal year ended June 30, 2005, net assets of the Governmental activities increased by \$340,454, which represents a 2.3% increase. Net assets of the Business-type activities increased by \$534,450, which represents a 3% increase. Key elements of these changes, with compared to the year ended June 30, 2003 are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$ 885,826	\$ 715,904	\$ 5,003,820	\$ 4,783,562	\$ 5,889,646	\$ 5,499,466
Operating grants and contributions	1,195,104	207,202	6,188	-	1,201,292	207,202
Capital grants and contributions	743,701	2,305,553	566,350	64,897	1,310,051	2,370,450
General revenues:						
Property taxes	2,606,590	2,536,984	-	-	2,606,590	2,536,984
Other taxes	963,617	955,082	-	-	963,617	955,082
Other grants and contributions	-	1,150,724	-	150,281	-	1,301,005
Other	105,857	120,162	197,141	144,772	302,998	264,934
Total revenues	6,500,695	7,991,611	5,773,499	5,143,512	12,274,194	13,135,123
Expenses						
General government	2,823,951	2,496,078	-	-	2,823,951	2,496,078
Public safety	1,902,747	1,901,095	-	-	1,902,747	1,901,095
Highways and streets	1,129,313	1,645,515	-	-	1,129,313	1,645,515
Culture and recreation	730,140	655,938	-	-	730,140	655,938
Interest on long-term debt	213,268	224,780	-	-	213,268	224,780
Water	-	-	2,213,779	1,947,973	2,213,779	1,947,973
Sewer	-	-	2,044,034	2,094,490	2,044,034	2,094,490
Airport	-	-	342,058	383,133	342,058	383,133
Total expenses	6,799,419	6,923,406	4,599,871	4,425,596	11,399,290	11,349,002
Change in net assets before transfers	(298,724)	1,068,205	1,173,628	717,916	874,904	1,786,121
Transfers	639,178	535,216	(639,178)	(535,216)	-	-
Change in net assets	340,454	1,603,421	534,450	182,700	874,904	1,786,121
Net assets - beginning	14,343,916	12,451,252	17,710,815	17,534,913	32,054,731	29,986,165
Prior period adjustment	-	289,243	-	(6,798)	-	282,445
Total net assets	\$ 14,684,370	\$ 14,343,916	\$ 18,245,265	\$ 17,710,815	\$ 32,929,635	\$ 32,054,731

Governmental Activities

The increase in net assets is attributable to the capital grants and contributions received for the construction of public infrastructure assets.

Business-type Activities

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

FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2005 the City's governmental funds reported a combined fund balance of \$3,871,809, which is a decrease of \$459,007 from June 30, 2004.

The general fund is the primary operating fund of the City. As of June 30, 2005, the general fund balance is \$954,584, which is a decrease of \$19,464 from June 30, 2004. This decrease is the result of increasing costs without a corresponding increase in revenues.

The combined fund balance decrease is primarily from increasing costs that are not offset by increase in the revenues.

Proprietary funds provide the same type of information as presented in the government-wide statements of net assets and activities, but in more detail. The proprietary funds net assets amounted to \$18,245,265 as of June 30, 2005.

BUDGETARY HIGHLIGHTS

The changes between the original and final budget of the general fund were relatively minor with an increase in total appropriations of \$61,049. The majority of the increase was due to expenditures of unanticipated resources relating to intergovernmental revenue and property taxes, and an adjustment to beginning fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2005, the City had invested \$31,958,707 in capital assets of its governmental and business-type activities. This investment includes land and land improvements, buildings, equipment and public infrastructure of roads and bridges. The investment in governmental activities capital assets increased by \$221,505, and business-types activities increased by \$2,365,023. Significant additions during the year ended June 30, 2005 were related to the improvements to the waste water treatment plant and airport improvements.

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

The City issued long-term debt for governmental activities to finance the purchase of computer equipment, software, and support in the amount of \$38,117 during the year ended June 30, 2005. The total governmental long-term debt outstanding as of June 30, 2005 was \$5,018,109.

The City did not issue any new long-term debt for business-type activities during the year ended June 30, 2005. The total business-type activity long-term debt outstanding as of June 30, 2005 was \$7,359,030.

During the year the City retired a total of \$798,429 in principal long-term debt.

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

Police facilities revenue bond	\$ 520,000
Urban Renewal Agency debt	3,715,000
Loans payable	609,932
Airport facilities revenue bond	436,000
Wastewater revenue bond	6,825,000
Compensated absences	271,207

In addition to the above, the City has acted as a conduit for debt for the Qualitylife Intergovernmental Agency (Qlife). The Oregon Economic and Community Development Department provided a loan in the amount of \$512,000 to partially fund the construction of the fiber optic loop for high-speed Internet access

operated by Qlife. The loan is in the name of the City, however Qlife has pledged to provided for the full repayment of the loan, and accordingly, the City has not recorded this debt as it is not anticipated that the City will be required to use its resources for repayment. The balance outstanding at June 30, 2005 was \$491,184.

ECONOMIC FACTORS

The greatest impact will come from a restart of the Aluminum Plant facilities in our area and specifically the plant within the City. This will impact housing and the amount being spent by the local community in our local stores. The QLIFE local area fiber optic loop project will enable any current business and any future business that needs high-speed access to the Internet a reason to move into our area. The Port has developed a new subdivision, again trying to attract business to our area. Home Depot, a Fortune 500 company, has selected the City as the location for a new retail and commercial outlet. This and increased levels of other retail and industrial business will create jobs that will decrease the City's and County's unemployment rate which have been one of the highest in the state. The Wasco County Assessor rate of increase in appreciation of the housing and business units has indicated a bottoming out of the negative trend the City has had over the previous three years. This increase in rate will make available additional revenues to the City in the near future.

FINANCIAL CONTACT

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

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

BASIC FINANCIAL STATEMENTS

1. *Chlorophyll a* (Chl a) is the primary photosynthetic pigment in most plants and algae.

2. *Chlorophyll b* (Chl b) is an accessory pigment that absorbs light energy and transfers it to Chl a.

3. *Carotenoids* (Carotenes and Xanthophylls) are accessory pigments that absorb light energy and transfer it to Chl a.

4. *Phycobilins* (Phycocyanin and Allophycocyanin) are accessory pigments found in cyanobacteria and red algae.

5. *Anthocyanins* are water-soluble pigments that give plants their red, purple, and blue colors.

6. *Flavonoids* are a large class of pigments that include flavones, flavonols, and flavanones.

7. *Anthoxanthins* are a class of pigments that include flavones and flavonols.

8. *Anthocyanins* are a class of pigments that include anthocyanidins and anthocyanins.

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CITY OF THE DALLES, OREGON
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,297,395	\$ 7,620,779	\$ 10,918,174
Investments	513,940	441,243	955,183
Receivables:			
Property taxes	387,643	-	387,643
Accounts, net	215,820	417,469	633,289
Intergovernmental	154,408	51,885	206,293
Fines and forfeitures	626,340	-	626,340
Special assessments	141,773	31,386	173,159
Notes	282,445	-	282,445
Prepaid expenses	3,060	-	3,060
Inventories	66,157	211,391	277,548
Bond issuance costs	5,013	98,208	103,221
Capital assets:			
Land	282,445	5,707,215	5,989,660
Assets available for sale	210,917	-	210,917
Construction in progress	-	3,836,053	3,836,053
Depreciable assets, net of depreciation	13,809,722	8,112,355	21,922,077
Total assets	<u>19,997,078</u>	<u>26,527,984</u>	<u>46,525,062</u>
LIABILITIES			
Accounts payable and accrued expenses	279,753	831,625	1,111,378
Accrued interest payable	14,846	63,031	77,877
Deposits	-	100	100
Retainage payable	-	28,933	28,933
Long-term obligations			
Due within one year	654,320	442,030	1,096,350
Due in more than one year	4,363,789	6,917,000	11,280,789
Total liabilities	<u>5,312,708</u>	<u>8,282,719</u>	<u>13,595,427</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,463,165	10,492,831	19,955,996
Restricted for:			
Streets	432,285	-	432,285
Capital projects	1,061,156	6,619,271	7,680,427
Debt service	571,348	229,069	800,417
Unrestricted	3,156,416	904,094	4,060,510
Total net assets	<u>\$ 14,684,370</u>	<u>\$ 18,245,265</u>	<u>\$ 32,929,635</u>

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

CITY OF THE DALLES, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,823,951	\$ 432,237	\$ 336,306	\$ 376,576	\$ (1,678,832)	\$ -	\$ (1,678,832)
Public safety	1,902,747	415,666	28,987	76,960	(1,381,134)	-	(1,381,134)
Highways and streets	1,129,313	29,927	615,014	290,165	(194,207)	-	(194,207)
Culture and recreation	730,140	7,996	214,797	-	(507,347)	-	(507,347)
Interest on long-term obligations	213,268	-	-	-	(213,268)	-	(213,268)
Total governmental activities	6,799,419	885,826	1,195,104	743,701	(3,974,788)	-	(3,974,788)
Business-type activities:							
Water	2,213,779	2,144,103	3,094	-	-	(66,582)	(66,582)
Waste water	2,044,034	2,755,902	3,094	-	-	714,962	714,962
Airport	342,058	103,815	-	566,350	-	328,107	328,107
Total business-type activities	4,599,871	5,003,820	6,188	566,350	-	976,487	976,487
Total primary government	\$ 11,399,290	\$ 5,889,646	\$ 1,201,292	\$ 1,310,051	(3,974,788)	976,487	(2,998,301)
General revenues:							
Property taxes levied for:							
General purposes					2,143,861	-	2,143,861
Debt service					462,729	-	462,729
Franchise and public service taxes					963,617	-	963,617
Interest and investment earnings					82,814	197,141	279,955
Miscellaneous					10,271	-	10,271
Gain on sale of property					12,772	-	12,772
Transfers					639,178	(639,178)	-
Total general revenues and transfers					4,315,242	(442,037)	3,873,205
Change in net assets					340,454	534,450	874,904
Net assets - beginning					14,343,916	17,710,815	32,054,731
Net assets - ending					\$ 14,684,370	\$ 18,245,265	\$ 32,929,635

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

FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

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

Street Fund

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

Library Fund

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

Special Assessments Fund

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

Urban Renewal Capital Projects Fund

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

CITY OF THE DALLES, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Street Fund	Library Fund	Special Assessments Fund	Urban Renewal Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 747,436	\$ 230,014	\$ 65,263	\$ 363,735	\$ 967,722	\$ 913,532	\$ 3,287,702
Investments	201,281	67,152	17,888	99,696	-	125,266	511,283
Receivables:							
Property taxes	250,025	-	-	-	137,618	-	387,643
Accounts, net	124,018	32,738	-	1,270	2,824	54,970	215,820
Intergovernmental	97,275	53,133	-	-	-	4,000	154,408
Fines and forfeitures	626,340	-	-	-	-	-	626,340
Special assessments	-	-	-	141,773	-	-	141,773
Notes	-	-	-	-	282,445	-	282,445
Prepaid expenses	3,060	-	-	-	-	-	3,060
Inventories	-	66,157	-	-	-	-	66,157
Total assets	\$ 2,049,435	\$ 449,194	\$ 83,151	\$ 606,474	\$ 1,390,609	\$ 1,097,768	\$ 5,676,631
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 179,199	\$ 16,909	\$ 5,575	\$ -	\$ 3,368	\$ 68,138	\$ 273,189
Deferred revenue	915,652	-	-	141,773	420,063	54,145	1,531,633
Total liabilities	1,094,851	16,909	5,575	141,773	423,431	122,283	1,804,822
FUND BALANCES							
Reserved for:							
Inventories	-	66,157	-	-	-	-	66,157
Debt service	-	-	-	-	-	571,348	571,348
Unreserved, reported in:							
Major funds	954,584	366,128	77,576	464,701	967,178	-	2,830,167
Special revenue funds	-	-	-	-	-	384,710	384,710
Capital projects fund	-	-	-	-	-	19,427	19,427
Total fund balances	954,584	432,285	77,576	464,701	967,178	975,485	3,871,809
Total liabilities and fund balances	\$ 2,049,435	\$ 449,194	\$ 83,151	\$ 606,474	\$ 1,390,609	\$ 1,097,768	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities and bond issuance costs are not financial resources and, therefore, are not reported in the funds	14,308,097
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds.	1,531,633
Internal service funds are used by management to charge the cost of unemployment insurance to individual funds. The assets and liabilities of the internal service fund have been included in governmental activities in the statement of net assets.	5,786
Some liabilities, including bonds payable, accrued interest payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,032,955)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 14,684,370

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

CITY OF THE DALLES, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	General Fund	Street Fund	Library Fund	Special Assessments Fund	Urban Renewal Capital Projects Fund	Other Governmental Funds	Total
Revenues							
Property taxes	\$ 1,634,146	\$ -	\$ -	\$ -	\$ 435,391	\$ 462,729	\$ 2,532,266
Other taxes	388,031	290,165	-	-	-	-	678,196
Franchise fees	357,888	-	-	-	-	-	357,888
Special assessments	-	-	-	34,443	-	-	34,443
Licenses and permits	9,842	-	-	-	-	-	9,842
Intergovernmental	541,788	603,884	214,797	-	166,230	281,655	1,808,354
Fines and forfeitures	294,980	-	6,946	-	-	-	301,926
Charges for services	79,354	29,927	-	-	-	21,615	130,896
Rental income	21,644	-	-	-	-	269,890	291,534
Interest on investments	19,991	4,813	956	9,114	34,455	19,441	88,770
Miscellaneous	21,193	11,130	1,050	225	-	14,785	48,383
Total revenues	3,368,857	939,919	223,749	43,782	636,076	1,070,115	6,282,498
Expenditures							
Current:							
General government	1,521,909	-	-	19,209	483,944	368,476	2,393,538
Public safety	1,835,348	-	-	-	-	-	1,835,348
Highways and streets	-	855,464	-	-	-	-	855,464
Culture and recreation	314,493	-	394,497	-	-	-	708,990
Capital outlay	108,931	52,512	2,961	-	311,829	488,382	964,615
Debt Service	-	-	-	-	-	673,617	673,617
Total expenditures	3,780,681	907,976	397,458	19,209	795,773	1,530,475	7,431,572
Revenues over (under) expenditures	(411,824)	31,943	(173,709)	24,573	(159,697)	(460,360)	(1,149,074)
Other financing sources (uses)							
Sale of property	-	5,772	-	-	-	7,000	12,772
Issuance of debt	38,117	-	-	-	-	-	38,117
Transfers in	637,816	119,942	206,215	-	-	163,545	1,127,518
Transfers out	(283,573)	(95,012)	-	(108,517)	-	(1,238)	(488,340)
Total other financing sources (uses)	392,360	30,702	206,215	(108,517)	-	169,307	690,067
Net change in fund balances	(19,464)	62,645	32,506	(83,944)	(159,697)	(291,053)	(459,007)
Fund balances, July 1, 2004	974,048	369,640	45,070	548,645	1,126,875	1,266,539	4,330,817
Fund balances, June 30, 2005	\$ 954,584	\$ 432,285	\$ 77,576	\$ 464,701	\$ 967,178	\$ 975,486	\$ 3,871,810

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

CITY OF THE DALLES, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

Net change in fund balance - governmental funds **\$ (459,007)**

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditure over the life of the assets. The difference between these two amounts is:

Capital asset additions	\$ 634,143	
Depreciation expense	<u>(412,638)</u>	221,505

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

Deferred revenues	199,622
-------------------	---------

Receipts from the issuance of debt is recorded as a financial resource in the funds, but is not revenue for the Statement of Activities.

Issuance of debt	(38,117)
------------------	----------

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

	461,429
--	---------

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

Change in compensated absences	(40,203)
--------------------------------	----------

Internal service funds are used by management to charge the costs of unemployment benefits to individual funds. The net revenue (expense) of the internal service fund is allocated between governmental and business-type activities.

	<u>(4,775)</u>
--	----------------

Change in net assets - governmental activities **\$ 340,454**

CITY OF THE DALLES, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,654,768	\$ 1,664,281	\$ 1,634,146	\$ (30,135)
Other taxes	443,862	443,862	388,031	(55,831)
Franchise fees	287,909	287,909	357,888	69,979
Licenses and permits	8,580	8,580	9,842	1,262
Intergovernmental	517,077	544,462	541,788	(2,674)
Fines and forfeitures	261,400	273,900	294,980	21,080
Charges for services	71,090	71,090	79,354	8,264
Rental income	24,330	24,330	21,644	(2,686)
Interest on investments	19,400	19,400	19,991	591
Miscellaneous	29,000	29,000	21,193	(7,807)
TOTAL REVENUES	<u>3,317,416</u>	<u>3,366,814</u>	<u>3,368,857</u>	<u>2,043</u>
EXPENDITURES				
Current:				
General government	1,567,830	1,604,750	1,521,909	82,841
Public safety	1,885,662	1,909,791	1,835,348	74,443
Culture and recreation	313,879	313,879	314,493	(614)
Capital outlay	83,250	83,250	108,931	(25,681)
Contingency	289,394	289,394	-	289,394
TOTAL EXPENDITURES	<u>4,140,015</u>	<u>4,201,064</u>	<u>3,780,681</u>	<u>420,383</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(822,599)</u>	<u>(834,250)</u>	<u>(411,824)</u>	<u>422,426</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	633,794	637,816	637,816	-
Issuance of debt	-	-	38,117	38,117
Transfers out	(283,573)	(283,573)	(283,573)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>350,221</u>	<u>354,243</u>	<u>392,360</u>	<u>38,117</u>
NET CHANGE IN FUND BALANCE	<u>(472,378)</u>	<u>(480,007)</u>	<u>(19,464)</u>	<u>460,543</u>
FUND BALANCE, JULY 1, 2004	<u>1,031,605</u>	<u>1,039,234</u>	<u>974,048</u>	<u>(65,186)</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 559,227</u>	<u>\$ 559,227</u>	<u>\$ 954,584</u>	<u>\$ 395,357</u>

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

CITY OF THE DALLES, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET FUND - SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Fuel taxes	\$ 292,040	\$ 290,165	\$ (1,875)
Intergovernmental	603,029	603,884	855
Charges for services	35,938	29,927	(6,011)
Interest on investments	3,515	4,813	1,298
Miscellaneous	250	11,130	10,880
TOTAL REVENUES	<u>934,772</u>	<u>939,919</u>	<u>5,147</u>
EXPENDITURES			
Current:			
Highways and streets:			
Personal services	547,948	494,929	53,019
Materials and services	461,540	359,597	101,943
Other uses	938	938	-
Capital outlay	70,303	52,512	17,791
Contingency	81,732	-	81,732
TOTAL EXPENDITURES	<u>1,162,461</u>	<u>907,976</u>	<u>254,485</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(227,689)</u>	<u>31,943</u>	<u>259,632</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	119,942	119,942	-
Sale of property	-	5,772	5,772
Transfers out	(95,012)	(95,012)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,930</u>	<u>30,702</u>	<u>5,772</u>
NET CHANGE IN FUND BALANCE	<u>(202,759)</u>	<u>62,645</u>	<u>265,404</u>
FUND BALANCE, JULY 1, 2004	<u>202,759</u>	<u>369,640</u>	<u>166,881</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ 432,285</u>	<u>\$ 432,285</u>

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

CITY OF THE DALLES, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LIBRARY FUND - SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 214,641	\$ 221,341	\$ 214,797	\$ (6,544)
Fines and forfeitures	6,400	6,400	6,946	546
Interest on investments	590	590	956	366
Miscellaneous	2,173	2,173	1,050	(1,123)
TOTAL REVENUES	<u>223,804</u>	<u>230,504</u>	<u>223,749</u>	<u>(6,755)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Personal services	269,158	274,158	264,723	9,435
Materials and services	158,188	159,888	129,295	30,593
Other uses	479	479	479	-
Capital outlay	33,242	33,242	2,961	30,281
TOTAL EXPENDITURES	<u>461,067</u>	<u>467,767</u>	<u>397,458</u>	<u>70,309</u>
REVENUES OVER (UNDER) EXPENDITURES	(237,263)	(237,263)	(173,709)	63,554
OTHER FINANCING SOURCES (USES)				
Transfers in	206,215	206,215	206,215	-
NET CHANGE IN FUND BALANCE	(31,048)	(31,048)	32,506	63,554
FUND BALANCE, JULY 1, 2004	31,048	31,048	45,070	14,022
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,576</u>	<u>\$ 77,576</u>

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



FUND FINANCIAL STATEMENTS

Proprietary Funds

The City of The Dalles uses four Proprietary Funds comprised of three Enterprise Funds and one Internal Service Fund.

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

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

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

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

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis. The Internal Service Funds are eliminated for the Government-Wide Financial Statements and any residual assets and income and expenses from outside sources are combined with the Governmental Activities. The City's Internal Service Fund is as follows:

- **Unemployment Reserve Fund**

CITY OF THE DALLES, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	All Water Funds	All Waste- Water Funds	All Airport Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,030,307	\$ 6,496,344	\$ 94,128	\$ 7,620,779	\$ 9,693
Investments	292,041	123,403	25,799	441,243	2,657
Receivables:					
Accounts, net	163,056	244,292	10,121	417,469	-
Intergovernmental	-	-	51,885	51,885	-
Assessments	-	31,386	-	31,386	-
Inventories	167,706	43,685	-	211,391	-
Total current assets	<u>1,653,110</u>	<u>6,939,110</u>	<u>181,933</u>	<u>8,774,153</u>	<u>12,350</u>
Noncurrent assets:					
Deferred charges	-	96,828	1,380	98,208	-
Capital assets, net	6,835,040	6,820,969	3,999,614	17,655,623	-
Total noncurrent assets	<u>6,835,040</u>	<u>6,917,797</u>	<u>4,000,994</u>	<u>17,753,831</u>	<u>-</u>
Total assets	<u>\$ 8,488,150</u>	<u>\$ 13,856,907</u>	<u>\$ 4,182,927</u>	<u>\$ 26,527,984</u>	<u>\$ 12,350</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 67,301	\$ 707,509	\$ 56,815	\$ 831,625	\$ 6,564
Accrued interest payable	-	61,160	1,871	63,031	-
Deposits	-	-	100	100	-
Retainage payable	-	-	28,933	28,933	-
Compensated absences payable	72,395	25,635	-	98,030	-
Current portion of long-term debt	-	310,000	34,000	344,000	-
Total current liabilities	<u>139,696</u>	<u>1,104,304</u>	<u>121,719</u>	<u>1,365,719</u>	<u>6,564</u>
Long - term debt, net of current portion:					
Bonds payable	-	6,515,000	402,000	6,917,000	-
Total liabilities	<u>139,696</u>	<u>7,619,304</u>	<u>523,719</u>	<u>8,282,719</u>	<u>6,564</u>
Net assets:					
Invested in capital assets, net of related debt	6,835,040	92,797	3,564,994	10,492,831	-
Restricted for capital projects	-	6,619,271	-	6,619,271	-
Restricted for debt service	-	203,556	25,513	229,069	-
Unrestricted	1,513,414	(678,021)	68,701	904,094	5,786
Total net assets	<u>8,348,454</u>	<u>6,237,603</u>	<u>3,659,208</u>	<u>18,245,265</u>	<u>5,786</u>
Total liabilities and net assets	<u>\$ 8,488,150</u>	<u>\$ 13,856,907</u>	<u>\$ 4,182,927</u>	<u>\$ 26,527,984</u>	<u>\$ 12,350</u>

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

CITY OF THE DALLES, OREGON
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	All Water Funds	All Waste- Water Funds	All Airport Funds	Total	
OPERATING REVENUES					
Charges for services	\$ 2,138,476	\$ 2,750,917	\$ 2,208	\$ 4,891,601	\$ 24,199
Rental income	3,740	-	94,301	98,041	-
Miscellaneous	1,887	4,985	7,306	14,178	-
TOTAL OPERATING REVENUES	<u>2,144,103</u>	<u>2,755,902</u>	<u>103,815</u>	<u>5,003,820</u>	<u>24,199</u>
OPERATING EXPENSES					
Personal services	1,253,049	642,510	36,526	1,932,085	22,828
Materials and services	749,285	1,058,507	59,242	1,867,034	-
Depreciation	211,445	86,600	222,903	520,948	-
TOTAL OPERATING EXPENSES	<u>2,213,779</u>	<u>1,787,617</u>	<u>318,671</u>	<u>4,320,067</u>	<u>22,828</u>
OPERATING INCOME (LOSS)	<u>(69,676)</u>	<u>968,285</u>	<u>(214,856)</u>	<u>683,753</u>	<u>1,371</u>
NONOPERATING INCOME (EXPENSES)					
Intergovernmental	3,094	3,094	566,350	572,538	-
Interest on investments	27,959	161,134	1,941	191,034	146
Interest expense	-	(256,417)	(23,387)	(279,804)	-
TOTAL NONOPERATING INCOME (EXPENSES)	<u>31,053</u>	<u>(92,189)</u>	<u>544,904</u>	<u>483,768</u>	<u>146</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(38,623)</u>	<u>876,096</u>	<u>330,048</u>	<u>1,167,521</u>	<u>1,517</u>
TRANSFERS					
Transfers in	-	-	46,738	46,738	-
Transfers out	(384,593)	(301,323)	-	(685,916)	-
TOTAL TRANSFERS	<u>(384,593)</u>	<u>(301,323)</u>	<u>46,738</u>	<u>(639,178)</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(423,216)</u>	<u>574,773</u>	<u>376,786</u>	<u>528,343</u>	<u>1,517</u>
NET ASSETS, JULY 1, 2004	<u>8,771,670</u>	<u>5,662,830</u>	<u>3,282,422</u>	<u>17,716,922</u>	<u>4,269</u>
NET ASSETS, JUNE 30, 2005	<u>\$ 8,348,454</u>	<u>\$ 6,237,603</u>	<u>\$3,659,208</u>	<u>18,245,265</u>	<u>\$ 5,786</u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net revenue (expense) of internal service fund is allocable to business-type activities

6,107

Change in net assets of business-type activities

\$ 534,450

CITY OF THE DALLES, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	All Water Funds	All Waste- Water Funds	All Airport Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,169,984	\$ 2,715,082	\$ 114,908	\$ 4,999,974	\$ -
Receipts from interfund services provided	14,535	14,299	-	28,834	24,199
Payments to suppliers	(1,194,642)	(1,235,341)	(53,905)	(2,483,888)	(26,528)
Payments to employees	(857,206)	(451,881)	(29,161)	(1,338,248)	-
Payments for interfund services used	(9,727)	(8,680)	-	(18,407)	-
Net cash provided from (used by) operating activities	<u>122,944</u>	<u>1,033,479</u>	<u>31,842</u>	<u>1,188,265</u>	<u>(2,329)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	46,738	46,738	-
Transfers out	(384,593)	(301,323)	-	(685,916)	-
Net cash provided from (used by) non-capital financing activities	<u>(384,593)</u>	<u>(301,323)</u>	<u>46,738</u>	<u>(639,178)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from intergovernmental revenue	3,094	3,094	514,465	520,653	-
Acquisition of capital assets	(77,875)	(1,650,370)	(529,343)	(2,257,588)	-
Principal paid on long-term obligations	-	(305,000)	(32,000)	(337,000)	-
Interest paid on long-term obligations	-	(251,139)	(23,278)	(274,417)	-
Net cash provided from (used by) capital and related financing activities	<u>(74,781)</u>	<u>(2,203,415)</u>	<u>(70,156)</u>	<u>(2,348,352)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Net investment sales (purchases)	52,902	(8,182)	(1,535)	43,185	423
Interest on investments	27,959	161,134	1,941	191,034	146
Net cash provided from (used by) investing activities	<u>80,861</u>	<u>152,952</u>	<u>406</u>	<u>234,219</u>	<u>569</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(255,569)</u>	<u>(1,318,307)</u>	<u>8,830</u>	<u>(1,565,046)</u>	<u>(1,760)</u>
CASH AND CASH EQUIVALENTS, JULY 1, 2004	<u>1,285,876</u>	<u>7,814,651</u>	<u>85,298</u>	<u>9,185,825</u>	<u>11,453</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2005	<u>\$ 1,030,307</u>	<u>\$ 6,496,344</u>	<u>\$ 94,128</u>	<u>\$ 7,620,779</u>	<u>\$ 9,693</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities					
Operating income (loss)	\$ (69,676)	\$ 968,285	\$ (214,856)	\$ 683,753	\$ 1,371
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	211,445	86,600	222,903	520,948	-
(Increase) decrease in assets					
Receivables	40,416	(26,521)	11,093	24,988	-
Inventories	(67,697)	(1,654)	-	(69,351)	-
Increase (decrease) in liabilities					
Accounts payable	(1,023)	6,622	12,702	18,301	(3,700)
Compensated absences payable	9,479	147	-	9,626	-
Net cash provided from (used by) operating activities	<u>\$ 122,944</u>	<u>\$ 1,033,479</u>	<u>\$ 31,842</u>	<u>\$ 1,188,265</u>	<u>\$ (2,329)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF THE DALLES
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

Columbia Gateway Urban Renewal Agency

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

B. Government – Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are

reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

The government-wide statements and proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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

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

accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports an *Internal Service Fund*. This fund accounts for operations that provide service to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The service provided is the payments of unemployment benefits.

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

Special revenue funds are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

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

Capital projects funds account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from long-term obligations issued to finance capital acquisitions and improvements.

D. Assets, Liabilities and Equity

1. Cash, Cash Equivalents, and Investments

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

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

Investments are stated at cost, which approximates fair value.

2. Receivables and Payables

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

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

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

3. Inventories and Prepaid Expenses

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

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

4. Capital Assets

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

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

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

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

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

5. Long-Term Obligations

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

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

6. Compensated Absences

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

7. Fund Equity

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

8. Restricted net assets

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

9. Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds. There was no budget adopted or expenditures made from the FAA Grant Improvement Fund. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. All annual appropriations lapse at fiscal year end.

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

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

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

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

During the year ended June 30, 2005, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amounts:

General Fund:		
Nondepartmental	\$	614
Water Utility Fund:		
Water Distribution Department:		
Personal Services	\$	1,205
Sewer Plant Construction:		
Materials and Services	\$	3,120

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents, Deposits, and Investments

At June 30, 2005, the carrying amount of the City's deposits was \$8,074,664 and the bank balance was \$8,619,602. All deposits are held in the name of the City or the Columbia Gateway Urban Renewal Agency (blended component unit).

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2005. Category 1 involves the lowest degree of credit risk and includes collateralized deposits if the collateral is held by the government itself or by the government's agent and the collateral is held in the name of the government. Category 2 involves a higher degree of custodial risk than category 1, and includes collateralized deposits in situations where the collateral is held by either the financial institution's agent or trust department and in the name of the government. Category 3 involves the highest degree of custodial credit risk, and is used for all deposits that do not qualify for classification in either category 1 or category 2. At June 30, 2005, the City's balances exceeded federal depository insurance and collateral by \$5,363,106, which is classified as category 3 deposits. The remaining \$3,256,496 is classified as category 1 deposits.

The City's cash and cash equivalents at June 30, 2005, are as follows:

	Carrying Amount
Cash equivalents - State Treasurer's Investment Pool	\$ 2,807,201
Deposits with financial institutions	8,074,664
Cash with County treasurer	34,584
Cash on hand	1,725
	<hr/>
Total cash and cash equivalents	<u>\$ 10,918,174</u>

The Governmental Accounting Standards Board has adopted generally accepted accounting principles (GAAP), which include standards to categorize investments to give an indication of the level of credit and market risk assumed by the City at June 30, 2005. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the City's name by the counterparty's trust department or agent. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name. Deposits in local government investment pools are not categorized.

The City of The Dalles invested funds in the State Treasurer's Investment Pool of Oregon (the Pool) during the 2005 fiscal year. The Oregon Short Term Fund is the Local Government Investment Pool (LGIP) for local governments and was established by the State Treasurer. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company. Investments in the Pool are valued at the Pool's share price, which is the price the investment could be sold for

on June 30, 2005 and approximates fair value. The amounts invested with the Pool are not classified by risk categories because they are not evidenced by securities that exist in physical book entry form as defined by GASB Statement No. 3. The deposits in the LGIP can be drawn out on demand, and are classified as cash equivalents in the City's financial statements.

The City of The Dalles also invested funds in U.S. Government Obligations. These investments are carried at fair value.

Investments held by the City at June 30, 2005 are as follows:

	<u>Category 1</u>	<u>Carrying Amount/ Fair Value</u>
US Government Agency Securities	<u>\$ 955,183</u>	<u>\$ 955,183</u>

B. Receivables

Receivables as of fiscal-year end for the governmental activities individual major funds, internal service funds classified as governmental activities, and non-major funds in the aggregate are as follows:

	<u>General</u>	<u>Street</u>	<u>Special Assessments</u>	<u>Urban Renewal Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Property taxes	\$ 250,025	\$ -	\$ -	\$ 137,618	\$ -	\$ 387,643
Accounts	124,018	32,738	1,270	2,824	54,970	215,820
Intergovernmental	97,275	53,133	-	-	4,000	154,408
Fines and forfeitures	626,340	-	-	-	-	626,340
Assessments	-	-	141,773	-	-	141,773
Notes	-	-	-	282,445	-	282,445
	<u>\$1,097,658</u>	<u>\$ 85,871</u>	<u>\$ 143,043</u>	<u>\$ 422,887</u>	<u>\$ 58,970</u>	<u>\$ 1,808,429</u>

Receivables as of year-end for the business-type activities individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Water</u>	<u>Waste Water</u>	<u>Airport</u>	<u>Total Business-Type Activities</u>
Accounts	\$ 176,814	\$ 273,561	\$ 12,621	\$ 462,996
Intergovernmental	-	-	51,885	51,885
Assessments	-	31,386	-	31,386
Allowance for doubtful accounts	<u>(13,758)</u>	<u>(29,269)</u>	<u>(2,500)</u>	<u>(45,527)</u>
	<u>\$ 163,056</u>	<u>\$ 275,678</u>	<u>\$ 62,006</u>	<u>\$ 500,740</u>

Uncollected property taxes in governmental funds and business-type activities are shown on the statement of net assets as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Wasco County, and remittance to the City is made at periodic intervals.

For the fiscal year 2004-2005, the City levied property taxes in the amount of \$1,740,702. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$1,716,762. The tax rate for the fiscal year was \$3.0155, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2005 was \$577,238,384. The Columbia Gateway Urban Renewal Agency, a blended component unit of the City, levied taxes at its maximum taxing authority of \$953,802. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$937,881.

Following is a summary of property tax transactions for the year ended June 30, 2005:

	Balances					Balances
	July 1,	2004-05		Interest	Collections	June 30,
	2004	Levy	Adjustments	(Discounts)		2005
2004-05	-	\$2,654,643	\$ (14,707)	\$ (61,894)	\$(2,415,879)	\$ 162,163
2003-04	172,744	-	(11,621)	250	(42,618)	118,755
2002-03	115,990	-	(7,354)	208	(18,414)	90,430
2001-02	36,539	-	(10,916)	229	(10,906)	14,946
2000-01	7,970	-	(3,749)	36	(4,062)	195
1999-00	614	-	(542)	4	-	76
1998-99	227	-	(221)	26	-	32
Prior years	1,281	-	(235)	-	-	1,046
	<u>\$ 335,365</u>	<u>\$2,654,643</u>	<u>\$ (49,345)</u>	<u>\$ (61,141)</u>	<u>\$(2,491,879)</u>	<u>\$ 387,643</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary.

The City has notes receivable from businesses purchasing real property and improvements and from loans associated with the Community Development Block Grant program. Since the notes are liens against real property, an allowance for uncollectible amounts is not necessary.

Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectible accounts has been established.

C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 282,445	\$ -	\$ -	\$ 282,445
Assets available for sale	-	210,917	-	210,917
Total capital assets, not being depreciated	<u>282,445</u>	<u>210,917</u>	<u>-</u>	<u>493,362</u>
Capital assets, being depreciated				
Land improvements	163,189	8,000	-	171,189
Buildings	3,663,269	55,112	-	3,718,381
Equipment	1,982,661	321,066	(5,000)	2,298,727
Infrastructure	10,911,445	39,048	-	10,950,493
Total capital assets, being depreciated	<u>16,720,564</u>	<u>423,226</u>	<u>(5,000)</u>	<u>17,138,790</u>
Accumulated depreciation for:				
Land improvements	(109,262)	(8,645)	-	(117,907)
Building	(999,642)	(72,054)	-	(1,071,696)
Equipment	(1,042,479)	(132,723)	5,000	(1,170,202)
Infrastructure	(770,047)	(199,216)	-	(969,263)
Total accumulated depreciation	<u>(2,921,430)</u>	<u>(412,638)</u>	<u>5,000</u>	<u>(3,329,068)</u>
Total capital assets, being depreciated, net	<u>13,799,134</u>	<u>10,588</u>	<u>-</u>	<u>13,809,722</u>
Governmental activities capital assets, net	<u>\$ 14,081,579</u>	<u>\$ 221,505</u>	<u>\$ -</u>	<u>\$ 14,303,084</u>

Depreciation expense for governmental activities is charged to governmental functions as follows:

General government	\$ 79,557
Public safety	50,512
Highways and streets	268,748
Culture and recreation	13,821
Total depreciation expense - governmental activities	<u>\$ 412,638</u>

Capital asset activity for the business-type activities for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 5,629,340	\$ 77,875	\$ -	\$ 5,707,215
Construction in progress	1,039,500	2,796,553	-	3,836,053
 Total capital assets, not being depreciated	 <u>6,668,840</u>	 <u>2,874,428</u>	 <u>-</u>	 <u>9,543,268</u>
Capital assets, being depreciated				
Land improvements	4,488,981	-	-	4,488,981
Buildings	2,592,988	11,543	-	2,604,531
Dams and lines	7,113,064	-	-	7,113,064
Equipment	914,419	-	-	914,419
 Total capital assets, being depreciated	 <u>15,109,452</u>	 <u>11,543</u>	 <u>-</u>	 <u>15,120,995</u>
Less accumulated depreciation for:				
Land improvements	(1,635,451)	(253,605)	-	(1,889,056)
Building	(1,042,503)	(50,825)	-	(1,093,328)
Dams and lines	(3,170,965)	(35,947)	-	(3,206,912)
Equipment	(638,773)	(180,571)	-	(819,344)
 Total accumulated depreciation	 <u>(6,487,692)</u>	 <u>(520,948)</u>	 <u>-</u>	 <u>(7,008,640)</u>
 Total capital assets, being depreciated, net	 <u>8,621,760</u>	 <u>(509,405)</u>	 <u>-</u>	 <u>8,112,355</u>
 Business-type activities capital assets, net	 <u>\$ 15,290,600</u>	 <u>\$ 2,365,023</u>	 <u>\$ -</u>	 <u>\$ 17,655,623</u>

Depreciation expense for the business-type activities was charged to functions/programs of the City as follows:

Water	\$ 211,445
Waste Water	86,600
Airport	<u>222,903</u>
Total depreciation expense - business-type activities	<u>\$ 520,948</u>

D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The government-wide financial statements report deferred revenue only for amounts that have been received, but not earned. At the end of the current fiscal year, there was no unearned deferred revenue. The various components of unavailable deferred revenue reported in the governmental funds was as follows:

	General	Special Assessments	Urban Renewal Capital Projects	Other Governmental Funds	Totals
Property taxes	\$ 250,025	\$ -	\$ 137,618	\$ -	\$ 387,643
Intergovernmental	39,287	-	-	-	39,287
Fines and forfeitures	626,340	-	-	-	626,340
Loans	-	-	282,445	54,145	336,590
Special assessments	-	141,773	-	-	141,773
	<u>\$ 915,652</u>	<u>\$ 141,773</u>	<u>\$ 420,063</u>	<u>\$ 54,145</u>	<u>\$ 1,531,633</u>

E. Long-term obligations

1. Revenue Bonds – Governmental Activities

Revenue bonds recorded in the Governmental Activities include police facilities revenue bonds, with interest rates ranging from 3.65% to 4.6% payable from property rental income. Future maturities are as follows:

Year Ending June 30	Principal	Interest
2006	\$ 120,000	\$ 20,873
2007	130,000	15,278
2008	135,000	9,281
2009	135,000	3,105
	<u>\$ 520,000</u>	<u>\$ 48,537</u>

2. Limited Tax Issuances – Governmental Activities

Urban Renewal Bonds were issued in September of 2002 to fund capital projects within the Columbia Gateway Urban Renewal District. The bonds are secured by a pledge of tax increment revenues within the Urban Renewal area with interest rates ranging from 1.85% to 4.85%.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2006	\$ 310,000	\$ 154,615
2007	325,000	145,160
2008	335,000	134,110
2009	345,000	121,883
2010	360,000	108,427
2011-2015	2,040,000	294,538
	<u>\$ 3,715,000</u>	<u>\$ 958,733</u>

3. Loans Payable – Governmental Activities

The City has a loan payable to the Oregon Investment Board for riverfront improvements. The loan is payable semi-annually with installments of \$32,423, including interest at 4%. The final payment is due June 30, 2016. The loan is unsecured, and is payable from general government revenues.

A new loan payable was issued in the 2004-05 fiscal year to finance the purchase of computer equipment, software, and support. The loan is payable monthly with installments of \$890, including interest at 4.8% for equipment and 7.93% for related software and technical support. The final payment is due May 1, 2009. The loan is secured by computer equipment, and is payable from general government revenues.

Future maturities of the loans payable are as follows:

Year Ending June 30	Oregon Investment Board		IBM Credit		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 42,364	\$ 22,482	\$ 8,779	\$ 1,895	\$ 51,143	\$ 24,377
2007	44,076	20,770	9,288	1,387	53,364	22,157
2008	45,856	18,989	9,828	847	55,684	19,836
2009	47,709	17,137	9,512	273	57,221	17,410
2010	49,637	15,209	-	-	49,637	15,209
2011-2015	279,933	44,297	-	-	279,933	44,297
2015-16	62,950	1,895	-	-	62,950	1,895
	<u>\$ 572,525</u>	<u>\$ 140,779</u>	<u>\$ 37,407</u>	<u>\$ 4,402</u>	<u>\$ 609,932</u>	<u>\$ 145,181</u>

4. Bonds Payable – Business-Type Activities – Waste Water Fund

The Waste Water Fund has revenue bonds payable used to finance improvements to the City's waste water treatment plant. The bond principal is payable annually and the interest is payable semiannually with interest rates from 2.0% to 4.2%. Final payment is due April 1, 2022.

Future maturities of the bonds are as follows:

Year Ending June 30	Principal	Interest
2006	\$ 310,000	\$ 244,640
2007	315,000	238,440
2008	325,000	230,565
2009	330,000	222,440
2010	340,000	212,540
2011-2015	1,895,000	872,790
2016-2020	2,270,000	495,885
2021-2022	1,040,000	65,940
	<u>\$ 6,825,000</u>	<u>\$ 2,583,240</u>

5. Bonds Payable – Business-Type Activities – Airport Fund

The Airport Fund has revenue bonds payable used to finance improvements to the City's airport hangars. The bond principal is payable annually and the interest is payable semiannually with a 5.15% interest rate. Final payment is due December 1, 2014. Future maturities are as follows:

Year Ending June 30	Principal	Interest
2006	\$ 34,000	\$ 21,579
2007	36,000	19,776
2008	38,000	17,871
2009	40,000	15,862
2010	42,000	13,751
2011-2015	246,000	33,013
	<u>\$ 436,000</u>	<u>\$ 121,852</u>

6. Conduit Debt

The City has acted as a conduit for debt issued by Qualitylife Intergovernmental Agency and payable to the Oregon Department of Economic and Community Development in the amount of \$491,184, plus accrued, but unmatured, interest of \$25,990. Qualitylife Intergovernmental Agency has pledged security to repay the amount; however, the loan documents name the City as the borrower. This amount has not been reported as a liability on the City's financial statements as it is anticipated that Qualitylife Intergovernmental Agency will provide the full repayment.

7. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2005, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 635,000	\$ -	\$ 115,000	\$ 520,000	\$ 120,000
Limited Tax Issuances	4,020,000	-	305,000	3,715,000	310,000
Loans Payable	613,244	38,117	41,429	609,932	51,143
Compensated Absences	132,974	173,177	132,974	173,177	173,177
Governmental activity Long-term obligations	<u>\$ 5,401,218</u>	<u>\$ 211,294</u>	<u>\$ 594,403</u>	<u>\$ 5,018,109</u>	<u>\$ 654,320</u>
Business - type activities:					
Revenue Bonds Payable	\$ 7,598,000	\$ -	\$ 337,000	\$ 7,261,000	\$ 344,000
Compensated Absences	88,403	98,030	88,403	98,030	98,030
Business-type activity Long-term obligations	<u>\$ 7,686,403</u>	<u>\$ 98,030</u>	<u>\$ 425,403</u>	<u>\$ 7,359,030</u>	<u>\$ 442,030</u>

F. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the business-type activities and transfers into the governmental activities in the amount of \$639,178.

A reconciliation of transfers in the fund financial statements is as follows:

	Transfers In	Transfers Out
Governmental activities		
General	\$ 637,816	\$ 283,573
Street	119,942	95,012
Library	206,215	-
Special assessments	-	108,517
Other governmental funds	163,545	1,238
Business-type activities		
Water	-	384,593
Waste water	-	301,323
Airport	46,738	-
	<u>\$ 1,174,256</u>	<u>\$ 1,174,256</u>

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; and errors and omissions for which the City carries commercial

insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

B. Employee Retirement Plans

1. Retirement plan for non-public safety employees

The City of The Dalles Retirement Plan is a defined contribution plan established by the City to provide benefits at retirement to the non-public safety employees of the City. Employees are eligible to participate after one year of employment. The City is required to contribute 6 percent of eligible compensation on behalf of employees and an additional 7.5 percent of eligible compensation as the City's contribution. In addition employees may voluntarily contribute up to 10 percent of their eligible compensation. Plan provisions and contribution requirements are established by, and may be amended by the City Council.

The payroll for non-public safety employees covered by the plan for the year ended June 30, 2005 was \$2,224,734. Total contributions to the plan for the year ended June 30, 2005 were \$334,128, including \$285,354 and \$48,774 for the City and employee contributions, respectively.

2. Retirement plan for public safety employees

The City of The Dalles Public Safety Employees Retirement Plan is defined contribution plan established by the City to provide benefits at retirement to the public safety employees of the City. Employees are eligible to participate after one year of employment. The City is required to contribute 6 percent of eligible compensation on behalf of employees and an additional 16.6 percent of eligible compensation as the City's contribution. In addition employees may voluntarily contribute up to 2.4 percent of their eligible compensation. Plan provisions and contribution requirements are established by, and may be amended by, the City Council.

The payroll for public safety employees covered by the plan for the year ended June 30, 2005 was \$885,195. Total contributions to the plan for the year ended June 30, 2005 were \$198,203, including \$194,351 and \$3,852 for the City and employee contributions, respectively.

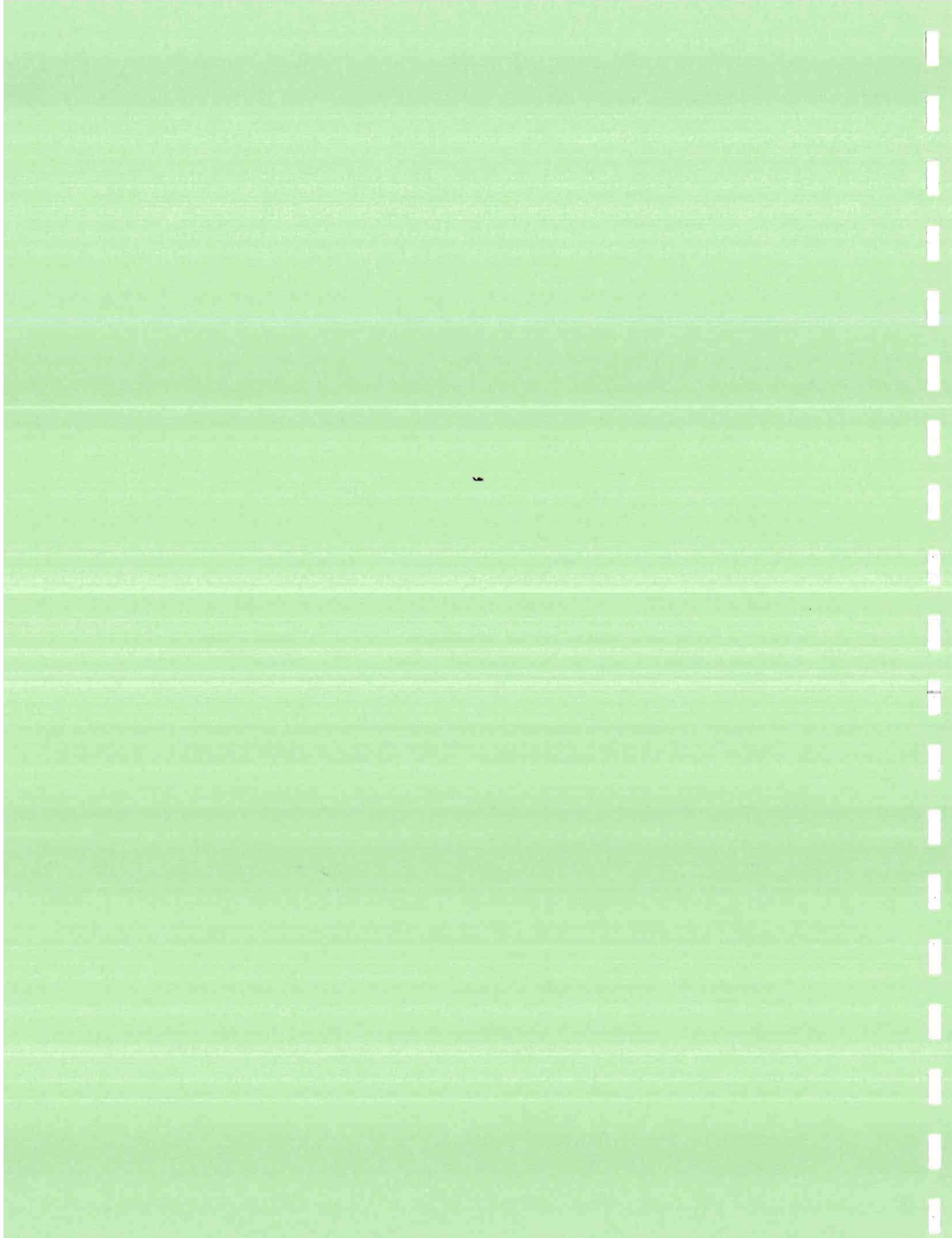
C. Construction in Progress

The City is committed under various construction contracts at June 30, 2005. Major projects in progress at June 30, 2005 are as follows:

Airfield lighting improvements at the airport are approximately 90% complete. Costs incurred to date are \$584,258, with total estimated costs of \$645,689.

Improvements to the waste water treatment plant are approximately 45% complete. Costs incurred to date are \$3,248,978, with total estimated costs of \$7,200,000.

SUPPLEMENTAL INFORMATION



COMBINING STATEMENTS

Non-Major Governmental Funds

Special Revenue Funds- These funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

- *Public Works Reserve* – replacing or adding to the machinery and equipment of the Public Works Department. Resources are provided through operating transfers from the Street and Storm Sewer Fund and from interest earned on the investments..
- *Community Benevolence* – preservation, enhancement, protection, maintenance, repair, replacement or restoration of the Mid-Columbia Vietnam Veterans' Memorial and its surroundings. Revenues consist primarily of donations and interest earnings.
- *Street and Bridge Replacement* – accounts for the replacement of streets and bridges. Resources consist of transfers and interest earned on investments.
- *Special Grants* – accounts for various grant programs operated by the City. Revenues consist primarily of grants and interest on investments.
- *State Office Building* – accounts for resources received and expended for the operation, repairs and maintenance of the State Office Building owned by the City. Revenues consist of a portion of the building's lease payments collected by the City.

Debt Service Funds – These funds account for revenues and expenditures related to the repayment of long-term indebtedness. Funds included in this category are:

- *Police Facility Revenue Bond* – accounts for the accumulation of resources for, and the repayment of, revenue bonds relating to the remodeling of the Police facilities.
- *Urban Renewal* – accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest relating to the Columbia Gateway Urban Renewal District.

Capital Project Funds - These funds account for the acquisition and construction of capital facilities. Funds included in this category are:

- *Capital Projects* – accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the enterprise funds. Principal resources to the fund are grants, a portion of lease payments received on the State Office Building owned by the City, and interest earned on investments.
- *FAA Grant Improvement* - accounts for improvements to the City's airport financed by grants from the Federal Aviation Administration.

**CITY OF THE DALLES, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005**

Special Revenue Funds

	Public Works Reserve	Community Benevolence	Street and Bridge Replacement	Special Grants
ASSETS				
Cash and cash equivalents	\$ 9,703	\$ 716	\$ 204,804	\$ 72,260
Investments	2,660	196	56,135	19,806
Receivables:				
Accounts	-	-	-	54,145
Intergovernmental	-	-	-	2,000
Total assets	\$ 12,363	\$ 912	\$ 260,939	\$ 148,211
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 88
Deferred revenue	-	-	-	54,145
Total liabilities	-	-	-	54,233
FUND BALANCES				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	12,363	912	260,939	93,978
Capital projects fund	-	-	-	-
Total fund balances	12,363	912	260,939	93,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,363	\$ 912	\$ 260,939	\$ 148,211

See auditor's report.

<u>Debt Service Funds</u>				
<u>State Office Building</u>	<u>Police Facility Revenue Bond</u>	<u>Urban Renewal</u>	<u>Capital Projects</u>	<u>Totals</u>
\$ 18,247	\$ 90,136	\$ 456,507	\$ 61,159	\$ 913,532
5,001	24,705	-	16,763	125,266
825	-	-	-	54,970
2,000	-	-	-	4,000
<u>\$ 26,073</u>	<u>\$ 114,841</u>	<u>\$ 456,507</u>	<u>\$ 77,922</u>	<u>\$ 1,097,768</u>
\$ 9,555	\$ -	\$ -	\$ 58,495	\$ 68,138
-	-	-	-	54,145
9,555	-	-	58,495	122,283
-	114,841	456,507	-	571,348
16,518	-	-	-	384,710
-	-	-	19,427	19,427
16,518	114,841	456,507	19,427	975,485
<u>\$ 26,073</u>	<u>\$ 114,841</u>	<u>\$ 456,507</u>	<u>\$ 77,922</u>	<u>\$ 1,097,768</u>

CITY OF THE DALLES, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds			
	Public Works Reserve	Community Benevolence	Street and Bridge Replacement	Special Grants
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	281,655
Charges for services	-	-	-	-
Rental income	-	-	-	-
Interest on investments	1,490	22	4,569	2,584
Miscellaneous	-	-	-	1,072
Total Revenues	<u>1,490</u>	<u>22</u>	<u>4,569</u>	<u>285,311</u>
EXPENDITURES				
Current:				
General government	-	-	-	203,437
Capital outlay	175,737	3,736	519	241,161
Debt service	-	-	-	-
Total expenditures	<u>175,737</u>	<u>3,736</u>	<u>519</u>	<u>444,598</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(174,247)</u>	<u>(3,714)</u>	<u>4,050</u>	<u>(159,287)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	7,000	-	-	-
Transfers in	57,000	-	5,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>64,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(110,247)</u>	<u>(3,714)</u>	<u>9,050</u>	<u>(159,287)</u>
FUND BALANCES, JULY 1, 2004	<u>122,610</u>	<u>4,626</u>	<u>251,889</u>	<u>253,265</u>
FUND BALANCES, JUNE 30, 2005	<u>\$ 12,363</u>	<u>\$ 912</u>	<u>\$ 260,939</u>	<u>\$ 93,978</u>

See auditor's report.

State Office Building	Debt Service Funds		Capital Project Funds		Totals
	Police Facility Revenue Bond	Urban Renewal	Capital Projects	FAA Grant Improvement	
\$ -	\$ -	\$ 462,729	\$ -	\$ -	\$ 462,729
-	-	-	-	-	281,655
-	-	-	21,615	-	21,615
129,397	140,493	-	-	-	269,890
1,011	1,711	6,816	1,220	18	19,441
-	-	-	13,713	-	14,785
<u>130,408</u>	<u>142,204</u>	<u>469,545</u>	<u>36,548</u>	<u>18</u>	<u>1,070,115</u>
165,039	-	-	-	-	368,476
-	-	-	67,229	-	488,382
-	141,073	467,698	64,846	-	673,617
<u>165,039</u>	<u>141,073</u>	<u>467,698</u>	<u>132,075</u>	<u>-</u>	<u>1,530,475</u>
(34,631)	1,131	1,847	(95,527)	18	(460,360)
-	-	-	-	-	7,000
-	-	-	101,545	-	163,545
-	-	-	-	(1,238)	(1,238)
-	-	-	101,545	(1,238)	169,307
(34,631)	1,131	1,847	6,018	(1,220)	(291,053)
51,149	113,710	454,660	13,409	1,220	1,266,538
<u>\$ 16,518</u>	<u>\$ 114,841</u>	<u>\$ 456,507</u>	<u>\$ 19,427</u>	<u>\$ -</u>	<u>\$ 975,485</u>



BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the City's General Fund and any major special revenue fund (currently only the Street and Library Funds) are presented as the third of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.



**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL, BY DEPARTMENT**

▪ **General Fund**



CITY OF THE DALLES, OREGON
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL, BY DEPARTMENT
GENERAL FUND
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General government:				
City council	\$ 124,584	\$ 128,584	\$ 125,999	\$ 2,585
City clerk	92,637	95,637	91,483	4,154
City manager	168,025	168,025	160,887	7,138
Legal and judicial	288,970	295,483	288,639	6,844
Finance	321,686	341,071	340,465	606
Utility billing	129,731	133,753	125,340	8,413
Personnel	25,007	25,007	21,260	3,747
Planning	297,190	297,190	281,974	15,216
City hall	147,030	146,030	135,746	10,284
Transportation center	4,220	5,220	4,361	859
Total general government	<u>1,599,080</u>	<u>1,636,000</u>	<u>1,576,154</u>	<u>59,846</u>
Public safety:				
Police	1,900,925	1,925,054	1,863,745	61,309
Codes enforcement	36,737	36,737	26,289	10,448
Total public safety	<u>1,937,662</u>	<u>1,961,791</u>	<u>1,890,034</u>	<u>71,757</u>
Culture and recreation:				
Nondepartmental	313,879	313,879	314,493	(614)
Contingency	289,394	289,394	-	289,394
TOTAL EXPENDITURES	4,140,015	4,201,064	3,780,681	420,383
OTHER FINANCING USES				
Transfers out	283,573	283,573	283,573	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,423,588</u>	<u>\$ 4,484,637</u>	<u>\$ 4,064,254</u>	<u>\$ 420,383</u>

See auditor's report.



**SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

Governmental Funds

Special Revenue Funds

- Public Works Reserve
- Community Benevolence
- Street and Bridge Replacement
- Special Grants
- State Office Building

Debt Service Funds

- Police Facility Revenue Bond
- Urban Renewal

Capital Project Funds

- Capital Projects
- FAA Grant Improvement
- Special Assessments (Major Fund)
- Urban Renewal Capital Projects (Major Fund)

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PUBLIC WORKS RESERVE - SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest on investments	\$ 1,600	\$ 1,490	\$ (110)
EXPENDITURES			
Capital Outlay	181,288	175,737	5,551
REVENUES OVER (UNDER) EXPENDITURES	(179,688)	(174,247)	5,441
OTHER FINANCING SOURCES (USES)			
Sale of property	-	7,000	7,000
Transfers in	57,000	57,000	-
TOTAL OTHER FINANCING SOURCES (USES)	57,000	64,000	7,000
NET CHANGE IN FUND BALANCE	(122,688)	(110,247)	12,441
FUND BALANCE, JULY 1, 2004	122,688	122,609	(79)
FUND BALANCE, JUNE 30, 2005	\$ -	\$ 12,362	\$ 12,362

See auditor's report.

CITY OF THE DALLES, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 COMMUNITY BENEVOLENCE - SPECIAL REVENUE FUND
 For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 65	\$ 65	\$ 22	\$ (43)
EXPENDITURES				
Current:				
General government:				
Materials and services	1,412	1,402	-	1,402
Capital Outlay	3,728	3,738	3,736	2
Total expenditures	5,140	5,140	3,736	1,404
NET CHANGE IN FUND BALANCE	(5,075)	(5,075)	(3,714)	1,361
FUND BALANCE, JULY 1, 2004	5,075	5,075	4,626	(449)
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 912</u>	<u>\$ 912</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREET AND BRIDGE REPLACEMENT - SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 229,529	\$ -	\$ (229,529)
Interest on investments	3,780	4,569	789
Total revenues	233,309	4,569	(228,740)
EXPENDITURES			
Capital Outlay	490,097	519	489,578
REVENUES OVER (UNDER) EXPENDITURES	(256,788)	4,050	260,838
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	5,000	-
NET CHANGE IN FUND BALANCE	(251,788)	9,050	260,838
FUND BALANCE, JULY 1, 2004	251,788	251,889	101
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ 260,939</u>	<u>\$ 260,939</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL GRANTS FUND -SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 213,558	\$ 290,518	\$ 281,655	\$ (8,863)
Interest on investments	1,290	1,290	2,584	1,294
Miscellaneous	2,837	2,837	1,072	(1,765)
TOTAL REVENUES	<u>217,685</u>	<u>294,645</u>	<u>285,311</u>	<u>(9,334)</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	309,834	306,526	203,437	103,089
Capital outlay	-	241,384	241,161	223
TOTAL EXPENDITURES	<u>309,834</u>	<u>547,910</u>	<u>444,598</u>	<u>103,312</u>
NET CHANGE IN FUND BALANCE	(92,149)	(253,265)	(159,287)	93,978
FUND BALANCE, JULY 1, 2004	<u>92,149</u>	<u>253,265</u>	<u>253,265</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,978</u>	<u>\$ 93,978</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STATE OFFICE BUILDING - SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Rental income	\$ 159,749	\$ 129,397	\$ (30,352)
Interest on investments	-	1,011	1,011
TOTAL REVENUES	<u>159,749</u>	<u>130,408</u>	<u>(29,341)</u>
EXPENDITURES			
Current:			
General government:			
Personal services	21,476	19,027	2,449
Materials and services	181,939	146,012	35,927
TOTAL EXPENDITURES	<u>203,415</u>	<u>165,039</u>	<u>38,376</u>
NET CHANGE IN FUND BALANCE	(43,666)	(34,631)	9,035
FUND BALANCE, JULY 1, 2004	<u>43,666</u>	<u>51,149</u>	<u>7,483</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ 16,518</u>	<u>\$ 16,518</u>

See auditor's report.

CITY OF THE DALLES, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 POLICE FACILITY REVENUE BOND - DEBT SERVICE FUND
 For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Rental income	\$ 140,493	\$ 140,493	\$ -
Interest on investments	1,140	1,711	571
TOTAL REVENUES	141,633	142,204	571
EXPENDITURES			
Debt service	141,073	141,073	-
NET CHANGE IN FUND BALANCE	560	1,131	571
FUND BALANCE, JULY 1, 2004	113,440	113,710	270
FUND BALANCE, JUNE 30, 2005	<u>\$ 114,000</u>	<u>\$ 114,841</u>	<u>\$ 841</u>

See auditor's report.

CITY OF THE DALLES, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 URBAN RENEWAL - DEBT SERVICE FUND
 For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 462,729	\$ 462,729	\$ -
Interest on investments	6,816	6,816	-
TOTAL REVENUES	469,545	469,545	-
EXPENDITURES			
Debt service	468,415	467,698	717
NET CHANGE IN FUND BALANCE	1,130	1,847	717
FUND BALANCE, JULY 1, 2004	454,370	454,660	290
FUND BALANCE, JUNE 30, 2005	<u>\$ 455,500</u>	<u>\$ 456,507</u>	<u>\$ 1,007</u>

See auditor's report.

CITY OF THE DALLES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS - CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 21,615	\$ 21,615	\$ 21,615	\$ -
Interest on investments	240	240	1,220	980
Miscellaneous	-	13,713	13,713	-
TOTAL REVENUES	<u>21,855</u>	<u>35,568</u>	<u>36,548</u>	<u>980</u>
EXPENDITURES				
Capital Outlay	75,687	89,400	67,229	22,171
Debt service	64,846	64,846	64,846	-
TOTAL EXPENDITURES	<u>140,533</u>	<u>154,246</u>	<u>132,075</u>	<u>22,171</u>
REVENUES OVER (UNDER) EXPENDITURES	(118,678)	(118,678)	(95,527)	23,151
OTHER FINANCING SOURCES (USES)				
Transfers in	101,545	101,545	101,545	-
NET CHANGE IN FUND BALANCE	(17,133)	(17,133)	6,018	23,151
FUND BALANCE, JULY 1, 2004	<u>17,133</u>	<u>17,133</u>	<u>13,409</u>	<u>(3,724)</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,427</u>	<u>\$ 19,427</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FAA GRANT IMPROVEMENT - CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest on investments	\$ -	\$ 18	\$ 18
NET CHANGE IN FUND BALANCE	-	18	18
FUND BALANCE, JULY 1, 2004	-	1,220	1,220
RESIDUAL EQUITY TRANSFER OUT	-	(1,238)	(1,238)
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL ASSESSMENTS - CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Special assessments	\$ 32,000	\$ 34,443	\$ 2,443
Interest on investments	3,609	9,114	5,505
Miscellaneous	-	225	225
TOTAL REVENUES	35,609	43,782	8,173
EXPENDITURES			
Current:			
General government:			
Materials and services	482,322	19,209	463,113
REVENUES OVER (UNDER) EXPENDITURES	(446,713)	24,573	471,286
OTHER FINANCING SOURCES (USES)			
Transfers out	(108,517)	(108,517)	-
NET CHANGE IN FUND BALANCE	(555,230)	(83,944)	471,286
FUND BALANCE, JULY 1, 2004	555,230	548,645	(6,585)
FUND BALANCE, JUNE 30, 2005	\$ -	\$ 464,701	\$ 464,701

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
URBAN RENEWAL - CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 541,227	\$ 435,391	\$ (105,836)
Intergovernmental	250,000	166,230	(83,770)
Interest on investments	12,000	34,455	22,455
TOTAL REVENUES	<u>803,227</u>	<u>636,076</u>	<u>(167,151)</u>
EXPENDITURES			
Current:			
General government:			
Materials and services	559,741	483,944	75,797
Capital outlay	1,376,282	311,829	1,064,453
TOTAL EXPENDITURES	<u>1,936,023</u>	<u>795,773</u>	<u>1,140,250</u>
NET CHANGE IN FUND BALANCE	(1,132,796)	(159,697)	973,099
FUND BALANCE, JULY 1, 2004	<u>1,132,796</u>	<u>1,126,875</u>	<u>(5,921)</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ 967,178</u>	<u>\$ 967,178</u>

See auditor's report.

**SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

Proprietary Funds

Enterprise Funds

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

Internal Service Fund

- Unemployment Reserve

**CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER UTILITY FUND - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 12,485	\$ 12,485	\$ 3,094	\$ (9,391)
Charges for services	2,163,554	2,163,554	2,103,532	(60,022)
Rental income	4,080	4,080	3,740	(340)
Interest on investments	8,500	8,500	9,686	1,186
Miscellaneous	1,000	1,000	1,887	887
TOTAL REVENUES	<u>2,189,619</u>	<u>2,189,619</u>	<u>2,121,939</u>	<u>(67,680)</u>
EXPENDITURES				
Water treatment department:				
Current:				
Personal Services	553,752	553,752	528,284	25,468
Materials and services	340,002	340,002	211,956	128,046
Capital outlay	6,420	6,420	4,116	2,304
Total water treatment department	<u>900,174</u>	<u>900,174</u>	<u>744,356</u>	<u>155,818</u>
Water distribution department:				
Current:				
Personal services	723,560	723,560	724,765	(1,205)
Materials and services	371,648	371,648	335,631	36,017
Capital outlay	98,816	98,816	33,806	65,010
Total water distribution department	<u>1,194,024</u>	<u>1,194,024</u>	<u>1,094,202</u>	<u>99,822</u>
Nondepartmental:				
Current:				
Other Uses	2,227	9,727	9,727	-
Contingency	176,294	176,294	-	176,294
TOTAL EXPENDITURES	<u>2,272,719</u>	<u>2,280,219</u>	<u>1,848,285</u>	<u>431,934</u>
REVENUES OVER (UNDER) EXPENDITURES	(83,100)	(90,600)	273,654	364,254
OTHER FINANCING SOURCES (USES)				
Transfers out	(382,582)	(384,593)	(384,593)	-
NET CHANGE IN FUND BALANCE	(465,682)	(475,193)	(110,939)	364,254
FUND BALANCE, JULY 1, 2004	465,682	475,193	718,939	243,746
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,000</u>	<u>\$ 608,000</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER CAPITAL RESERVE - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 10,080	\$ 34,944	\$ 24,864
Interest on investments	15,876	18,273	2,397
TOTAL REVENUES	<u>25,956</u>	<u>53,217</u>	<u>27,261</u>
EXPENDITURES			
Current:			
Materials and services	200,000	112,736	87,264
Capital outlay	884,341	119,187	765,154
TOTAL EXPENDITURES	<u>1,084,341</u>	<u>231,923</u>	<u>852,418</u>
NET CHANGE IN FUND BALANCE	(1,058,385)	(178,706)	879,679
FUND BALANCE, JULY 1, 2004	<u>1,058,385</u>	<u>1,084,120</u>	<u>25,735</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ 905,414</u>	<u>\$ 905,414</u>

See auditor's report.

**CITY OF THE DALLES, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2005**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Water Utility Fund	\$ 608,000
Water Capital Reserve Fund	<u>905,414</u>
	1,513,414

Adjustments:

Capital assets, net of depreciation	<u>6,835,040</u>
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**GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES BASIS (GAAP) NET ASSETS**

\$ 8,348,454

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WASTE WATER FUND - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 12,485	\$ 12,485	\$ 3,094	\$ (9,391)
Charges for services	2,693,956	2,693,956	2,731,381	37,425
Interest on investments	2,500	2,500	1,112	(1,388)
Miscellaneous	1,000	1,000	4,985	3,985
TOTAL REVENUES	<u>2,709,941</u>	<u>2,709,941</u>	<u>2,740,572</u>	<u>30,631</u>
EXPENDITURES				
Current:				
Personal Services	667,217	667,217	642,510	24,707
Materials and services	1,064,909	1,064,909	973,323	91,586
Other uses	1,180	8,680	8,680	-
Capital outlay	198,716	198,716	63,143	135,573
Contingency	109,348	109,348	-	109,348
TOTAL EXPENDITURES	<u>2,041,370</u>	<u>2,048,870</u>	<u>1,687,656</u>	<u>361,214</u>
REVENUES OVER (UNDER) EXPENDITURES	668,571	661,071	1,052,916	391,845
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,041,672)	(1,043,683)	(1,043,683)	-
NET CHANGE IN FUND BALANCE	(373,101)	(382,612)	9,233	391,845
FUND BALANCE, JULY 1, 2004	<u>373,101</u>	<u>382,612</u>	<u>413,406</u>	<u>30,794</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,639</u>	<u>\$ 422,639</u>

See auditor's report.

**CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WASTE WATER CAPITAL RESERVE - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2005**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 10,560	\$ 19,536	\$ 8,976
Interest on investments	2,580	2,892	312
TOTAL REVENUES	13,140	22,428	9,288
EXPENDITURES			
Capital outlay	188,651	13,360	175,291
NET CHANGE IN FUND BALANCE	(175,511)	9,068	184,579
FUND BALANCE, JULY 1, 2004	175,511	160,191	(15,320)
FUND BALANCE, JUNE 30, 2005	\$ -	\$ 169,259	\$ 169,259

See auditor's report.

CITY OF THE DALLES, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 SEWER PLANT CONSTRUCTION - ENTERPRISE FUND
 For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	33,607	33,607	152,668	119,061
EXPENDITURES				
Current:				
Materials and services	200,000	550,000	553,120	(3,120)
Capital outlay	7,406,479	7,056,479	1,656,358	5,400,121
TOTAL EXPENDITURES	<u>7,606,479</u>	<u>7,606,479</u>	<u>2,209,478</u>	<u>5,397,001</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,572,872)</u>	<u>(7,572,872)</u>	<u>(2,056,810)</u>	<u>5,516,062</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	742,360	742,360	742,360	-
Transfers out	(555,740)	(555,740)	(555,740)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>186,620</u>	<u>186,620</u>	<u>186,620</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(7,386,252)</u>	<u>(7,386,252)</u>	<u>(1,870,190)</u>	<u>5,516,062</u>
FUND BALANCE, JULY 1, 2004	<u>7,386,252</u>	<u>7,386,252</u>	<u>7,280,702</u>	<u>(105,550)</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,410,512</u>	<u>\$ 5,410,512</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER DEBT SERVICE - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest on investments	1,100	4,462	3,362
EXPENDITURES			
Debt service	556,290	556,140	150
REVENUES OVER (UNDER) EXPENDITURES	(555,190)	(551,678)	3,512
OTHER FINANCING SOURCES (USES)			
Transfers in	555,740	555,740	-
NET CHANGE IN FUND BALANCE	550	4,062	3,512
FUND BALANCE, JULY 1, 2004	199,450	199,494	44
FUND BALANCE, JUNE 30, 2005	<u>\$ 200,000</u>	<u>\$ 203,556</u>	<u>\$ 3,556</u>

See auditor's report.

**CITY OF THE DALLES, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WASTE WATER FUNDS
For the Fiscal Year Ended June 30, 2005**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Waste Water Fund	\$ 422,639
Waste Water Capital Reserve Fund	169,259
Sewer Plant Construction Fund	5,410,512
Sewer Debt Service Fund	<u>203,556</u>
	6,205,966

Adjustments:

Capital assets, net of depreciation	6,820,969
Bond issuance costs	96,828
Accrued interest payable	(61,160)
Long-term debt	<u>(6,825,000)</u>

**GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES (GAAP) BASIS NET ASSETS**

\$ 6,237,603

See auditor's report.

**CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
AIRPORT - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 45,500	\$ 658,316	\$ 566,350	\$ (91,966)
Charges for services	2,400	2,400	2,208	(192)
Rental income	46,912	48,092	46,912	(1,180)
Interest on investments	500	500	1,656	1,156
Miscellaneous	-	-	7,306	7,306
TOTAL REVENUES	<u>95,312</u>	<u>709,308</u>	<u>624,432</u>	<u>(84,876)</u>
EXPENDITURES				
Current:				
Personal services	48,489	48,489	36,526	11,963
Materials and services	108,629	109,809	59,242	50,567
Capital outlay	46,390	659,206	598,618	60,588
Contingency	3,422	3,422	-	3,422
TOTAL EXPENDITURES	<u>206,930</u>	<u>820,926</u>	<u>694,386</u>	<u>126,540</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(111,618)</u>	<u>(111,618)</u>	<u>(69,954)</u>	<u>41,664</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	45,500	45,500	45,500	-
Transfers out	-	(26,183)	(26,183)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>45,500</u>	<u>19,317</u>	<u>19,317</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(66,118)</u>	<u>(92,301)</u>	<u>(50,637)</u>	<u>41,664</u>
RESIDUAL EQUITY TRANSFER IN	-	-	1,238	1,238
FUND BALANCE, JULY 1, 2004	<u>66,118</u>	<u>92,301</u>	<u>119,971</u>	<u>27,670</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,572</u>	<u>\$ 70,572</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
AIRPORT DEBT SERVICE - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Rental income	\$ 59,724	\$ 59,724	\$ 47,389	\$ (12,335)
Interest on investments	60	60	285	225
TOTAL REVENUES	59,784	59,784	47,674	(12,110)
EXPENDITURES				
Debt service	70,529	55,278	55,278	-
REVENUES OVER (UNDER) EXPENDITURES	(10,745)	4,506	(7,604)	(12,110)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	26,183	26,183	-
NET CHANGE IN FUND BALANCE	(10,745)	30,689	18,579	(12,110)
FUND BALANCE, JULY 1, 2004	10,745	10,745	6,934	(3,811)
FUND BALANCE, JUNE 30, 2005	\$ -	\$ 41,434	\$ 25,513	\$ (15,921)

See auditor's report.

**CITY OF THE DALLES, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL AIRPORT FUNDS
For the Fiscal Year Ended June 30, 2005**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Airport Fund	\$ 70,572
Airport Debt Service Fund	25,513
	96,085

Adjustments:

Capital assets, net of depreciation	3,999,614
Bond issuance costs	1,380
Accrued interest payable	(1,871)
Long-term debt	(436,000)
	3,563,123

**GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES (GAAP) BASIS NET ASSETS**

\$ 3,659,208

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
UNEMPLOYMENT RESERVE - INTERNAL SERVICE FUND
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 9,199	\$ 24,199	\$ 24,199	\$ -
Interest on investments	300	300	146	(154)
TOTAL REVENUES	<u>9,499</u>	<u>24,499</u>	<u>24,345</u>	<u>(154)</u>
EXPENDITURES				
Current:				
Personal services	<u>31,708</u>	<u>46,708</u>	<u>22,828</u>	<u>23,880</u>
NET CHANGE IN FUND BALANCE	(22,209)	(22,209)	1,517	23,726
FUND BALANCE, JULY 1, 2004	<u>22,209</u>	<u>22,209</u>	<u>4,269</u>	<u>(17,940)</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,786</u>	<u>\$ 5,786</u>

See auditor's report.



OTHER FINANCIAL SCHEDULES

CITY OF THE DALLES, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2005

	Interest Rates	Date of Issue	Principal			Outstanding June 30, 2005	Interest Matured and Paid
			Outstanding July 1, 2004	Issued	Matured and Paid		
<u>Governmental Funds</u>							
1999 Police facilities revenue bonds	3.65-4.6%	2/1/1999	\$ 635,000	\$ -	\$ 115,000	\$ 520,000	\$ 26,072
2002 Urban renewal bonds	1.85-4.85%	9/24/2002	4,020,000	-	305,000	3,715,000	162,698
Oregon Investment Board loan	4.00%	9/19/2002	613,244	-	40,719	572,525	24,126
IBM Credit note payable	4.8-7.93%	5/1/2005	-	38,117	710	37,407	180
			<u>5,268,244</u>	<u>38,117</u>	<u>461,429</u>	<u>4,844,932</u>	<u>213,076</u>
<u>Enterprise Funds</u>							
Airport hanger facilities revenue bonds	5.15%	4/1/2003	468,000	-	32,000	436,000	23,278
Wastewater system revenue bonds	2.0-4.2%	5/1/2003	7,130,000	-	305,000	6,825,000	250,740
			<u>7,598,000</u>	<u>-</u>	<u>337,000</u>	<u>7,261,000</u>	<u>274,018</u>
Total			<u>\$ 12,866,244</u>	<u>\$ 38,117</u>	<u>\$ 798,429</u>	<u>\$ 12,105,932</u>	<u>\$ 487,094</u>

See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2005

Year of Maturity	1999 Police Facilities Revenue Bonds		Urban Renewal Bonds		Oregon Investment Board		IBM Credit		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2005-06	\$ 120,000	\$ 20,873	\$ 310,000	\$ 154,615	\$ 42,364	\$ 22,482	\$ 8,779	\$ 1,895	\$ 481,143
2006-07	130,000	15,278	325,000	145,160	44,076	20,770	9,288	1,387	508,364	182,595
2007-08	135,000	9,281	335,000	134,110	45,856	18,989	9,828	847	525,684	163,227
2008-09	135,000	3,105	345,000	121,883	47,709	17,137	9,512	273	537,221	142,398
2009-10	-	-	360,000	108,427	49,637	15,209	-	-	409,637	123,636
2010-11	-	-	375,000	93,668	51,642	13,204	-	-	426,642	106,872
2011-12	-	-	390,000	77,542	53,728	11,118	-	-	443,728	88,660
2012-13	-	-	405,000	60,188	55,899	8,947	-	-	460,899	69,135
2013-14	-	-	425,000	41,557	58,157	6,689	-	-	483,157	48,246
2014-15	-	-	445,000	21,583	60,507	4,339	-	-	505,507	25,922
2015-16	-	-	-	-	62,950	1,895	-	-	62,950	1,895
	<u>\$ 520,000</u>	<u>\$ 48,537</u>	<u>\$ 3,715,000</u>	<u>\$ 958,733</u>	<u>\$ 572,525</u>	<u>\$ 140,779</u>	<u>\$ 37,407</u>	<u>\$ 4,402</u>	<u>\$ 4,844,932</u>	<u>\$ 1,152,451</u>

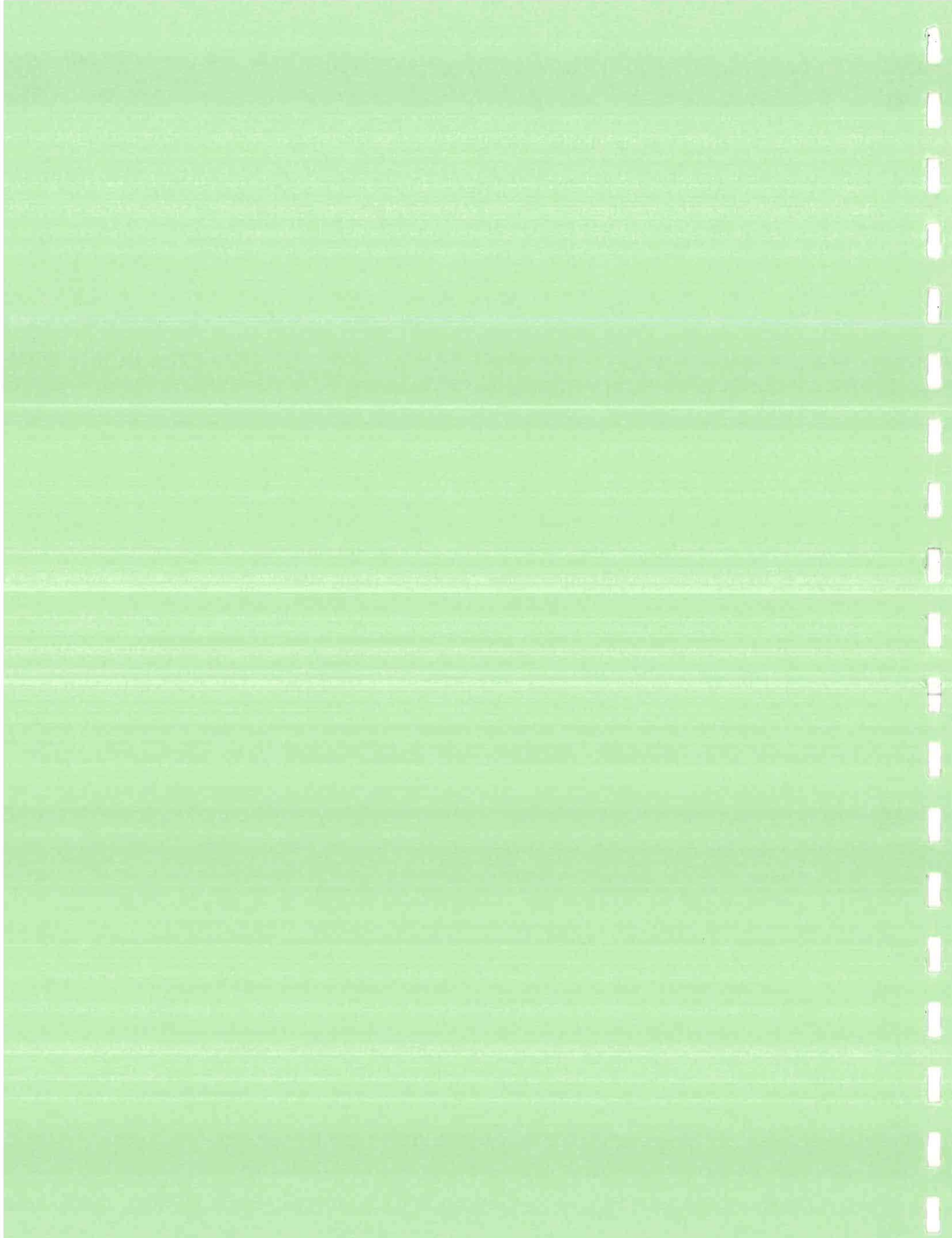
See auditor's report.

CITY OF THE DALLES, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2005

Year of Maturity	Airport Hanger Facilities Revenue Bonds		Wastewater System Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
	2005-06	\$ 34,000	\$ 21,579	\$ 310,000	\$ 244,640	\$ 344,000
2006-07	36,000	19,776	315,000	238,440	351,000	258,216
2007-08	38,000	17,871	325,000	230,565	363,000	248,436
2008-09	40,000	15,862	330,000	222,440	370,000	238,302
2009-10	42,000	13,751	340,000	212,540	382,000	226,291
2010-11	44,000	11,536	350,000	201,830	394,000	213,366
2011-12	46,000	9,219	365,000	188,705	411,000	197,924
2012-13	50,000	6,747	380,000	174,105	430,000	180,852
2013-14	52,000	4,120	395,000	161,185	447,000	165,305
2014-15	54,000	1,391	405,000	146,965	459,000	148,356
2015-16	-	-	420,000	132,385	420,000	132,385
2016-17	-	-	435,000	116,845	435,000	116,845
2017-18	-	-	455,000	100,315	455,000	100,315
2018-19	-	-	470,000	82,570	470,000	82,570
2019-20	-	-	490,000	63,770	490,000	63,770
2020-21	-	-	510,000	43,680	510,000	43,680
2021-22	-	-	530,000	22,260	530,000	22,260
	<u>\$ 436,000</u>	<u>\$ 121,852</u>	<u>\$ 6,825,000</u>	<u>\$ 2,583,240</u>	<u>\$ 7,261,000</u>	<u>\$ 2,705,092</u>

See auditor's report.

STATISTICAL SECTION



CITY OF THE DALLES

GOVERNMENT-WIDE EXPENSES BY FUNCTION
Last Three Fiscal Years*

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Culture and Recreation</u>	<u>Interest on Long-term Obligations</u>	<u>Water</u>	<u>Sewer</u>	<u>Airport</u>	<u>Totals</u>
2003	2,041,699	1,788,115	1,939,110	677,054	288,808	2,168,081	1,928,128	344,383	11,175,378
2004	2,496,078	1,901,095	1,645,515	655,938	224,780	1,947,973	2,094,490	383,133	11,349,002
2005	2,823,951	1,902,747	1,129,313	730,140	213,268	2,213,779	2,044,034	342,058	11,399,290

* The City implemented the requirements of GASB 34, which requires the reporting of government-wide expenses during the year ending June 30, 2003. The above information will be accumulated yearly until 10 years are reported.

CITY OF THE DALLES

GOVERNMENT-WIDE REVENUES BY SOURCE
Last Three Fiscal Years*

Year	Program Revenues			General Revenues					Totals
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investments Earnings	Miscellaneous	Other	
2003	4,874,768	241,523	2,888,169	3,261,294	1,094,248	191,441	107,360	18,190	12,676,993
2004	5,499,466	207,202	2,370,450	3,492,066	1,301,005	211,949	50,747	2,238	13,135,123
2005	5,889,646	1,201,292	1,310,051	3,570,207	-	279,955	10,271	12,772	12,274,194

* The City implemented the requirements of GASB 34, which requires the reporting of government-wide revenues during the year ending June 30, 2003. The above information will be accumulated yearly until 10 years are reported.

CITY OF THE DALLES, OREGON
 GOVERNMENTAL FUNDS REVENUES BY SOURCE
 LAST TEN FISCAL YEARS

Year	Taxes	Franchise Fees	Special Assessments	Inter-governmental Revenues	Fines and Forfeitures	Charges for Services	Rents and Interest	Other Revenues	Totals
1996	2,354,125	237,642	17,696	1,820,162	128,354	139,022	192,448	345,792	5,235,241
1997	2,466,175	250,291	140,231	1,172,906	145,822	333,992	151,935	277,307	4,938,659
1998	2,209,207	248,688	261,614	1,350,496	168,922	171,750	215,837	211,149	4,837,663
1999	2,290,378	258,755	131,118	2,877,482	208,750	63,125	198,811	579,384	6,607,803
2000	2,323,162	274,541	40,712	1,310,477	178,734	52,667	204,914	387,337	4,772,544
2001 (1)	3,044,017	295,004	10,918	4,064,228	253,112	34,914	449,511	386,934	8,538,638
2002	2,898,063	299,604	241,091	1,544,527	282,389	50,990	397,940	92,618	5,807,222
2003	2,994,287	293,154	53,655	5,164,349	235,838	66,858	398,435	57,799	9,264,375
2004	3,204,061	287,277	34,562	3,600,045	243,023	73,099	377,487	58,433	7,877,987
2005	3,210,462	357,888	34,443	1,808,354	301,926	130,896	380,304	58,225	6,282,498

(1) Beginning in 2001, the schedule includes the City's blended component unit.
 Prior years did not include the City's component unit as it was discretely presented.

CITY OF THE DALLES, OREGON
GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Totals</u>
1996	1,590,782	1,221,837	756,693	339,522	1,191,750	380,533	5,481,117
1997	1,866,720	1,307,395	840,677	516,399	277,719	372,441	5,181,351
1998	1,638,006	1,272,708	774,485	306,413	917,209	507,718	5,416,539
1999	1,519,639	1,394,577	802,189	540,337	2,308,386	427,369	6,992,497
2000	1,422,397	1,493,080	880,165	544,536	876,624	520,610	5,737,412
2001 (1)	1,578,697	1,653,271	892,326	529,487	6,673,875	883,016	12,210,672
2002	1,812,116	1,676,229	667,542	563,839	2,128,423	554,259	7,402,408
2003	1,915,628	1,734,055	859,660	642,046	5,343,336	690,326	11,185,051
2004	2,386,803	1,847,535	955,540	640,457	2,155,293	670,149	8,655,777
2005	2,393,538	1,835,348	855,464	708,990	964,615	673,617	7,431,572

(1) Beginning in 2001, the schedule includes the City's blended component unit.
Prior years did not include the City's component unit as it was discretely presented.

Source: Combined Statements of Revenues, Expenditures and Changes in fund
Balance for all Governmental Fund Types by Year.

CITY OF THE DALLES, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Tax Levy Year</u>	<u>Total Levy</u>	<u>Current Year Collections</u>	<u>Percent of Tax Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Tax Levy</u>
1996	1,725,455	1,596,041	92.50%	183,978	1,780,019	103.16%
1997	1,899,755	1,734,435	91.30%	142,344	1,876,779	98.79%
1998	1,666,937	1,543,639	92.60%	109,738	1,653,377	99.19%
1999	1,684,505	1,570,146	93.21%	134,880	1,705,026	101.22%
2000	1,756,647	1,644,212	93.60%	90,362	1,734,574	98.74%
2001 (1)	2,551,828	2,343,496	91.84%	99,375	2,442,871	95.73%
2002	2,354,392	2,181,304	92.65%	101,445	2,282,749	96.96%
2003	2,475,658	2,231,726	90.15%	107,240	2,338,966	94.48%
2004	2,624,004	2,386,451	90.95%	103,174	2,489,625	94.88%
2005	2,654,643	2,415,879	91.01%	76,000	2,491,879	93.87%

Source: Wasco County Department of Assessment and Taxation, Schedules of Property tax transactions by year.

Source: Combined Statements of Revenues, Expenditures and Changes in Fund Balance for all Governmental Fund Types by year.

CITY OF THE DALLES, OREGON
PROPERTY TAX RATES - ALL
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Year	City of The Dalles	Wasco County	Wasco County VA Bonds	Port of The Dalles	Mid-Columbia Fire and Rescue	Northern Wasco County Parks and Recreation District	School District No. 12	School District No. 9	School District No. 14	Wasco County Educational Service District	Columbia Gorge Community College	Norco
1996	5.76	4.25	0.45	0.76	2.14	0.85	17.87	15.27	10.33	1.37	1.38	-
1997	6.89	4.20	0.45	0.75	2.08	0.75	18.20	15.63	12.02	1.36	1.31	-
1998	3.85	4.25	0.50	0.81	2.10	0.90	5.49	6.18	4.49	0.47	0.84	0.47
1999	3.82	4.22	0.47	0.75	2.45	0.90	5.49	6.12	(1)	0.47	0.83	0.33
2000	3.65	4.23	0.44	0.72	2.40	0.86	5.49	6.09	(1)	0.47	0.78	0.38
2001	3.63	4.24	0.34	0.66	2.39	0.68	6.60	6.00	(1)	0.47	0.80	0.41
2002	3.02	4.25	0.32	0.20	2.10	0.68	5.49	4.72	(1)	0.47	0.27	0.36
2003	3.02	4.25	0.26	0.20	2.37	0.68	7.61	6.17	(1)	0.47	0.76	0.40
2004	3.02	4.25	0.32	0.20	2.39	0.68	7.64	6.12	(1)	0.47	0.78	0.42
2005	3.02	4.25	0.31	0.20	2.39	0.68	2.07	1.06	(1)	0.47	0.77	0.32

Note: Property tax rates listed are per \$1,000 assessed value.

Source: Wasco County Department of Assessment and Taxation.

(1) School District 14, Petersburg, merged with School District 29, Dufur.

CITY OF THE DALLES, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005

Total assessed true cash value	<u>\$ 577,238,384</u>
State debt limit - 3% of total equalized value	<u>17,317,152</u>

CITY OF THE DALLES, OREGON
RATIOS OF GROSS GENERAL BONDED DEBT TO TRUE CASH AND
ASSESSED VALUE AND GROSS BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Gross General Bonded Debt</u>	<u>True Cash Value and Assessed Value</u>	<u>Ratio of Gross General Bonded Debt To Assessed Value</u>	<u>Population</u>	<u>Gross General Bonded Debt per Capita</u>
1996	1,590,000	464,027,786	0.34%	11,355	140
1997	1,285,000	496,383,585	0.26%	11,460	112
1998	975,000	541,217,509	0.18%	11,765	83
1999	655,000	441,801,391	0.15%	11,880	55
2000	330,000	481,336,658	0.07%	12,156	27
2001	-	545,592,961	0.00%	12,175	-
2002	-	529,420,088	0.00%	12,230	-
2003	-	543,993,019	0.00%	12,250	-
2004	-	560,718,512	0.00%	12,350	-
2005	-	577,238,384	0.00%	12,410	-

Sources: Wasco county Department of Assessment and Taxation. Statements of Bond Transactions by Year. Center for Population Research and Census, Portland State University.

CITY OF THE DALLES, OREGON
RATIO OF ANNUAL DEBT SERVICE
EXPENDITURES FOR GENERAL BONDED DEBT TO
TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Annual Debt Service Expenditures for General Bonded Debt</u>	<u>Total General Government Expenditures</u>	<u>Ratio of Debt Service to Total Expenditures</u>
1996	377,618	5,481,117	6.88%
1997	369,261	5,181,351	7.13%
1998	507,718	5,416,539	9.37%
1999	427,369	6,992,497	6.11%
2000	520,610	5,737,412	9.07%
2001 (1)	344,025	12,210,672	2.82%
2002	-	7,402,408	0.00%
2003	-	11,185,051	0.00%
2004	-	8,655,777	0.00%
2005	-	7,431,572	0.00%

(1) Beginning in 2001, the schedule includes the City's blended component unit. Prior year did not include the City's component unit as it was discretely presented.

Sources: Schedules of Future Debt Service Requirements by Year, Combined Statements of Revenues, Expenditures and Changes in Fund Balances for all Governmental Fund Types by Year.

CITY OF THE DALLES, OREGON
DIRECT AND OVERLAPPING GROSS BONDED DEBT
JUNE 30, 2005

<u>GOVERNMENTS</u>	<u>Total Bonded Debt Outstanding</u>	<u>Percent Within The City</u>	<u>Gross Bonded Debt</u>
City of the Dalles	\$0	0.00%	\$0
Wasco County	\$1,304,974	44.46%	\$1,304,974
Port of The Dalles	\$274,488	59.03%	\$274,488
Mid Columbia Fire and Rescue	\$2,030,780	66.26%	\$2,030,780
Wasco County School District #9 (Chenowith)	\$183,611	15.30%	\$183,611
Wasco County School District #12 (The Dalles)	\$12,823,056	80.98%	\$12,823,056
Wasco County School District #29 (Dufur)	\$7,303	1.43%	\$7,303
Columbia Gorge Community College	\$5,056,999	21.70%	\$5,056,999
Northern Oregon Regional Corrections (NORCOR)	\$2,120,682	18.43%	<u>\$331,789</u>
Total Overlapping			<u>\$22,013,000</u>
Total direct and overlapping			<u><u>\$22,013,000</u></u>

Source: Municipal Debt Advisory Commission, State of Oregon

CITY OF THE DALLES, OREGON
ASSESSMENTS LEVIED AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>New Assessments Levied</u>	<u>Assessments Collected</u>
1996	1,096	17,696
1997	213,454	140,231
1998	188,947	261,614
1999	2,181	118,872
2000	3,904	31,688
2001	15,908	15,655
2002	317,335	165,519
2003	-	34,514
2004	-	34,562
2005	1,525	34,443

Source: Assessment Subsidiary Ledger, Lien Docket #4
Combined Statements of Revenue, Expenditures and Changes in Fund Balance for all
Governmental Fund Types by Year.

CITY OF THE DALLES, OREGON
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
1996	11,355	19,720	8.80%
1997	11,460	20,374	8.90%
1998	11,765	22,876	7.80%
1999	11,880	23,454	7.70%
2000	12,156	24,808	6.50%
2001	12,175	24,304	8.60%
2002	12,230	24,008	9.80%
2003	12,250	N/A	10.70%
2004	12,350	N/A	N/A
2005	12,410	N/A	N/A

Notes: Per capita income and unemployment rate figures are stated for Wasco county in its entirety.

N/A-Not available

Sources: US Bureau of Economic Analysis. Center for Population and Census, Portland State University. State of Oregon Employment Division.

CITY OF THE DALLES, OREGON
PROPERTY VALUES, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Year	Commercial		Residential		Bank Deposits	Value True Cash Valuation
	Permits	Value	Permits	Value		
1996	78	5,371,334	177	2,753,471	209,880,000	464,027,786
1997	64	14,107,657	194	4,001,277	209,072,000	496,383,585
1998	132	16,370,229	123	3,877,808	222,893,000	541,217,509
1999	116	7,840,302	130	3,024,242	213,467,000	441,801,391
2000	78	2,622,546	95	7,036,259	219,917,000	481,336,658
2001	97	15,695,958	72	1,279,488	230,450,000	545,592,961
2002	84	11,781,150	100	1,906,367	265,419,000	529,420,088
2003	90	4,596,320	113	2,953,636	269,828,000	543,993,019
2004	71	9,435,979	57	2,032,924	278,792,000	560,718,152
2005	107	15,769,376	133	6,695,712		577,238,384

Sources: State of Oregon, Commerce Department/Building Codes Agency
State of Oregon, Division of Finance and Corporate Securities
Wasco County Department of Assessment and Taxation

CITY OF THE DALLES, OREGON
PRIMARY TAXPAYERS
JUNE 30, 2005

	<u>Assessed Valuation</u>	<u>Total Taxes</u>	<u>Percentage of Total District's Assessed Value</u>
Oregon Cherry Growers	\$ 10,286,456	193,274	1.78%
Home Depot USA Inc.	9,974,480	193,214	1.73%
Northern Wasco County PUD	9,595,400	178,745	1.66%
United Telephone Northwest	9,288,600	173,136	1.61%
Amerities West LLC	7,147,020	133,502	1.24%
Union Pacific Railroad Company	5,752,526	117,028	1.00%
Northwest Natural Gas	5,615,032	104,005	0.97%
Cascade Square LLC	5,056,763	102,873	0.88%
Troy Coolidge No 31 LLC	5,361,750	95,830	0.93%
Shilo Inn The Dalles LLC	4,665,105	94,550	0.81%
Sub total	72,743,132	<u>1,386,156</u>	12.60%
All other taxpayers	<u>504,495,252</u>		<u>87.40%</u>
Grand Total	<u>577,238,384</u>		<u>100.00%</u>

Source: Wasco County Department of Assessment and Taxation

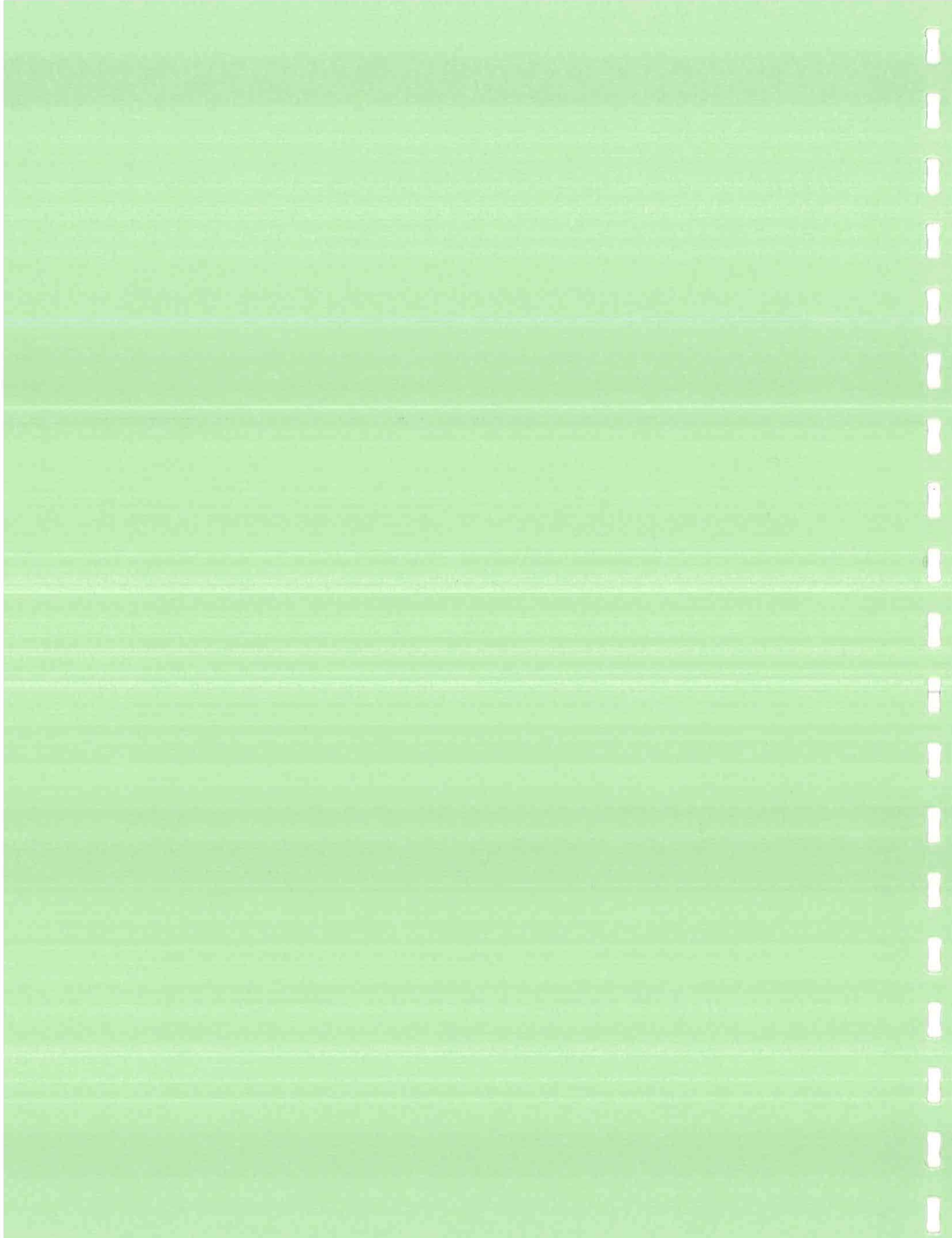
CITY OF THE DALLES, OREGON
MISCELLANEOUS STATISTICS
JUNE 30, 2000

City's charter granted by Territorial Legislature	1857
Total Housing Units (within City limits)	5,275
Vacancy rate	3.00%
Total area of the City of The Dalles in square miles	5.37
Altitude in feet	80 - 720
Mean temperatures-Fahrenheit	59
Annual rainfall in inches	13.97
Water Enterprise:	
Daily consumption in gallons	2,651,567
System storage capacity in gallons	16,000,000
Total connections/services	4,394
Number of motel rooms	591
Miles of paved streets within the City	73
Employees:	
Total employees	94
Full-time	83
Part-time/temporary	11

Sources: Bureau of Governmental Research, University of Oregon
Dalles Area Chamber of Commerce
Finance Department, City of the Dalles
Oregon Employment Division; Research Section
Planning Department, City of the Dalles
Oregon Economic Development Dept.



**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



INDEPENDENT AUDITOR'S COMMENTS

Oregon Administrative Rules 162-10-000 through 162-10-330 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 audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth following:

1. ACCOUNTING SYSTEMS AND INTERNAL CONTROLS

We found the accounting system of the City of The Dalles, Oregon to be adequate for audit purposes. The internal controls for the City are generally operating as designed and one material weakness / reportable condition was noted, as detailed in the Schedule of Findings and Questioned Costs. We also noted other matters involving internal control, which we have reported to management of the City of The Dalles in a separate letter dated November 2, 2005.

2. INVESTMENTS

Our review of deposit and investment balances during the year ended June 30, 2005, indicated that the City was in compliance with ORS 294 as it pertains to investment of public funds.

3. COLLATERAL

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials maintain sufficient collateral certificates to secure deposits of public funds, in excess of those insured by the Federal Deposit Insurance Corporation.

Our review of the City's deposited funds, included in various depositories, did not disclose any instances during the year that exceeded Federal Deposit Insurance Corporation ("FDIC") coverage including additional certificates of collateral participation in effect at the time as required by ORS 295.015.

4. INDEBTEDNESS

We reviewed compliance relating to short-term and long-term debt, including limitations on the amount of debt, which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements. We found no instances in which the City had not complied with these legal or contractual provisions relating to short-term or long-term debt.

5. BUDGET

We reviewed the preparation, adoption and execution of the City's budgets and supplemental budgets for 2004-05 and the preparation and adoption of the budget for 2005-06. The City has complied with statutory requirements in all material respects for the current and ensuing year's budget except for the following:

The second notice of the Budget Committee Meeting was not published for the 2005-06 budget.

Expenditures exceeded appropriations for the 2004-05 budget in the following amounts:

General Fund:		
Nondepartmental	\$	614
Water Utility Fund:		
Water Distribution Department		
Personal Services	\$	1,205
Sewer Plant Construction:		
Materials and Services	\$	3,120

The City established the levels of budgetary control at the personal services, materials and services, capital outlay, contingency, interfund transfers, debt service, and other uses as levels for all funds except the General Fund. For the General Fund, budgetary control was set at the department level.

6. INSURANCE AND FIDELITY BONDS

We reviewed the City's insurance and fidelity bond coverage at June 30, 2005, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the City in force at June 30, 2005, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

7. PROGRAMS FUNDED FROM OUTSIDE SOURCES

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the City complied with the laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were materially in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to expenditure of federal award programs funded from outside sources.

8. PUBLIC CONTRACTS AND PURCHASING

We have reviewed the City's compliance with ORS 279, pertaining to the awarding of public contracts and the construction of public improvements. Our review disclosed no conditions, which we considered to be matters of noncompliance of the City's bidding procedures or quote procedures.

9. HIGHWAY FUNDS

The City appears to have complied with the provisions of Article IX, Section 3a of the Oregon Constitution and ORS Sections 294, 368 and 373 in regards to the expenditures of motor vehicle use funds.

10. STATEMENT OF ACCOUNTABILITY FOR INDEPENDANTLY ELECTED OFFICIALS

This statement is not applicable to the City of The Dalles.



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**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**

November 2, 2005

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

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 The Dalles, Oregon, as of and for the year ended June 30, 2005, which collectively comprise the City of The Dalles, Oregon's basic financial statements and have issued our report thereon dated November 2, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of The Dalles, Oregon's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily

disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Dickey and Tremper, LLP
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Certified Public Accountants



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**Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

November 2, 2005

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

Compliance

We have audited the compliance of the City of The Dalles, 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 its major federal program for the year ended June 30, 2005. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts, and grants applicable to 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 of the City's compliance with those requirements.

In our opinion, the City of The Dalles, Oregon complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control over Compliance

The management of the City of The Dalles is responsible for establishing and maintaining effective internal control over compliance with the 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-01B.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

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

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants

CITY OF THE DALLES, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

Note A – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of The Dalles, Oregon and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

CITY OF THE DALLES, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<i>Department of Housing and Urban Development</i>		
Passed through Oregon Department of Economic Development:		
Passed through City of The Dalles to Qualitylife Intergovernmental Agency: Community Development Block Grants	14.246	\$ 198,820
<i>Department of Justice</i>		
Passed through Oregon State Criminal Justice Division:		
Crime Victims Assistance	16.575	617
Local Law Enforcement Block Grant Program	16.592	4,619
Passed through Deschutes County:		
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	11,250
Total Department of Justice		16,486
<i>Department of Homeland Security</i>		
Passed through Oregon State Criminal Justice Division:		
State Homeland Security Program	97.073	76,960
<i>Department of Transportation</i>		
Direct program:		
Airport Improvement Program	20.106	584,258 **
Total Expenditures of Federal Awards		\$ 876,524

** Signifies major program.

See Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF THE DALLES, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2005**

There were no prior audit findings to report.

See Notes to the Schedule of Expenditures of Federal Awards.

CITY OF THE DALLES, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of The Dalles, Oregon.
2. One reportable condition disclosed during the audit of the basic financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards". The condition is reported as a material weakness.
3. No instances of noncompliance material to the basic financial statements of the City of The Dalles, Oregon were disclosed during the audit.

Federal Awards

4. One reportable condition in internal control over the major federal award program disclosed during the audit is reported in the "Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133". The condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the City of The Dalles, Oregon, expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as major program was:

Airport Improvement Program CFDA # 20.106
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of The Dalles, Oregon was determined to be a low risk auditee.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITION AND MATERIAL WEAKNESS IN INTERNAL CONTROL

2005-01A Expenditure authorization and documentation

Condition: There were several instances found where expenditures were paid with only a "check request" for documentation. The appropriate personnel approved the "check requests", but the City did not receive the invoices or other documentation to support the expenditures, nor were the invoices reviewed prior to approval.

Criteria: Internal controls should be in place that provides assurance that funds are expended only on actual costs of the City and that all expenditures are allowable costs. All expenditures should be properly supported by a purchase order, invoice and any other available documentation for the expenditure. In addition, no expenditures should be approved without the appropriate documentation, and records must be retained for a minimum of three years.

Effect: Because of the failure to provide appropriate documentation prior to approving and paying expenditures, amounts could be paid by the City for which it has no obligation, or amounts could be inappropriately charged to federal programs. Although we were able to verify the appropriateness of the questioned expenditures through review of the vendor files and/or receipt of the invoices directly from the vendor, there were numerous instances of improper documentation totaling well over \$500,000, which was material to the financial statements.

Cause of condition: The City had turnovers in staff during the year in the finance department and at the airport, which caused a delay in paying and approving several invoices during the year. In an effort to protect the credit and reputation of the City, invoices were paid without the appropriate documentation.

Recommendation: The City's written policies and procedures should be followed in all instances to ensure the proper payment of expenditures. If the invoices and other supporting documentation are not available, they should be requested and received from the vendor or other departments of the City prior to payment. In addition, check requests should not be approved without the appropriate documentation.

Grantee response: Management concurs with the finding, and will implement the above recommendation.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF TRANSPORTATION

2005-01B Airport Improvement Program – CFDA No. 20.106

Reportable condition and material weakness in internal control: As discussed at Finding 2005-01A, the City paid expenditures without the appropriate documentation and approvals. Most of these expenditures were charged to the federal Airport Improvement Program. Upon receiving copies of the invoices directly from the engineering firm, the expenditures were found to be appropriate and allowable costs of the program. However, the lack of supporting documentation was considered a material weakness in internal control.



