

CITY OF PENDLETON, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006





**CITY OF PENDLETON, OREGON
ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2006**

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**CITY OF PENDLETON, OREGON
OFFICIALS OF THE CITY
AS OF JUNE 30, 2006**

MAYOR AND CITY COUNCIL

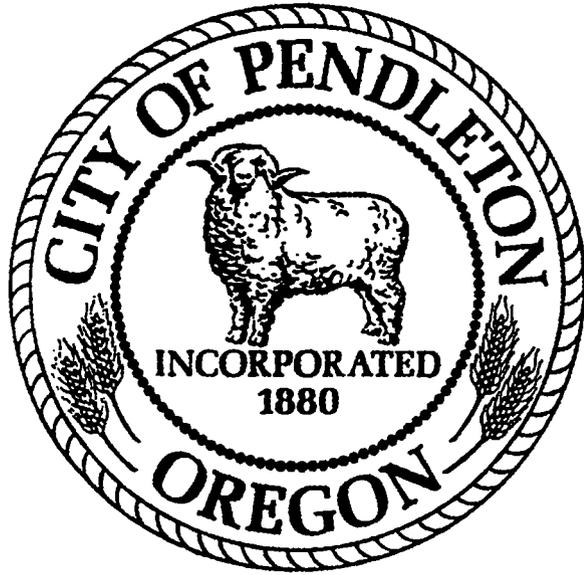
<u>Name and Address</u>	<u>Term Expires December 31,</u>
Phillip Houk, Mayor 707 NW 3 rd Street Pendleton, OR 97801	2008
Steven Bjerke, Council President PO Box 1537 Pendleton, OR 97801	2006
Steve Taylor, Council Member 609 SW Nye Avenue Pendleton, OR 97801	2006
Cheryl Marier, Council Member 213 NW 6th Pendleton, OR 97801	2008
Cheryl Beck, Council Member 1555 SE Isaac Pendleton, OR 97801	2008
John Brenne, Council Member PO Box 1404 Pendleton, OR 97801	2006
Marjorie Iburg, Council Member 404 NW Horn Avenue Pendleton, OR 97801	2008
Dan Ceniga, Council Member 2130 SW Quinney Avenue Pendleton, OR 97801	2008
Ron Hughes 1850 SW 18 th Pendleton, OR 97801	2006

CITY STAFF

<u>Name</u>	<u>Position</u>
Larry Lehman	City Manager
Linda Carter	Finance Director
Pete Wells	City Attorney
Stuart Roberts	Police Chief
John Fowler	Fire Chief
Robert Ridgway	Municipal Judge
Bob Patterson	Public Works Director
Larry Dalrymple	Airport Manager
Tim Simmons	City Engineer
Richard Ullian	Planning and Building Director
Dave Byrd	Parks and Recreation Director
Judy Zoske	City Recorder

CITY ADDRESS

Administrative Offices
500 SW Dorion Avenue
Pendleton, Oregon 97801



FINANCIAL SECTION



Dickey and Tremper, LLP

Certified Public Accountants and Business Advisors

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P.O. Box 1533
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Pendleton, 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 Pendleton, Oregon, as of and for the year ended June 30, 2006, 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 of Pendleton, Oregon management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pendleton, Oregon, as of June 30, 2006, the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General and major Special Revenue Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, on our consideration of the City of Pendleton, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pendleton, Oregon basic financial statements. The accompanying and supplemental financial information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements of the City of Pendleton, Oregon. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.


Dickey and Tremper, LLP
Certified Public Accountants

October 13, 2006



MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the City of Pendleton, we offer readers of the City's Annual Financial Report, this narrative overview and analysis of the financial activities of the City of the fiscal year ended June 30, 2006. This Management's Discussion and Analysis (MD&A) is based on currently know facts, decisions, and conditions that existed as of the date of the independent auditor's report. Please read it in conjunction with the City's basic financial statements (beginning on page 19).

Financial Highlights

- Enterprise fund debt decreased by \$213,078 or 3%. This was mainly due to the third payment due for the \$6 million dollar loan from the State of Oregon Safe Drinking Water Revolving Loan Fund which was taken out in FY03 for the water treatment plant construction.
- Governmental activities revenue increased by \$747,497. Charges for services, and operating grants and contributions saw increases. Expenditures increased by \$1,086,331.
- Business-type activities revenue excluding internal service funds increased by \$2,122,986, largely due to a increase in government capital grants. The Airport received grants & contracts of \$2,463,690 as compared to \$876,787 in FY05 for Airport improvement projects. Expenditures increased in all funds by a total of \$588,856.
- The unreserved fund balance for the General Fund was \$325,801 and the total fund balance was \$2,745,801 or approximately 31% of total general fund expenditures. The beginning fund balance decreased by 17% from the previous year.
- The City's total bonded debt increased by \$6,710,000 or 142% over FY2004-05. The City bonded their PERS unfunded actuarial liability with Limited Tax Pension Obligation Bonds which was estimated to save the City approximately \$60,000 per year.
- The Cold Springs Highway overpass was completed with FY06 expenditures of \$673,035. This project has greatly improved the traffic patterns in a congested intersection.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: A) government-wide financial statements, B) fund financial statements, and C) notes to the financial statements.

A. Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most

recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Highways and Streets, and Culture and Recreation. The business-type activities of the City include Water, Sewer, Airport, and Cemetery.

The government-wide financials also include the Pendleton Downtown Commission, which is a legally separate Urban Renewal Agency for which the City is financially accountable. The Pendleton Downtown Commission's governing body is identical to the City's and services are exclusively for the benefit of the City. As such, it has been included as a blended component unit.

The government-wide financial statements can be found on pages 19-20 of this report.

B. Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions, reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term funding decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 24 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Tax Street Fund, CDGB Fund, and LID Construction which are considered to be *major funds*. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *nonmajor* governmental funds is provided in the form of *combining statements* in the supplemental information section of this report.

The City's major governmental funds, the General Fund, State Tax Street Fund, CDGB Fund, and LID Construction are presented in their respective columns and remaining funds are combined into a column titled "Other Governmental Funds." For each major fund, a Budgetary Comparison Statement is presented. Information on nonmajor funds can be found in the Combining Schedules

of Nonmajor Funds and/or the Supplemental Information-Budgetary Comparison Schedules sections of this report. Completing this document is a series of other financial and statistical schedules as required by statute.

The basic governmental fund financial statements can be found on pages 21-28 of this report.

- **Proprietary Funds.** The City maintains six proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Of the six proprietary funds, four are *Enterprise funds*.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its construction and repair, administration, legal, finance, engineering, insurance and facilities. The services stated above except for construction and repair predominately benefit governmental rather than business-type functions, therefore, they have been included within *governmental activities* in the government-wide financial statements. Of the six proprietary funds, two are *Internal Service funds*.

The basic proprietary fund financial statements can be found on pages 29-34 of this report.

- **Fiduciary Funds.** *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the governmental. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 36 of this report.

C. Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them. The notes to the financial statements can be found on pages 37-58 of this report.

D. Required Supplementary information

This report presents required supplementary information concerning budgetary comparisons for the general and major special revenue funds, information about the City's progress in funding its obligation to provide pension benefits to its employees, and the budget to GAAP reconciliation in the basic financial statements and accompanying notes.

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceed liabilities by \$53,953,586 at the close of the FY2005-06 year. Restricted net assets in the governmental funds include \$123,974 for bonded debt service, \$398,921 State Street Tax monies reserved for street operations, and \$779,909 of restricted funds for Library and the Cemetery Perpetual Care funds. Proprietary Funds have a deficit unrestricted balance due to amount of debt associated with the various funds capital projects.

The largest portion of the City's net assets reflects an investment of \$46,902,808 or 87 percent, in capital asset (i.e. land, buildings, and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay for these liabilities.

A. Analysis of Net Assets

**Table 1-A
City of Pendleton
Summary of Net Assets
For Years Stated**

Governmental Activities			
	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>Change</u>
Assets			
Current and other assets	\$ 9,525,105	\$ 16,419,986	\$ 6,894,881
Capital Assets	<u>30,133,652</u>	<u>29,836,697</u>	<u>(296,955)</u>
Total assets	<u>\$ 39,658,757</u>	<u>\$ 46,256,683</u>	<u>\$ 6,597,926</u>
Liabilities			
Long-term liabilities outstanding	\$ 6,804,657	\$ 13,414,604	\$ 6,609,947
Other liabilities	<u>1,292,692</u>	<u>1,639,278</u>	<u>346,586</u>
Total liabilities	<u>\$ 8,097,349</u>	<u>\$ 15,053,882</u>	<u>\$ 6,956,533</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 22,812,699	\$ 23,053,585	\$ 240,886
Restricted	1,200,303	1,302,804	102,501
Unrestricted (deficit)	<u>7,548,406</u>	<u>6,846,412</u>	<u>(701,994)</u>
Total Net Assets	<u>\$ 31,561,408</u>	<u>\$ 31,202,801</u>	<u>\$ (358,607)</u>

**Table 1-B
City of Pendleton
Summary of Net Assets
For Years Stated**

Business-type Activities

	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>Change</u>
Assets			
Current and other assets	\$ (330,179)	\$ (606,000)	\$ (275,821)
Capital Assets	<u>27,592,126</u>	<u>29,153,207</u>	<u>1,561,081</u>
Total assets	<u>\$ 27,261,947</u>	<u>\$ 28,547,207</u>	<u>\$ 1,285,260</u>
Liabilities			
Long-term liabilities outstanding	\$ 5,330,309	\$ 5,107,091	\$ (223,218)
Other liabilities	<u>998,239</u>	<u>689,331</u>	<u>(308,908)</u>
Total liabilities	<u>\$ 6,328,548</u>	<u>\$ 5,796,422</u>	<u>\$ (532,126)</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 22,081,116	\$ 23,849,223	\$ 1,768,107
Restricted	--	--	--
Unrestricted (deficit)	<u>(1,147,717)</u>	<u>(1,098,438)</u>	<u>49,279</u>
Total Net Assets	<u>\$ 20,933,399</u>	<u>\$ 22,750,785</u>	<u>\$ 1,817,386</u>

**Table 1-C
City of Pendleton
Summary of Net Assets
For Years Stated**

Total Net Assets

	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>Change</u>
Assets			
Current and other assets	\$ 9,194,926	\$ 15,813,986	\$ 6,619,060
Capital Assets	<u>57,725,778</u>	<u>58,989,904</u>	<u>1,264,126</u>
Total assets	<u>\$ 66,920,704</u>	<u>\$ 74,803,890</u>	<u>\$ 7,883,186</u>
Liabilities			
Long-term liabilities outstanding	\$ 12,134,966	\$ 18,521,695	\$ 6,386,729
Other liabilities	<u>2,290,931</u>	<u>2,328,609</u>	<u>37,678</u>
Total liabilities	<u>\$ 14,425,897</u>	<u>\$ 20,850,304</u>	<u>\$ 6,424,407</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 44,893,815	\$ 46,902,808	\$ 2,008,993
Restricted	1,200,303	1,302,804	102,501
Unrestricted (deficit)	<u>6,400,689</u>	<u>5,747,974</u>	<u>(652,715)</u>
Total Net Assets	<u>\$ 52,494,807</u>	<u>\$ 53,953,586</u>	<u>\$ 1,458,779</u>

An additional portion of the City's net assets \$1,302,804, approximately 2.5 percent, represents resources that are subject to external restrictions on how they may be used. The remaining, balance is *unrestricted net assets* totaling \$5,747,974 or approximately 11 percent.

At the end of the current fiscal year, the City of Pendleton is able to report positive balances in all three categories of net assets.

B. Analysis of Changes in Net Assets

**Table 2-A
City of Pendleton
Summary of Changes in Net Assets
For Years as Stated**

Governmental Activities			
	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>Change</u>
Revenues			
<i>Program revenues:</i>			
Charges for services	\$2,709,322	\$2,964,599	\$ 255,277
Operating grants & contributions	1,623,554	1,699,348	75,794
Capital grants & contributions	798,228	499,717	(298,511)
<i>General revenues:</i>			
Property taxes	4,509,151	4,701,151	192,000
Franchise fees	2,314,515	2,506,864	192,349
Investment earnings	289,831	642,643	352,812
Other	<u>200,131</u>	<u>177,907</u>	<u>(22,224)</u>
Total revenues	<u>\$12,444,732</u>	<u>\$13,192,229</u>	<u>\$ 747,497</u>
Expenses			
General government	\$2,193,331	\$2,406,476	\$ 213,145
Public safety	5,936,736	6,089,004	152,268
Highways & streets	1,346,751	1,467,583	120,832
Culture & recreation	2,405,816	2,473,820	68,004
Amortization of PERS prepayment	--	299,016	299,016
Interest on long-term debt	<u>394,221</u>	<u>627,287</u>	<u>233,066</u>
Total expenses	<u>\$12,276,855</u>	<u>\$13,363,186</u>	<u>\$ 1,086,331</u>
Revenues over (under) expenses	\$ 167,877	\$ (170,957)	\$ (338,834)
Transfers	<u>148,886</u>	<u>(187,650)</u>	<u>(336,536)</u>
Change in net assets	316,763	(358,607)	(675,370)
Net assets--beginning	<u>\$31,244,645</u>	<u>\$31,561,408</u>	<u>\$ 316,763</u>
Net assets--ending	<u>\$31,561,408</u>	<u>\$31,202,801</u>	<u>\$ (358,607)</u>

**Table 2-B
City of Pendleton
Summary of Changes in Net Assets
For Years as Stated**

Business-type Activities

	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>Change</u>
Revenues			
<i>Program revenues:</i>			
Charges for services	\$4,654,397	\$5,159,390	\$ 504,993
Operating grants & contributions	277,960	288,843	10,883
Capital grants & contributions	876,787	2,463,690	1,586,903
<i>General revenues:</i>			
Investment earnings	33,260	48,883	15,623
Other	<u>(3,356)</u>	<u>1,228</u>	<u>4,584</u>
Total revenues	<u>\$5,839,048</u>	<u>\$7,962,034</u>	<u>\$ 2,122,986</u>
Expenses			
Water	\$ 2,772,708	\$ 2,891,747	\$ 119,039
Sewer	1,431,495	1,621,512	190,017
Airport	1,307,339	1,580,646	273,307
Cemetery	<u>231,900</u>	<u>238,393</u>	<u>6,493</u>
Total expenses	<u>\$5,743,442</u>	<u>\$ 6,332,298</u>	<u>\$ 588,856</u>
Revenues over (under) expenses	\$ 95,606	\$ 1,629,736	\$ 1,534,130
Transfers	<u>(148,886)</u>	<u>187,650</u>	<u>336,536</u>
Change in net assets	(53,280)	1,817,386	1,870,666
Net assets--beginning	<u>\$20,986,679</u>	<u>\$20,933,399</u>	<u>\$ (53,280)</u>
Net assets--ending	<u>\$20,933,399</u>	<u>\$22,750,785</u>	<u>\$1,817,386</u>

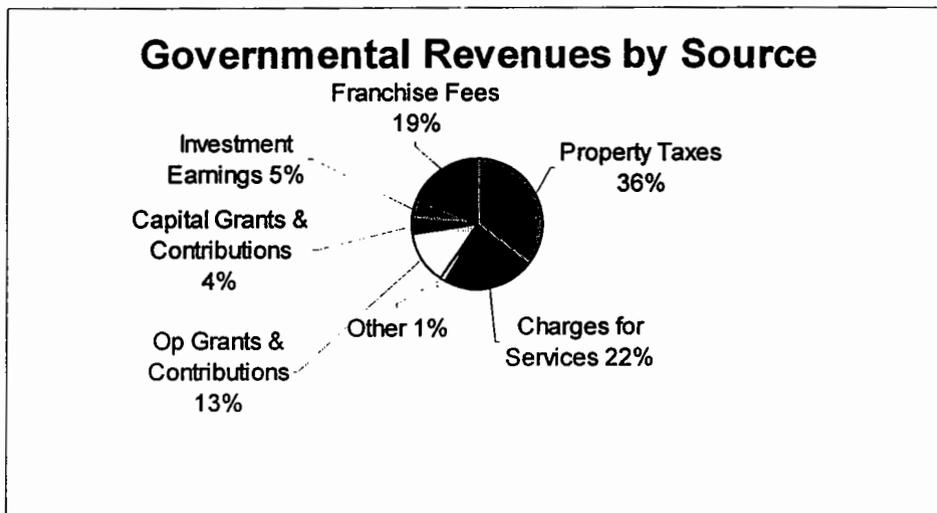
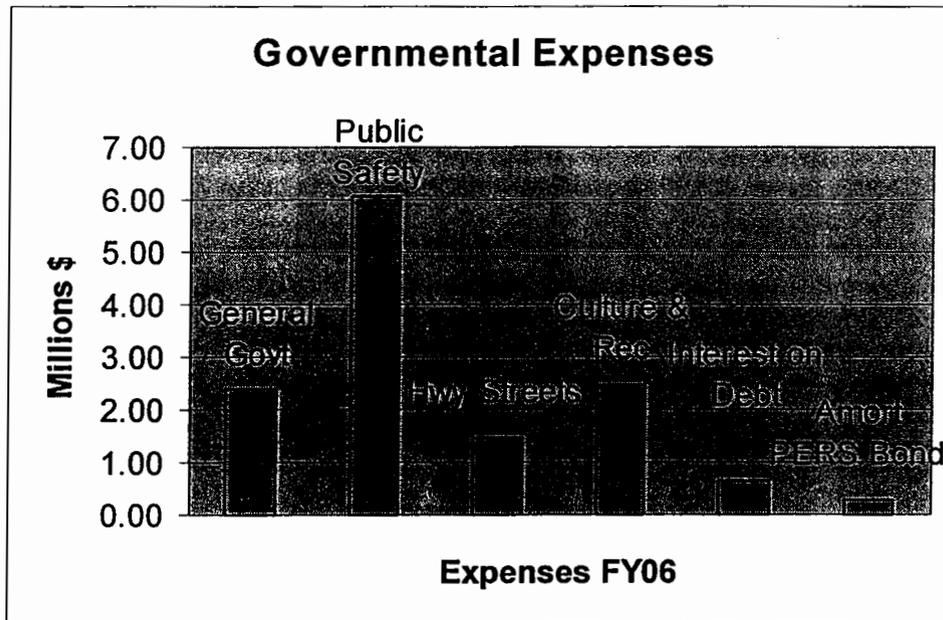
Table 2-C
City of Pendleton
Summary of Changes in Net Assets
For Years as Stated

Total Net Assets			
	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>Change</u>
Revenues			
<i>Program revenues:</i>			
Charges for services	\$7,363,719	\$8,123,989	\$ 760,270
Operating grants & contributions	1,901,514	1,988,191	86,677
Capital grants & contributions	1,675,015	2,963,407	1,288,392
<i>General revenues:</i>			
Property taxes	4,509,151	4,701,151	192,000
Franchise fees	2,314,515	2,506,864	192,349
Investment earnings	323,091	691,526	368,435
Other	<u>196,775</u>	<u>179,135</u>	<u>(17,640)</u>
Total revenues	<u>\$18,283,780</u>	<u>\$21,154,263</u>	<u>\$ 2,870,483</u>
Expenses			
General government	\$2,193,331	\$2,406,476	\$ 369,956
Public safety	5,936,736	6,089,004	225,637
Highways & streets	1,346,751	1,467,583	120,832
Culture & recreation	2,405,816	2,473,820	68,004
Amortization on PERS prepayment	--	299,016	299,016
Interest on long-term debt	394,221	627,287	233,066
Water	2,772,708	2,891,747	119,039
Sewer	1,431,495	1,621,512	190,017
Airport	1,307,339	1,580,646	273,307
Cemetery	<u>231,900</u>	<u>238,393</u>	<u>6,493</u>
Total expenses	<u>\$18,020,297</u>	<u>\$19,695,484</u>	<u>\$1,675,187</u>
Revenues over (under) expenses	\$ 263,483	\$ 1,458,779	\$ 1,195,296
Transfers	<u>--</u>	<u>--</u>	<u>--</u>
Change in net assets	263,483	1,458,779	1,195,296
Net assets--beginning	<u>\$52,231,324</u>	<u>\$52,494,807</u>	<u>\$ 263,483</u>
Net assets--ending	<u>\$52,494,807</u>	<u>\$53,953,586</u>	<u>\$ 1,458,779</u>

As noted above, the City of Pendleton's overall net assets increased by \$1,458,779 during FY2005-06. This increase is explained in the government and business-type activities discussion below.

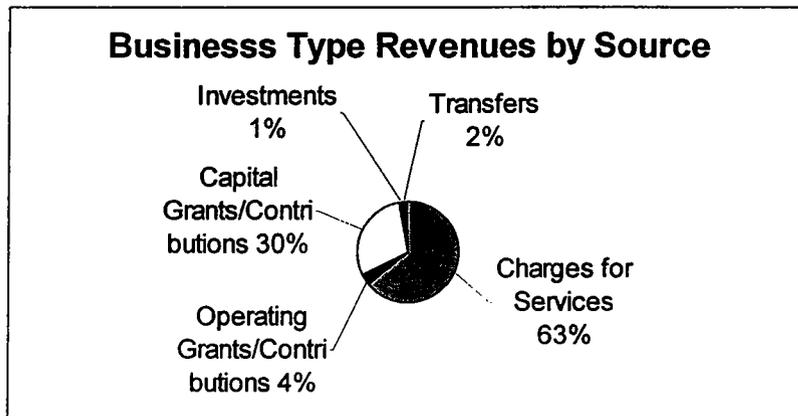
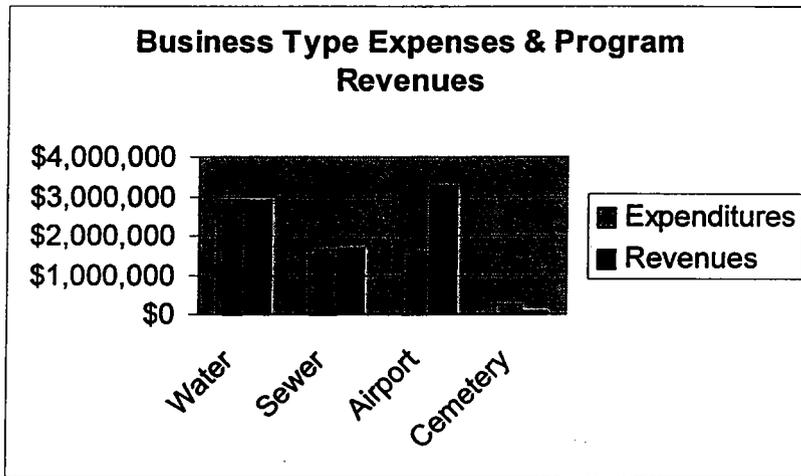
Governmental activities. Governmental activities decreased the City's net assets by \$358,607 thereby accounting for the total government decrease. All areas of expenditures increased by \$1,086,331 or 9% while revenues increased by only \$747,497, or 6%. A transfer to the Cemetery Fund for operations of \$463,500 made a significant impact on the net assets figure. Total grants & contributions totaled \$2,199,065, down from \$2,421,782 in FY05.

The following graphs provide visual representation of the expenses and revenues for governmental activities for FY2005-06.



Business-type activities. Business-type activities increased the City's net assets by \$1,817,386. The key element for increase in net assets was the Airport Improvement capital project which was funded at a 95% Federal Grant. Also contributing to the increase was the operating transfer of \$463,500 from the General fund to the Cemetery Fund to help payoff the interfund loan. Capital grants & contributions overall increased over \$1,586,903 due mainly to the Airport Improvement project. Total revenues taken in were more than total expenses by \$1,629,736 for FY06.

The following graphs provide visual representation of the expenses and revenues for business-type activities for FY2005-06.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

A. Governmental funds

The focus of the City of Pendleton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,996,058, a decrease of \$456,350. Of the combined ending fund balances, \$1,199,754 or 20 percent constitutes unreserved fund balance, which is available for spending at the government's discretion, subject to Council approval policies, in the appropriate fund type. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) State street tax of \$398,921 committed to construction, maintenance and use of City streets, 2) permanent funds which are legally restricted to earnings only to be used to support Library and Cemetery operations of \$779,909, 3) to pay for future debt service payments of \$123,974, and 4) advances to other funds of \$3,493,500.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unreserved fund balance* of the General Fund was \$325,801.

As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents 29 percent of total General Fund expenditures and transfers.

The fund balance of the City's General Fund decreased by \$573,041 during FY2005-06. Key factors in this decrease are as follows:

- Revenues and transfers in received by the General Fund increased by 9%, taking in \$8,906,019 for the year.
- The City authorized the bonding of \$7.16 million of Limited Tax Pension Bonds on behalf of the PERS unfunded actuarial liability. The General Fund made the debt payment and received transfers in from various funds to cover their share. The first year's debt payment was \$237,812, of which \$97,650 was paid by other funds.
- Expenditures & transfers increased overall by 7% for a total of \$9,589,060. Personnel costs, including the General Fund portion of the PERS Bond payment, increased by 5% or \$298,615, materials and services decreased by 7% or \$191,494.
- A transfer to the cemetery fund to payoff the interfund loan increased interfund operating transfers by 159 percent, or \$379,345 more than the prior year total transfers.
- Capital Outlay of \$185,567 for governmental projects, including parks and recreation, facilities, and a patrol pickup, increased from the prior year by \$15,889 or 9 percent.
- Medical and dental insurance expense decreased 3% in FY06. All unions except the Fire Department are on reduced cost plans at this time and several positions were vacant for an extended period.

See pages 59-66 for greater detail on Combining Statements for governmental funds.

B. Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund, Sewer Fund, Airport Fund and Cemetery Fund at the end of the year amounted to (\$946,657), \$727,571, (\$1,323,823) and \$40,214 respectively. The Water Fund unrestricted net assets continued in a negative amount in FY06 due to the loan outstanding for the construction of the water treatment plant. The Water Fund owed \$5.3 million to the State for the project and borrowed \$1,193,500 from other funds at the end of the fiscal year. The Airport Fund owes approximately \$1.732 million to other City funds for AIP capital improvements and operating expenses. The Cemetery Fund interfund borrowing was paid off from the General Fund at the end of FY06. Total net assets for enterprise funds increased by \$1,713,541 due mainly to capital improvements on the runway funded by Federal grants in the Airport fund.

See Combining Statements on pages 67-70 for the internal service funds, and pages 98-106 for the proprietary funds budgetary schedules.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was no variance on total appropriated General Fund Budget except for items related to the PERS pension bonds which are not required to be budgeted. The major differences between the original budget and the final amended budget and can be briefly summarized as follows:

- \$22,000 increase in *Personnel* for Parks operating budget for ODOT interchange maintenance. Most of the ODOT interchange maintenance costs came from manpower which is paid out of the personnel category in the Parks Department. The *Nondepartmental Capital* expense was reduced by the \$22,000.
- \$22,000 increase in *Nondepartmental Capital* to purchase playclimbers for Parks. *Miscellaneous Donations* was increased \$22,000 to record the grants from Wildhorse and Pendleton Foundation to fund the playclimbers.
- \$97,650 increase in *Transfers In* from the various funds with personnel costs to pay their prorated share of the PERS bond payment. Each department in General Fund was also reduced in personnel by a total of \$167,350. *Debt Service* was increased for the total payment due for the PERS bonds of \$265,000 budgeted.
- \$17,000 was increased in *Intergovernmental Revenues* for funds received for out-of-district fire incidents which the City was reimbursed for. *Fire Personnel* was increased by the same amount, \$17,000.

The net change in fund balance during the year was a decrease of \$573,041. Medical and dental insurance costs decreased by 3%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounts to \$58,989,904 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, improvements and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$1,264,126 or 2 percent (a six percent increase for business-type activities and a one percent decrease for governmental activities).

Major events that affected capital assets for the current fiscal year included the following:

- The Airport fund expended over \$2.574 million in improvements due to the rehabilitation of a runway and runway lighting system.
- The Street Fund expended over \$895,600 in capital assets, due to the completion of construction of the Cold Springs Highway overpass and the improvements in the street overlay program.
- The Sewer Fund expended approximately \$552,500 with the completion of the McKay Sewer Line Transmission Line and replacement of a stormwater line on SE Third Street.

The following table provides comparative information on the City's capital assets for FY2004-05 and FY2005-06.

Table 3
City of Pendleton, Oregon
Capital Assets, net of depreciation
For Years as Stated

Governmental Activities

Asset Category	FY2004-05	FY2005-06	Change
Land	\$ 2,054,291	\$ 2,054,291	\$ -0-
Buildings	14,191,040	14,219,316	28,276
Equipment	5,252,516	5,225,733	(26,783)
Improvements	8,653,875	9,612,237	958,362
Infrastructure	20,926,650	20,926,650	0
Accumulated depreciation & amortization	<u>(20,944,720)</u>	<u>(22,201,530)</u>	<u>(1,256,810)</u>
Total	<u>\$30,133,652</u>	<u>\$29,836,697</u>	<u>\$ (296,955)</u>

Business-type Activities

Asset Category	FY2004-05	FY2005-06	Change
Land	\$ 394,545	\$ 394,545	\$ 0
Buildings	13,584,672	13,624,450	39,778
Equipment	17,670,716	17,300,155	(370,561)
Improvements	22,931,787	25,918,812	2,987,025
Accumulated depreciation & amortization	<u>(26,989,594)</u>	<u>(28,084,755)</u>	<u>(1,095,161)</u>
Total	<u>\$27,592,126</u>	<u>\$29,153,207</u>	<u>\$ 1,561,081</u>

Total Net Capital Assets

Asset Category	FY2004-05	FY2005-06	Change
Land	\$ 2,448,836	\$ 2,448,836	\$ -0-
Buildings	27,775,712	27,843,766	68,054
Equipment	22,923,232	22,525,888	(397,344)
Improvements	31,585,662	35,531,049	3,945,387
Infrastructure	20,926,650	20,926,650	0
Accumulated depreciation & amortization	<u>(47,934,314)</u>	<u>(50,286,285)</u>	<u>(2,351,971)</u>
Total	<u>\$57,725,778</u>	<u>\$58,989,904</u>	<u>\$ 1,264,126</u>

Additional information on the City of Pendleton's capital assets can be found in footnote III.E. on pages 49-50 of this report.

B. Debt Administration

As of June 30, 2006, the City had General Obligation Bond debt outstanding of \$4,260,000. The general obligation debt outstanding is backed by the full faith and credit and taxing power of the City. Debt payments of \$450,000 was made on scheduled for FY06. All GO bonded debt is related to governmental activities and is funded by property taxes.

The City chose to finance \$7,050,000 of Public Employee Retirement System (PERS) unfunded actuarial liability which is projected to save the City \$60,000 a year in interest costs. The full faith and credit and taxing power of the City with certain limitations of the State Constitution back the bonds. The City is not able to levy additional taxes to pay the pension bonds. The bonds were issued for a total of \$7,160,000.

The City owes a note payable to the Port of Umatilla for the construction of water and sewer services, access road development, and rail spur for service to Continental Mills, Inc. The General Fund, Water Fund and Sewer Fund each owe \$13,162, \$13,163, and \$13,162 respectively for a total of \$39,487. The City also holds a business loan for the purchase of land and construction of a RV manufacturing plant for \$2,572,723 at June 30th. The Pendleton Development Commission (PDC) took out \$120,000 in loan proceeds for the Downtown Facade Restoration Program.

In addition, the Water Fund owes \$5,303,984 to the State of Oregon, Safe Drinking Water State Revolving Loan Fund for the construction of the water treatment plant and intake facility. This debt is funded by Water Fund revenue.

The following table provides comparative information on the City's outstanding debt:

Table 4
City of Pendleton, Oregon
Outstanding Debt
For Years as Stated

Governmental Activities

Debt Category	FY2004-05	FY2005-06	Change
General Obligation Bonds	\$4,710,000	\$4,260,000	\$(450,000)
Less Deferred Refunding	(54,900)	(49,610)	5,290
Limited Tax Pension Obligation Bonds	-0-	7,160,000	7,160,000
Notes Payable	2,682,041	2,585,885	(96,156)
Notes Payable - PDC	-0-	120,000	120,000
Total	<u>\$7,337,141</u>	<u>\$14,076,275</u>	<u>\$6,739,134</u>

Business-type Activities

Debt Category	FY2004-05	FY2005-06	Change
Notes Payable	<u>\$5,543,387</u>	<u>\$5,330,309</u>	<u>\$(213,078)</u>
Total	<u>\$5,543,387</u>	<u>\$5,330,309</u>	<u>\$(213,078)</u>

Total Outstanding Debt

Debt Category	FY2004-05	FY2005-06	Change
General Obligation Bonds	\$4,710,000	\$ 4,260,000	\$ (450,000)
Less Deferred Refunding	(54,900)	(49,610)	5,290
Limited Tax Pension Obligation Bonds	-0-	7,160,000	7,160,000
Notes Payable	<u>8,225,428</u>	<u>8,036,194</u>	<u>(189,234)</u>
Total	<u>\$12,880,528</u>	<u>\$19,406,584</u>	<u>\$ 6,526,056</u>

The City's total debt increased by \$6,526,056 (51 percent) during the current fiscal year. Debt for governmental activities increased by \$6,739,134 while debt for business-type activities decreased by \$213,078.

Governmental activities debt increased due to the bonding of \$7.160 million of the PERS unfunded actuarial liability. Business-type activities debt decreased due to the debt service payment made for the water treatment plant and intake facility construction.

Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3% of the real market value of all taxable property within the City's boundaries. Based on the City's FY2005-06 real market value, this debt limitation is \$24,620,722. The amount of outstanding City debt subject to this limitation is \$11,420,000.

Additional information on the City of Pendleton's bonded debt can be found in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY2006 budget:

- Assessed values, the basis of property tax revenues, will grow by 3%.
- Property tax rate is set at 6.5771 as a permanent rate due to Measure 50.
- Health insurance rates would decrease by 6 percent.
- Police Association changed to a lower insurance plan coverage, following the lead of exempt employees and SEIU bargaining unit.
- Exempt salaries, OPEU and Fire salaries would increase by 2.5 percent.
- Police salaries would not increase but the City would pick up their 6% PERS contribution.
- General Fund capital improvements would be minimal due to lack of funds available.
- Water and sewer residential rates would increase by \$2 and \$1.50 respectively per month.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of this information provided in this report, requests for additional financial information, or to obtain a copy of this report for the Pendleton Development Commission should be addressed to:

City of Pendleton
Linda Carter, Finance Director
500 SW Dorion Ave.
Pendleton, OR 97801



BASIC FINANCIAL STATEMENTS

City of Pendleton, Oregon
Statement of Net Assets
June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 2,211,245	\$ 1,324,258	\$ 3,535,503
Receivables:			
Accounts, net	567,082	314,609	881,691
Intergovernmental	255,950	127,152	383,102
Property taxes	387,343	-	387,343
Assessments	571,536	-	571,536
Notes	1,000,917	351,602	1,352,519
Internal balances	2,925,552	(2,925,552)	-
Inventories	-	201,931	201,931
Bond issuance costs	105,813	-	105,813
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	523,438	-	523,438
Pension asset	7,091,201	-	7,091,201
Permanently restricted:			
Cash and cash equivalents	158,457	-	158,457
Investments	621,452	-	621,452
Capital assets:			
Land	2,054,291	394,545	2,448,836
Construction in progress	-	75,752	75,752
Depreciable assets, net of depreciation	27,782,406	28,682,910	56,465,316
Total assets	<u>46,256,683</u>	<u>28,547,207</u>	<u>74,803,890</u>
LIABILITIES			
Accounts payable and accrued expenses	556,168	264,522	820,690
Customer deposits	3,744	-	3,744
Accrued interest payable	112,094	135,949	248,043
Compensated absences	305,601	65,642	371,243
Noncurrent liabilities:			
Due within one year	652,096	223,218	875,314
Due in more than one year	13,424,179	5,107,091	18,531,270
Total liabilities	<u>15,053,882</u>	<u>5,796,422</u>	<u>20,850,304</u>
NET ASSETS			
Invested in capital assets, net of related debt	23,053,585	23,849,223	46,902,808
Restricted for:			
Debt service	123,974	-	123,974
Library permanent trust	139,433	-	139,433
Cemetery perpetual care permanent trust	640,476	-	640,476
Highways and streets	398,921	-	398,921
Unrestricted (deficit)	6,846,412	(1,098,438)	5,747,974
Total net assets	<u>\$ 31,202,801</u>	<u>\$ 22,750,785</u>	<u>\$ 53,953,586</u>

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

City of Pendleton, Oregon
Statement of Activities
For the fiscal year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,406,476	\$ 1,191,496	\$ 296,545	\$ 235,704	\$ (682,731)	\$ -	\$ (682,731)
Public safety	6,089,004	1,353,822	146,660	32,222	(4,556,300)	-	(4,556,300)
Highways and streets	1,467,583	116,682	812,108	231,791	(307,002)	-	(307,002)
Culture and recreation	2,473,820	302,599	444,035	-	(1,727,186)	-	(1,727,186)
Amortization of PERS prepayment	299,016	-	-	-	(299,016)	-	(299,016)
Interest on long-term debt	627,287	-	-	-	(627,287)	-	(627,287)
Total governmental activities	13,363,186	2,964,599	1,699,348	499,717	(8,199,522)	-	(8,199,522)
Business-type activities:							
Water	2,891,747	2,891,967	-	-	-	220	220
Sewer	1,621,512	1,670,889	3,500	-	-	52,877	52,877
Airport	1,580,646	496,417	285,343	2,463,690	-	1,664,804	1,664,804
Cemetery	238,393	100,117	-	-	-	(138,276)	(138,276)
Total business-type activities	6,332,298	5,159,390	288,843	2,463,690	-	1,579,625	1,579,625
Total primary government	\$ 19,695,484	\$ 8,123,989	\$ 1,988,191	\$ 2,963,407	(8,199,522)	1,579,625	(6,619,897)
General revenues:							
Taxes							
Property taxes, levied for general purposes					4,018,698	-	4,018,698
Property taxes, levied for debt service					682,453	-	682,453
Franchise and public service taxes					2,506,864	-	2,506,864
Interest and investment earnings					642,643	48,883	691,526
Miscellaneous					167,546	4,518	172,064
Gain (loss) on disposition of capital assets					10,361	(3,290)	7,071
Transfers					(187,650)	187,650	-
Total general revenues, special items and transfers					7,840,915	237,761	8,078,676
Change in net assets					(358,607)	1,817,386	1,458,779
Net assets - beginning					31,561,408	20,933,399	52,494,807
Net assets - ending					\$ 31,202,801	\$ 22,750,785	\$ 53,953,586

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 accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for Police, Fire, Planning, and General Operations.

State Tax Street Fund

Accounts for revenues received from state gasoline tax, which are to be expended for the construction, maintenance and use of City streets.

Community Development Block Grant Fund

Accounts for the receipt and expenditures associated with the individual requirements of a community development block grant.

Local Improvement District Construction Fund

Accounts for the construction of local improvement district projects.

**CITY OF PENDLETON, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

	General Fund	State Tax Street Fund	Community Development Block Grant Fund	Local Improvement District Construction Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 160,339	\$ 357,681	\$ -	\$ 665	\$ 1,729,765	\$ 2,248,450
Investments	-	-	-	-	621,452	621,452
Receivables:						
Property taxes	330,630	-	-	-	56,713	387,343
Assessments	31,084	-	-	435,562	104,890	571,536
Accounts, net	462,087	1,374	-	-	99,789	563,250
Notes	300,000	-	656,937	-	43,980	1,000,917
Intergovernmental	105,763	69,686	-	-	80,501	255,950
Advances to other funds	2,420,000	-	-	-	1,073,500	3,493,500
Total assets	\$ 3,809,903	\$ 428,741	\$ 656,937	\$ 436,227	\$ 3,810,590	\$ 9,142,398
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 343,336	\$ 29,820	\$ -	\$ -	\$ 110,772	\$ 483,928
Customer deposits	160	-	-	-	-	160
Advance from other funds	-	-	-	245,500	322,500	568,000
Deferred revenue	720,606	-	656,937	435,562	281,147	2,094,252
Total liabilities	1,064,102	29,820	656,937	681,062	714,419	3,146,340
Fund balances (deficit)						
Reserved for:						
Advances to other funds	2,420,000	-	-	-	1,073,500	3,493,500
Debt service	-	-	-	-	123,974	123,974
Streets	-	398,921	-	-	-	398,921
Permanent funds	-	-	-	-	779,909	779,909
Unreserved, reported in:						
Major funds	325,801	-	-	(244,835)	-	80,966
Capital projects fund	-	-	-	-	131,356	131,356
Special revenue funds	-	-	-	-	987,432	987,432
Total fund balances (deficit)	2,745,801	398,921	-	(244,835)	3,096,171	5,996,058
Total liabilities and fund balances	\$ 3,809,903	\$ 428,741	\$ 656,937	\$ 436,227	\$ 3,810,590	\$ 9,142,398

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

City of Pendleton, Oregon
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2006

Fund balances - total governmental funds **\$ 5,996,058**

Amounts reported for governmental activities in the Statement of Net Assets on page 19 are different because:

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds 29,760,966

Pension assets resulting from contributions in excess of the annual required contribution and bond issuance costs are not financial resources, and, therefore, are not reported in the funds 7,197,014

Other long-term assets are prepaid or are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements. 2,094,252

Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds. (265,000)

Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements. (112,094)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Central Services Internal Service Fund are included in governmental activities in the Statement of Net Assets.

Cash and cash equivalents	\$ 644,690	
Accounts, net	3,832	
Internal balances	52	
Capital assets, net	75,731	
Accounts payable and accrued expense	(72,240)	
Customer deposits	(3,584)	
Compensated absences	(40,601)	
Total internal service funds	607,880	607,880

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the funds. (14,076,275)

Net assets of governmental activities **\$ 31,202,801**

CITY OF PENDLETON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2006

	General Fund	State Tax Street Fund	Community Development Block Grant Fund	Local Improvement District Construction Fund	Other Governmental Funds	Total
Revenues						
Taxes	\$ 4,354,626	\$ -	\$ -	\$ -	\$ 997,440	\$ 5,352,066
Licenses and permits	1,915,374	-	-	-	170,680	2,086,054
Intergovernmental	873,695	1,043,899	207,773	-	528,856	2,654,223
Charges for services	910,036	116,682	-	-	396,521	1,423,239
Fines and forfeitures	358,621	-	-	-	1,652	360,273
Special assessments	25,124	-	-	101,148	35,807	162,079
Loan repayments	-	-	-	-	44,521	44,521
Contributions	119,379	-	-	-	26,935	146,314
Interest on investments	152,223	8,606	99	22	122,483	283,433
Miscellaneous	95,756	129	-	20	284,703	380,608
Total revenues	8,804,834	1,169,316	207,872	101,190	2,609,598	12,892,810
Expenditures						
Current:						
General government	910,595	-	206,213	690	1,058,155	2,175,653
Public safety	5,902,307	-	-	-	-	5,902,307
Highways and streets	-	876,155	-	-	-	876,155
Culture and recreation	1,616,374	-	-	-	436,609	2,052,983
Capital outlay	185,567	222,579	-	-	784,606	1,192,752
Debt Service	356,687	-	908	14,459	878,997	1,251,051
Total expenditures	8,971,530	1,098,734	207,121	15,149	3,158,367	13,450,901
Revenues over (under) expenditures	(166,696)	70,582	751	86,041	(548,769)	(558,091)
Other financing sources (uses)						
Sale of property	3,535	-	-	-	6,826	10,361
Issuance of PERS UAL bonds	7,160,000	-	-	-	-	7,160,000
Issuance of debt	-	-	-	-	120,000	120,000
Payment to PERS-UAL	(7,050,000)	-	-	-	-	(7,050,000)
Transfers in	97,650	-	-	-	424,110	521,760
Transfers out	(617,530)	(6,500)	-	-	(36,350)	(680,380)
Total other financing sources (uses)	(406,345)	(6,500)	-	-	514,586	101,741
Net change in fund balances	(573,041)	64,082	751	86,041	(34,183)	(456,350)
Fund balances (deficit), July 1, 2005	3,318,842	334,839	(751)	(330,876)	3,130,354	6,452,408
Fund balances (deficit), June 30, 2006	\$ 2,745,801	\$ 398,921	\$ -	\$ (244,835)	\$ 3,096,171	\$ 5,996,058

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

City of Pendleton, Oregon
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2006

Net change in fund balance - governmental funds **\$ (456,350)**

Amounts reported for governmental activities in the Statement of Activities on page 20 are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay for the current period.

Capital asset additions	\$ 1,180,755	
Depreciation expense	<u>(1,516,605)</u>	(335,850)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (126,579)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt payments exceed the current period interest expense. 7,402,952

Issuance of debt and bond premiums are financial resources in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets. (6,939,782)

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. (7,601)

Internal service funds are used by management to charge the costs of certain activities to the individual funds. The net expense of the internal service funds is allocated to governmental and business - type activities. 104,603

Change in net assets - governmental activities **\$ (358,607)**

CITY OF PENDLETON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the fiscal year ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 4,109,000	\$ 4,109,000	\$ 4,016,715	\$ (92,285)
Other	304,000	304,000	337,911	33,911
Licenses and permits	1,975,730	1,975,730	1,915,374	(60,356)
Intergovernmental	993,420	1,010,420	873,695	(136,725)
Charges for services	909,550	909,550	910,036	486
Fines and forfeitures	329,500	329,500	358,621	29,121
Special Assessments	9,500	9,500	25,124	15,624
Contributions	9,300	31,300	119,379	88,079
Interest on investments	140,000	140,000	152,223	12,223
Miscellaneous	63,300	63,300	95,756	32,456
TOTAL REVENUES	8,843,300	8,882,300	8,804,834	(77,466)
EXPENDITURES				
Current:				
General government	1,073,345	1,065,595	910,595	155,000
Public safety	6,363,100	6,236,800	5,902,307	334,493
Culture and recreation	1,626,600	1,632,300	1,616,374	15,926
Capital outlay	335,152	335,152	185,567	149,585
Debt service	3,840	268,840	356,687	(87,847) **
Contingency	2,518,233	2,518,233	-	2,518,233
TOTAL EXPENDITURES	11,920,270	12,056,920	8,971,530	3,085,390
REVENUES OVER (UNDER) EXPENDITURES	(3,076,970)	(3,174,620)	(166,696)	3,007,924
OTHER FINANCING SOURCES (USES)				
Sale of property	26,000	26,000	3,535	(22,465)
Interfund loan repayment	-	-	559,050	559,050
Issuance of PERS UAL bonds	-	-	7,160,000	7,160,000
Payment to PERS-UAL	-	-	(7,050,000)	(7,050,000) **
Transfers in	-	97,650	97,650	-
Transfers out	(617,530)	(617,530)	(617,530)	-
TOTAL OTHER FINANCING SOURCES (USES)	(591,530)	(493,880)	152,705	646,585
NET CHANGE IN FUND BALANCE	(3,668,500)	(3,668,500)	(13,991)	3,654,509
FUND BALANCE, JULY 1, 2005	3,668,500	3,668,500	3,318,842	(349,658)
Budgetary basis adjustment	-	-	(559,050)	(559,050)
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	\$ 2,745,801	\$ 2,745,801

** Exempt from Oregon Budget Law

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

CITY OF PENDLETON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE TAX STREET FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 974,950	\$ 1,057,450	\$ 1,043,899	\$ (13,551)
Charges for services	135,200	135,200	116,682	(18,518)
Interest on investments	9,650	9,650	8,606	(1,044)
Miscellaneous	-	-	129	129
TOTAL REVENUES	1,119,800	1,202,300	1,169,316	(32,984)
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	357,600	331,100	281,485	49,615
Materials and services	612,900	612,900	594,670	18,230
Total current	970,500	944,000	876,155	67,845
Capital outlay	149,300	251,800	222,579	29,221
TOTAL EXPENDITURES	1,119,800	1,195,800	1,098,734	97,066
REVENUES OVER (UNDER) EXPENDITURES	-	6,500	70,582	64,082
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(6,500)	(6,500)	-
NET CHANGE IN FUND BALANCE	-	-	64,082	64,082
FUND BALANCE, JULY 1, 2005	-	-	334,839	334,839
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	\$ 398,921	\$ 398,921

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

CITY OF PENDLETON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 281,250	\$ 207,773	\$ (73,477)
Interest on investments	-	99	99
Miscellaneous	1,400	-	(1,400)
TOTAL REVENUES	<u>282,650</u>	<u>207,872</u>	<u>(74,778)</u>
EXPENDITURES			
Current:			
General government:			
Materials and services	281,250	206,213	75,037
Debt service	1,400	24,958	(23,558)
TOTAL EXPENDITURES	<u>282,650</u>	<u>231,171</u>	<u>51,479</u>
NET CHANGE IN FUND BALANCE	-	(23,299)	(23,299)
FUND BALANCE (DEFICIT), JULY 1, 2005	-	(751)	(751)
Budgetary basis adjustment	-	24,050	24,050
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

The City of Pendleton utilizes six Proprietary Funds comprised of four Enterprise Funds and two Internal Service Funds.

Enterprise Funds are used to report for 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, sewer, airport, and cemetery. These funds are entirely or predominantly self-supported through user charges to the customer. Funds included are:

- **Water**
- **Sewer**
- **Airport**
- **Cemetery**

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

- **Sewer Fund**
 - Sewer Fund
 - Sewer Capital Reserve Fund

Internal Service Funds are used to account for the financing of goods and 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 and Business – Type Activities. Internal Service Funds of the City are:

- **Construction and Repair Fund**
- **Central Services Fund**

CITY OF PENDLETON, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

Business-type Activities - Enterprise Funds

ASSETS	<u>Water Fund</u>	<u>All Sewer Funds</u>	<u>Airport Fund</u>	<u>Non-Major Cemetery Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
CURRENT ASSETS						
Cash and cash equivalents	\$ 224	\$ 796,670	\$ 47,826	\$ 39,246	\$ 883,966	\$ 1,084,982
Accounts receivable, net	298,721	5,175	-	10,713	314,609	3,832
Notes receivable	-	-	351,602	-	351,602	-
Intergovernmental receivable	-	-	127,152	-	127,152	-
Inventories	191,706	10,225	-	-	201,931	-
Total current assets	490,651	812,070	526,580	49,959	1,879,260	1,088,814
CAPITAL ASSETS, NET	14,908,586	2,957,802	10,707,385	31,487	28,605,260	623,678
Total assets	\$ 15,399,237	\$ 3,769,872	\$ 11,233,965	\$ 81,446	\$ 30,484,520	\$ 1,712,492
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 84,338	\$ 57,202	\$ 106,702	\$ 5,181	\$ 253,423	\$ 83,340
Customer deposits	-	-	-	-	-	3,584
Accrued interest payable	135,949	-	-	-	135,949	-
Advances from other funds	1,193,500	-	1,732,000	-	2,925,500	-
Compensated absences payable	10,358	14,135	11,701	4,564	40,758	65,485
Current portion of long-term debt	220,040	3,178	-	-	223,218	-
Total current liabilities	1,644,185	74,515	1,850,403	9,745	3,578,848	152,409
LONG TERM DEBT - LESS CURRENT PORTION						
Contracts, loans and notes payable	5,097,107	9,984	-	-	5,107,091	-
Total liabilities	6,741,292	84,499	1,850,403	9,745	8,685,939	152,409
NET ASSETS (DEFICITS)						
Invested in capital assets, net of related debt	9,604,602	2,957,802	10,707,385	31,487	23,301,276	623,678
Unrestricted	(946,657)	727,571	(1,323,823)	40,214	(1,502,695)	936,405
Total net assets (deficits)	8,657,945	3,685,373	9,383,562	71,701	21,798,581	1,560,083
Total liabilities and net assets	\$ 15,399,237	\$ 3,769,872	\$ 11,233,965	\$ 81,446	\$ 30,484,520	\$ 1,712,492

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

City of Pendleton, Oregon
Reconciliation of the Proprietary Funds Statement of Net Assets
to the Statement of Net Assets
June 30, 2006

Net assets - total enterprise funds **\$ 21,798,581**

Amounts reported for business -type activities in the statement of Net Assets on page 19 are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Construction and Repair internal service fund are included in business-type activities in the Statement of Net Assets.

Cash and cash equivalents	\$ 440,292	
Capital assets, net	547,947	
Accounts payable and accrued expenses	(11,099)	
Internal balances	(52)	
Compensated absences	(24,884)	
	952,204	<u>952,204</u>

Net assets of business - type activities **\$ 22,750,785**

CITY OF PENDLETON, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Funds
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Total	
OPERATING REVENUES						
Charges for services	\$ 2,888,641	\$ 1,670,889	\$ 462,830	\$ 3,610	\$ 5,025,970	\$ 3,114,630
Licenses and permits	-	-	-	96,257	96,257	29,657
Miscellaneous	3,326	-	38,587	250	42,163	11,102
TOTAL REVENUES	<u>2,891,967</u>	<u>1,670,889</u>	<u>501,417</u>	<u>100,117</u>	<u>5,164,390</u>	<u>3,155,389</u>
OPERATING EXPENSES						
Personal services	487,912	297,574	282,863	161,395	1,229,744	2,075,947
Materials and services	1,462,471	1,093,110	449,749	74,360	3,079,690	722,737
Depreciation	569,201	205,962	767,040	2,348	1,544,551	132,030
TOTAL OPERATING EXPENSES	<u>2,519,584</u>	<u>1,596,646</u>	<u>1,499,652</u>	<u>238,103</u>	<u>5,853,985</u>	<u>2,930,714</u>
OPERATING INCOME (LOSS)	<u>372,383</u>	<u>74,243</u>	<u>(998,235)</u>	<u>(137,986)</u>	<u>(689,595)</u>	<u>224,675</u>
NONOPERATING INCOME (EXPENSES)						
Intergovernmental	-	3,500	2,744,033	-	2,747,533	16,038
Interest income	34	33,989	30	168	34,221	33,655
Gain (loss) on disposal	(138,178)	(69,891)	(2,844)	-	(210,913)	(3,290)
Interest expense	(285,210)	(809)	(81,747)	(1,189)	(368,955)	-
TOTAL NONOPERATING INCOME (EXPENSES)	<u>(423,354)</u>	<u>(33,211)</u>	<u>2,659,472</u>	<u>(1,021)</u>	<u>2,201,886</u>	<u>46,403</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>(50,971)</u>	<u>41,032</u>	<u>1,661,237</u>	<u>(139,007)</u>	<u>1,512,291</u>	<u>271,078</u>
TRANSFERS						
Transfers in	-	-	-	463,500	463,500	-
Transfers out	(230,825)	(21,725)	(5,600)	(4,100)	(262,250)	(62,630)
TOTAL TRANSFERS	<u>(230,825)</u>	<u>(21,725)</u>	<u>(5,600)</u>	<u>459,400</u>	<u>201,250</u>	<u>(62,630)</u>
CHANGE IN NET ASSETS	<u>(281,796)</u>	<u>19,307</u>	<u>1,655,637</u>	<u>320,393</u>	<u>1,713,541</u>	<u>208,448</u>
NET ASSETS (DEFICIT), JULY 1, 2005	<u>8,939,741</u>	<u>3,666,066</u>	<u>7,727,925</u>	<u>(248,692)</u>	<u>20,085,040</u>	<u>1,351,635</u>
NET ASSETS, JUNE 30, 2006	<u>\$ 8,657,945</u>	<u>\$ 3,685,373</u>	<u>\$ 9,383,562</u>	<u>\$ 71,701</u>	<u>\$ 21,798,581</u>	<u>\$ 1,560,083</u>

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

City of Pendleton, Oregon
Reconciliation of the Statement of Revenues, Expenses and Changes
in Fund Net Assets of Enterprise Funds to the Statement of Activities
For the fiscal year ended June 30, 2006

Change in net assets - total enterprise funds **\$ 1,713,541**

Amounts reported for business-types activities in the statement of activities on page 20 are different because:

Internal service funds are used by management to charge the costs of certain activities to the individual funds. The net revenue of the internal service funds is allocated to governmental and business - type activities.

103,845

Net change in net assets - business - type activities **\$ 1,817,386**

CITY OF PENDLETON, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Funds
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 2,836,919	\$ 1,662,738	\$ 509,023	\$ 98,515	\$ 5,107,195	\$ 41,543
Receipts from interfund services provided	7,045	8,207	-	-	15,252	3,110,484
Payments to suppliers	(1,008,578)	(493,427)	(405,118)	(92,111)	(1,999,234)	(1,223,391)
Payments to employees	(328,352)	(213,839)	(216,677)	(122,268)	(881,136)	(1,517,504)
Payments for interfund services used	(618,610)	(677,970)	(86,630)	(23,630)	(1,406,840)	-
Net cash provided from (used by) operating activities	<u>888,424</u>	<u>285,709</u>	<u>(199,402)</u>	<u>(139,494)</u>	<u>835,237</u>	<u>411,132</u>
CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	463,500	463,500	-
Transfers out	(230,825)	(21,725)	(5,600)	(4,100)	(262,250)	(62,630)
Net cash provided from (used by) noncapital financing activities	<u>(230,825)</u>	<u>(21,725)</u>	<u>(5,600)</u>	<u>459,400</u>	<u>201,250</u>	<u>(62,630)</u>
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal collections	-	-	35,418	-	35,418	-
Change in interfund loans	95,000	-	176,500	(280,000)	(8,500)	-
Proceeds from intergovernmental revenue	-	3,500	3,068,031	-	3,071,531	16,038
Acquisition of capital assets	(252,354)	(522,502)	(2,945,411)	-	(3,720,267)	(142,651)
Proceeds from sale of capital assets	328	-	-	-	328	770
Payments on long-term debt	(210,052)	(3,027)	-	-	(213,079)	-
Interest paid on debt	(290,513)	(809)	(81,747)	(1,189)	(374,258)	-
Net cash provided from (used by) capital and related financing activities	<u>(657,591)</u>	<u>(522,838)</u>	<u>252,791</u>	<u>(281,189)</u>	<u>(1,208,827)</u>	<u>(125,843)</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES						
Interest from investments	34	33,989	30	168	34,221	33,655
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42	(224,865)	47,819	38,885	(138,119)	256,314
CASH AND CASH EQUIVALENTS, JULY 1, 2006	<u>182</u>	<u>1,021,535</u>	<u>7</u>	<u>361</u>	<u>1,022,085</u>	<u>828,668</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2006	<u>\$ 224</u>	<u>\$ 796,670</u>	<u>\$ 47,826</u>	<u>\$ 39,246</u>	<u>\$ 883,966</u>	<u>\$ 1,084,982</u>

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

Business-type Activities - Enterprise Funds

	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Total	Governmental Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 372,383	\$ 74,243	\$ (998,235)	\$ (137,986)	\$ (689,595)	\$ 224,675
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	569,201	205,962	767,040	2,348	1,544,551	132,030
Change in assets and liabilities:						
Accounts receivable, net	(46,402)	55	7,681	(1,601)	(40,267)	(2,639)
Inventory	(31,274)	1,644	-	-	(29,630)	-
Accounts payable and accrued expenses	28,141	3,175	23,900	(828)	54,388	55,721
Customer deposits	(1,601)	-	(75)	-	(1,676)	(725)
Compensated absences payable	(2,024)	630	287	(1,427)	(2,534)	2,070
Net cash provided (used) by operating activities	<u>\$ 888,424</u>	<u>\$ 285,709</u>	<u>\$ (199,402)</u>	<u>\$ (139,494)</u>	<u>\$ 835,237</u>	<u>\$ 411,132</u>



FUND FINANCIAL STATEMENTS

Fiduciary Funds

The City of Pendleton uses four Agency Funds to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds. The assets and liabilities of these funds are not considered assets of the City of Pendleton, and have been excluded from the Government-Wide Financial Statements. The Eastern Oregon Drug Task Force Fund has no assets or liabilities at June 30, 2006, so no information has been presented. Funds included are:

- **Northeast Oregon Air Task Force Fund**
- **Bail Fund**
- **Pendleton Foundation Trust Fund**
- **Eastern Oregon Drug Task Force Fund**

**CITY OF PENDLETON, OREGON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006**

	Agency
ASSETS	
Cash and cash equivalents	\$ 24,031
 LIABILITIES	
Accounts payable	\$ 8,678
Due to other governments	15,353
Total liabilities	\$ 24,031

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PENDLETON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Pendleton, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the mayor and eight 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.

There are various other governmental agencies and special service districts which provide services within the City's boundaries. However, the City is not financially accountable for any of these entities and accordingly their financial information is not included in these financial statements.

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.

Pendleton Development Commission

The Agency was formed to undertake urban renewal projects and activities pursuant to the City's urban renewal plan. The Board of Directors of the Agency consists of the Mayor and the eight elected City Council members. 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, 500 SW Dorian Avenue, Pendleton, OR 97801.

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 non-fiduciary 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-type 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. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements

of a particular function or segment, including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary 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 and fiduciary 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.

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 City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

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 general government, except those required to be accounted for in another fund.

The *state tax street fund* accounts for revenues received from the state and local gasoline tax, which are expended for the construction, maintenance, and use of city streets.

The *community development block grant fund* accounts for the receipt and expenditures associated with the individual requirements of community development block grants.

The *local improvement district construction fund* accounts for revenues and expenditures related to local improvement districts (LID's) for affected property owners requesting sidewalk repair.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities associated with the water distribution system and capital improvements to the system.

The *sewer* and *sewer capital reserve funds* are collapsed in to "All Sewer Funds" for presentation in the financial statements. These funds account for the activities associated with wastewater collection and capital improvements to the wastewater system.

The *airport fund* accounts for activity associated with the operations and capital improvements of the City's municipal airport.

Additionally, the City reports the following fund types:

Internal service funds account for central services and construction and repair services provided to other departments or agencies of the City, or to other governments on a cost reimbursement basis.

Agency funds account for resources held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

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

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs of program revenues reporting in the various functions concerned.

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. Taxes and other items not properly included as program revenues are reported instead as *general revenues*.

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 of the City's enterprise and internal service funds are charges for customer services including water and sewer charges, grave site sales and opening and closing fees, landing fees, facility and equipment rents, and labor and overhead charges. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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 assets, as they are needed.

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 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 amortized 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 uncollectibles has been established for the General, Airport and Water Fund and represents the portion of receivables not expected to be collected.

3. Inventories and Prepaid Items

Inventories in Enterprise 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.

4. Restricted Assets

The State Tax Street Fund is legally restricted to be expended on streets and sidewalks, the Debt Service Fund is legally restricted to debt service, \$543 in a bond escrow account is restricted to bond repayment, and the pension asset is restricted to the payment of pension expenditures. The unspent funds have been classified as restricted assets in the government-wide statement of net assets. In addition, net assets of the library permanent trust fund and the cemetery perpetual care permanent trust fund are permanently restricted.

5. 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. The City defines capital assets 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 is depreciated using the straight-line method. In the year of acquisition, depreciation and amortization are taken for a full year if the asset is put into service during the first six months of the year, and no depreciation is taken if the asset is placed in service in the last six months of the fiscal year.

The estimated useful lives of capital assets are:

▪ Buildings	5 to 50 years
▪ Equipment	3 to 20 years
▪ Improvements	5 to 50 years
▪ Infrastructure	40 years

6. 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.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, holiday, "comp time", and sick leave benefits. No liability is reported for unpaid accumulated sick leave benefits since the City does not have a policy to pay sick leave when employees separate from service with the City. All vacation, holiday, and comp time 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.

8. 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.

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 of accounting principles generally accepted in the United States of America (GAAP) for most special revenue funds, debt service funds, and most trust funds. The annual budget for the general fund, community development block grant special revenue fund, sidewalk repair loan special revenue fund, fire capital reserve special revenue fund, local improvement district construction capital project fund, and the proprietary funds are adopted on a basis not consistent with GAAP in order to comply with Oregon Local Budget Law. The individual fund statements for the general fund, community development block grant special revenue fund, sidewalk repair loan special revenue fund, fire capital reserve special revenue fund, local improvement district construction capital project fund, and the cemetery proprietary fund include debt service expenditures and other financing sources for interfund loan repayments as required by Oregon Local Budget Law. These amounts have been adjusted from the schedules to arrive at a basis consistent with GAAP. 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. Management develops budget recommendations by 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. Except in the case of grant receipts, loan, and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted, expenditure appropriations may not be legally over expended.

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 and the Central Services Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, debt service, contingency, and all other requirement levels.

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, 2006, appropriation reclassifications 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 fiscal year-end.

B. Excess of Expenditures over Appropriations

Using the appropriation levels as set by the City Council, described above, the City had expenditures exceeding appropriations in the following amounts:

Community Development Block Grant Fund:	
Debt Service	\$ 23,558
Fire Capital Reserve Fund:	
Debt Service	\$ 458
Cemetery Fund:	
Debt Service	\$ 6,189

C. Deficit fund balances

Funds having a deficit fund balance at June 30, 2006 are as follows:

Special Revenue Funds

Sidewalk Repair Loan Fund	\$ (125,207)
Pendleton Convention Center	\$ (112,202)

Capital Project Funds

Local Improvement District Construction Fund	\$ (244,835)
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Enterprise Funds

Water Fund	\$ (797,545)
Airport Fund	\$ (1,675,425)

Management expects the deficit fund balances to be reversed in future years by loan collections and charges for services.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2006. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. The City's deposits with financial institutions are comprised entirely of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. For the year ended June 30, 2006, the carrying amount of the City's deposits was \$336,041 and the bank balance was \$814,768, while the carrying amount of the Pendleton Development Commission's deposits was \$146,747 and the bank balance was \$146,747. All deposits are held in the name of the City of Pendleton or the Pendleton Development Commission (blended component unit). The City's entire bank balance was covered by federal depository insurance and collateral certificates in the City's name. Of the Pendleton Development Commission's bank balance, \$100,000 was covered by federal depository insurance. The remaining \$46,747 was uninsured and uncollateralized.

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

Restricted Cash in Escrow – The City is responsible for Limited Tax Pension Obligations issued for financing of payment of the City's Oregon Public Employee Retirement System (PERS) unfunded liability. Scheduled payments for bond redemption are made monthly to an escrow account. These deposited amounts are invested and when payments are due, the escrow account transmits the payment. At June 30, 2006, the amount held in the escrow account for future scheduled payments was \$543.

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

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

The City of Pendleton also invests in the AFCTS Master Trust which is an external investment pool administered by Key Trust. These approved investments are carried at fair value, as required by Governmental Accounting Standards Board Statement 31. This investment pool has not been assigned a risk category since the City is not issued securities, but rather owns an undivided beneficial interest in the assets of this pool. Income from this investment pool is recorded in the Cemetery Perpetual Care Fund, a permanent trust fund, and periodically transferred to the Cemetery Fund, a special revenue fund to be used for cemetery operations.

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

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

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

Investments held by the City at June 30, 2006 are as follows:

	<u>Reported Amount/ Fair Value</u>
Investments not subject to categorization:	
External Investment Pool	<u><u>\$621,452</u></u>

A reconciliation of cash and cash equivalents as shown on the Fund Financial Statements is as follows:

Cash on hand	\$ 2,020
Deposits with financial institutions	482,788
Local Government Investment Pool	3,756,621
Total cash and cash equivalents	<u>\$4,241,429</u>

Funds:

General	\$ 160,339
State Tax Street	357,681
Local Improvement District Construction	665
Non - major Governmental funds	1,729,765
Water	224
All Sewer funds	796,670
Airport	47,826
Cemetary	39,246
Internal Service funds	1,084,982
Fiduciary funds	24,031
Total cash and cash equivalents	<u>\$4,241,429</u>

B. Receivables

Uncollected property taxes in governmental funds are shown on the Statement of Net Assets as receivables. Property is valued as of January 1. Taxes are assessed and become property liens on July 1, annually. Property tax statements are mailed no later than October 25, and taxes are due in three installments on November 15, February 15, and May 15. Discounts, less than or equal to three percent, are offered to those paying early. Taxes outstanding on May 16th are considered delinquent. For fiscal year 2005-2006, the City levied property taxes in the amount of \$4,796,753. After loss due to constitutional limits and special assessed added taxes of \$3,287 this resulted in a net levy of \$4,793,466. The tax rate was \$6.5771 per \$1,000 of assessed value before compression due to constitutional limits.

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

	General	State Tax Street	Community Development Block Grant	Local Improvement District Construction	Other Governmental Funds	Internal Service	Total Governmental Activities
Property taxes	\$ 330,630	\$ -	\$ -	\$ -	\$ 56,713	\$ -	\$ 387,343
Special assessments	31,084	-	-	435,562	104,890	-	571,536
Accounts	485,928	1,374	-	-	99,789	3,832	590,923
Notes	300,000	-	656,937	-	43,980	-	1,000,917
Intergovernmental	105,763	69,686	-	-	80,501	-	255,950
Gross Receivables	1,253,405	71,060	656,937	435,562	385,873	3,832	2,806,669
Less: Allowance for Uncollectibles	(23,841)	-	-	-	-	-	(23,841)
Net Total Receivables	<u>\$ 1,229,564</u>	<u>\$ 71,060</u>	<u>\$ 656,937</u>	<u>\$ 435,562</u>	<u>\$ 385,873</u>	<u>\$ 3,832</u>	<u>\$ 2,782,828</u>

Receivables as of year-end for the business-type activities individual major funds and internal service funds classified as business-type activities, including the applicable Allowances for uncollectible accounts, are as follows:

	Water Fund	Sewer Funds	Airport	Cemetery	Total Business-type Activites
Accounts	\$ 309,108	\$ 5,175	\$ 7,074	\$ 10,713	\$ 332,070
Notes	-	-	351,602	-	351,602
Intergovernmental	-	-	127,152	-	127,152
Gross Receivables	309,108	5,175	485,828	10,713	810,824
Less: Allowance for Uncollectibles	(10,387)	-	(7,074)	-	(17,461)
Net Total Receivables	\$ 298,721	\$ 5,175	\$ 478,754	\$ 10,713	\$ 793,363

The City has lease receivables from the following:

The City has an operating lease obligation receivable dated from December 1, 2004 to October 31, 2011, with an option to renew the lease for two consecutive seven-year terms. Total revenue for 2005-2006 was \$260,400. Future lease revenues will be \$260,400 for fiscal years 2007 through 2011, then \$86,800 fiscal year end 2012, if not renewed. The lessee has the option to purchase the land and building at any time for \$200,000 for the land plus the original cost of the building improvements, indexed for inflation based on CPI. No amount has been recorded as a receivable for the operating lease.

The City also has a direct financing lease receivable for the sale of a building and improvements located near the airport, and an operating lease for the underlying land. The lease term is from April 1, 2005 to March 31, 2010, with the right to renew the lease for an additional 5 years under the same conditions. At the end of 10 years, the land lease can be renewed for up to two additional 10-year leases. Base rent during the initial lease is \$47,500 annually, including \$10,218 for the land portion and \$37,282 for the building portion, increased each year for the change in the Portland Consumer Price index. 95% of the building lease payment is credited toward the building purchase price of \$422,438. At the end of the 10-year lease term, the lessee has the option to purchase the building for \$422,438, less all amounts credited toward purchase. The expected residual balance at the end of the lease period is about \$65,000, and is considered a bargain purchase option. As such, the direct financing lease receivable related to the building has been recorded as a note receivable in the City's financial statements. No amounts have been recorded as a receivable for the operating lease related to the land. Land rent received during the year includes \$10,484 for April 2006 to March 2007, and a building lease payment of \$37,282 for April of 2006 to March 2007. Total future minimum annual lease payments are expected to be \$10,484 for the land lease and \$37,282 for the building lease/purchase through the fiscal year ending June 30, 2010.

The City also has a note receivable from Umatilla County. The County borrowed \$300,000 from the City to finance a computer software program update that was

required to account for the Urban Renewal Agency for 2005-2006. The City is scheduled to receive interest only payments for two years from the date of the loan, then principal and interest will be paid starting in year three through year six. The interest will accrue on the unpaid balance at a rate equal to the rate earned from the Local Government Investment Pool.

C. Pension Assets – Restricted

Limited tax pension bonds of \$7,160,000 were issued on September 23, 2005 to provide funds for payment of the estimated unfunded PERS liability at December 31, 2004.

The City of Pendleton participated along with several other cities in issuing the limited tax pension bonds. The bonds issued on behalf of the City of Pendleton equal 3.8% of the total bonds issued. Except for the payment of its pension bond payments and additional charges when due, each participating city has no obligation or liability to any other participating city's pension bonds or liabilities to PERS.

The following is based upon amortization schedules with information and assumptions known at the time of bond issuance. However, this is a material estimate that will be subject to change in the near future when the Oregon Public Employee Retirement System issues new actuarial reports which contains new information and assumptions. This report is expected to be issued in late December 2006.

Pension assets are as follows:

Pension assets, beginning		\$ -
Pension assets added	\$ 7,050,000	
Interest on pension assets	340,217	
Credit for annual actuarial liability change	<u>(299,016)</u>	
Increase in pension assets		<u>7,091,201</u>
Pension assets, ending		<u>\$ 7,091,201</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 revenue* reported in the government-wide financial statements.

The various components of *unavailable deferred revenue* reported in the governmental funds were as follows:

	General	Community Development Block Grant	Local Improvement District Construction	Other Governmental Funds	Total Governmental Activities
Property taxes	\$330,630	\$ -	\$ -	\$ 56,713	\$ 387,343
Intergovernmental	55,541	-	-	75,564	131,105
Notes and assessments	334,435	656,937	435,562	148,870	1,575,804
	<u>\$720,606</u>	<u>\$ 656,937</u>	<u>\$ 435,562</u>	<u>\$ 281,147</u>	<u>\$2,094,252</u>

E. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2006 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	\$ 2,054,291	\$ -	\$ -	\$ -	\$ 2,054,291
Work in progress	1,394,341	-	(1,394,341)	-	-
Total non-depreciable	3,448,632	-	(1,394,341)	-	2,054,291
Buildings	14,191,040	31,462	-	(3,185)	14,219,317
Equipment	5,252,516	255,847	20,066	(302,696)	5,225,733
Improvements	7,259,534	958,361	1,394,341	-	9,612,236
Infrastructure	20,926,650	-	-	-	20,926,650
Total depreciable	47,629,740	1,245,670	1,414,407	(305,881)	49,983,936
Accumulated depreciation					
Buildings	(3,672,637)	(390,463)	-	3,185	(4,059,915)
Equipment	(3,182,086)	(347,838)	(20,066)	302,696	(3,247,294)
Improvements	(2,057,173)	(281,158)	-	-	(2,338,331)
Infrastructure	(12,032,824)	(523,166)	-	-	(12,555,990)
Total accumulated depreciation	(20,944,720)	(1,542,625)	(20,066)	305,881	(22,201,530)
Governmental activities capital assets, net	<u>\$ 30,133,652</u>	<u>\$ (296,955)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,836,697</u>

Depreciation expense for governmental activities, including the allocated portion of internal service fund depreciation, is charged to governmental functions as follows:

General government	\$ 235,721
Public safety	233,290
Highways and streets	631,350
Culture and recreation	<u>442,264</u>
 Total depreciation for governmental activities	 <u><u>\$ 1,542,625</u></u>

Capital asset activity for business-type activities for the year ended June 30, 2006 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	\$ 394,545	\$ -	\$ -	\$ -	\$ 394,545
Construction in progress	-	75,752	-	-	75,752
 Total non-depreciable	 <u>394,545</u>	 <u>75,752</u>	 <u>-</u>	 <u>-</u>	 <u>470,297</u>
 Buildings	 13,584,672	 76,068	 -	 (36,290)	 13,624,450
Equipment	17,670,716	173,261	(20,066)	(523,756)	17,300,155
Improvements	22,931,787	3,101,863	-	(190,590)	25,843,060
 Total depreciable	 <u>54,187,175</u>	 <u>3,351,192</u>	 <u>(20,066)</u>	 <u>(750,636)</u>	 <u>56,767,665</u>
 Accumulated depreciation					
Buildings	(2,690,630)	(343,747)	-	958	(3,033,419)
Equipment	(16,079,403)	(268,311)	20,066	483,463	(15,844,185)
Improvements	(8,219,561)	(1,038,504)	-	50,914	(9,207,151)
 Total accumulated depreciation	 <u>(26,989,594)</u>	 <u>(1,650,562)</u>	 <u>20,066</u>	 <u>535,335</u>	 <u>(28,084,755)</u>
 Business-type activities capital assets, net	 <u><u>\$27,592,126</u></u>	 <u><u>\$1,776,382</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ (215,301)</u></u>	 <u><u>\$29,153,207</u></u>

Depreciation expense for business-type activities, including the allocated portion of the internal service funds, is charged to functions as follows:

Water	\$ 608,268
Sewer	220,098
Airport	819,687
Cemetery	<u>2,509</u>
 Total depreciation for business-type activities	 <u><u>\$ 1,650,562</u></u>

F. Advances Receivable/Payable

In the government-wide financial statements, the business-type activities have internal loans payable to the governmental activities in the amount of \$2,925,552. At June 30, 2006, amounts due from other funds in the fund financial statements are as follows:

General Fund receivable from:		
Special Revenue Funds:		
Sidewalk Repair Loan Fund	\$ 125,500	
Pendleton Convention Center Fund	<u>197,000</u>	\$ 322,500
Capital Projects Funds:		
Local Improvement District Construction Fund		245,500
Enterprise Funds:		
Water Fund	\$ 770,000	
Airport Fund	<u>1,082,000</u>	<u>1,852,000</u>
Total General Fund		2,420,000
Library Trust Fund receivable from:		
Airport Fund		650,000
System Development Fees Fund receivable from:		
Water Fund		<u>423,500</u>
Total Interfund Receivables		<u>\$ 3,493,500</u>

Interfund loans were made for capital purposes and accrue interest at 5% per annum. The loans are renewed on an annual basis through City Council resolution. The source of repayment for the Airport Fund loans has not yet been determined. The sources of repayment for the other loans are future loan/assessment collections and charges for services.

G. Transfers

Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the governmental activities and transfers into of the business-type activities in the amounts of \$187,650.

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

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 97,650	\$ 617,530
State Tax Street Fund	-	6,500
Non-major governmental funds	424,110	36,350
Enterprise Funds:		
Water Fund	-	230,825
Sewer Fund	-	21,725
Airport Fund	-	5,600
Cemetery Fund	463,500	4,100
Internal Service Funds:		
Construction and Repair Fund	-	13,600
Central Services Fund	-	49,030
	<u> </u>	<u> </u>
Total all funds	<u>\$ 985,260</u>	<u>\$ 985,260</u>

Transfers out of the General Fund were for the City's contribution towards senior transportation, equipment replacement, and to reimburse the library for central services charges. In addition, the General Fund transferred monies to the Cemetery fund as the City's contribution towards operations and to fund the repayment of an interfund loan. The non-major governmental funds transferred interest earnings from the library permanent trust to the library trust fund. The water and sewer funds transferred money to the System Development Fees Fund to reimburse the fund for the costs of overpass construction related to the water and sewer systems. Transfers into the General Fund consist of reimbursement from various funds for PERS bond debt service.

H. Long – Term Debt

1. General Obligation Bonds

The City issued general obligation (G.O.) bonds to provide funds for the acquisition and construction of major capital facilities related to general government activities. The debt is reported in the proprietary funds if it is expected to be repaid with proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds, except for refunding issues and term bond provisions in the facility bonds, with equal amounts of principal maturing each year. General obligation bonds outstanding at June 30, 2006 are as follows:

<u>Description</u>	<u>Interest rates</u>	<u>Amount</u>
Armory Refunding Bonds - 1996	4.5% - 5.3%	\$ 565,000
McCune Refunding Bonds - 1998	4.15% - 4.7%	1,770,000
Facilities Refunding Bonds - 2005	3.00%-4.00%	1,925,000
		<u>4,260,000</u>
Less deferred amounts on refunding		(49,610)
		<u>\$ 4,210,390</u>

In the prior year, the City issued \$1,945,000 of general obligation refunding bonds to refund \$1,875,000 of the 1996 Facilities Bonds. The reacquisition price exceeded the net carrying amount of the refunded debt by \$57,514. This amount is reported as an offset against the new debt and is amortized over eleven years. This refunding was undertaken to reduce total debt service payments over the next eleven years by \$180,958 and resulted in an economic gain of \$149,869.

Future maturities for the combined issues are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 495,000	\$ 179,443
2008	505,000	159,193
2009	520,000	138,307
2010	550,000	116,518
2011	405,000	92,220
2012-2016	1,785,000	196,320
	<u>\$ 4,260,000</u>	<u>\$ 882,001</u>

2. Limited Tax Pension Bonds

The City issued Limited Tax Pension Bonds during the year, with interest rates ranging from 4.210% to 5.004%. This bond issuance is secured by the full faith and credit of the City, with final payments due June 1, 2028. These bonds were issued to finance the payment of the City's Oregon Public Employee Retirement System (PERS) unfunded liability.

The City's future maturities for Limited Tax Pension Bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 70,000	\$ 352,870
2008	45,000	349,923
2009	65,000	347,976
2010	85,000	345,129
2011	105,000	341,358
2012-2016	910,000	1,607,132
2017-2021	1,745,000	1,311,499
2022-2026	2,950,000	768,114
2027-2028	1,185,000	79,813
	<u>\$ 7,160,000</u>	<u>\$ 5,503,814</u>

3. Contracts, loans, and notes payable

The City entered into an intergovernmental agreement with the Port of Umatilla in 1990 for sharing of costs relating to infrastructure for a new industrial company within the City limits. This agreement calls for the City to pay the Port for one half of the Port's note payable to the Oregon Economic Development Commission. The City's share of this debt has been divided equally between the governmental activities and the Water and Sewer Funds in the business-type activities. The debt requires annual payments from the City, in total, of \$11,508.09, including interest at 5.0% with final payment due January 15, 2010. Thus the annual requirement for each fund is \$3,836.03.

Future maturities of the outstanding note payable is as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 3,178	\$ 658	\$ 6,356	\$ 1,316
2008	3,337	499	6,674	998
2009	3,504	332	7,008	664
2010	3,143	157	6,287	314
	<u>\$ 13,162</u>	<u>\$ 1,646</u>	<u>\$ 26,325</u>	<u>\$ 3,292</u>

The City received two loans from the Safe Drinking Water State Revolving Loan Fund for construction of water system improvements in the amounts of \$4,000,000 and \$1,900,000. Repayment on the loans is amortized over a 20-year period, including interest at 4.5% and 4.17%, respectively. Future maturities of the outstanding loans are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2007	\$ 216,862	\$ 233,056
2008	225,817	223,531
2009	235,895	213,603
2010	246,101	203,252
2011	257,442	192,441
2012-16	1,463,393	782,641
2017-21	1,815,454	433,456
2022-23	843,020	55,966
	<u>\$ 5,303,984</u>	<u>\$ 2,337,946</u>

In the prior year, the City used the remaining \$2.7 million line of credit to finance construction of the Keystone Project and converted the credit line to a long-term note payable. The total note payable is secured by real property and future rents, and is payable over 20 years with payments of \$17,457 due monthly, including interest at 4.75%. Future maturities of the outstanding loan are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 89,207	\$ 120,279
2008	93,538	115,948
2009	98,079	111,407
2010	102,841	106,645
2011	107,833	101,653
2012-16	622,965	424,465
2017-21	789,595	257,835
2022-25	668,665	57,920
	<u>\$ 2,572,723</u>	<u>\$ 1,296,152</u>

The Pendleton Development Commission established a line of credit to finance both approved projects and general operations of the Agency, until the levied amount of property taxes starts to be paid. The line of credit is authorized for \$600,000 and is to be repaid from property taxes. The interest rate on the line of credit is set at Prime (as posted in the Wall Street Journal), minus 1.75% fixed at time of closing. As of June 30, 2006, the Agency has drawn \$120,000 of the line of credit and the interest rate was 5.50%. Interest only payments are payable quarterly until December 31, 2008 when the outstanding balance will be amortized over a 120 month period, with principal and interest due quarterly. Future debt service requirements based on the current interest rate and outstanding balance are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ -	\$ 6,600
2008	-	6,600
2009	8,586	6,475
2010	9,725	5,957
2011	10,273	5,408
2012-16	60,740	17,667
2017-19	30,676	2,018
	<u>\$ 120,000</u>	<u>\$ 50,725</u>

4. Changes Long-Term Liabilities

Long-term liability activity for the year ending June 30, 2006 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 4,710,000	\$ -	\$ 450,000	\$ 4,260,000	\$ 495,000
Less deferred amounts on refunding	(54,899)	-	(5,289)	(49,610)	(5,289)
Limited Tax Pension Bonds	-	7,160,000	-	7,160,000	70,000
Contracts, Loans and Notes	2,682,041	120,000	96,156	2,705,885	92,385
Compensated Absences	328,285	305,601	328,285	305,601	305,601
	<u>\$ 7,665,427</u>	<u>\$ 7,585,601</u>	<u>\$ 869,152</u>	<u>\$ 14,381,876</u>	<u>\$ 957,697</u>
Business-type activities:					
Contracts, Loans and Notes	5,543,388	-	213,079	5,330,309	223,218
Compensated Absences	64,024	65,642	64,024	65,642	65,642
	<u>\$ 5,818,039</u>	<u>\$ 65,642</u>	<u>\$ 277,103</u>	<u>\$ 5,395,951</u>	<u>\$ 288,860</u>
Business-type activity Long-term liabilities	<u>\$ 5,818,039</u>	<u>\$ 65,642</u>	<u>\$ 277,103</u>	<u>\$ 5,395,951</u>	<u>\$ 288,860</u>

The central services internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for compensated absences in the amount of \$40,601 are included in the above amounts. The construction and repair internal service fund predominantly serves the business-type activities, and \$24,884 of long-term liabilities for compensated absences have been included in the totals for business-type activities. Also, for the governmental activities, compensated absences are predominantly liquidated by the General Fund.

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; errors and omissions; and natural disasters 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. Defined Benefit Pension Plan

Public Employees Retirement System

1. Plan description

The City of Pendleton contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer, Defined Benefit Pension Plan, administered by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefit to plan members and beneficiaries. Oregon Revised Statute 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

During the 2003 legislative session, the Oregon Legislative Assembly created successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six-month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portions (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on they type of service (general versus police or fire).

Beginning January 1, 2004 all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS account, but any future member contributions are deposited into the member's IAP, not into the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.or.us.

2. Funding policy

Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 14.23% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 8.04% of covered payroll for general services employees and 11.65% for police and fire employees. After the offset of the credit for the City's PERS UAL prepayment, the City pays a net rate of 11.41% of covered payroll for the Tier I and Tier II employees, 5.22% for OPSRP general services employees, and 8.33% for OPSRP police and fire employees. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2006, 2005, and 2004 were \$909,964, \$841,266, and \$784,956, respectively, equal to the required contributions each year. In addition, the City contributed \$7,050,000 in the current year through the issuance of Limited Tax Pension Obligations.

The pension liability (asset) was determined in accordance with Government Accounting Standards Board Statement No. 27. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero.

The City's annual pension cost and pension assets for the year ended June 30, 2006 were as follows:

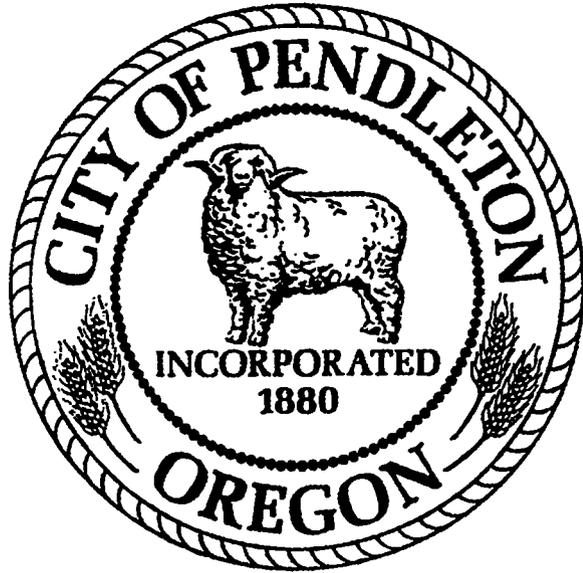
Annual required contribution	\$ 909,964
Interest on pension assets	(340,217)
Adjustment to the annual required contribution	<u>299,016</u>
Annual pension cost	868,763
Contributions made	<u>7,959,964</u>
Increase in pension asset	7,091,201
Pension assets, beginning of year	-
Pension assets, end of year	<u><u>\$ 7,091,201</u></u>

C. Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D. Construction in Progress

The City is committed under construction contracts at June 30, 2006 to complete construction on various Airport Improvement Projects. The total budget of these projects was \$691,414, of which \$75,752 has previously been paid. Approximately 11% of the projects were complete at June 30, 2006.



SUPPLEMENTAL INFORMATION



COMBINING STATEMENTS

Non-Major Governmental Funds

Special Revenue Funds

The Special Revenue Funds account for specific revenues that are restricted to expenditures for specified purposes. Funds included in this category are:

BIKE FUND – accounts for receipt of 1% of the state gasoline tax to be used for construction and maintenance of bike lanes and other alternative forms of transportation.

LIBRARY FUND – accounts for the operation of the City's library.

LIBRARY TRUST FUND – accounts for revenue from dedicated gifts, directed annual interest transfers and donations, and interest on investment of unexpended Library Trust Fund resources.

TRANSPORTATION SERVICES FUND – accounts for the operation of the Senior/Disabled Transportation Program.

HOUSING REHABILITATION REVOLVING LOAN FUND – accounts for monies received from repayment of loans associated with Community Development Block Grants, which are restricted for use in providing future housing rehabilitation loans to eligible recipients.

LOCAL COMMUNITY DEVELOPMENT FUND – accounts for transfers from the Housing Rehabilitation Fund and Old Urban Development Action Grant repayments of non-federalized money, which is available to the City to be used for community development needs.

SIDEWALK REPAIR LOAN FUND – accounts for revenues and expenditures related to local improvement districts (LID's) for affected property owners requesting sidewalk repairs.

AIRPORT REHABILITATION REVOLVING LOAN FUND – accounts for monies received from repayment of loans associated with airport revolving loans and makes these funds available for additional rehabilitation loans within the airport area.

PENDLETON CONVENTION CENTER FUND – accounts for the revenue from 2/7ths of the City's transient room tax collections. Expenditures in this fund are for the operations, marketing and maintenance of the Pendleton Convention Center.

PENDLETON YOUTH COMMISSION FUND – accounts for the revenues of recreation fees and donations associated with youth programs. Expenditures are for providing youth recreational, educational, and social activities.

PENDLETON INTERAGENCY SPECIAL REVOLVING FUND – accounts for the proceeds from sales of assets forfeited relating to drug activity. Expenditures of this fund are to be first used to cover drug task force expenses and then periodic distributions made to associated agencies.

SYSTEM DEVELOPMENT FEES – accounts for development fees assessed at the time of new development to offset future infrastructure costs for which assessment is made.

PARKS TRUST FUND – accounts for planning fees restricted for future park development, grants, and donations, which are specifically dedicated to park-related capital items.

PARKS, FACILITIES AND CEMETERY CAPITAL RESERVE FUND – accounts for monies set aside for future needs of City parks and cemeteries.

FIRE CAPITAL RESERVE FUND – accounts for monies set aside for future replacement of fire equipment.

COUNTY DISPATCH CAPITAL EQUIPMENT FUND – accounts for monies set aside for the purchase of needed equipment for the County/City dispatch center.

PENDLETON DEVELOPMENT COMMISSION FUND – accounts for the City's urban renewal projects. Revenues are from property taxes and issuance of debt, and expenditures are for elimination of blighted conditions and urban development as defined in the City's Urban Renewal Plan.

Capital Project Fund

The Capital Project Fund is used to account for the acquisition and construction of capital facilities.

KEYSTONE PROJECT FUND – accounts for funding of the Keystone development project and debt service. Resources are from a local bank and rental income.

Debt Service Fund

The Debt Service Fund is used to account for revenues and expenditures related to the City's long-term indebtedness.

DEBT SERVICE FUND – accounts for payment of general obligation bond principal and interest. The sources of revenues are ad valorem taxes and interest earnings.

Permanent Funds

The Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

LIBRARY PERMANENT TRUST FUND – accounts for the receipt of grants, memorials and other donations, which are specifically dedicated to the Library for a specific purpose, usually for the acquisition of a particular type of book. Only the earnings from the fund can be used for Library purposes.

CEMETERY PERPETUAL CARE FUND – accounts for monies received from the sales of cemetery plots. The money is put into trust and invested. Interest earnings are then transferred to the Cemetery Fund to assist in providing current cemetery operations.

**CITY OF PENDLETON, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2006**

	Special Revenue	Capital Projects Keystone Project Fund	Debt Service Debt Service Fund	Permanent Trust	Total
ASSETS					
Cash and cash equivalents	\$ 1,361,889	\$ 131,356	\$ 83,263	\$ 153,257	\$ 1,729,765
Investments	-	-	-	621,452	621,452
Receivables:					
Property taxes	1,924	-	54,789	-	56,713
Assessments	104,890	-	-	-	104,890
Accounts, net	94,589	-	-	5,200	99,789
Notes	43,980	-	-	-	43,980
Intergovernmental	80,501	-	-	-	80,501
Advances to other funds	1,073,500	-	-	-	1,073,500
Total assets	\$ 2,761,273	\$ 131,356	\$ 138,052	\$ 779,909	\$ 3,810,590
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 110,772	\$ -	\$ -	\$ -	\$ 110,772
Advances from other funds	322,500	-	-	-	322,500
Deferred revenue	226,358	-	54,789	-	281,147
Total liabilities	659,630	-	54,789	-	714,419
Fund balances					
Reserved for:					
Advances to other funds	1,073,500	-	-	-	1,073,500
Debt service	40,711	-	83,263	-	123,974
Library endowment	-	-	-	139,433	139,433
Cemetery perpetual care endowment	-	-	-	640,476	640,476
Unreserved, reported in:					
Capital projects fund	-	131,356	-	-	131,356
Special revenue funds	987,432	-	-	-	987,432
Total fund balances	2,101,643	131,356	83,263	779,909	3,096,171
Total liabilities and fund balances	\$ 2,761,273	\$ 131,356	\$ 138,052	\$ 779,909	\$ 3,810,590

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Bike Fund	Library Fund	Library Trust Fund	Transportation Services Fund	Housing Rehabilitation Revolving Loan Fund	Local Community Development Fund	Sidewalk Repair Loan Fund	Airport Rehabilitation Revolving Loan Fund
ASSETS								
Cash and cash equivalents	\$ 8,997	\$ 125,821	\$ 9,056	\$ 123,835	\$ 189,527	\$ 146,354	\$ 293	\$ 3,311
Receivables:								
Property taxes	-	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	89,780	-
Accounts, net	-	-	-	-	-	-	-	-
Notes	-	-	-	-	43,980	-	-	-
Intergovernmental	704	4,233	-	37,190	-	-	-	-
Advances to other funds	-	-	650,000	-	-	-	-	-
Total assets	\$ 9,701	\$ 130,054	\$ 659,056	\$ 161,025	\$ 233,507	\$ 146,354	\$ 90,073	\$ 3,311
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 2,844	\$ 21	\$ 16,246	\$ 32	\$ 4,250	\$ -	\$ -
Accrued expenses	-	334	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	125,500	-
Deferred revenue:								
Property taxes	-	-	-	-	-	-	-	-
Notes and assessments	-	-	-	-	43,980	-	89,780	-
Intergovernmental	-	-	-	37,190	-	-	-	-
Total liabilities	-	3,178	21	53,436	44,012	4,250	215,280	-
Fund balances (deficits)								
Reserved for:								
Advances to other funds	-	-	650,000	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved	9,701	126,876	9,035	107,589	189,495	142,104	(125,207)	3,311
Total fund balances (deficits)	9,701	126,876	659,035	107,589	189,495	142,104	(125,207)	3,311
Total liabilities and fund balances	\$ 9,701	\$ 130,054	\$ 659,056	\$ 161,025	\$ 233,507	\$ 146,354	\$ 90,073	\$ 3,311

See auditor's report.

Pendleton Convention Center Fund	Pendleton Youth Commission Fund	Police Interagency Special Revolving Fund	System Development Fees Fund	Parks Trust Fund	Parks, Facilities, and Cemetery Capital Reserve Fund	Fire Capital Reserve Fund	County Dispatch Capital Equipment Fund	Pendleton Development Commission Fund	Total
\$ 1,954	\$ 4,555	\$ 251,353	\$ 2,415	\$ 154,399	\$ 22,382	\$ 1,104	\$ 169,786	\$ 146,747	\$ 1,361,889
-	-	-	-	-	-	-	-	1,924	1,924
-	-	-	15,110	-	-	-	-	-	104,890
94,149	-	-	-	-	-	-	-	440	94,589
-	-	-	-	-	-	-	-	-	43,980
-	-	38,374	-	-	-	-	-	-	80,501
-	-	-	423,500	-	-	-	-	-	1,073,500
<u>\$ 96,103</u>	<u>\$ 4,555</u>	<u>\$ 289,727</u>	<u>\$ 441,025</u>	<u>\$ 154,399</u>	<u>\$ 22,382</u>	<u>\$ 1,104</u>	<u>\$ 169,786</u>	<u>\$ 149,111</u>	<u>\$ 2,761,273</u>

\$ 9,559	\$ -	\$ 10,275	\$ 462	\$ -	\$ -	\$ -	\$ 65,000	\$ 3	\$ 108,692
1,746	-	-	-	-	-	-	-	-	2,080
197,000	-	-	-	-	-	-	-	-	322,500
-	-	-	-	-	-	-	-	1,924	1,924
-	-	-	15,110	-	-	-	-	-	148,870
-	-	38,374	-	-	-	-	-	-	75,564
<u>208,305</u>	<u>-</u>	<u>48,649</u>	<u>15,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>1,927</u>	<u>659,630</u>

-	-	-	423,500	-	-	-	-	-	1,073,500
(112,202)	4,555	241,078	1,953	154,399	22,382	1,104	104,786	40,711	40,711
(112,202)	4,555	241,078	425,453	154,399	22,382	1,104	104,786	106,473	987,432
								147,184	2,101,643
<u>\$ 96,103</u>	<u>\$ 4,555</u>	<u>\$ 289,727</u>	<u>\$ 441,025</u>	<u>\$ 154,399</u>	<u>\$ 22,382</u>	<u>\$ 1,104</u>	<u>\$ 169,786</u>	<u>\$ 149,111</u>	<u>\$ 2,761,273</u>

**CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR PERMANENT TRUST FUNDS
June 30, 2006**

	<u>Library Permanent Trust Fund</u>	<u>Cemetery Perpetual Care Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 139,433	\$ 13,824	\$ 153,257
Investments	-	621,452	621,452
Receivables:			
Accounts, net	-	5,200	5,200
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 139,433</u>	<u>\$ 640,476</u>	<u>\$ 779,909</u>
 FUND BALANCES			
Reserved	<u>\$ 139,433</u>	<u>\$ 640,476</u>	<u>\$ 779,909</u>

See auditor's report.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2006

	Special Revenue	Capital Projects Keystone Project Fund	Debt Service Debt Service Fund	Permanent Trust	Total
Revenues					
Taxes	\$ 357,385	\$ -	\$ 640,055	\$ -	\$ 997,440
Licenses and permits	165,594	-	-	5,086	170,680
Intergovernmental	528,856	-	-	-	528,856
Charges for services	396,521	-	-	-	396,521
Fines and forfeitures	1,652	-	-	-	1,652
Special assessments	35,807	-	-	-	35,807
Loan repayments	44,521	-	-	-	44,521
Contributions	26,935	-	-	-	26,935
Interest on investments	111,381	4,429	7,121	(448)	122,483
Miscellaneous	24,303	260,400	-	-	284,703
Total revenues	1,692,955	264,829	647,176	4,638	2,609,598
Expenditures					
Current:					
General government	1,058,155	-	-	-	1,058,155
Culture and recreation	436,609	-	-	-	436,609
Capital outlay	772,609	11,997	-	-	784,606
Debt service	20,789	209,486	648,722	-	878,997
Total expenditures	2,288,162	221,483	648,722	-	3,158,367
Revenues over (under) expenditures	(595,207)	43,346	(1,546)	4,638	(548,769)
Other financing sources (uses)					
Sale of property	6,826	-	-	-	6,826
Issuance of debt	120,000	-	-	-	120,000
Transfers in	424,110	-	-	-	424,110
Transfers out	(30,965)	-	-	(5,385)	(36,350)
Total other financing sources (uses)	519,971	-	-	(5,385)	514,586
Net change in fund balances	(75,236)	43,346	(1,546)	(747)	(34,183)
Fund balance, July 1, 2005	2,176,879	88,010	84,809	780,656	3,130,354
Fund balance, June 30, 2006	\$ 2,101,643	\$ 131,356	\$ 83,263	\$ 779,909	\$ 3,096,171

CITY OF PENDLETON, OREGON
SUB-COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
For the fiscal year ended June 30, 2006

	Bike Fund	Library Fund	Library Trust Fund	Transportation Services Fund	Housing Rehabilitation Revolving Loan Fund	Local Community Develop. Fund	Sidewalk Repair Loan Fund	Airport Rehabilitation Revolving Loan Fund
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	20,189	-	-	-	-	-	-
Intergovernmental	8,203	316,852	-	142,880	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	28,990	-
Loan repayments	-	-	-	-	44,521	-	-	-
Contributions	-	19,667	1,145	-	-	-	-	-
Interest on investments	673	5,440	38,850	3,996	8,187	5,365	16	123
Miscellaneous	-	-	-	9,524	100	-	30	-
TOTAL REVENUES	8,876	362,148	39,995	156,400	52,808	5,365	29,036	123
EXPENDITURES								
Current								
General government	-	-	-	151,553	33,452	32,942	48	-
Culture and recreation	8,000	395,467	33,142	-	-	-	-	-
Capital outlay	-	-	3,614	-	-	-	-	-
Debt service	-	-	-	-	-	-	6,734	-
TOTAL EXPENDITURES	8,000	395,467	36,756	151,553	33,452	32,942	6,782	-
REVENUES OVER (UNDER) EXPENDITURES	876	(33,319)	3,239	4,847	19,356	(27,577)	22,254	123
OTHER FINANCING SOURCES (USES)								
Sale of property	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Transfers in	-	41,890	5,385	25,580	-	19,065	-	-
Transfers out	-	(7,000)	-	-	(19,065)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	34,890	5,385	25,580	(19,065)	19,065	-	-
NET CHANGE IN FUND BALANCES	876	1,571	8,624	30,427	291	(8,512)	22,254	123
FUND BALANCE (DEFICIT), JULY 1, 2005	8,825	125,305	650,411	77,162	189,204	150,616	(147,461)	3,188
FUND BALANCE (DEFICIT), JUNE 30, 2006	\$ 9,701	\$ 126,876	\$ 659,035	\$ 107,589	\$ 189,495	\$ 142,104	\$ (125,207)	\$ 3,311

See auditor's report.

Pendleton Convention Center Fund	Pendleton Youth Commission Fund	Police Interagency Special Revolving Fund	System Development Fees Fund	Parks Trust Fund	Parks, Facilities and Cemetery Capital Reserve Fund	Fire Capital Reserve Fund	County Dispatch Capital Equipment Fund	Pendleton Development Commission Fund	Total
\$ 314,764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,621	\$ 357,385
52,200	-	-	-	5,796	-	87,409	-	-	165,594
-	-	28,699	-	-	-	32,222	-	-	528,856
270,453	-	-	66,068	-	-	-	60,000	-	396,521
-	-	1,652	-	-	-	-	-	-	1,652
-	-	-	6,817	-	-	-	-	-	35,807
-	-	-	-	-	-	-	-	-	44,521
-	1,415	-	-	4,708	-	-	-	-	26,935
21	328	10,129	24,142	6,086	933	129	5,825	1,138	111,381
10,966	-	2,263	-	-	-	-	-	1,420	24,303
<u>648,404</u>	<u>1,743</u>	<u>42,743</u>	<u>97,027</u>	<u>16,590</u>	<u>933</u>	<u>119,760</u>	<u>65,825</u>	<u>45,179</u>	<u>1,692,955</u>
615,730	9,299	101,257	-	-	-	-	97,789	16,085	1,058,155
-	-	-	-	-	-	-	-	-	436,609
-	-	-	673,035	17,010	34,937	44,013	-	-	772,609
8,187	-	-	-	-	-	3,958	-	1,910	20,789
<u>623,917</u>	<u>9,299</u>	<u>101,257</u>	<u>673,035</u>	<u>17,010</u>	<u>34,937</u>	<u>47,971</u>	<u>97,789</u>	<u>17,995</u>	<u>2,288,162</u>
<u>24,487</u>	<u>(7,556)</u>	<u>(58,514)</u>	<u>(576,008)</u>	<u>(420)</u>	<u>(34,004)</u>	<u>71,789</u>	<u>(31,964)</u>	<u>27,184</u>	<u>(595,207)</u>
-	-	-	-	-	6,826	-	-	-	6,826
-	-	-	-	-	-	-	-	120,000	120,000
-	-	-	233,050	-	18,750	80,390	-	-	424,110
(4,900)	-	-	-	-	-	-	-	-	(30,965)
<u>(4,900)</u>	<u>-</u>	<u>-</u>	<u>233,050</u>	<u>-</u>	<u>25,576</u>	<u>80,390</u>	<u>-</u>	<u>120,000</u>	<u>519,971</u>
19,587	(7,556)	(58,514)	(342,958)	(420)	(8,428)	152,179	(31,964)	147,184	(75,236)
(131,789)	12,111	299,592	768,411	154,819	30,810	(151,075)	136,750	-	2,176,879
<u>\$ (112,202)</u>	<u>\$ 4,555</u>	<u>\$ 241,078</u>	<u>\$ 425,453</u>	<u>\$ 154,399</u>	<u>\$ 22,382</u>	<u>\$ 1,104</u>	<u>\$ 104,786</u>	<u>\$ 147,184</u>	<u>\$ 2,101,643</u>

CITY OF PENDLETON, OREGON
SUB-COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR PERMANENT TRUST FUNDS
For the fiscal year ended June 30, 2006

	Library Permanent Trust Fund	Cemetery Perpetual Care Trust Fund	Total
REVENUES			
Licenses and permits	\$ -	\$ 5,086	\$ 5,086
Interest on investments	5,385	(5,833)	(448)
TOTAL REVENUES	5,385	(747)	4,638
OTHER FINANCING SOURCES (USES)			
Transfers out	(5,385)	-	(5,385)
NET CHANGE IN FUND BALANCES	-	(747)	(747)
FUND BALANCE, JULY 1, 2005	139,433	641,223	780,656
FUND BALANCE, JUNE 30, 2006	<u>\$ 139,433</u>	<u>\$ 640,476</u>	<u>\$ 779,909</u>

COMBINING STATEMENTS

Internal Service Funds

Internal Service funds account for the financing of goods and 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 of the City are:

CONSTRUCTION AND REPAIR FUND – accounts for revenue from equipment, contract labor and overhead charges to other City funds and departments. Expenditures are made for costs associated with the providing of these services.

CENTRAL SERVICES FUND – accounts for the central administrative support services from charges to other City funds and departments. Expenses are for the operations within the City Manager's office, Mayor and City Council department, legal department, finance department, engineering division and facilities division.

**CITY OF PENDLETON, OREGON
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2006**

	<u>Construction and Repair Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 440,292	\$ 644,690	\$ 1,084,982
Accounts receivable, net	-	3,832	3,832
Total current assets	440,292	648,522	1,088,814
CAPITAL ASSETS, NET			
	<u>547,947</u>	<u>75,731</u>	<u>623,678</u>
Total assets	<u>\$ 988,239</u>	<u>\$ 724,253</u>	<u>\$ 1,712,492</u>
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 11,099	\$ 72,241	\$ 83,340
Deposits	-	3,584	3,584
Compensated absences	24,884	40,601	65,485
Total current liabilities	<u>35,983</u>	<u>116,426</u>	<u>152,409</u>
NET ASSETS			
Invested in capital assets, net of related debt	547,947	75,731	623,678
Unrestricted	<u>404,309</u>	<u>532,096</u>	<u>936,405</u>
Total net assets	<u>952,256</u>	<u>607,827</u>	<u>1,560,083</u>
Total liabilities and net assets	<u>\$ 988,239</u>	<u>\$ 724,253</u>	<u>\$ 1,712,492</u>

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the fiscal year ended June 30, 2006

	Construction and Repair Fund	Central Services Fund	Total
OPERATING REVENUES			
Charges for services	\$ 893,540	\$ 2,221,090	\$ 3,114,630
Licenses and permits	-	29,657	29,657
Miscellaneous	372	10,730	11,102
TOTAL OPERATING REVENUES	<u>893,912</u>	<u>2,261,477</u>	<u>3,155,389</u>
OPERATING EXPENSES			
Personal services	561,267	1,514,680	2,075,947
Materials and services	132,279	590,458	722,737
Depreciation	106,010	26,020	132,030
TOTAL OPERATING EXPENSES	<u>799,556</u>	<u>2,131,158</u>	<u>2,930,714</u>
Operating income (Loss)	<u>94,356</u>	<u>130,319</u>	<u>224,675</u>
NON-OPERATING INCOME (EXPENSES)			
Intergovernmental	-	16,038	16,038
Interest on investments	14,662	18,993	33,655
Loss on disposal of assets	(3,290)	-	(3,290)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>11,372</u>	<u>35,031</u>	<u>46,403</u>
NET INCOME (LOSS) BEFORE TRANSFERS	105,728	165,350	271,078
TRANSFERS			
Transfers out	(13,600)	(49,030)	(62,630)
CHANGE IN NET ASSETS	92,128	116,320	208,448
NET ASSETS, JULY 1, 2005	<u>860,128</u>	<u>491,507</u>	<u>1,351,635</u>
NET ASSETS, JUNE 30, 2006	<u>\$ 952,256</u>	<u>\$ 607,827</u>	<u>\$ 1,560,083</u>

See auditor's report.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the fiscal year ended June 30, 2006

	<u>Construction and Repair Fund</u>	<u>Central Services Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,549	\$ 36,994	\$ 41,543
Receipts from interfund services provided	889,394	2,221,090	3,110,484
Payments to suppliers	(288,321)	(935,070)	(1,223,391)
Payments to employees	(398,088)	(1,119,416)	(1,517,504)
	<u>207,534</u>	<u>203,598</u>	<u>411,132</u>
CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES			
Transfers out	<u>(13,600)</u>	<u>(49,030)</u>	<u>(62,630)</u>
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	-	16,038	16,038
Acquisition of capital assets	(77,737)	(64,914)	(142,651)
Proceeds from sale of capital assets	770	-	770
	<u>(76,967)</u>	<u>(48,876)</u>	<u>(125,843)</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES			
Interest on investments	<u>14,662</u>	<u>18,993</u>	<u>33,655</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
	131,629	124,685	256,314
CASH AND CASH EQUIVALENTS, JULY 1, 2005			
	<u>308,663</u>	<u>520,005</u>	<u>828,668</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2006			
	<u>\$ 440,292</u>	<u>\$ 644,690</u>	<u>\$ 1,084,982</u>

	Construction and Repair Fund	Central Services Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 94,356	\$ 130,319	\$ 224,675
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	106,010	26,020	132,030
Change in assets and liabilities:			
Accounts receivable, net	30	(2,669)	(2,639)
Accounts payable and accrued liabilities	2,986	52,735	55,721
Deposits	-	(725)	(725)
Compensated absences	4,152	(2,082)	2,070
Net cash provided by operating activities	<u>\$ 207,534</u>	<u>\$ 203,598</u>	<u>\$ 411,132</u>



COMBINING STATEMENTS

Agency Funds

Agency Funds account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds. The Agency Funds of the City are:

NORTHEAST OREGON AIR TASK FORCE FUND – accounts for grants and other donations, which are passed through to another government.

BAIL FUND – accounts for the activity associated with bail funds of the municipal court.

PENDLETON FOUNDATION TRUST FUND – accounts for the receipts and distributions of unrestricted income from the Pendleton Foundation Trust as provided by Ordinance No. 2699.

EASTERN OREGON DRUG TASK FORCE FUND – accounts for receipt of state grant funds and their use for drug enforcement by participating law enforcement agencies.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2006

	Northeast Oregon Air Task Force Fund	Bail Fund	Pendleton Foundation Trust Fund	Total
ASSETS				
Cash and cash equivalents	\$ 911	\$ 13,359	\$ 9,761	\$ 24,031
LIABILITIES				
Accounts payable	\$ -	\$ 8,678	\$ -	\$ 8,678
Due to other governments	911	4,681	9,761	15,353
Total liabilities	\$ 911	\$ 13,359	\$ 9,761	\$ 24,031

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 State Tax Street Fund and the Community Development Block Grant Fund) 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.

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL, BY DEPARTMENT (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the fiscal year ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES AND TRANSFERS				
Departments:				
Planning and building	\$ 448,820	\$ 444,370	\$ 321,569	\$ 122,801
Municipal Court	318,400	315,100	308,782	6,318
Economic development	10,000	10,000	9,995	5
Non-departmental	1,252,647	1,517,647	1,430,033	87,614
Police	3,297,700	3,227,000	3,085,887	141,113
Fire	3,065,400	3,009,800	2,816,420	193,380
Parks and recreation	1,626,600	1,632,300	1,616,374	15,926
Contingency	2,518,233	2,518,233	-	2,518,233
TOTALS	<u>\$ 12,537,800</u>	<u>\$ 12,674,450</u>	<u>\$ 9,589,060</u>	<u>\$ 3,085,390</u>

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

Governmental Funds

Special Revenue Funds

- Bike
- Library
- Library Trust
- Transportation Services
- Housing Rehabilitation Revolving Loan
- Local Community Development
- Sidewalk Repair Loan Fund
- Airport Rehabilitation Revolving Loan
- Pendleton Convention Center
- Pendleton Youth Commission
- Police Interagency Special Revolving
- System Development Fees
- Parks Trust
- Parks, Facilities, and Cemetery Capital Reserve
- Fire Capital Reserve
- County Dispatch Capital Equipment
- Pendleton Development Commission

Debt Service Fund

- Debt Service

Permanent Trust Funds

- Library Permanent Trust
- Cemetery Perpetual Care Trust

Capital Projects Funds

- Local Improvement District Construction
- Keystone Project Fund

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BIKE FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 8,200	\$ 8,203	\$ 3
Interest on investments	200	673	473
TOTAL REVENUES	<u>8,400</u>	<u>8,876</u>	<u>476</u>
EXPENDITURES			
Current:			
Culture and recreation:			
Materials and services	<u>8,000</u>	<u>8,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	400	876	476
FUND BALANCE, JULY 1, 2005	<u>7,800</u>	<u>8,825</u>	<u>1,025</u>
FUND BALANCE, JUNE 30, 2006	<u><u>\$ 8,200</u></u>	<u><u>\$ 9,701</u></u>	<u><u>\$ 1,501</u></u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 19,000	\$ 19,000	\$ 20,189	\$ 1,189
Intergovernmental	316,150	316,150	316,852	702
Contributions	22,000	22,000	19,667	(2,333)
Interest on investments	2,000	2,000	5,440	3,440
TOTAL REVENUES	359,150	359,150	362,148	2,998
EXPENDITURES				
Current:				
Culture and recreation:				
Personal services	333,960	326,960	302,026	24,934
Materials and services	105,440	105,440	93,441	11,999
Total current	439,400	432,400	395,467	36,933
Capital outlay	6,000	6,000	-	6,000
Contingency	73,600	73,600	-	73,600
TOTAL EXPENDITURES	519,000	512,000	395,467	116,533
REVENUES OVER (UNDER) EXPENDITURES	(159,850)	(152,850)	(33,319)	119,531
OTHER FINANCING SOURCES (USES)				
Transfers in	41,890	41,890	41,890	-
Transfers out	-	(7,000)	(7,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	41,890	34,890	34,890	-
NET CHANGE IN FUND BALANCE	(117,960)	(117,960)	1,571	119,531
FUND BALANCE, JULY 1, 2005	117,960	117,960	125,305	7,345
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	\$ 126,876	\$ 126,876

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY TRUST FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Contributions	\$ 6,000	\$ 1,145	\$ (4,855)
Interest on investments	35,000	38,850	3,850
TOTAL REVENUES	<u>41,000</u>	<u>39,995</u>	<u>(1,005)</u>
EXPENDITURES			
Current:			
Culture and recreation:			
Materials and services	50,000	33,142	16,858
Capital outlay	10,200	3,614	6,586
TOTAL EXPENDITURES	<u>60,200</u>	<u>36,756</u>	<u>23,444</u>
REVENUES OVER (UNDER) EXPENDITURES	(19,200)	3,239	22,439
OTHER FINANCING SOURCES			
Transfers in	6,000	5,385	(615)
NET CHANGE IN FUND BALANCE	(13,200)	8,624	21,824
FUND BALANCE JULY 1, 2005	<u>640,900</u>	<u>650,411</u>	<u>9,511</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 627,700</u>	<u>\$ 659,035</u>	<u>\$ 31,335</u>

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION SERVICES FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 144,020	\$ 142,880	\$ (1,140)
Interest on investments	400	3,996	3,596
Miscellaneous	-	9,524	9,524
TOTAL REVENUES	<u>144,420</u>	<u>156,400</u>	<u>11,980</u>
EXPENDITURES			
Current:			
General government:			
Materials and services	164,650	151,553	13,097
Contingency	20,350	-	20,350
TOTAL EXPENDITURES	<u>185,000</u>	<u>151,553</u>	<u>33,447</u>
REVENUES OVER (UNDER) EXPENDITURES	(40,580)	4,847	45,427
OTHER FINANCING SOURCES (USES)			
Transfers in	25,580	25,580	-
NET CHANGE IN FUND BALANCE	(15,000)	30,427	45,427
FUND BALANCE, JULY 1, 2005	<u>15,000</u>	<u>77,162</u>	<u>62,162</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ 107,589</u>	<u>\$ 107,589</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING REHABILITATION REVOLVING LOAN FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Loan repayments	\$ 46,000	\$ 44,521	\$ (1,479)
Interest on investments	2,500	8,187	5,687
Miscellaneous	-	100	100
TOTAL REVENUES	<u>48,500</u>	<u>52,808</u>	<u>4,308</u>
EXPENDITURES			
Current:			
General government:			
Materials and services	<u>225,500</u>	<u>33,452</u>	<u>192,048</u>
REVENUES OVER (UNDER) EXPENDITURES	(177,000)	19,356	196,356
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(20,000)</u>	<u>(19,065)</u>	<u>935</u>
NET CHANGE IN FUND BALANCE	(197,000)	291	197,291
FUND BALANCE JULY 1, 2005	<u>197,000</u>	<u>189,204</u>	<u>(7,796)</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ 189,495</u>	<u>\$ 189,495</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL COMMUNITY DEVELOPMENT FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest on investments	\$ 3,000	\$ 5,365	\$ 2,365
EXPENDITURES			
Current:			
General government:			
Materials and services	177,000	32,942	144,058
REVENUES OVER (UNDER) EXPENDITURES	(174,000)	(27,577)	146,423
OTHER FINANCING SOURCES (USES)			
Transfers in	20,000	19,065	(935)
NET CHANGE IN FUND BALANCE	(154,000)	(8,512)	145,488
FUND BALANCE JULY 1, 2005	154,000	150,616	(3,384)
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ 142,104</u>	<u>\$ 142,104</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SIDEWALK REPAIR LOAN FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Special assessments	\$ 21,000	\$ 28,990	\$ 7,990
Loan repayments	10,000	-	(10,000)
Interest on investments	-	16	16
Miscellaneous	-	30	30
TOTAL REVENUES	31,000	29,036	(1,964)
EXPENDITURES			
Current:			
General government:			
Materials and services	500	48	452
Capital outlay	150,000	-	150,000
Debt service	158,000	29,234	128,766
TOTAL EXPENDITURES	308,500	29,282	279,218
REVENUES OVER (UNDER) EXPENDITURES	(277,500)	(246)	277,254
OTHER FINANCING SOURCES (USES)			
Interfund loan proceeds	277,500	-	(277,500)
NET CHANGE IN FUND BALANCE	-	(246)	(246)
FUND BALANCE (DEFICIT) JULY 1, 2005	-	(147,461)	(147,461)
Budgetary basis adjustment	-	22,500	22,500
FUND BALANCE (DEFICIT) JUNE 30, 2006	\$ -	\$ (125,207)	\$ (125,207)

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AIRPORT REHABILITATION REVOLVING LOAN FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest on investments	\$ 80	\$ 123	\$ 43
EXPENDITURES			
Contingency	3,250	-	3,250
NET CHANGE IN FUND BALANCE	(3,170)	123	3,293
FUND BALANCE JULY 1, 2005	3,170	3,188	18
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ 3,311</u>	<u>\$ 3,311</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PENDLETON CONVENTION CENTER FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 285,000	\$ 285,000	\$ 314,764	\$ 29,764
Licenses and permits	58,000	58,000	52,200	(5,800)
Charges for services	273,000	323,000	270,453	(52,547)
Interest on investments	-	-	21	21
Miscellaneous	17,000	17,000	10,966	(6,034)
TOTAL REVENUES	633,000	683,000	648,404	(34,596)
EXPENDITURES				
Current:				
General government:				
Personal services	261,200	260,000	257,980	2,020
Materials and services	336,230	386,230	357,750	28,480
Total current	597,430	646,230	615,730	30,500
Capital outlay	11,000	11,000	-	11,000
Debt service	27,000	23,300	8,187	15,113
Contingency	19,570	19,570	-	19,570
TOTAL EXPENDITURES	655,000	700,100	623,917	76,183
REVENUES OVER (UNDER) EXPENDITURES	(22,000)	(17,100)	24,487	41,587
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(4,900)	(4,900)	-
Interfund loan proceeds	22,000	22,000	-	(22,000)
TOTAL OTHER FINANCING SOURCES (USES)	22,000	17,100	(4,900)	(22,000)
NET CHANGE IN FUND BALANCE	-	-	19,587	19,587
FUND BALANCE (DEFICIT), JULY 1, 2005	-	-	(131,789)	(131,789)
FUND BALANCE (DEFICIT), JUNE 30, 2006	\$ -	\$ -	\$ (112,202)	\$ (112,202)

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PENDLETON YOUTH COMMISSION FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 6,750	\$ -	\$ (6,750)
Contributions	2,000	1,415	(585)
Interest on investments	150	328	178
TOTAL REVENUES	8,900	1,743	(7,157)
EXPENDITURES			
Current:			
General government:			
Materials and services	14,900	9,299	5,601
NET CHANGE IN FUND BALANCE	(6,000)	(7,556)	(1,556)
FUND BALANCE JULY 1, 2005	6,000	12,111	6,111
FUND BALANCE, JUNE 30, 2006	\$ -	\$ 4,555	\$ 4,555

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
POLICE INTERAGENCY SPECIAL REVOLVING FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 4,000	\$ 28,699	\$ 24,699
Fines and forfeitures	10,000	1,652	(8,348)
Interest on investments	7,000	10,129	3,129
Miscellaneous	-	2,263	2,263
TOTAL REVENUES	21,000	42,743	21,743
EXPENDITURES			
Current:			
General government:			
Materials and services	306,000	101,257	204,743
NET CHANGE IN FUND BALANCE	(285,000)	(58,514)	226,486
FUND BALANCE, JULY 1, 2005	285,000	299,592	14,592
FUND BALANCE, JUNE 30, 2006	\$ -	\$ 241,078	\$ 241,078

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SYSTEM DEVELOPMENT FEES FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 100,000	\$ 100,000	\$ 66,068	\$ (33,932)
Special assessments	4,150	4,150	6,817	2,667
Interest on investments	15,000	15,000	24,142	9,142
TOTAL REVENUES	119,150	119,150	97,027	(22,123)
EXPENDITURES				
Capital outlay	754,150	987,200	673,035	314,165
REVENUES OVER (UNDER) EXPENDITURES	(635,000)	(868,050)	(576,008)	292,042
OTHER FINANCING SOURCES (USES)				
Transfers in	-	233,050	233,050	-
NET CHANGE IN FUND BALANCE	(635,000)	(635,000)	(342,958)	292,042
FUND BALANCE, JULY 1, 2005	635,000	635,000	768,411	133,411
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	\$ 425,453	\$ 425,453

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS TRUST FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Licenses and permits	\$ 1,000	\$ 5,796	\$ 4,796
Contributions	3,500	4,708	1,208
Interest on investments	2,800	6,086	3,286
TOTAL REVENUES	7,300	16,590	9,290
EXPENDITURES			
Capital outlay	95,000	17,010	77,990
NET CHANGE IN FUND BALANCE	(87,700)	(420)	87,280
FUND BALANCE, JULY 1, 2005	141,025	154,819	13,794
FUND BALANCE, JUNE 30, 2006	\$ 53,325	\$ 154,399	\$ 101,074

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS, FACILITIES AND CEMETERY CAPITAL EQUIPMENT RESERVE FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest on investments	\$ 700	\$ 933	\$ 233
EXPENDITURES			
Capital outlay	35,000	34,937	63
REVENUES OVER (UNDER) EXPENDITURES	<u>(34,300)</u>	<u>(34,004)</u>	<u>296</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	-	6,826	6,826
Transfers in	18,750	18,750	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>18,750</u>	<u>25,576</u>	<u>6,826</u>
NET CHANGE IN FUND BALANCE	(15,550)	(8,428)	7,122
FUND BALANCE, JULY 1, 2005	<u>20,500</u>	<u>30,810</u>	<u>10,310</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 4,950</u>	<u>\$ 22,382</u>	<u>\$ 17,432</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE CAPITAL RESERVE FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 90,000	\$ 90,000	\$ 87,409	\$ (2,591)
Intergovernmental	-	32,222	32,222	-
Interest on investments	510	510	129	(381)
TOTAL REVENUES	<u>90,510</u>	<u>122,732</u>	<u>119,760</u>	<u>(2,972)</u>
EXPENDITURES				
Capital outlay	-	44,013	44,013	-
Debt Service	155,000	155,000	155,458	(458)
TOTAL EXPENDITURES	<u>155,000</u>	<u>199,013</u>	<u>199,471</u>	<u>(458)</u>
REVENUES OVER (UNDER) EXPENDITURES	(64,490)	(76,281)	(79,711)	(3,430)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,390	80,390	80,390	-
NET CHANGE IN FUND BALANCE	15,900	4,109	679	(3,430)
FUND BALANCE (DEFICIT), JULY 1, 2005	-	-	(151,075)	(151,075)
Budgetary basis adjustment	-	-	151,500	151,500
FUND BALANCE, JUNE 30, 2006	<u>\$ 15,900</u>	<u>\$ 4,109</u>	<u>\$ 1,104</u>	<u>\$ (3,005)</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COUNTY DISPATCH CAPITAL EQUIPMENT FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Interest on investments	2,500	2,500	5,825	3,325
TOTAL REVENUES	62,500	62,500	65,825	3,325
EXPENDITURES				
Current:				
General government:				
Materials and services	40,000	110,000	97,789	12,211
NET CHANGE IN FUND BALANCE	22,500	(47,500)	(31,964)	15,536
FUND BALANCE, JULY 1, 2005	141,000	141,000	136,750	(4,250)
FUND BALANCE, JUNE 30, 2006	<u>\$ 163,500</u>	<u>\$ 93,500</u>	<u>\$ 104,786</u>	<u>\$ 11,286</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PENDLETON DEVELOPMENT COMMISSION FUND
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 50,000	\$ 50,000	\$ 42,621	\$ (7,379)
Interest on investments	3,000	3,000	1,138	(1,862)
Miscellaneous	-	-	1,420	1,420
TOTAL REVENUES	53,000	53,000	45,179	(7,821)
EXPENDITURES				
Current:				
General government:				
Materials and services	10,000	553,000	16,085	536,915
Capital outlay	543,000	-	-	-
Debt service	25,000	25,000	1,910	23,090
TOTAL EXPENDITURES	578,000	578,000	17,995	560,005
REVENUES OVER (UNDER) EXPENDITURES	(525,000)	(525,000)	27,184	552,184
OTHER FINANCING SOURCES (USES)				
Issuance of debt	525,000	525,000	120,000	(405,000)
NET CHANGE IN FUND BALANCE	-	-	147,184	147,184
FUND BALANCE, JULY 1, 2005	-	-	-	-
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	\$ 147,184	\$ 147,184

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes:			
Current	\$ 619,130	\$ 606,196	\$ (12,934)
Prior	15,000	33,859	18,859
Interest on investments	3,000	7,121	4,121
TOTAL REVENUES	637,130	647,176	10,046
EXPENDITURES			
Debt service	648,724	648,722	2
NET CHANGE IN FUND BALANCE	(11,594)	(1,546)	10,048
FUND BALANCE, JULY 1, 2005	86,750	84,809	(1,941)
FUND BALANCE, JUNE 30, 2006	\$ 75,156	\$ 83,263	\$ 8,107

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY PERMANENT TRUST FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest on investments	\$ 6,000	\$ 5,385	\$ (615)
OTHER FINANCING SOURCES (USES)			
Transfers out	(6,000)	(5,385)	615
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, JULY 1, 2005	139,295	139,433	138
FUND BALANCE, JUNE 30, 2006	<u>\$ 139,295</u>	<u>\$ 139,433</u>	<u>\$ 138</u>

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CEMETERY PERPETUAL CARE TRUST FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Licenses and permits	\$ 3,350	\$ 5,086	\$ 1,736
Interest on investments	10,000	(5,833)	(15,833)
TOTAL REVENUES	13,350	(747)	(14,097)
OTHER FINANCING SOURCES (USES)			
Transfers out	(10,000)	-	10,000
NET CHANGE IN FUND BALANCE	3,350	(747)	(4,097)
FUND BALANCE, JULY 1, 2005	637,200	641,223	4,023
FUND BALANCE, JUNE 30, 2006	\$ 640,550	\$ 640,476	\$ (74)

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
LOCAL IMPROVEMENT DISTRICT CONSTRUCTION FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Special assessments	\$ 118,000	\$ 101,148	\$ (16,852)
Interest on investments	50	22	(28)
Miscellaneous	50	20	(30)
TOTAL REVENUES	<u>118,100</u>	<u>101,190</u>	<u>(16,910)</u>
EXPENDITURES			
Current:			
General government:			
Materials and services	1,000	690	310
Capital outlay	250,000	-	250,000
Debt service	420,000	95,459	324,541
TOTAL EXPENDITURES	<u>671,000</u>	<u>96,149</u>	<u>574,851</u>
REVENUES OVER (UNDER) EXPENDITURES	(552,900)	5,041	557,941
OTHER FINANCING SOURCES (USES)			
Issuance of debt	957,900	-	(957,900)
NET CHANGE IN FUND BALANCE	405,000	5,041	(399,959)
FUND BALANCE (DEFICIT), JULY 1, 2005	(405,000)	(330,876)	74,124
Budgetary basis adjustment	-	81,000	81,000
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ -</u>	<u>\$ (244,835)</u>	<u>\$ (244,835)</u>

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
KEYSTONE PROJECT FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest on investments	\$ -	\$ 4,429	\$ 4,429
Miscellaneous	260,400	260,400	-
TOTAL REVENUES	<u>260,400</u>	<u>264,829</u>	<u>4,429</u>
EXPENDITURES			
Capital outlay	2,727,900	11,997	2,715,903
Debt service	212,500	209,486	3,014
TOTAL EXPENDITURES	<u>2,940,400</u>	<u>221,483</u>	<u>2,718,917</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,680,000)	43,346	2,723,346
OTHER FINANCING SOURCES (USES)			
Issuance of debt	2,600,000	-	(2,600,000)
NET CHANGE IN FUND BALANCE	(80,000)	43,346	123,346
FUND BALANCE, JULY 1, 2005	<u>80,000</u>	<u>88,010</u>	<u>8,010</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ 131,356</u>	<u>\$ 131,356</u>

See auditor's report.



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

Proprietary Funds

Enterprise Funds

- Water
- All Sewer Funds
 - Sewer
 - Sewer Capital Reserve
- Airport
- Cemetery

Internal Service Funds

- Construction and Repair
- Central Services

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 3,038,000	\$ 3,038,000	\$ 2,888,641	\$ (149,359)
Interest on investments	-	-	34	34
Miscellaneous	22,000	22,000	3,326	(18,674)
TOTAL REVENUES	3,060,000	3,060,000	2,892,001	(167,999)
EXPENDITURES				
Current:				
Personal services	573,350	561,700	487,912	73,788
Materials and services	1,657,035	1,657,035	1,414,986	242,049
Total current	2,230,385	2,218,735	1,902,898	315,837
Capital outlay	400,000	400,000	299,839	100,161
Debt service	1,153,015	1,153,015	500,565	652,450
TOTAL EXPENDITURES	3,783,400	3,771,750	2,703,302	1,068,448
REVENUES OVER (UNDER) EXPENDITURES	(723,400)	(711,750)	188,699	900,449
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	723,400	942,575	-	(942,575)
Sale of property	-	-	327	327
Transfers out	-	(230,825)	(230,825)	-
TOTAL OTHER FINANCING SOURCES (USES)	723,400	711,750	(230,498)	(942,248)
NET CHANGE IN FUND BALANCE	-	-	(41,799)	(41,799)
FUND BALANCE (DEFICIT), JULY 1, 2005	-	-	(755,746)	(755,746)
FUND BALANCE (DEFICIT), JUNE 30, 2006	\$ -	\$ -	(797,545)	\$ (797,545)
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:				
Capital assets, net of depreciation			14,908,586	
Long-term debt			(5,317,147)	
Accrued interest payable			(135,949)	
NET ASSETS, JUNE 30, 2006			\$ 8,657,945	

**CITY OF PENDLETON, OREGON
 COMBINED SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL SEWER FUNDS
 For the fiscal year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,711,500	\$ 1,711,500	\$ 1,670,889	\$ (40,611)
Intergovernmental	-	-	3,500	3,500
Interest on investments	18,000	18,000	33,989	15,989
TOTAL REVENUES	<u>1,729,500</u>	<u>1,729,500</u>	<u>1,708,378</u>	<u>(21,122)</u>
EXPENDITURES				
Current:				
Personal services	369,500	361,650	297,574	64,076
Materials and services	1,093,310	1,093,310	1,093,110	200
Total current	1,462,810	1,454,960	1,390,684	64,276
Capital outlay	500,000	526,125	522,502	3,623
Debt service	3,840	3,840	3,836	4
Contingency	193,550	153,550	-	153,550
TOTAL EXPENDITURES	<u>2,160,200</u>	<u>2,138,475</u>	<u>1,917,022</u>	<u>221,453</u>
REVENUES OVER (UNDER) EXPENDITURES	(430,700)	(408,975)	(208,644)	200,331
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(21,725)	(21,725)	-
NET CHANGE IN FUND BALANCE	(430,700)	(430,700)	(230,369)	200,331
FUND BALANCE, JULY 1, 2005	<u>984,700</u>	<u>984,700</u>	<u>971,102</u>	<u>(13,598)</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 554,000</u>	<u>\$ 554,000</u>	<u>740,733</u>	<u>186,733</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:				
Capital assets, net of depreciation			2,957,802	
Long-term debt			(13,162)	
NET ASSETS, JUNE 30, 2006			<u>\$ 3,685,373</u>	

CITY OF PENDLETON, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL SEWER FUNDS
For the fiscal year ended June 30, 2006

	Sewer Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Charges for services	\$ 1,711,500	\$ 1,711,500	\$ 1,670,889	\$ (40,611)
Intergovernmental	-	-	3,500	3,500
Interest on investments	8,000	8,000	13,745	5,745
TOTAL REVENUES	1,719,500	1,719,500	1,688,134	(31,366)
EXPENDITURES				
Current:				
Personal services	369,500	361,650	297,574	64,076
Materials and services	1,093,310	1,093,310	1,093,110	200
Total current	1,462,810	1,454,960	1,390,684	64,276
Capital outlay	500,000	526,125	522,502	3,623
Debt service	3,840	3,840	3,836	4
Contingency	193,550	153,550	-	153,550
TOTAL EXPENDITURES	2,160,200	2,138,475	1,917,022	221,453
REVENUES OVER (UNDER) EXPENDITURES	(440,700)	(418,975)	(228,888)	190,087
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(21,725)	(21,725)	-
NET CHANGE IN FUND BALANCE	(440,700)	(440,700)	(250,613)	190,087
FUND BALANCE, JULY 1, 2005	440,700	440,700	434,041	(6,659)
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	\$ 183,428	\$ 183,428

See auditor's report.

Sewer Capital Reserve Fund			Total (all Sewer Funds)			
Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
			Original	Final		
\$ -	\$ -	\$ -	\$ 1,711,500	\$ 1,711,500	\$ 1,670,889	\$ (40,611)
-	-	-	-	-	3,500	3,500
10,000	20,244	10,244	18,000	18,000	33,989	15,989
10,000	20,244	10,244	1,729,500	1,729,500	1,708,378	(21,122)
-	-	-	369,500	361,650	297,574	64,076
-	-	-	1,093,310	1,093,310	1,093,110	200
-	-	-	1,462,810	1,454,960	1,390,684	64,276
-	-	-	500,000	526,125	522,502	3,623
-	-	-	3,840	3,840	3,836	4
-	-	-	193,550	153,550	-	153,550
-	-	-	2,160,200	2,138,475	1,917,022	221,453
10,000	20,244	10,244	(430,700)	(408,975)	(208,644)	200,331
-	-	-	-	(21,725)	(21,725)	-
10,000	20,244	10,244	(430,700)	(430,700)	(230,369)	200,331
544,000	537,061	(6,939)	984,700	984,700	971,102	(13,598)
\$ 554,000	\$ 557,305	\$ 3,305	\$ 554,000	\$ 554,000	\$ 740,733	\$ 186,733

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
AIRPORT FUND
For the fiscal year ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 530,000	\$ 530,000	\$ 462,830	\$ (67,170)
Intergovernmental	2,208,000	3,403,100	2,744,033	(659,067)
Interest on investments	100	100	30	(70)
Donations	5,000	5,000	5,000	-
Miscellaneous	10,000	10,000	32,788	22,788
TOTAL REVENUES	<u>2,753,100</u>	<u>3,948,200</u>	<u>3,244,681</u>	<u>(703,519)</u>
EXPENDITURES				
Current:				
Personal services	334,950	329,350	282,862	46,488
Materials and services	449,750	449,750	449,748	2
Total current	784,700	779,100	732,610	46,490
Capital outlay	2,047,000	3,305,000	2,574,351	730,649
Debt service	1,600,000	1,537,100	81,747	1,455,353
TOTAL EXPENDITURES	<u>4,431,700</u>	<u>5,621,200</u>	<u>3,388,708</u>	<u>2,232,492</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,678,600)</u>	<u>(1,673,000)</u>	<u>(144,027)</u>	<u>1,528,973</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	1,000	1,000	36,216	35,216
Interfund loan proceeds	1,677,600	1,677,600	-	(1,677,600)
Transfers out	-	(5,600)	(5,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,678,600</u>	<u>1,673,000</u>	<u>30,616</u>	<u>(1,642,384)</u>
NET CHANGE IN FUND BALANCE	-	-	(113,411)	(113,411)
FUND BALANCE (DEFICIT), JULY 1, 2005	-	-	(1,562,014)	(1,562,014)
FUND BALANCE (DEFICIT), JUNE 30, 2006	<u>\$ -</u>	<u>\$ -</u>	(1,675,425)	<u>\$ (1,675,425)</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:				
Capital assets, net of depreciation			10,707,385	
Notes receivable			351,602	
NET ASSETS, JUNE 30, 2006			<u>\$ 9,383,562</u>	

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CEMETERY FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 7,000	\$ 7,000	\$ 3,610	\$ (3,390)
Licenses and permits	89,500	89,500	96,257	6,757
Interest on investments	-	-	168	168
Miscellaneous	-	-	250	250
TOTAL REVENUES	<u>96,500</u>	<u>96,500</u>	<u>100,285</u>	<u>3,785</u>
EXPENDITURES				
Current				
Personal services	220,400	216,300	161,395	54,905
Materials and services	74,600	74,600	74,360	240
Total current	295,000	290,900	235,755	55,145
Debt service	275,000	275,000	281,189	(6,189)
TOTAL EXPENDITURES	<u>570,000</u>	<u>565,900</u>	<u>516,944</u>	<u>48,956</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(473,500)</u>	<u>(469,400)</u>	<u>(416,659)</u>	<u>52,741</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	473,500	473,500	463,500	(10,000)
Transfers out	-	(4,100)	(4,100)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>473,500</u>	<u>469,400</u>	<u>459,400</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	-	-	42,741	42,741
FUND BALANCE (DEFICIT), JULY 1, 2005	-	-	(282,527)	(282,527)
Budgetary basis adjustment	-	-	280,000	280,000
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>40,214</u>	<u>\$ 40,214</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:				
Capital assets, net of depreciation			<u>31,487</u>	
NET ASSETS (DEFICIT), JUNE 30, 2006			<u>\$ 71,701</u>	

See auditor's report.

**CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CONSTRUCTION AND REPAIR FUND
For the fiscal year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 899,325	\$ 899,325	\$ 893,540	\$ (5,785)
Interest on investments	2,500	2,500	14,662	12,162
Miscellaneous	-	-	372	372
TOTAL REVENUES	901,825	901,825	908,574	6,749
EXPENDITURES				
Current:				
Personal services	632,700	619,100	561,267	57,833
Materials and services	132,760	132,760	132,279	481
Total current	765,460	751,860	693,546	58,314
Capital outlay	115,000	115,000	77,737	37,263
Contingency	79,365	79,365	-	79,365
TOTAL EXPENDITURES	959,825	946,225	771,283	174,942
REVENUES OVER (UNDER) EXPENDITURES	(58,000)	(44,400)	137,291	181,691
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	770	770
Transfers out	-	(13,600)	(13,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(13,600)	(12,830)	770
NET CHANGE IN FUND BALANCE	(58,000)	(58,000)	124,461	182,461
FUND BALANCE, JULY 1, 2005	258,000	258,000	279,848	21,848
FUND BALANCE, JUNE 30, 2006	\$ 200,000	\$ 200,000	404,309	\$ 204,309
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:				
Capital assets, net of depreciation			547,947	
NET ASSETS, JUNE 30, 2006			\$ 952,256	

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CENTRAL SERVICES FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 2,221,090	\$ 2,221,090	\$ 2,221,090	\$ -
Licenses and permits	35,200	35,200	29,657	(5,543)
Interest on investments	8,000	8,000	18,993	10,993
Intergovernmental	5,000	14,000	16,038	2,038
Miscellaneous	5,200	5,200	10,730	5,530
TOTAL REVENUES	2,274,490	2,283,490	2,296,508	13,018
EXPENDITURES				
Current:				
Personal services	1,649,250	1,621,800	1,514,680	107,120
Materials and services	654,350	654,350	590,458	63,892
Total current	2,303,600	2,276,150	2,105,138	171,012
Capital outlay	85,700	85,700	64,914	20,786
Contingency	278,610	278,610	-	278,610
TOTAL EXPENDITURES	2,667,910	2,640,460	2,170,052	470,408
REVENUES OVER (UNDER) EXPENDITURES	(393,420)	(356,970)	126,456	483,426
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,580)	(49,030)	(49,030)	-
NET CHANGE IN FUND BALANCE	(406,000)	(406,000)	77,426	483,426
FUND BALANCE, JULY 1, 2005	406,000	406,000	454,670	48,670
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	532,096	\$ 532,096
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:				
Capital assets, net of depreciation			75,731	
NET ASSETS, JUNE 30, 2006			\$ 607,827	

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES AND TRANSFERS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BY DEPARTMENT
CENTRAL SERVICES FUND
For the fiscal year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES AND TRANSFERS				
City manager's office	\$ 340,800	\$ 333,250	\$ 318,838	\$ 14,412
Insurance	291,500	291,500	259,414	32,086
Mayor and city council	46,000	54,900	47,744	7,156
Legal	299,000	292,100	278,530	13,570
Finance	553,700	544,500	470,280	74,220
Engineering	454,000	446,550	409,546	37,004
Facilities	404,300	399,050	385,700	13,350
Total general government	2,389,300	2,361,850	2,170,052	191,798
Contingency	278,610	278,610	-	278,610
Transfers	12,580	49,030	49,030	-
TOTAL EXPENDITURES AND TRANSFERS	\$ 2,680,490	\$ 2,689,490	\$ 2,219,082	\$ 470,408

See auditor's report.

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

Fiduciary Funds

Agency Funds

- Eastern Oregon Drug Task Force
- Pendleton Foundation Trust

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EASTERN OREGON DRUG TASK FORCE FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 110,000	\$ 81,506	\$ (28,494)
EXPENDITURES			
Materials and services	110,000	81,506	28,494
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, JULY 1, 2005	-	-	-
FUND BALANCE, JUNE 30, 2006	\$ -	\$ -	\$ -

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PENDLETON FOUNDATION TRUST FUND
For the fiscal year ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Contributions	\$ 150,500	\$ 55,495	\$ (95,005)
Interest on investments	2,500	1,138	(1,362)
TOTAL REVENUES	153,000	56,633	(96,367)
EXPENDITURES			
Materials and services	240,000	141,878	98,122
NET CHANGE IN FUND BALANCE	(87,000)	(85,245)	1,755
FUND BALANCE, JULY 1, 2005	87,000	95,006	8,006
FUND BALANCE, JUNE 30, 2006	\$ -	\$ 9,761	\$ 9,761

See auditor's report.



OTHER FINANCIAL SCHEDULES

**CITY OF PENDLETON, OREGON
ALL AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended June 30, 2006**

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Northeast Oregon Air Task Force Agency				
ASSETS				
Cash and cash equivalents	\$ 1,130	\$ 36	\$ 255	\$ 911
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	\$ 1,130	\$ 36	\$ 255	\$ 911
Ball Fund				
ASSETS				
Cash and cash equivalents	\$ 8,297	\$ 5,062	\$ -	\$ 13,359
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 7,685	\$ 993	\$ -	\$ 8,678
Due to other governments	612	4,069	-	4,681
Total liabilities	\$ 8,297	\$ 5,062	\$ -	\$ 13,359
Eastern Oregon Drug Task Force Fund				
ASSETS				
Accounts receivable	\$ -	\$ 81,506	\$ 81,506	\$ -
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	\$ -	\$ 81,506	\$ 81,506	\$ -
Pendleton Foundation Trust				
ASSETS				
Cash and cash equivalents	\$ 95,006	\$ 56,633	\$ 141,878	\$ 9,761
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	\$ 95,006	\$ 56,633	\$ 141,878	\$ 9,761

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the fiscal year ended June 30, 2006

	Taxes Uncollected July 1, 2005	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2006
2005-06	\$ -	\$ 4,793,466	\$ (135,464)	\$ (4,455,863)	\$ 202,139
2004-05	206,242	-	4,613	(114,589)	96,266
2003-04	97,218	-	5,450	(49,940)	52,728
2002-03	55,883	-	5,734	(38,034)	23,583
2001-02	22,518	-	4,197	(23,009)	3,706
2000-01	4,702	-	(808)	(1,294)	2,600
1999-00	2,854	-	(202)	(1,098)	1,554
1998-99	1,853	-	(28)	(251)	1,574
1997-98	(11)	-	1,799	(226)	1,562
1996-97	(2,208)	-	2,921	(227)	486
1995-96	(2,067)	-	2,447	(181)	199
1994-95	(2,621)	-	2,805	(5)	179
Prior	1,219	-	156	(608)	767
	<u>\$ 385,582</u>	<u>\$ 4,793,466</u>	<u>\$ (106,380)</u>	<u>\$ (4,685,325)</u>	<u>\$ 387,343</u>

Tax Collections to June 30, 2006	Taxes Receivable June 30, 2006
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Taxes receivable and tax collections classified by fund:

General Fund	\$ 4,002,946	\$ 330,630
Pendleton Development Commission	42,413	1,924
Debt Service Fund	639,966	54,789
Plus: appeals and foreclosure adjustments	<u>14,066</u>	<u>-</u>
Totals	<u>\$ 4,699,391</u>	<u>\$ 387,343</u>

Reconciliation of Property Tax Revenues (Cash Basis) to Property Tax Revenues (Generally Accepted Accounting Principles Basis) (GAAP)

	Property Tax Revenues (Cash Basis)	Less: Beginning Accrual	Plus: Ending Accrual	Property Tax Revenues (Fund Basis)
Property Tax Revenue:				
General Fund	\$ 4,016,715	\$ -	\$ -	\$ 4,016,715
Pendleton Development Commission	42,621	-	-	42,621
Debt Service Fund	<u>640,055</u>	<u>-</u>	<u>-</u>	<u>640,055</u>
	<u>\$ 4,699,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,699,391</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL AND INTEREST TRANSACTIONS
For the fiscal year ended June 30, 2006

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>
Governmental Funds:				
General Obligation Bonds				
1996 Armory Refunding	02/01/96	3.5% - 5.3%	06/01/10	\$ 1,305,000
1996 Facility Bonds	07/01/96	4.75% - 5.8%	01/01/16	\$ 2,975,000
1998 McCune Refunding	06/01/98	3.75% - 4.7%	01/01/14	\$ 2,110,000
2005 Facilities Refunding	01/10/05	3.00%-4.00%	01/01/16	\$ 1,945,000
Less Deferred Amounts on Refunding	01/10/05			\$ (57,514)
Total General Obligation Bonds				
Limited Tax Pension Bonds				
Series 2005	09/23/05	4.21%-5.004%	06/01/28	\$ 7,160,000
Notes payable				
Community Bank - Pendleton Development Commission	02/16/06	5.50%	12/31/08	\$ 600,000
Community Bank - Keystone	01/12/05	4.75%	01/15/25	\$ 2,700,000
Port of Umatilla	09/18/90	5.00%	01/15/10	\$ 49,182
Total General Long Term Debt				
Enterprise Funds:				
Water Fund				
Notes payable				
Port of Umatilla	09/18/90	5.00%	01/15/10	\$ 49,182
Safe Drinking Water State Revolving Loan Fund	06/30/03	4.50%	12/01/22	\$ 4,000,000
Safe Drinking Water State Revolving Loan Fund	06/30/03	4.17%	12/01/22	\$ 1,900,000
Total Water Fund				
Sewer Fund				
Notes payable				
Port of Umatilla	09/18/90	5.00%	01/15/10	\$ 49,182
Total Enterprise Funds				

See auditor's report.

Debt Principal				Matured Interest Payable			
Outstanding June 30, 2005	Issued During Year	Paid During Year	Outstanding June 30, 2006	Outstanding June 30, 2005	Matured During Year	Paid During Year	Outstanding June 30, 2006
\$ 685,000	\$ -	\$ 120,000	\$ 565,000	\$ -	\$ 34,960	\$ 34,960	\$ -
135,000	-	135,000	-	-	7,087	7,087	-
1,945,000	-	175,000	1,770,000	-	88,328	88,328	-
1,945,000	-	20,000	1,925,000	-	68,348	68,348	-
(54,899)	-	(5,289)	(49,610)	-	-	-	-
<u>4,655,101</u>	<u>-</u>	<u>444,711</u>	<u>4,210,390</u>	<u>-</u>	<u>198,723</u>	<u>198,723</u>	<u>-</u>
<u>-</u>	<u>7,160,000</u>	<u>-</u>	<u>7,160,000</u>	<u>-</u>	<u>243,088</u>	<u>243,088</u>	<u>-</u>
-	120,000	-	120,000	-	1,410	1,410	-
2,665,852	-	93,129	2,572,723	-	116,357	116,357	-
16,189	-	3,027	13,162	-	809	809	-
<u>\$ 7,337,142</u>	<u>\$ 7,280,000</u>	<u>\$ 540,867</u>	<u>\$ 14,076,275</u>	<u>\$ -</u>	<u>\$ 560,387</u>	<u>\$ 560,387</u>	<u>\$ -</u>
\$ 16,190	\$ -	\$ 3,027	\$ 13,163	\$ -	\$ 809	\$ 809	\$ -
3,739,000	-	139,000	3,600,000	-	168,254	168,254	-
1,772,009	-	68,025	1,703,984	-	73,893	73,893	-
<u>5,527,199</u>	<u>-</u>	<u>210,052</u>	<u>5,317,147</u>	<u>-</u>	<u>242,956</u>	<u>242,956</u>	<u>-</u>
<u>16,189</u>	<u>-</u>	<u>3,027</u>	<u>13,162</u>	<u>-</u>	<u>809</u>	<u>809</u>	<u>-</u>
<u>\$ 5,543,388</u>	<u>\$ -</u>	<u>\$ 213,079</u>	<u>\$ 5,330,309</u>	<u>\$ -</u>	<u>\$ 243,765</u>	<u>\$ 243,765</u>	<u>\$ -</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE GENERAL OBLIGATION BONDED DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2006

Year of Maturity	General Obligation Bonds		Armory Refunding	
	Totals		Principal	Interest
	Principal	Interest		
2006-07	\$ 495,000	\$ 179,443	\$ 130,000	\$ 29,140
2007-08	505,000	159,193	135,000	22,640
2008-09	520,000	138,307	145,000	15,755
2009-10	550,000	116,518	155,000	8,215
2010-11	405,000	92,220	-	-
2011-12	430,000	75,735	-	-
2012-13	445,000	57,125	-	-
2013-14	465,000	37,610	-	-
2014-15	215,000	17,225	-	-
2015-16	230,000	8,625	-	-
	<u>\$ 4,260,000</u>	<u>\$ 882,001</u>	<u>\$ 565,000</u>	<u>\$ 75,750</u>

McCune Refunding		Facilities Refunding	
Principal	Interest	Principal	Interest
\$ 200,000	\$ 80,803	\$ 165,000	\$ 69,500
200,000	72,003	170,000	64,550
200,000	63,102	175,000	59,450
215,000	54,103	180,000	54,200
220,000	44,320	185,000	47,900
235,000	34,310	195,000	41,425
245,000	23,500	200,000	33,625
255,000	11,985	210,000	25,625
-	-	215,000	17,225
-	-	230,000	8,625
<u>\$ 1,770,000</u>	<u>\$ 384,126</u>	<u>\$ 1,925,000</u>	<u>\$ 422,125</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE LIMITED TAX PENSION
BONDED DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2006

Year of Maturity	Limited Tax Pension Bonds	
	Principal	Interest
2006-07	\$ 70,000	\$ 352,870
2007-08	45,000	349,923
2008-09	65,000	347,976
2009-10	85,000	345,129
2010-11	105,000	341,358
2011-12	125,000	336,616
2012-13	155,000	329,741
2013-14	180,000	322,591
2014-15	210,000	314,194
2015-16	240,000	303,990
2016-17	270,000	292,328
2017-18	310,000	279,209
2018-19	345,000	264,146
2019-20	390,000	247,383
2020-21	430,000	228,433
2021-22	480,000	206,915
2022-23	530,000	182,896
2023-24	585,000	156,375
2024-25	645,000	127,102
2025-26	710,000	94,826
2026-27	775,000	59,297
2027-28	410,000	20,516
	<u>\$ 7,160,000</u>	<u>\$ 5,503,814</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2006

Year of Maturity	Notes Payable		Community Bank - Pendleton Development Commission		Community Bank - Keystone		Port of Umatilla	
	Totals		Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest						
2006-07	\$ 92,385	\$ 127,537	\$ -	\$ 6,600	\$ 89,207	\$ 120,279	\$ 3,178	\$ 658
2007-08	96,875	123,047	-	6,600	93,538	115,948	3,337	499
2008-09	110,169	118,214	8,586	6,475	98,079	111,407	3,504	332
2009-10	115,709	112,759	9,725	5,957	102,841	106,645	3,143	157
2010-11	118,106	107,061	10,273	5,408	107,833	101,653	-	-
2011-12	123,921	101,247	10,853	4,829	113,068	96,418	-	-
2012-13	130,023	95,145	11,465	4,217	118,558	90,928	-	-
2013-14	136,425	88,742	12,111	3,570	124,314	85,172	-	-
2014-15	143,143	82,025	12,795	2,887	130,348	79,138	-	-
2015-16	150,193	74,974	13,516	2,165	136,677	72,809	-	-
2016-17	157,591	67,576	14,279	1,402	143,312	66,174	-	-
2017-18	165,353	59,814	15,084	597	150,269	59,217	-	-
2018-19	158,878	51,939	1,313	18	157,585	51,921	-	-
2019-20	165,214	44,272	-	-	165,214	44,272	-	-
2020-21	173,235	36,251	-	-	173,235	36,251	-	-
2021-22	181,645	27,841	-	-	181,645	27,841	-	-
2022-23	190,464	19,022	-	-	190,464	19,022	-	-
2023-24	199,710	9,776	-	-	199,710	9,776	-	-
2024-25	96,846	1,281	-	-	96,846	1,281	-	-
	\$ 2,705,885	\$ 1,348,523	\$ 120,000	\$ 50,725	\$ 2,572,723	\$ 1,296,152	\$ 13,162	\$ 1,646

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
WATER FUND
June 30, 2006

Year of Maturity	Notes Payable Totals		Port of Umatilla		Safe Drinking Water State Revolving Loan Fund			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2006-07	\$ 220,040	\$ 233,714	\$ 3,178	\$ 658	\$ 146,000	\$ 162,000	\$ 70,862
2007-08	229,154	224,030	3,337	499	152,000	155,430	73,817	68,101
2008-09	239,399	213,935	3,504	332	159,000	148,580	76,895	65,023
2009-10	249,245	203,409	3,144	157	166,000	141,435	80,101	61,817
2010-11	257,442	192,441	-	-	174,000	133,965	83,442	58,476
2011-12	267,921	181,132	-	-	181,000	126,135	86,921	54,997
2012-13	279,546	169,362	-	-	189,000	117,990	90,546	51,372
2013-14	292,321	157,081	-	-	198,000	109,485	94,321	47,596
2014-15	305,255	144,238	-	-	207,000	100,575	98,255	43,663
2015-16	318,350	130,828	-	-	216,000	91,260	102,350	39,568
2016-17	332,620	116,838	-	-	226,000	81,540	106,620	35,298
2017-18	347,066	102,222	-	-	236,000	71,370	111,066	30,852
2018-19	362,698	86,970	-	-	247,000	60,750	115,698	26,220
2020-20	378,522	71,031	-	-	258,000	49,635	120,522	21,396
2020-21	394,548	56,395	-	-	269,000	38,025	125,548	18,370
2021-22	412,783	37,055	-	-	282,000	25,920	130,783	11,135
2022-23	430,237	18,911	-	-	294,000	13,230	136,237	5,681
	<u>\$ 5,317,147</u>	<u>\$ 2,339,592</u>	<u>\$ 13,163</u>	<u>\$ 1,646</u>	<u>\$ 3,600,000</u>	<u>\$ 1,627,325</u>	<u>\$ 1,703,984</u>	<u>\$ 710,621</u>

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
SEWER FUND
June 30, 2006

<u>Year of Maturity</u>	<u>Port of Umatilla</u>	
	<u>Principal</u>	<u>Interest</u>
2006-07	\$ 3,178	\$ 658
2007-08	3,337	499
2008-09	3,504	332
2009-10	3,143	157
	<u>\$ 13,162</u>	<u>\$ 1,646</u>

See auditor's report.



ACCOMPANYING INFORMATION

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 as follows:

1. ACCOUNTING SYSTEMS AND INTERNAL CONTROL

We found the accounting system of the City of Pendleton, Oregon to be generally well maintained and adequate for audit purposes. The internal controls for the City are operating as designed and no material weaknesses or reportable conditions were noted. However, we noted other matters involving internal control, which we have reported to management of the City of Pendleton in a separate letter dated October 13, 2006.

2. INVESTMENTS

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, for the year ended June 30, 2006.

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 ("FDIC").

Our review of the City's deposited funds carried in various depositories did not disclose instances where the City exceeded Federal Deposit Insurance Corporation coverage including additional certificates of collateral participation in effect at the time.

Our review of the Pendleton Development Commission's deposited funds disclosed instances where the Agency exceeded Federal Deposit Insurance Corporation ("FDIC") coverage including additional certificates of collateral participation in effect at the time.

4. INDEBTEDNESS

We reviewed compliance relating to short-term and long-term debt, including limitations of 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 budget and supplemental budgets for 2005-06 and the preparation and adoption of the budget for 2006-07. The City has complied with statutory requirements in all material respects for the current and ensuing year's budget, except as follows:

Expenditures exceeded appropriations in the following amounts:

Community Development Block Grant Fund:	
Debt Service	<u>\$ 23,558</u>
Fire Capital Reserve Fund:	
Debt Service	<u>\$ 458</u>
Cemetery Fund:	
Debt Service	<u>\$ 6,189</u>

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 and the Central Services Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, debt service, contingency, and all other requirement levels.

6. INSURANCE AND FIDELITY BONDS

We reviewed the City's insurance and fidelity bond coverage at June 30, 2006, 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, 2006, 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 Federal Financial Assistance Programs funded from Outside Services.

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 Pendleton.



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Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

October 13, 2006

To the Governing Body of the City of Pendleton, 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 Pendleton, Oregon, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon, dated October 13, 2006. 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 of Pendleton, Oregon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Pendleton, Oregon in a separate letter dated October 13, 2006.

Compliance and other Matters

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

This report is intended solely for the information and use of the City Council, management of the City of Pendleton, Oregon, federal grantor agencies, the Secretary of State, Division of Audits, and the State of Oregon 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 Passenger Facility Charge Program and on Internal
Control over Compliance in Accordance with OMB Circular A-133 and Passenger
Facility Charge Audit Guide for Public Agencies**

October 13, 2006

To the Governing Body of the City of Pendleton, Oregon:

Compliance

We have audited the compliance of the City of Pendleton, 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, 2006. We have also audited the compliance of the City of Pendleton, Oregon with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration and the guide for its passenger facility charge program for the year ended June 30, 2006. The City of Pendleton'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 requirements of laws, regulations, contracts, and grants applicable to its major federal program and passenger facility charges is the responsibility of the City of Pendleton's management. Our responsibility is to express an opinion on the City of Pendleton'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards, OMB Circular A-133, and the guide 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 of Pendleton'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 of Pendleton's compliance with those requirements.

In our opinion, the City of Pendleton, Oregon complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and to its Passenger Facility Charge program for the year ended June 30, 2006.

Internal Control over Compliance

The management of the City of Pendleton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and passenger facility charge program. In planning and performing our audit, we considered the City of Pendleton's internal control over compliance with requirements that could have a direct and material effect on a major federal program and passenger facility charge 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 and the guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 that would be material in relation to a major federal program and passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management of the City of Pendleton, Oregon, federal grantor agencies, the Secretary of State, Division of Audits, and the State of Oregon and is not intended 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 PENDLETON, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2006**

Note A – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Pendleton, 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.

Note B – Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City of Pendleton provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Passed through the City of Pendleton to Eastern Oregon Drug Task Force	16.579	<u>\$ 81,506</u>

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Pass-Through Entity Identification Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Transportation:			
Direct programs:			
Airport Improvement Program		20.106	\$ 2,463,690 **
Passed through the Oregon Department of Transportation:			
Formula Grants for Other than Urbanized Areas	21927	20.509	51,335
Elderly and Persons with Disabilities	21811	20.513	42,055
Passed through Oregon Association of Chiefs of Police:			
National Highway Traffic Safety Administration		20.608	<u>3,518</u>
Total U.S. Department of Transportation			<u>2,560,598</u>
Department of Housing and Urban Development:			
Passed through State of Oregon Housing and Community Services Department:			
Community Development Block Grant	00435	14.228	<u>207,022</u>
Department of Justice:			
Direct programs:			
Public Safety Partnership & Community Policing Grant	2SHWX00	16.710	4,690
Bulletproof Vest Partnership Grant		16.607	2,013
Passed through State of Oregon Criminal Justice Services Division:			
Local Law Enforcement Block Grant	00-472	16.592	2,540
Passed through City of Pendleton to Eastern Oregon Drug Task Force:			
Byrne Formula Grant Program		16.579	81,506
Passed through Eastern Oregon Drug Task Force to City of Pendleton:			
Byrne Formula Grant Program	98-007	16.579	<u>33,668</u>
Total U.S. Department of Justice			<u>124,417</u>
US Department of Homeland Security:			
Direct programs:			
Assistance to Firefighters Grant	EMW-2004 FG	97.044	32,222
Passed through the Oregon Department of State Police			
Office for Domestic Preparedness:			
Citizen Corps Program	04-133	97.053	16,038
Fire Management Assistance Grant		97.046	<u>8,350</u>
Total US Department of Homeland Security			<u>56,610</u>
Total expenditures of Federal Funds			<u>\$ 2,948,647</u>

** Signifies Major Program

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For The Fiscal Year Ended June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Passenger Facility Charges (PFC's)	N/A	<u>\$ 18,588</u>

**CITY OF PENDLETON, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2006**

There were no prior year audit findings to report

