CITY OF PENDLETON, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2007

CITY OF PENDLETON

INCORPORATED
1880

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CITY OF PENDLETON, OREGON
ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2007

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CITY OF PENDLETON, OREGON
OFFICIALS OF THE CITY
AS OF JUNE 30, 2007

MAYOR AND CITY COUNCIL

Name and Address	Term Expires December 31,
Phillip Houk, Mayor 707 NW 3rd Street Pendleton, OR 97801	2008
Steven Bjerke, Council President PO Box 1537 Pendleton, OR 97801	2010
Steve Taylor, Council Member 609 SW Nye Avenue Pendleton, OR 97801	2010
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	2010
Marjorie Iburg, Council Member 404 NW Horn Avenue Pendleton, OR 97801	2008
Dan Ceniga, Council Member 2130 SW Quinney Avenue Pendleton, OR 97801	2008
John Boston 1911 SW Perkins Ave. Pendleton, OR 97801	2010

CITY STAFF

Name	Position
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

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FINANCIAL SECTION

Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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, 2007, 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 December 27, 2007, 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.

Members of: American Institute of Certified Public Accountants
National Association of Certified Valuation Analysts
Oregon Society of Certified Public Accountants

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's 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

Dickey and Tremper, LLP
Certified Public Accountants

December 27, 2007

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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, 2007. 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 $223,216 or 4%. This was mainly due to the 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 $1,943,966. Capital grants, franchise fees and investments saw the majority of the increase. Expenditures increased by $966,659.

- Business-type activities revenue decreased by $1,601,738, largely due to a decrease in government capital grants. The Airport improvement project was completed early in the fiscal year and received $512,431 in grant receipts as compared to $2,463,690 in FY06. Expenditures decreased in all funds by a total of $28,011.

- The unreserved fund balance for the General Fund was $1,271,696 and the total fund balance was $3,175,196 or approximately 33% of total general fund expenditures. The beginning fund balance increased by 16% from the previous year.

- The City's total bonded debt decreased by $559,710 or 5% over FY2005-06. The bonded debt consists of three General Obligation Bonds approved by the voters and the PERS limited tax pension obligaton bonds.

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 and State Tax Street Fund, which are considered to be *major funds*. Data from the other 22 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 and State Tax Street Fund 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 21-27 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 28-34 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 $51,854,473 at the close of the FY2006-07 year. Restricted net assets in the governmental funds include $256,482 for bonded debt service, $502,604 State Street Tax monies reserved for street operations, and $789,856 of restricted funds for Library and the Cemetery Perpetual Care funds. Proprietary Funds have a deficit unrestricted balance of $680,978 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 $46,063,406 or 89 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

	FY 2005-06	FY 2006-07	Change
Assets			
Current and other assets	$ 16,419,986	$ 14,622,024	$ (1,797,962)
Capital Assets	29,836,697	29,316,550	(520,147)
Total assets	$ 46,256,683	$ 43,938,574	$(2,318,109)
Liabilities			
Long-term liabilities outstanding	$13,414,604	$ 13,265,141	$ (149,463)
Other liabilities	1,639,278	1,707,272	67,994
Total liabilities	$ 15,053,882	$ 14,972,413	$ (81,469)
Net Assets			
Invested in capital assets, net of related debt	$ 23,053,585	$ 22,494,116	$ (559,469)
Restricted	1,302,804	1,548,942	246,138
Unrestricted (deficit)	6,846,412	4,923,103	(1,923,309)
Total Net Assets	$ 31,202,801	$ 28,966,161	$ (2,236,640)

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

Business-type Activities

	FY 2005-06	FY 2006-07	Change
Assets			
Current and other assets	$ (606,000)	$ (163,417)	$ 442,583
Capital Assets	29,153,207	28,676,383	(476,824)
Total assets	$ 28,547,207	$ 28,512,966	$ (34,241)
Liabilities			
Long-term liabilities outstanding	$ 5,107,091	$ 4,874,602	$ (232,489)
Other liabilities	689,331	750,052	60,721
Total liabilities	$ 5,796,422	$ 5,624,654	$ (171,768)
Net Assets			
Invested in capital assets, net of related debt	$ 23,849,223	$ 23,569,290	$ (279,933)
Restricted	--	--	--
Unrestricted (deficit)	(1,098,438)	(680,978)	417,460
Total Net Assets	$ 22,750,785	$ 22,888,312	$ 137,527

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

Total Net Assets

	FY 2005-06	FY 2006-07	Change
Assets			
Current and other assets	$ 15,813,986	$ 14,458,607	$ (1,355,379)
Capital Assets	58,989,904	57,992,933	(996,971)
Total assets	$ 74,803,890	$ 72,451,540	$ (2,352,350)
Liabilities			
Long-term liabilities outstanding	$ 18,521,695	$ 18,139,743	$ (381,952)
Other liabilities	2,328,609	2,457,324	128,715
Total liabilities	$ 20,850,304	$ 20,597,067	$ (253,237)
Net Assets			
Invested in capital assets, net of related debt	$ 46,902,808	$ 46,063,406	$ (839,402)
Restricted	1,302,804	1,548,942	246,138
Unrestricted (deficit)	5,747,974	4,242,125	(1,505,849)
Total Net Assets	$ 53,953,586	$ 51,854,473	$(2,099,113)

An additional portion of the City's net assets $1,548,942, approximately 3 percent, represents resources that are subject to external restrictions on how they may be used. The remaining, balance is *unrestricted net assets* totaling $4,242,125 or approximately 8 percent. Unrestricted net assets declined from the previous year by $1.5 million.

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

	FY 2005-06	FY 2006-07	Change
Revenues			
Program revenues:			
Charges for services	$2,964,599	$2,586,881	$ (377,718)
Operating grants & contributions	1,699,348	1,869,523	170,175
Capital grants & contributions	499,717	1,107,016	607,299
General revenues:			
Property taxes	4,701,151	4,925,674	224,523
Franchise fees	2,506,864	3,328,536	821,672
Investment earnings	642,643	1,150,727	508,084
Other	177,907	167,838	(10,069)
Total revenues	**$13,192,229**	**$15,136,195**	**$1,943,966**
Expenses			
General government	$2,406,476	$3,272,077	$ 865,601
Public safety	6,089,004	6,296,541	207,537
Highways & streets	1,467,583	1,500,475	32,892
Culture & recreation	2,473,820	2,317,217	(156,603)
Amortization of PERS prepayment	299,016	244,788	(54,228)
Interest on long-term debt	627,287	698,747	71,460
Total expenses	**$13,363,186**	**$14,329,845**	**$ 966,659**
Revenues over (under) expenses	$ (170,957)	$ 806,350	$ 977,307
Transfers	(187,650)	(81,518)	106,132
Change in net assets	(358,607)	724,832	1,083,439
Net assets--beginning	**$31,561,408**	**$31,202,801**	**$ (358,607)**
Pension asset valuation adjustment	--	(2,961,472)	(2,961,472)
Net assets--ending	**$31,202,801**	**$28,966,161**	**$(2,236,640)**

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

Business-type Activities

	FY 2005-06	FY 2006-07	Change
Revenues			
Program revenues:			
Charges for services	$5,159,390	$5,454,820	$ 295,430
Operating grants & contributions	288,843	296,426	7,583
Capital grants & contributions	2,463,690	512,431	(1,951,259)
General revenues:			
Investment earnings	48,883	72,650	23,767
Other	1,228	23,969	22,741
Total revenues	**$7,962,034**	**$6,360,296**	**$ (1,601,738)**
Expenses			
Water	$ 2,891,747	$ 2,911,894	$ 20,147
Sewer	1,621,512	1,543,694	(77,818)
Airport	1,580,646	1,607,542	26,896
Cemetery	238,393	241,157	2,764
Total expenses	**$6,332,298**	**$ 6,304,287**	**$ (28,011)**
Revenues over (under) expenses	$ 1,629,736	$ 56,009	$(1,573,727)
Transfers	187,650	81,518	(106,132)
Change in net assets	1,817,386	137,527	(1,679,859)
Net assets--beginning	**$20,933,399**	**$22,750,785**	**$ 1,187,386**
Net assets--ending	**$22,750,785**	**$22,888,312**	**$ 137,527**

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

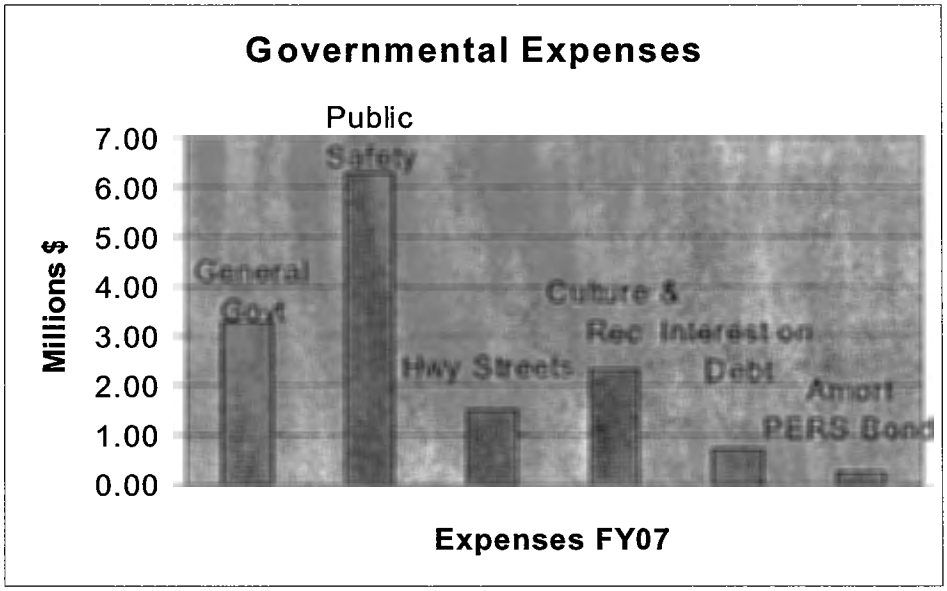
Total Net Assets

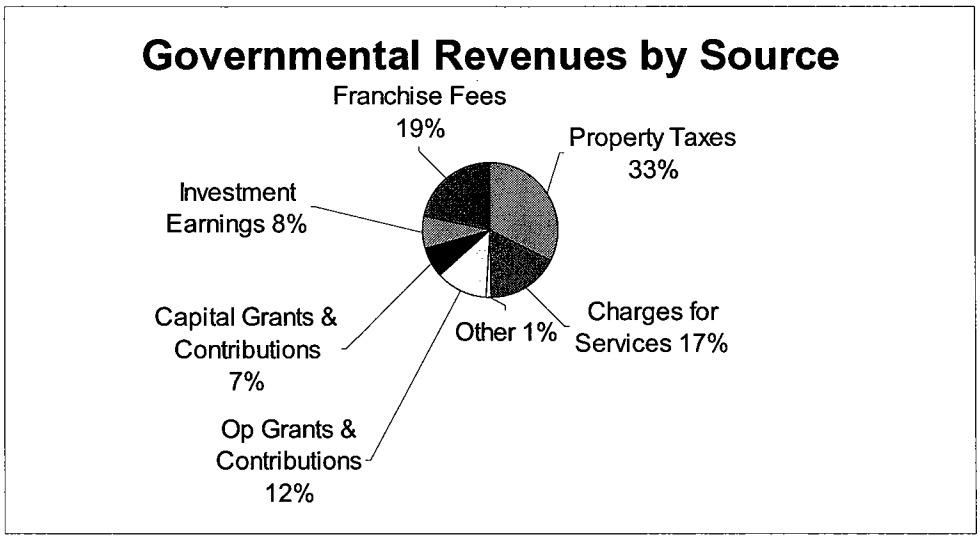
	FY 2005-06	FY 2006-07	Change
Revenues			
Program revenues:			
Charges for services	$8,123,989	$8,041,701	$ (82,288)
Operating grants & contributions	1,988,191	2,165,949	177,758
Capital grants & contributions	2,963,407	1,619,447	(1,343,960)
General revenues:			
Property taxes	4,701,151	4,925,674	224,523
Franchise fees	2,506,864	3,328,536	821,672
Investment earnings	691,526	1,223,377	531,851
Other	179,135	191,807	12,672
Total revenues	**$21,154,263**	**$21,496,491**	**$ 342,228**
Expenses			
General government	$2,406,476	$3,272,077	$ 865,601
Public safety	6,089,004	6,296,541	207,537
Highways & streets	1,467,583	1,500,475	32,892
Culture & recreation	2,473,820	2,317,217	(156,603)
Amortization on PERS prepayment	299,016	244,788	(54,228)
Interest on long-term debt	627,287	698,747	71,460
Water	2,891,747	2,911,894	20,147
Sewer	1,621,512	1,543,694	(77,818)
Airport	1,580,646	1,607,542	26,896
Cemetery	238,393	241,157	2,764
Total expenses	**$19,695,484**	**$20,634,132**	**$ 938,648**
Revenues over (under) expenses	$ 1,458,779	$ 862,359	$ (596 420)
Transfers	--	--	--
Change in net assets	1,458,779	862,359	(596,420)
Net assets--beginning	**$52,494,807**	**$53,953,586**	**$ 1,458,779**
Pension asset valuation adjustment	--	(2,961,472)	(2,961,472)
Net assets--ending	**$53,953,586**	**$51,854,473**	**$(2,099,113)**

As noted above, the City of Pendleton's overall net assets decreased by $2,099,113 during FY2006-07. This decrease is explained in the government and business-type activities discussion below.

Governmental activities. The major factor for the governmental activities net asset decrease was the PERS pension asset valuation adjustment of $2,961,472. The other governmental activities increased by $724,832 over the previous year. The net affect was net assets ending balance of $28,966,161. Total grants & contributions totaled $2,976,539, up from $2,199,065 in FY06. Franchise fees increased by $821,672 or 33 percent due to the increase in the franchise fee rate to 7% for all utilities within the City limits.

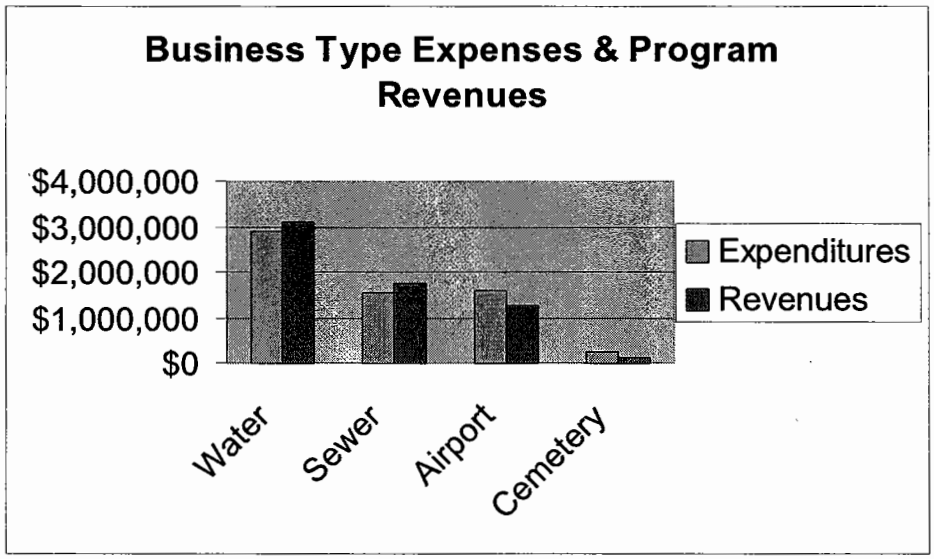
The following graphs provide visual representation of the expenses and revenues for governmental activities for FY2006-07.

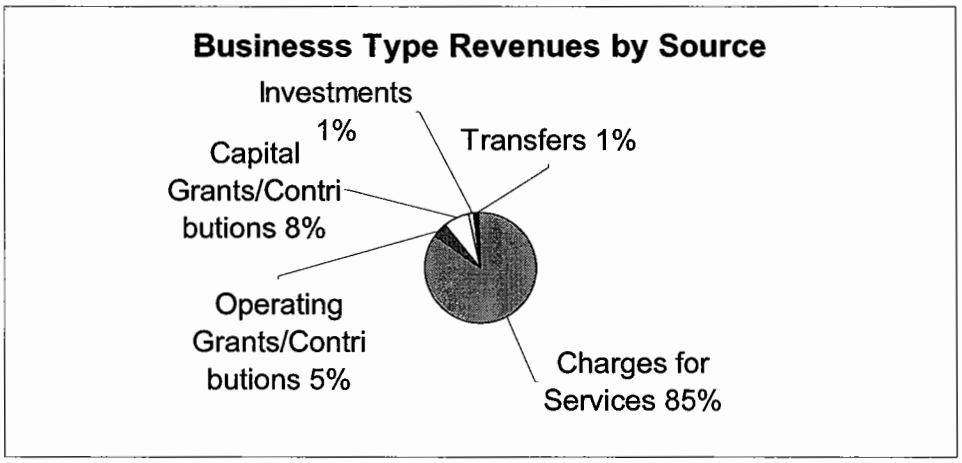




Business-type activities. Business-type activities increased the City's net assets by $137,527. Capital grants & contributions overall decreased over $1,951,259 due mainly to the completion of the Airport Improvement project early in FY07. Total revenues taken in were more than total expenses by $56,009 for FY07. Two of the four business-type funds had a positive net revenue over expenditures, water and sewer.

The following graphs provide visual representation of the expenses and revenues for business-type activities for FY2006-07.





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 $7,290,092, an increase of $1,294,034. Of the combined ending fund balances, $2,764,150 or 38 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 $502,604 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 $789,856, 3) to pay for future debt service payments of $256,482, and 4) advances to other funds of $2,977,000.

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 $1,271,696. A portion of this is money collected for the skatepark fund.

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 33 percent of total General Fund expenditures and transfers.

The fund balance of the City's General Fund increased by $429,395 during FY2006-07. Key factors in that affected fund balance are as follows:

- Revenues and transfers in received by the General Fund increased by 11%, taking in $9,973,198 for the year.
- Expenditures & transfers decreased by .5% for a total of $9,543,803. Materials and services increased by 10% or $262,893. Personnel costs, not including the PERS bond payment, decreased by four percent from the prior year, $76,567.
- Franchise fees from utilities were increased to 7% for all utilities, an increase of 46 percent, or $663,549.
- Capital Outlay of $241,175 for governmental projects, including parks and recreation, facilities, and patrol cars, increased from the prior year by $55,608 or 30 percent.

See pages 61-68 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 ($568,445), $928,970, ($1,425,488) and $39,233 respectively. The Water Fund unrestricted net assets continued in a negative amount in FY07 due to the loan outstanding for the construction of the water treatment plant. The Water Fund owed $5.08 million to the State for the project and borrowed $855,500 from other funds at the end of the fiscal year. The Airport Fund owes approximately $1.758 million to other City funds for AIP capital improvements and operating expenses. Total net assets for enterprise funds increased by $100,807 due mainly water and sewer fund rate increases while holding expenditures to essential requirements.

See Combining Statements on pages 69-73 for the internal service funds, and pages 103-112 for the proprietary funds budgetary schedules.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were three budget resolutions adopted by Council which affected the General Fund Budget The major differences between the original budget and the final amended budget and can be briefly summarized as follows:

- $57,200 increase in *Personnel* for Fire Department operating budget expenses related to reimbursement for firefighter and ambulance services provided for out-of-district incidents. The *Intergovernmental* revenue was increased by $57,200.

- $5,000 increase in *Materials & Services* for Economic Development to provide for a market study grant for enhancement of commercial air service. *Intergovernmental* revenue was increased by $5,000.

- $355,000 increase in *Contingency* due to actual beginning fund balance versus budgeted. *Beginning fund Balance* was increased.

- $31,000 was transferred from *Capital Outlay* for Nondepartmental to *Materials & Serivces* and *Personnel* for Parks Department for maintenance costs associated with the ODOT interchanges.

- $71,000 increase in *Materials & Services* for Nondepartmental for the increase expected to Tourism Promotion Assessment Charge and Transient Room Tax collections payable to the Chamber of Commerce. Increase to *Other Taxes*.

- $32,000 increase in *Capital Outlay* for Nondepartmental expenses to include a parks playclimber, shelter and Vert portable cooling unit. *Contingency* was decreased to balance the fund.

The net change in fund balance during the year was a increase of $429,395. A factor that affected the increase in fund balance was the reduction in interfund transfer outs from prior year by $386,225, a reduction of 62%. FY06 saw a interfund transfer to the Cemetery fund of $463,500 to cover deficit revenues as compared to $121,805 in FY07 to the Cemetery.

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, 2007, amounts to $57,992,933 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, improvements and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was $996,971 or 1 ½ percent (a one percent decrease for business-type activities and a two percent decrease for governmental activities).

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

- The Airport fund closed out the year with $538,325 in improvements due to the rehabilitation of a runway and runway lighting system.

- The addition of the Round-Up Sponsor building and improved restrooms were added to the City's assets for $649,963.

- The Sewer Fund expended approximately $256,090 on the Wastewater Treatment Plant exfiltration improvements.

- A sewer jet truck was purchased for $216,034.

- Depreciation for governmental activities expense for FY07 was $1,593,018 versus capital additions of $1,255,074. Depreciation for business-type activities expense for FY07 was $1,670,889 versus capital additions of $1,301,271.

The following table provides comparative information on the City's capital assets for FY2005-06 and FY2006-07.

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

Governmental Activities

Asset Category	FY2005-06	FY2006-07	Change
Land	$ 2,054,291	$ 2,054,291	$ -0-
Assets available for sale/development	-0-	272,284	272,284
Buildings	14,219,316	14,919,239	699,923
Equipment	5,225,733	5,288,414	62,681
Improvements	9,612,236	9,544,416	(67,821)
Infrastructure	20,926,650	20,926,650	0
Accumulated depreciation & amortization	(22,201,530)	(23,688,744)	(1,487,214)
Total	$29,836,696	$29,316,550	$ (520,147)

Business-type Activities

Asset Category	FY2005-06	FY2006-07	Change
Land	$ 394,545	$ 339,345	$ (55,200)
Buildings	13,624,450	13,592,392	(32,058)
Equipment	17,300,155	17,449,316	149,161
Improvements	25,918,812	26,958,982	1,040,170
Accumulated depreciation & amortization	(28,084,755)	(29,663,652)	(1,578,897)
Total	$29,153,208	$28,676,383	$ (476,825)

Total Net Capital Assets

Asset Category	FY2005-06	FY2005-06	Change
Land	$ 2,448,836	$ 2,393,636	$ (55,200)
Assets Available for sale	-0-	272,284	272,284
Buildings	27,843,766	28,511,631	667,865
Equipment	22,525,888	22,737,730	211,842
Improvements	35,531,048	36,503,398	972,350
Infrastructure	20,926,650	20,926,650	0
Accumulated depreciation & amortization	(50,286,284)	(53,352,396)	(3,066,112)
Total	$58,989,904	$57,992,933	$ 996,971

Additional information on the City of Pendleton's capital assets can be found in footnote III.E. on pages 48-49 of this report.

B. Debt Administration

As of June 30, 2007, the City had General Obligation Bond debt outstanding of $3,765,000. The general obligation debt outstanding is backed by the full faith and credit and taxing power of the City. Debt payments of $495,000 was made on scheduled for FY07. All GO bonded debt is related to governmental activities and is funded by property taxes.

In September 2006, 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. As of June 30, 2007, the City had PERS debt outstanding of $7,090,000.

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 $9,984, $9,985, and $9,985 respectively for a total of $29,954. The City also holds a business loan for the purchase of land and construction of a RV manufacturing plant for $2,491,771 at June 30th. The Pendleton Development Commission (PDC) was advanced $480,000 in loan proceeds for the Downtown Facade Restoration Progam in FY07. Total PDC loan balance outstanding at June 30th was $600,000.

In addition, the Water Fund owes $5,087,123 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	FY2005-06	FY2006-07	Change
General Obligation Bonds	$ 4,260,000	$ 3,765,000	$ (495,000)
Less Deferred Refunding	(49,610)	(44,321)	5,289
Limited Tax Pension Obligation Bonds	7,160,000	7,090,000	(70,000)
Notes Payable	2,585,885	2,501,755	(84,130)
Notes Payable - PDC	120,000	600,000	480,000
Total	$14,076,275	$13,912,434	$(163,841)

Business-type Activities

Debt Category	FY2005-06	FY2006-07	Change
Notes Payable	$5,330,309	$5,107,093	$(223,216)
Total	$5,330,309	$5,107,093	$(223,216)

Total Outstanding Debt

Debt Category	FY2005-06	FY2006-07	Change
General Obligation Bonds	$4,260,000	$ 3,765,000	$ (495,000)
Less Deferred Refunding	(49,610)	(44,321)	5,289
Limited Tax Pension Obligation Bonds	7,160,000	7,090,000	(70,000)
Notes Payable	8,036,194	8,208,848	172,654
Total	$19,406,584	$19,019,527	$ (387,057)

The City's total debt decreased by $387,057 (10 percent) during the current fiscal year. Debt for governmental activities decreased by $163,841 while debt for business-type activities decreased by $223,216. Governmental activities debt decreased by the payments made on the GO Bonded debt and the PERS unfunded actuarial liability. The Pendleton Development Commission component unit to the City of Pendleton increased their outstanding debt for the urban renewal district, therefore total general governmental debt only decreased by one percent. The Business-type activities debt decreased due to the debt service payment made for the water treatment plant and intake facility construction.

Oregon Revised Statues 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 FY2006-07 real market value, this debt limitation is $27,787,760. The amount of outstanding City debt subject to this limitation is $10,855,000.

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 FY2007 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.
- Franchise fees would be increased for all utilities by 7%.
- Health insurance, PERS, and Workers Comp rates expect no increases.
- Fire salaries would increase by 2.5% in July, although the contract was in arbitration.
- Exempt salaries would increase by 2.5% in July.
- OPEU salaries would increase by 2.5 to 3% in July.
- 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 the 2.6%.

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

CITY OF PENDLETON

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OREGON

BASIC FINANCIAL STATEMENTS

CITY OF PENDLETON, OREGON
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,164,596	$ 1,529,602	$ 4,694,198
Receivables:			
Accounts, net	1,081,579	440,264	1,521,843
Property taxes	387,621	-	387,621
Assessments	398,985	-	398,985
Notes	586,393	364,591	950,984
Internal balances	2,716,026	(2,716,026)	-
Inventories	-	218,152	218,152
Bond discounts and issuance costs	100,825	-	100,825
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	759,086	-	759,086
Pension asset	4,637,057	-	4,637,057
Permanently restricted:			
Cash and cash equivalents	159,465	-	159,465
Investments	630,391	-	630,391
Capital assets:			
Land	2,054,291	339,345	2,393,636
Assets available for sale/development	272,284	-	272,284
Depreciable assets, net of depreciation	26,989,975	28,337,038	55,327,013
Total assets	43,938,574	28,512,966	72,451,540
LIABILITIES			
Accounts payable and accrued expenses	586,013	305,594	891,607
Deposits	5,220	-	5,220
Accrued interest payable	104,069	130,393	234,462
Compensated absences payable	364,677	81,574	446,251
Long-term obligations:			
Due within one year	647,293	232,491	879,784
Due in more than one year	13,265,141	4,874,602	18,139,743
Total liabilities	14,972,413	5,624,654	20,597,067
NET ASSETS			
Invested in capital assets, net of related debt	22,494,116	23,569,290	46,063,406
Restricted for:			
Debt service	256,482	-	256,482
Highways and streets	502,604	-	502,604
Library permanent trust	140,406	-	140,406
Cemetery perpetual care permanent trust	649,450	-	649,450
Unrestricted (deficit)	4,923,103	(680,978)	4,242,125
Total net assets	$ 28,966,161	$ 22,888,312	$ 51,854,473

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

CITY OF PENDLETON, OREGON
STATEMENT OF ACTIVITIES
June 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Governmental activities:							
General government	$ 3,272,077	$ 1,144,835	$ 322,825	$ 1,009,688	$ (794,729)	$ -	$ (794,729)
Public safety	6,296,541	1,019,062	310,002	88,003	(4,879,474)	-	(4,879,474)
Highways and streets	1,500,475	120,749	790,253	-	(589,473)	-	(589,473)
Culture and recreation	2,317,217	302,235	446,443	9,325	(1,559,214)	-	(1,559,214)
Amortiation of PERS prepayment	244,788	-	-	-	(244,788)	-	(244,788)
Interest on long-term obligations	698,747	-	-	-	(698,747)	-	(698,747)
Total governmental activities	14,329,845	2,586,881	1,869,523	1,107,016	(8,766,425)	-	(8,766,425)
Business-type activities:							
Water	2,911,894	3,115,971	-	-	-	204,077	204,077
Sewer	1,543,694	1,756,118	-	-	-	212,424	212,424
Airport	1,607,542	454,929	295,556	512,431	-	(344,626)	(344,626)
Cemetery	241,157	127,802	870	-	-	(112,485)	(112,485)
Total business-type activities	6,304,287	5,454,820	296,426	512,431	-	(40,610)	(40,610)
Total primary government	$ 20,634,132	$ 8,041,701	$ 2,165,949	$ 1,619,447	(8,766,425)	(40,610)	(8,807,035)
General revenues:							
Property taxes levied for:							
General purposes					4,122,103	-	4,122,103
Debt service					803,571	-	803,571
Franchise and public services taxes					3,328,536	-	3,328,536
Interest and investment earnings					1,150,727	72,650	1,223,377
Miscellaneous					169,382	23,969	193,351
Gain (loss) on sale of property					(1,544)	-	(1,544)
Transfers					(81,518)	81,518	-
Total general revenues, special items, and transfers					9,491,257	178,137	9,669,394
Change in net assets					724,832	137,527	862,359
Net assets, beginning					31,202,801	22,750,785	53,953,586
Pension asset valuation adjustment					(2,961,472)	-	(2,961,472)
Net assets, beginning, as adjusted					28,241,329	22,750,785	50,992,114
Net assets, ending					$ 28,966,161	$ 22,888,312	$ 51,854,473

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

CITY OF PENDLETON

INCORPORATED
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OREGON

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.

CITY OF PENDLETON, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Street Fund	Other Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 958,758	$ 466,490	$ 2,232,965	$ 3,658,213
Investments	-	-	630,391	630,391
Receivables:				
Property taxes	327,594	-	60,027	387,621
Accounts	720,218	59,574	270,559	1,050,351
Assessments	9,220	-	389,765	398,985
Notes	300,000	16,136	270,257	586,393
Advances to other funds	1,903,500	-	1,073,500	2,977,000
Total assets	$ 4,219,290	$ 542,200	$ 4,927,464	$ 9,688,954
LIABILITIES				
Accounts payable and accrued liabilities	$ 380,583	$ 23,460	$ 145,984	$ 550,027
Deposits	210	-	-	210
Deferred revenue	663,301	16,136	805,688	1,485,125
Advances from other funds	-	-	363,500	363,500
Total liabilities	1,044,094	39,596	1,315,172	2,398,862
FUND BALANCES (DEFICIT)				
Reserved for:				
Advances to other funds	1,903,500	-	1,073,500	2,977,000
Debt service	-	-	256,482	256,482
Highways and streets	-	502,604	-	502,604
Permanent funds	-	-	789,856	789,856
Unreserved, reported in:				
Major funds	1,271,696	-	-	1,271,696
Capital projects funds	-	-	95,904	95,904
Special revenue funds	-	-	1,396,550	1,396,550
Total fund balances	3,175,196	502,604	3,612,292	7,290,092
Total liabilities and fund balances	$ 4,219,290	$ 542,200	$ 4,927,464	$ 9,688,954

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, 2007

Fund balances - total governmental funds		$ 7,290,092
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets and bond issuance costs used in governmental activites are not financial resources, and, therefore, are not reported in the funds		29,253,780
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.		4,737,882
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		1,485,125
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.		(314,156)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(104,069)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.		(13,912,434)
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	$ 424,934	
Accounts receivable, net	31,228	
Internal balances	102,526	
Capital assets, net	62,770	
Accounts payable and accrued expenses	(35,986)	
Deposits	(5,010)	
Compensated absences payable	(50,521)	
Total internal service funds		529,941
Net assets of governmental activities		$ 28,966,161

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
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund	State Tax Street Fund	Other Governmental Funds	Totals
REVENUES				
Property taxes	$ 4,166,593	$ -	$ 807,814	$ 4,974,407
Other taxes	424,802	-	382,953	807,755
Franchise fees	2,109,704	-	-	2,109,704
Licenses and fees	491,402	-	169,521	660,923
Charges for services	782,427	118,410	543,846	1,444,683
Intergovernmental	1,087,016	790,253	799,718	2,676,987
Fines and forfeitures	391,509	-	-	391,509
Assessments	24,470	-	211,040	235,510
Loan repayments	-	-	33,573	33,573
Contributions	93,283	-	69,867	163,150
Interest on investments	165,480	20,917	190,315	376,712
Miscellaneous	89,736	2,340	27,385	119,461
TOTAL REVENUES	9,826,422	931,920	3,236,032	13,994,374
EXPENDITURES				
Current:				
General govrenment	1,241,572	-	1,161,305	2,402,877
Public safety	5,787,103	-	176,457	5,963,560
Culture and recreation	1,616,928	-	415,052	2,031,980
Highways and streets	-	828,557	-	828,557
Capital outlay	241,175	-	363,936	605,111
Debt service	425,720	-	919,912	1,345,632
TOTAL EXPENDITURES	9,312,498	828,557	3,036,662	13,177,717
REVENUES OVER (UNDER) EXPENDITURES	513,924	103,363	199,370	816,657
OTHER FINANCING SOURCES (USES)				
Sale of property	1,426	10,000	-	11,426
Issuance of debt	-	-	480,000	480,000
Transfers in	145,350	-	147,044	292,394
Transfers out	(231,305)	(9,680)	(65,457)	(306,442)
TOTAL OTHER FINANCING SOURCES (USES)	(84,529)	320	561,587	477,378
NET CHANGE IN FUND BALANCE	429,395	103,683	760,957	1,294,035
FUND BALANCE, Beginning	2,745,801	398,921	2,851,335	5,996,057
FUND BALANCE, Ending	$ 3,175,196	$ 502,604	$ 3,612,292	$ 7,290,092

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 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Net change in fund balance - governmental funds		$ 1,294,035
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenues		(609,130)
Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.		643,842
Issuance of debt is a financial resource in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.		(480,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds:		
Change in compensated absences		(49,156)
Change in accrued interest payable		8,026
Amortization of bond discounts and issuance costs		(4,989)
Governmental funds report the payment to PERS made from bond proceeds to reduce the estimated actuarial unfunded liability as a debt service expenditure. In the Statement of Activities, this added to the pension asset and is amortized over the period benefitted:		
Interest earned on pension asset	$ 752,115	
Amortization of PERS UAL	(244,788)	
		507,327
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:		
Capital asset additions	$ 1,255,074	
Basis of assets disposed	(169,242)	
Depreciation expense	(1,593,018)	
		(507,186)
Internal service funds are used by management to charge the costs of certain activites to individual funds. The net revenues (expenses) of the internal service funds are allocated between governmental and business - type activities.		(77,937)
Change in net assets - governmental activities		$ 724,832

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)
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 4,069,900	$ 4,069,900	$ 4,166,593	$ 96,693
Other taxes	309,750	380,750	424,802	44,052
Franchise fees	2,033,450	2,033,450	2,109,704	76,254
Licenses and fees	534,350	534,350	491,402	(42,948)
Charges for services	903,400	903,400	782,427	(120,973)
Intergovernmental	1,033,350	1,095,550	1,087,016	(8,534)
Fines and forfeitures	342,500	342,500	391,509	49,009
Assessments	6,300	6,300	24,470	18,170
Contributions	46,300	46,300	93,283	46,983
Interest on investments	140,000	140,000	165,480	25,480
Miscellaneous	65,400	65,400	89,736	24,336
TOTAL REVENUES	9,484,700	9,617,900	9,826,422	208,522
EXPENDITURES				
Current:				
General government	1,014,385	1,090,385	1,241,572	(151,187)
Public safety	5,893,050	5,950,250	5,787,103	163,147
Culture and recreation	1,617,050	1,648,050	1,616,928	31,122
Capital outlay	449,550	450,550	241,175	209,375
Debt service	426,710	426,710	425,720	990
Contingency	2,390,000	2,713,000	-	2,713,000
TOTAL EXPENDITURES	11,790,745	12,278,945	9,312,498	2,966,447
REVENUES OVER (UNDER) EXPENDITURES	(2,306,045)	(2,661,045)	513,924	3,174,969
OTHER FINANCING SOURCES (USES)				
Sale of property	2,000	2,000	1,426	(574)
Transfers in	145,350	145,350	145,350	-
Interfund loan repayment	-	-	542,500	542,500
Transfers out	(231,305)	(231,305)	(231,305)	-
TOTAL OTHER FINANCING SOURCES (USES)	(83,955)	(83,955)	457,971	541,926
NET CHANGE IN FUND BALANCE	(2,390,000)	(2,745,000)	971,895	3,716,895
Budgetary basis adjustment	-	-	(542,500)	(542,500)
FUND BALANCE, Beginning	2,390,000	2,745,000	2,745,801	801
FUND BALANCE, Ending	$ -	$ -	$ 3,175,196	$ 3,175,196

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, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive / (Negative)
REVENUES				
Charges for services	$ 104,735	$ 104,735	$ 118,410	$ 13,675
Intergovernmental	799,000	799,000	790,253	(8,747)
Interest on investments	2,965	2,965	20,917	17,952
Miscellaneous	-	-	2,340	2,340
TOTAL REVENUES	906,700	906,700	931,920	25,220
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	315,040	315,040	248,133	66,907
Materials and services	611,480	611,480	580,424	31,056
Contingency	311,000	311,000	-	311,000
TOTAL EXPENDITURES	1,237,520	1,237,520	828,557	408,963
REVENUES OVER (UNDER) EXPENDITURES	(330,820)	(330,820)	103,363	434,183
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	10,000	10,000
Transfers out	(9,680)	(9,680)	(9,680)	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,680)	(9,680)	320	10,000
NET CHANGE IN FUND BALANCE	(340,500)	(340,500)	103,683	444,183
FUND BALANCE, Beginning	340,500	340,500	398,921	58,421
FUND BALANCE, Ending	$ -	$ -	$ 502,604	$ 502,604

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

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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, 2007

	Business - type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	$ 782	$ 1,017,889	$ 795	$ 41,048	$ 1,060,514	$ 894,022
Receivables:						
Accounts, net	303,780	16,337	108,478	7,277	435,872	35,620
Notes	16,135	16,136	316,184	-	348,455	16,136
Inventories	204,256	13,896	-	-	218,152	-
Total current assets	524,953	1,064,258	425,457	48,325	2,062,993	945,778
Noncurrent assets:						
Capital assets:						
Land	254,903	41,975	21,317	21,150	339,345	-
Depreciable assets, net of depreciation	14,246,168	2,963,237	10,443,823	39,638	27,692,866	706,942
Total noncurrent assets	14,501,071	3,005,212	10,465,140	60,788	28,032,211	706,942
Total assets	$ 15,026,024	$ 4,069,470	$ 10,890,597	$ 109,113	$ 30,095,204	$ 1,652,720
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	$ 95,495	$ 117,484	$ 75,264	$ 2,637	$ 290,880	$ 50,700
Accrued interest payable	130,393	-	-	-	130,393	-
Deposits	-	-	-	-	-	5,010
Compensated absences payable	12,010	17,804	17,681	6,455	53,950	78,145
Current portion of long-term debt	229,154	3,337	-	-	232,491	-
Total current liabilities	467,052	138,625	92,945	9,092	707,714	133,855
Long-term debt, net of current portion:						
Advances from other funds	855,500	-	1,758,000	-	2,613,500	-
Notes and contracts payable	4,867,954	6,648	-	-	4,874,602	-
Total liabilities	6,190,506	145,273	1,850,945	9,092	8,195,816	133,855
Net assets (deficit):						
Invested in capital assets, net of related debt	9,403,963	2,995,227	10,465,140	60,788	22,925,118	706,942
Unrestricted	(568,445)	928,970	(1,425,488)	39,233	(1,025,730)	811,923
Total net assets	8,835,518	3,924,197	9,039,652	100,021	21,899,388	1,518,865
Total liabilities and net assets	$ 15,026,024	$ 4,069,470	$ 10,890,597	$ 109,113	$ 30,095,204	$ 1,652,720

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, 2007

Net assets - total enterprise funds		$ 21,899,388
Amounts reported for business-type activities in the Statement of Net Assets are different because:		
Internal service funds are used by management to charge the costs of certain activities to individual funds. The Constructin and Repair internal service fund predominately serve the senterprise funds, so the assets and liabilities of the fund are included in Business-Type Activities in the Statement of Net Assets as follows:		
Cash and cash equivalents	$ 469,088	
Accounts receivable, net	4,392	
Notes receivable	16,136	
Internal balances	(102,526)	
Capital assets, net	644,172	
Accounts payable and accrued expenses	(14,714)	
Compensated absences payable	(27,624)	
		988,924
Net assets of business - type activities		$ 22,888,312

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

CITY OF PENDLETON, OREGON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business - type Activities - Enterprise Funds					
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES						
Charges for services	$3,103,554	$1,755,198	$ 427,733	$ 5,126	$ 5,291,611	$2,837,092
Licenses and fees	-	-	-	122,449	122,449	47,958
Miscellaneous	12,415	919	27,196	228	40,758	8,283
TOTAL OPERATING REVENUES	3,115,969	1,756,117	454,929	127,803	5,454,818	2,893,333
OPERATING EXPENSES						
Personal services	442,327	316,595	286,919	138,059	1,183,900	2,053,371
Materials and services	1,601,039	1,016,102	419,796	96,904	3,133,841	762,534
Depreciation	573,297	205,049	787,860	4,014	1,570,220	118,245
TOTAL OPERATING EXPENSES	2,616,663	1,537,746	1,494,575	238,977	5,887,961	2,934,150
OPERATING INCOME (LOSS)	499,306	218,371	(1,039,646)	(111,174)	(433,143)	(40,817)
NON-OPERATING INCOME (EXPENSES)						
Intergovernmental	-	-	290,556	-	290,556	19,216
Contributions	-	-	5,000	870	5,870	8,000
Gain (loss) on disposal of capital assets	(19,817)	(15,479)	-	-	(35,296)	15,996
Interest on investments	18	48,690	149	457	49,314	45,238
Interest expense	(284,734)	(658)	(106,431)	-	(391,823)	-
TOTAL NON-OPERATING INCOME (EXPENSES)	(304,533)	32,553	189,274	1,327	(81,379)	88,450
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	194,773	250,924	(850,372)	(109,847)	(514,522)	47,633
CAPITAL CONTRIBUTIONS						
Intergovernmental	-	-	512,431	-	512,431	-
TRANSFERS						
Transfers in	-	301,100	3,311	142,627	447,038	-
Transfers out	(17,200)	(313,200)	(9,280)	(4,460)	(344,140)	(88,850)
CHANGE IN NET ASSETS	177,573	238,824	(343,910)	28,320	100,807	(41,217)
NET ASSETS, Beginning	8,657,945	3,685,373	9,383,562	71,701	21,798,581	1,560,082
NET ASSETS, Ending	$8,835,518	$3,924,197	$9,039,652	$ 100,021	$21,899,388	$1,518,865

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, 2007

Change in net assets - total enterprise funds	$	100,807
Amounts reported for business-type activities in the Statement of Activites are different because:		
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of the internal service funds are allocated to business - type activities.		36,720
Change in net assets of business - type activities	$	137,527

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

CITY OF PENDLETON, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 3,110,911	$ 1,744,955	$ 473,603	$ 131,240	$ 5,460,709	$ 31,981
Receipts from interfund services provided	-	-	-	-	-	2,829,565
Payments to suppliers	(1,078,257)	(406,095)	(464,540)	(117,395)	(2,066,287)	(1,288,208)
Payments to employees	(309,675)	(230,209)	(217,894)	(100,001)	(857,779)	(1,540,341)
Payments for interfund services used	(655,173)	(636,113)	(49,740)	(18,220)	(1,359,246)	(5,910)
Net cash provided from (used by) operating activities	1,067,806	472,538	(258,571)	(104,376)	1,177,397	27,087
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES						
Transfers in	-	301,100	3,311	142,627	447,038	-
Transfers out	(17,200)	(313,200)	(9,280)	(4,460)	(344,140)	(88,850)
Net cash provided from (used by) non-capital financing activities	(17,200)	(12,100)	(5,969)	138,167	102,898	(88,850)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from intergovernmental revenue	-	-	802,987	-	802,987	19,216
Contributions	-	-	5,000	870	5,870	8,000
Notes receivable principal collections	-	-	35,418	-	35,418	-
Proceeds from sale of capital assets	10,500	10,000	-	-	20,500	19,000
Interfund loan proceeds	-	-	26,000	-	26,000	-
Interfund loan payments	(338,000)	-	-	-	(338,000)	-
Acquisition of capital assets	(212,237)	(294,074)	(545,614)	(33,316)	(1,085,241)	(220,651)
Principal paid on long-term obligations	(220,039)	(3,177)	-	-	(223,216)	-
Interest paid on long-term obligations	(290,290)	(658)	(106,431)	-	(397,379)	-
Net cash provided from (used by) capital and related financing activities	(1,050,066)	(287,909)	217,360	(32,446)	(1,153,061)	(174,435)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	18	48,690	149	457	49,314	45,238
Net cash provided (used) by investing activities	18	48,690	149	457	49,314	45,238
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	558	221,219	(47,031)	1,802	176,548	(190,960)
CASH AND CASH EQUIVALENTS, Beginning	224	796,670	47,826	39,246	883,966	1,084,982
CASH AND CASH EQUIVALENTS, Ending	$ 782	$ 1,017,889	$ 795	$ 41,048	$ 1,060,514	$ 894,022

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

CITY OF PENDLETON, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Totals	
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities						
Operating income (loss)	$ 499,306	$ 218,371	$ (1,039,646)	$ (111,174)	$ (433,143)	$ (40,817)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	573,297	205,049	787,860	4,014	1,570,220	118,245
(Increase) decrease in assets:						
Receivables	(5,058)	(11,162)	18,674	3,437	5,891	(31,787)
Inventories	(12,550)	(3,671)	-	-	(16,221)	-
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	11,158	60,282	(31,439)	(2,544)	37,457	(32,640)
Deposits	-	-	-	-	-	1,426
Compensated absences payable	1,653	3,669	5,980	1,891	13,193	12,660
Net cash provided from (used by) operating activities	$ 1,067,806	$ 472,538	$ (258,571)	$ (104,376)	$ 1,177,397	$ 27,087

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

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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, 2007, 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, 2007

	Agency
ASSETS	
Cash and cash equivalents	$ 49,544
Accounts receivable	36,157
Total assets	$ 85,701
LIABILITIES	
Accounts payable	$ 47,740
Due to other governments	37,961
Total laibilities	$ 85,701

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PENDLETON

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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 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, $597 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, 2007, 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 that exceeded appropriations in the General Fund, Planning Department of $1,933.

C. Deficit fund balances

Funds having a deficit fund balance on the budgetary basis at June 30, 2007 are as follows:

Special Revenue Funds	
Sidewalk Repair Loan Fund	$ (105,081)
Pendleton Convention Center	$ (67,523)
Capital Project Funds	
Local Improvement District Construction Fund	$ (82,099)
Enterprise Funds	
Water Fund	$ (454,187)
Airport Fund	$ (1,741,672)

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 a give an indication of the level of custodial credit risk assumed by the City at June 30, 2007. 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, 2007, the carrying amount of the City's deposits was $285,515 and the bank balance was $799,953, while the carrying amount of the Pendleton Development Commission's deposits was $319,452 and the bank balance was $314,602. 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's bank balance, $175,000 was covered by federal depository insurance and collateral certificates and the remaining $139,602 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, 2007, the amount held in the escrow account for future scheduled payments was $597.

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 unrated 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, 2007 are as follows:

	Reported Amount/ Fair Value
Investments not subject to categorization:	
External Investment Pool	$ 630,391

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	604,967
Local Government Investment Pool	5,055,306
Total cash and cash equivalents	$5,662,293
Funds:	
General	$ 958,758
State Tax Street	466,490
Non - major Governmental funds	2,232,965
Water	782
All Sewer funds	1,017,889
Airport	795
Cemetary	41,048
Internal Service funds	894,022
Fiduciary funds	49,544
Total cash and cash equivalents	$5,662,293

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 2006-2007, the City levied property taxes in the amount of $4,796,753. After loss due to constitutional limits and special assessed added taxes of $5,987 this resulted in a net levy of $5,068,362. 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	Other Governmental Funds	Internal Service	Total Governmental Activites
Property taxes	$ 327,594	$ -	$ 60,027	$ -	$ 387,621
Special assessments	9,220	-	389,765	-	398,985
Accounts	510,498	-	154,405	-	664,903
Intergovernmental	239,165	59,574	116,154	31,228	446,121
Notes	300,000	16,136	270,257	-	586,393
Gross Receivables	1,386,477	75,710	990,608	31,228	2,484,023
Less: Allowance for Uncollectibles	(29,445)	-	-	-	(29,445)
Net Total Receivables	$ 1,357,032	$ 75,710	$ 990,608	$ 31,228	$ 2,454,578

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	Internal Service	Total Business-type Activites
Accounts	$ 308,192	$ 3,190	$ -	$ 7,277	$ -	$ 318,659
Intergovernmental	-	13,147	114,346	-	4,392	131,885
Notes	16,135	16,136	316,184	-	16,136	364,591
Gross Receivables	324,327	32,473	430,530	7,277	20,528	815,135
Less: Allowance for Uncollectibles and prepaids	(4,412)	-	(5,868)	-	-	(10,280)
Net Total Receivables	$ 319,915	$ 32,473	$ 424,662	$ 7,277	$ 20,528	$ 804,855

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 2006-2007 was $260,400. Future lease revenues will be $260,400 for fiscal years 2008 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.

The City has a note receivable from the Pendleton School District for $104,542 for the sale of the ODOT property. $40,000 was paid down and the City is carrying the remaining balance over a 5 year term at 5.0% interest.

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 estimated and known information and assumptions at the end of each fiscal year. 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.

Pension assets are as follows:

Pension assets, beginning		$ 7,091,201
Pension valuation adjustment	$(2,961,472)	
Interest on pension assets	752,115	
Credit for annual actuarial liability change	(244,787)	
Increase in pension assets		(2,454,144)
Pension assets, ending		$ 4,637,057

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	Street	Other Governmental Funds	Total Governmental Activities
Property taxes	$ 286,141	$ -	$ 52,471	$ 338,612
Intergovernmental	67,940	-	93,195	161,135
Notes and assessments	309,220	16,136	660,022	985,378
	$ 663,301	$ 16,136	$ 805,688	$ 1,485,125

E. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2007 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	$ 2,054,291	$ -	$ -	$ -	$ 2,054,291
Land available for sale/development	-	272,284	-	-	272,284
Total non-depreciable	2,054,291	272,284	-	-	2,326,575
Buildings	14,219,316	724,338	-	(24,415)	14,919,239
Equipment	5,225,733	190,752	10,791	(138,862)	5,288,414
Improvements	9,612,236	72,316	-	(140,136)	9,544,416
Infrastructure	20,926,650	-	-	-	20,926,650
Total depreciable	49,983,935	987,406	10,791	(303,413)	50,678,719
Accumulated depreciation					
Buildings	(4,059,915)	(393,295)	-	4,140	(4,449,070)
Equipment	(3,247,294)	(348,509)	(10,791)	130,031	(3,476,563)
Improvements	(2,338,331)	(345,624)	-	-	(2,683,955)
Infrastructure	(12,555,990)	(523,166)	-	-	(13,079,156)
Total accumulated depreciation	(22,201,530)	(1,610,594)	(10,791)	134,171	(23,688,744)
Governmental activities capital assets, net	$ 29,836,696	$ (350,904)	$ -	$ (169,242)	$ 29,316,550

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

General government	$ 439,965
Public safety	226,037
Highways and streets	683,157
Culture and recreation	243,859
Internal service - Central Serivces	17,576
Total depreciation for governmental activities	$ 1,610,594

Capital asset activity for business-type activities for the year ended June 30, 2007 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	$ 394,545	$ -	$ -	$ (55,200)	$ 339,345
Construction in progress	75,752	-	-	(75,752)	-
Total non-depreciable	470,297	-	-	(130,952)	339,345
Buildings	13,624,450	36,310	-	(68,368)	13,592,392
Equipment	17,300,155	224,791	(10,791)	(64,839)	17,449,316
Improvements	25,843,060	1,115,922	-	-	26,958,982
Total depreciable	56,767,665	1,377,023	(10,791)	(133,207)	58,000,690
Accumulated depreciation					
Buildings	(3,033,418)	(345,040)	-	16,361	(3,362,097)
Equipment	(15,844,185)	(273,030)	10,791	64,839	(16,041,585)
Improvements	(9,207,151)	(1,052,819)	-	-	(10,259,970)
Total accumulated depreciation	(28,084,754)	(1,670,889)	10,791	81,200	(29,663,652)
Business-type activities capital assets, net	$ 29,153,208	$ (293,866)	$ -	$ (182,959)	$ 28,676,383

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

Water	$ 573,297
Sewer	205,049
Airport	787,860
Cemetery	4,014
Internal service - Construction and Repair	100,669
Total depreciation for business-type activities	$ 1,670,889

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 $2,716,026. At June 30, 2007, amounts due from other funds in the fund financial statements are as follows:

General Fund receivable from:		
Special Revenue Funds:		
Sidewalk Repair Loan Fund	$ 106,000	
Pendleton Convention Center Fund	174,000	$ 280,000
Capital Projects Funds:		
Local Improvement District Construction Fund		83,500
Enterprise Funds:		
Water Fund	$ 432,000	
Airport Fund	1,108,000	1,540,000
Total General Fund		1,903,500
Library Trust Fund receivable from:		
Airport Fund		650,000
System Development Fees Fund receivable from:		
Water Fund		423,500
Total Interfund Receivables		$ 2,977,000

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 $81,518.

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

	Transfers In	Transfers Out
General Fund	$ 145,350	$ 231,305
State Tax Street Fund	-	9,680
Non-major governmental funds	147,044	65,457
Enterprise Funds:		
Water Fund	-	17,200
Sewer Fund	301,100	313,200
Airport Fund	3,311	9,280
Cemetery Fund	142,627	4,460
Internal Service Funds:		
Construction and Repair Fund	-	21,380
Central Services Fund	-	67,470
Total all funds	$ 739,432	$ 739,432

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. The non-major governmental funds transferred interest earnings from the library permanent trust to the library trust fund. 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, 2007 are as follows:

Description	Interest rates	Amount
Armory Refunding Bonds - 1996	4.5% - 5.3%	$ 435,000
McCune Refunding Bonds - 1998	4.15% - 4.7%	1,570,000
Facilities Refunding Bonds - 2005	3.00%-4.00%	1,760,000
		3,765,000
Less deferred amounts on refunding		(44,321)
		$ 3,720,679

In January of 2005, 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
2008	$ 505,000	$ 159,193
2009	520,000	138,307
2010	550,000	116,518
2011	405,000	92,220
2012	430,000	75,735
2013-2016	1,355,000	120,585
	$ 3,765,000	$ 702,558

2. Limited Tax Pension Bonds

The City issued Limited Tax Pension Bonds in September of 2005, 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
2008	$ 45,000	$ 349,923
2009	65,000	347,976
2010	85,000	345,129
2011	105,000	341,358
2012	125,000	336,616
2013-2017	1,055,000	1,562,844
2018-2022	1,955,000	1,226,086
2023-2027	3,245,000	620,496
2028	410,000	20,516
	$ 7,090,000	$ 5,150,944

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	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2008	$ 3,337	$ 499	$ 6,674	$ 998
2009	3,504	332	7,008	664
2010	3,143	157	6,288	314
	$ 9,984	$ 988	$ 19,970	$ 1,976

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	Business-Type Activities	
June 30	Principal	Interest
2008	$ 225,817	$ 223,531
2009	235,895	213,603
2010	246,101	203,252
2011	257,442	192,441
2012	267,921	181,132
2013-2017	1,528,092	718,347
2018-2022	1,895,617	353,673
2023	430,238	18,911
	$ 5,087,123	$ 2,104,890

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
2008	$ 93,956	$ 115,530
2009	97,699	111,787
2010	102,442	107,044
2011	107,415	102,071
2012	112,630	96,856
2013-2017	650,674	396,756
2018-2022	824,715	222,715
2023-2025	502,240	31,994
	$ 2,491,771	$ 1,184,753

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 $1,400,000 and is to be repaid from property taxes. As of June 30, 2007, the Agency has drawn $600,000 of the line of credit and the interest rate was 6.50%. Interest only payments are payable quarterly until July 31, 2009 when the outstanding balance is due. Future debt service requirements based on the current interest rate and outstanding balance are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2008	$ -	$ 39,000
2009	-	39,000
2010	600,000	39,000
	$ 600,000	$ 117,000

4. Changes Long-Term Liabilities

Long-term liability activity for the year ending June 30, 2007 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 4,260,000	$ -	$ 495,000	$ 3,765,000	$ 505,000
Less deferred amounts on refunding	(49,610)	-	(5,289)	(44,321)	-
Limited Tax Pension Bonds	7,160,000	-	70,000	7,090,000	45,000
Contracts, Loans and Notes	2,705,885	480,000	84,130	3,101,755	97,293
Compensated Absences	305,601	364,677	305,601	364,677	364,677
Governmental activity Long-term liabilities	$ 14,381,876	$ 844,677	$ 949,442	$ 14,277,111	$ 1,011,970
Business-type activities:					
Contracts, Loans and Notes	5,330,309	-	223,216	5,107,093	232,491
Compensated Absences	65,642	81,574	65,642	81,574	81,574
Business-type activity Long-term liabilities	$ 5,395,951	$ 81,574	$ 288,858	$ 5,188,667	$ 314,065

The central services internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for compensated absences in the amount of $50,521 are included in the above amounts. The construction and repair internal service fund predominantly serves the business-type activities and $27,624 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, administrated 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 Statue 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, 2007, 2006, and 2005 were $772,704, $909,964, and $841,266, respectively, equal to the required contributions each year. In addition, the City contributed $7,050,000 in 2006 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, 2007 were as follows:

Annual required contribution	$ 772,704
Interest on pension assets	(752,115)
Adjustment to the annual required contribution	244,787
Annual pension cost	265,376
Contributions made	772,704
Increase in pension asset	507,328
Pension assets, beginning of year	7,091,201
Valuation adjustment, beginning of year	(2,961,472)
Pension assets, end of year	$ 4,637,057

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.

A valuation adjustment of $2,961,472 was made to reduce the beginning pension asset value as reflected in Note III C. "Pension Assets – Restricted". The adjustment to the original calculation was necessary due to greater than anticipated earnings on the invested portion of funds paid by the City to finance estimated unfunded actuarial liability with PERS and the immediate utilization of a portion of the deposit by PERS to pay the City's transitional liability upon entering the pooled account. Additional information, not available at the time of the calculation of the 6/30/06 Pension Asset balance, was made available in order to more accurately calculate an estimate of annual amounts. However, as noted in Note III C, this estimate may be subject to material change in the future when new information and assumptions are made available.

The Pendleton Development Commission is committed to provide $300,000 towards second floor development (elevators) on Main Street. The commitments are contingent upon completion of the project and obtaining at least on occupancy permit for each property.

The Pendleton Development Commission is also committed to various projects under the façade restoration program totaling approximately $865,500, of which, approximately $159,000 has been paid. In addition, there are a number of additional applications pending.

D. Subsequent Events

Subsequent to year end, the Pendleton Development Commission approved the purchase of real property for approximately $49,000, paid $32,000 towards the construction of a new sewer line, and approved a second purchase of real property for $120,000.

The City awarded bids to various contractors for asphalt and building repairs for approximately $123,500. The City also approved the bid for a bullet trapping system for a new gun range for $111,869, and bids for miscellaneous Public Works equipment for $89,700.

In addition, the City declared a lot at the airport as surplus property available for sale at a minimum price of $15,000.

In October of 2007, the City awarded a bid for the purchase of one Central States Fire Engine for $349,256, plus up to a 5% adjustment during pre-construction. The construction of the fire engine may take up to one year to complete.

Also in October of 2007, the City approved an engineering services agreement for the Wastewater Treatment Plant Project for $2,482,461. The total estimated cost of the project is $15,830,000. In addition, the City has approved the issuance of revenue bonds to finance the project and to pay the cost of issuance, not to exceed $16,750,000. $9,980,000 in bonds were issued in December of 2007, with additional bonds to be issued in 2008.

SUPPLEMENTAL INFORMATION

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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 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 availably 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 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 FUND – 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 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.

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.

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.

L.I.D CONSTRUCTION FUND – accounts for the construction of local improvement district projects.

CITY OF PENDLETON, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue	Capital Projects	Debt Service: Debt Service Fund	Permanent Trust	Totals
ASSETS					
Cash and cash equivalents	$ 1,801,724	$ 179,404	$ 97,300	$ 154,537	$ 2,232,965
Investments	-	-	-	630,391	630,391
Receivables:					
Property taxes	5,978	-	54,049	-	60,027
Accounts	265,631	-	-	4,928	270,559
Assessments	79,942	309,823	-	-	389,765
Notes	270,257	-	-	-	270,257
Advances to other funds	1,073,500	-	-	-	1,073,500
Total assets	$ 3,497,032	$ 489,227	$ 151,349	$ 789,856	$ 4,927,464
LIABILITIES					
Accounts payable and accrued liabilities	$ 145,984	$ -	$ -	$ -	$ 145,984
Deferred revenue	448,720	309,823	47,145	-	805,688
Advances from other funds	280,000	83,500	-	-	363,500
Total liabilities	874,704	393,323	47,145	-	1,315,172
FUND BALANCES (DEFICIT)					
Reserved for:					
Advances to other funds	1,073,500	-	-	-	1,073,500
Debt service	152,278	-	104,204	-	256,482
Library endowment	-	-	-	140,406	140,406
Cemetery perpetual care endowment	-	-	-	649,450	649,450
Unreserved, reported in:					
Capital projects funds	-	95,904	-	-	95,904
Special revenue funds	1,396,550	-	-	-	1,396,550
Total fund balances	2,622,328	95,904	104,204	789,856	3,612,292
Total liabilities and fund balances	$ 3,497,032	$ 489,227	$ 151,349	$ 789,856	$ 4,927,464

See auditor's report.

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2007

	Bike Fund	Library Fund	Library Trust Fund	Transportation Services Fund	Housing Revolving Loan Fund	Local Community Develop. Fund	Sidewalk Repair Loan Fund	Airport Revolving Loan Fund
ASSETS								
Cash and cash equivalents	$ 7,669	$ 162,454	$ 31,535	$ 158,619	$ 54,222	$ 144,914	$ 935	$ -
Receivables:								
Property taxes	-	-	-	-	-	-	-	-
Accounts	652	-	-	38,706	-	-	-	-
Assessments	-	-	-	-	-	-	69,549	-
Notes	-	-	-	-	270,257	-	-	-
Advances to other funds	-	-	650,000	-	-	-	-	-
Total assets	$ 8,321	$ 162,454	$ 681,535	$ 197,325	$ 324,479	$ 144,914	$ 70,484	$ -
LIABILITIES								
Accounts payable and accrued liabilities	$ -	$ 5,575	$ 5,889	$ 13,585	$ 16	$ -	$ 16	$ -
Deferred revenue	-	-	-	19,489	270,257	-	69,549	-
Advances from other funds	-	-	-	-	-	-	106,000	-
Total liabilities	-	5,575	5,889	33,074	270,273	-	175,565	-
FUND BALANCES (DEFICIT)								
Reserved for:								
Advances to other funds	-	-	650,000	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved	8,321	156,879	25,646	164,251	54,206	144,914	(105,081)	-
Total fund balances	8,321	156,879	675,646	164,251	54,206	144,914	(105,081)	-
Total liabilities and fund balances	$ 8,321	$ 162,454	$ 681,535	$ 197,325	$ 324,479	$ 144,914	$ 70,484	$ -

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 Capital Reserve Fund	Fire Capital Reserve Fund	County Dispatch Capital Equipment Fund	Pendleton Development Commission Fund	Totals
$ 854	$ 2,462	$ 250,107	$ 237,924	$ 171,698	$ 27,725	$ 140,623	$ 90,531	$ 319,452	$ 1,801,724
-	-	-	-	-	-	-	-	5,978	5,978
151,046	-	74,227	-	-	-	-	-	1,000	265,631
-	-	-	10,393	-	-	-	-	-	79,942
-	-	-	-	-	-	-	-	-	270,257
-	-	-	423,500	-	-	-	-	-	1,073,500
$ 151,900	$ 2,462	$ 324,334	$ 671,817	$ 171,698	$ 27,725	$ 140,623	$ 90,531	$ 326,430	$ 3,497,032
$ 45,423	$ -	$ 39,614	$ -	$ -	$ -	$ -	$ 2,300	$ 33,566	$ 145,984
-	-	72,706	10,393	-	-	-	-	6,326	448,720
174,000	-	-	-	-	-	-	-	-	280,000
219,423	-	112,320	10,393	-	-	-	2,300	39,892	874,704
-	-	-	423,500	-	-	-	-	-	1,073,500
-	-	-	-	-	-	-	-	152,278	152,278
(67,523)	2,462	212,014	237,924	171,698	27,725	140,623	88,231	134,260	1,396,550
(67,523)	2,462	212,014	661,424	171,698	27,725	140,623	88,231	286,538	2,622,328
$ 151,900	$ 2,462	$ 324,334	$ 671,817	$ 171,698	$ 27,725	$ 140,623	$ 90,531	$ 326,430	$ 3,497,032

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2007

	L.I.D. Construction Fund	Keystone Project Fund	Totals
ASSETS			
Cash and cash equivalents	$ 1,401	$ 178,003	$ 179,404
Receivables:			
Assessments	309,823	-	309,823
Total assets	$ 311,224	$ 178,003	$ 489,227
LIABILITIES			
Accounts payable and Deferred revenue	$ 309,823	$ -	$ 309,823
Advances from other funds	83,500	-	83,500
Total liabilities	393,323	-	393,323
FUND BALANCES (DEFICIT)			
Unreserved, reported in:			
Capital projects funds	(82,099)	178,003	95,904
Total fund balances	(82,099)	178,003	95,904
Total liabilities and fund balances	$ 311,224	$ 178,003	$ 489,227

See auditor's report.

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR PERMANENT TRUST FUNDS
June 30, 2007

	Library Permanent Trust Fund	Cemetery Perpetual Care Trust Fund	Totals
ASSETS			
Cash and cash equivalents	$ 140,406	$ 14,131	$ 154,537
Investments	-	630,391	630,391
Receivables:			
Accounts	-	4,928	4,928
Total assets	$ 140,406	$ 649,450	$ 789,856
FUND BALANCES			
Reserved for:			
Library endowment	$ 140,406	$ -	$ 140,406
Cemetery perpetual care endowment	-	649,450	649,450
Total fund balances	$ 140,406	$ 649,450	$ 789,856

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, 2007

	Special Revenue	Capital Projects	Debt Service: Debt Service Fund	Permanent Trust	Totals
REVENUES					
Property taxes	$ 121,859	$ -	$ 685,955	$ -	$ 807,814
Other taxes	382,953	-	-	-	382,953
Licenses and fees	166,214	-	-	3,307	169,521
Charges for services	283,446	260,400	-	-	543,846
Intergovernmental	799,718	-	-	-	799,718
Assessments	36,759	174,281	-	-	211,040
Loan repayments	33,573	-	-	-	33,573
Contributions	69,867	-	-	-	69,867
Interest on investments	140,018	7,405	9,429	33,463	190,315
Miscellaneous	27,340	45	-	-	27,385
TOTAL REVENUES	2,061,747	442,131	695,384	36,770	3,236,032
EXPENDITURES					
Current:					
General govrenment	1,149,523	11,782	-	-	1,161,305
Public safety	176,457	-	-	-	176,457
Culture and recreation	415,052	-	-	-	415,052
Capital outlay	363,936	-	-	-	363,936
Debt service	24,503	220,966	674,443	-	919,912
TOTAL EXPENDITURES	2,129,471	232,748	674,443	-	3,036,662
REVENUES OVER (UNDER) EXPENDITURES	(67,724)	209,383	20,941	36,770	199,370
OTHER FINANCING SOURCES (USES)					
Issuance of debt	480,000	-	-	-	480,000
Transfers in	147,044	-	-	-	147,044
Transfers out	(38,635)	-	-	(26,822)	(65,457)
TOTAL OTHER FINANCING SOURCES (USES)	588,409	-	-	(26,822)	561,587
NET CHANGE IN FUND BALANCE	520,685	209,383	20,941	9,948	760,957
FUND BALANCE (DEFICIT), Beginning	2,101,643	(113,479)	83,263	779,908	2,851,335
FUND BALANCE (DEFICIT), Ending	$ 2,622,328	$ 95,904	$ 104,204	$ 789,856	$ 3,612,292

See auditor's report.

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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, 2007

	Bike Fund	Library Fund	Library Trust Fund	Transportation Services Fund	Housing Revolving Loan Fund	Local Community Develop. Fund	Sidewalk Repair Loan Fund	Airport Revolving Loan Fund
REVENUES								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other taxes	-	-	-	-	-	-	-	-
Licenses and fees	-	20,085	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Intergovernmental	7,983	321,344	-	181,826	-	-	-	-
Assessments	-	-	-	-	-	-	26,931	-
Loan repayments	-	-	-	-	33,573	-	-	-
Contributions	-	30,262	1,308	-	-	-	-	-
Interest on investments	637	7,119	46,811	6,642	2,309	7,428	23	-
Miscellaneous	-	57	-	9,345	206	-	80	-
TOTAL REVENUES	8,620	378,867	48,119	197,813	36,088	7,428	27,034	-
EXPENDITURES								
Current:								
General govrenment	-	-	-	169,552	155,233	20,762	185	-
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	10,000	367,544	37,508	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	6,723	-
TOTAL EXPENDITURES	10,000	367,544	37,508	169,552	155,233	20,762	6,908	-
REVENUES OVER (UNDER) EXPENDITURES	(1,380)	11,323	10,611	28,261	(119,145)	(13,334)	20,126	-
OTHER FINANCING SOURCES (USES)								
Issuance of debt	-	-	-	-	-	-	-	-
Transfers in	-	29,680	6,000	28,400	-	16,144	-	-
Transfers out	-	(11,000)	-	-	(16,144)	-	-	(3,311)
TOTAL OTHER FINANCING SOURCES (USES)	-	18,680	6,000	28,400	(16,144)	16,144	-	(3,311)
NET CHANGE IN FUND BALANCE	(1,380)	30,003	16,611	56,661	(135,289)	2,810	20,126	(3,311)
FUND BALANCE (DEFICIT), Beginning	9,701	126,876	659,035	107,590	189,495	142,104	(125,207)	3,311
FUND BALANCE (DEFICIT), Ending	$ 8,321	$ 156,879	$ 675,646	$ 164,251	$ 54,206	$ 144,914	$(105,081)	$ -

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 Capital Reserve Fund	Fire Capital Reserve Fund	County Dispatch Capital Equipment Fund	Pendleton Development Commission Fund	Totals
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 121,859	$ 121,859
382,953	-	-	-	-	-	-	-	-	382,953
53,848	-	-	-	4,278	-	88,003	-	-	166,214
207,373	-	-	61,573	-	-	-	14,500	-	283,446
-	-	131,173	140,136	-	-	-	-	17,256	799,718
-	-	-	9,828	-	-	-	-	-	36,759
-	-	-	-	-	-	-	-	-	33,573
32,500	750	-	-	5,047	-	-	-	-	69,867
28	137	12,541	33,157	7,974	1,358	3,447	5,522	4,885	140,018
11,773	-	3,679	-	-	-	-	-	2,200	27,340
688,475	887	147,393	244,694	17,299	1,358	91,450	20,022	146,200	2,061,747
559,964	2,980	-	-	-	-	-	36,577	204,270	1,149,523
-	-	176,457	-	-	-	-	-	-	176,457
-	-	-	-	-	-	-	-	-	415,052
68,164	-	-	8,723	-	14,765	-	-	272,284	363,936
7,488	-	-	-	-	-	-	-	10,292	24,503
635,616	2,980	176,457	8,723	-	14,765	-	36,577	486,846	2,129,471
52,859	(2,093)	(29,064)	235,971	17,299	(13,407)	91,450	(16,555)	(340,646)	(67,724)
-	-	-	-	-	-	-	-	480,000	480,000
-	-	-	-	-	18,750	48,070	-	-	147,044
(8,180)	-	-	-	-	-	-	-	-	(38,635)
(8,180)	-	-	-	-	18,750	48,070	-	480,000	588,409
44,679	(2,093)	(29,064)	235,971	17,299	5,343	139,520	(16,555)	139,354	520,685
(112,202)	4,555	241,078	425,453	154,399	22,382	1,103	104,786	147,184	2,101,643
$ (67,523)	$ 2,462	$ 212,014	$ 661,424	$ 171,698	$ 27,725	$ 140,623	$ 88,231	$ 286,538	$ 2,622,328

CITY OF PENDLETON, OREGON
SUB-COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2007

	L.I.D. Construction Fund	Keystone Project Fund	Totals
REVENUES			
Charges for services	$ -	$ 260,400	$ 260,400
Assessments	174,281	-	174,281
Interest on investments	51	7,354	7,405
Miscellaneous	45	-	45
TOTAL REVENUES	174,377	267,754	442,131
EXPENDITURES			
Current:			
General govrenment	161	11,621	11,782
Debt service	11,480	209,486	220,966
TOTAL EXPENDITURES	11,641	221,107	232,748
REVENUES OVER (UNDER) EXPENDITURES	162,736	46,647	209,383
NET CHANGE IN FUND BALANCE	162,736	46,647	209,383
FUND BALANCE (DEFICIT), Beginning	(244,835)	131,356	(113,479)
FUND BALANCE (DEFICIT), Ending	$ (82,099)	$ 178,003	$ 95,904

See auditor's report.

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, 2007

	Library Permanent Trust Fund	Cemetery Perpetual Care Trust Fund	Totals
REVENUES			
Licenses and fees	$ -	$ 3,307	$ 3,307
Interest on investments	6,974	26,489	33,463
TOTAL REVENUES	6,974	29,796	36,770
OTHER FINANCING SOURCES (USES)			
Transfers out	(6,000)	(20,822)	(26,822)
TOTAL OTHER FINANCING SOURCES (USES)	(6,000)	(20,822)	(26,822)
NET CHANGE IN FUND BALANCE	974	8,974	9,948
FUND BALANCE, Beginning	139,432	640,476	779,908
FUND BALANCE, Ending	$ 140,406	$ 649,450	$ 789,856

See auditor's report.

CITY OF PENDLETON

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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, 2007

	Construction and Repair Fund	Central Services Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 469,088	$ 424,934	$ 894,022
Receivables:			
Accounts	4,392	31,228	35,620
Notes	16,136	-	16,136
Total current assets	489,616	456,162	945,778
Noncurrent assets:			
Capital assets:			
Depreciable assets, net of depreciation	644,172	62,770	706,942
Total noncurrent assets	644,172	62,770	706,942
Total assets	$ 1,133,788	$ 518,932	$ 1,652,720
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued liabilities	$ 14,714	$ 35,986	$ 50,700
Deposits	-	5,010	5,010
Compensated absences payable	27,624	50,521	78,145
Total current liabilities	42,338	91,517	133,855
Net assets:			
Invested in capital assets, net of related debt	644,172	62,770	706,942
Unrestricted	447,278	364,645	811,923
Total net assets	1,091,450	427,415	1,518,865
Total liabilities and net assets	$ 1,133,788	$ 518,932	$ 1,652,720

See auditor's report.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007

	Construction and Repair Fund	Central Services Fund	Totals
OPERATING REVENUES			
Charges for services	$ 912,322	$ 1,924,770	$ 2,837,092
Licenses and fees	13	47,945	47,958
Miscellaneous	433	7,850	8,283
TOTAL OPERATING REVENUES	912,768	1,980,565	2,893,333
OPERATING EXPENSES			
Personal services	564,592	1,488,779	2,053,371
Materials and services	126,265	636,269	762,534
Depreciation	100,669	17,576	118,245
TOTAL OPERATING EXPENSES	791,526	2,142,624	2,934,150
OPERATING INCOME (LOSS)	121,242	(162,059)	(40,817)
NON-OPERATING INCOME (EXPENSES)			
Intergovernmental	-	19,216	19,216
Contributions	-	8,000	8,000
Gain (loss) on disposal of capital assets	15,996	-	15,996
Interest on investments	23,336	21,902	45,238
TOTAL NON-OPERATING INCOME (EXPENSES)	39,332	49,118	88,450
NET INCOME (LOSS) BEFORE TRANSFERS	160,574	(112,941)	47,633
TRANSFERS			
Transfers out	(21,380)	(67,470)	(88,850)
TOTAL TRANSFERS	(21,380)	(67,470)	(88,850)
CHANGE IN NET ASSETS	139,194	(180,411)	(41,217)
NET ASSETS, Beginning	952,256	607,826	1,560,082
NET ASSETS, Ending	$ 1,091,450	$ 427,415	$ 1,518,865

See auditor's report.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007

	Construction and Repair Fund	Central Services Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 3,581	$ 28,400	$ 31,981
Receipts from interfund services provided	904,795	1,924,770	2,829,565
Payments to suppliers	(260,368)	(1,027,840)	(1,288,208)
Payments to employees	(418,224)	(1,122,117)	(1,540,341)
Payments for interfund services used	(5,910)	-	(5,910)
Net cash provided from (used by) operating activities	223,874	(196,787)	27,087
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES			
Transfers out	(21,380)	(67,470)	(88,850)
Net cash provided from (used by) non-capital financing activities	(21,380)	(67,470)	(88,850)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	-	19,216	19,216
Contributions	-	8,000	8,000
Proceeds from sale of capital assets	19,000	-	19,000
Acquisition of capital assets	(216,034)	(4,617)	(220,651)
Net cash provided from (used by) capital and related financing activities	(197,034)	22,599	(174,435)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	23,336	21,902	45,238
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,796	(219,756)	(190,960)
CASH AND CASH EQUIVALENTS, Beginning	440,292	644,690	1,084,982
CASH AND CASH EQUIVALENTS, Ending	$ 469,088	$ 424,934	$ 894,022

See auditor's report.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007

	Construction and Repair Fund	Central Services Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES			
Operating income (loss)	$ 121,242	$ (162,059)	$ (40,817)
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities			
Depreciation	100,669	17,576	118,245
(Increase) decrease in assets:			
Receivables	(4,392)	(27,395)	(31,787)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	3,615	(36,255)	(32,640)
Deposits	-	1,426	1,426
Compensated absences payable	2,740	9,920	12,660
Net cash provided from (used by) operating activities	$ 223,874	$ (196,787)	$ 27,087

See auditor's report.

CITY OF PENDLETON

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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, 2007

	Northeast Oregon Air Task Force Fund	Bail Fund	Pendleton Foundation Trust Fund	Eastern Oregon Drug Task Force Fund	Totals
ASSETS					
Cash and cash equivalents	$ 964	$ 12,457	$ 36,123	$ -	$ 49,544
Accounts receivable	-	-	-	36,157	36,157
Total assets	$ 964	$ 12,457	$ 36,123	$ 36,157	$ 85,701
LIABILITIES					
Accounts payable	$ -	$ 11,583	$ -	$ 36,157	$ 47,740
Due to other governments	964	874	36,123	-	37,961
Total laibilities	$ 964	$ 12,457	$ 36,123	$ 36,157	$ 85,701

See auditor's report.

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 (NON-GAAP BUDGETARY BASIS), BY DEPARTMENT
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Planning and building	$ 441,150	$ 441,150	$ 443,083	$ (1,933)
Municipal court	291,350	291,350	289,852	1,498
Economic development	8,200	13,200	10,278	2,922
Police	3,192,000	3,192,000	3,129,985	62,015
Fire / Ambulance	2,712,100	2,769,300	2,663,482	105,818
Parks and recreation	1,617,050	1,648,050	1,616,928	31,122
Non-departmental	943,490	1,015,490	964,475	51,015
Debt service	426,710	426,710	425,720	990
Contingency	2,390,000	2,713,000	-	2,713,000
TOTAL EXPENDITURES AND TRANSFERS	$ 12,022,050	$ 12,510,250	$ 9,543,803	$ 2,966,447

See auditor's report.

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

Governmental Funds

Special Revenue Funds

- Bike
- Library
- Library Trust
- Transportation Services
- Community Development Block Grant
- Housing Revolving Loan
- Local Community Development
- Sidewalk Repair Loan Fund
- Airport Revolving Loan
- Pendleton Convention Center
- Pendleton Youth Commission
- Police Interagency Special Revolving
- System Development Fees
- Parks Trust
- Parks 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

- L.I.D. Construction
- Keystone Project
- Barnhart Road Construction

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, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive / (Negative)
REVENUES				
Intergovernmental	$ 8,200	$ 8,200	$ 7,983	$ (217)
Interest on investments	500	500	637	137
TOTAL REVENUES	8,700	8,700	8,620	(80)
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	10,000	10,000	10,000	-
TOTAL EXPENDITURES	10,000	10,000	10,000	-
REVENUES OVER (UNDER) EXPENDITURES	(1,300)	(1,300)	(1,380)	(80)
NET CHANGE IN FUND BALANCE	(1,300)	(1,300)	(1,380)	(80)
FUND BALANCE, Beginning	9,775	9,775	9,701	(74)
FUND BALANCE, Ending	$ 8,475	$ 8,475	$ 8,321	$ (154)

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 20,000	$ 20,000	$ 20,085	$ 85
Intergovernmental	320,600	320,600	321,344	744
Contributions	24,000	24,000	30,262	6,262
Interest on investments	2,500	2,500	7,119	4,619
Miscellaneous	-	-	57	57
TOTAL REVENUES	367,100	367,100	378,867	11,767
EXPENDITURES				
Current:				
Culture and recreation:				
Personal services	321,640	321,640	287,450	34,190
Materials and services	94,730	94,730	80,094	14,636
Capital outlay	5,000	5,000	-	5,000
Contingency	65,230	65,230	-	65,230
TOTAL EXPENDITURES	486,600	486,600	367,544	119,056
REVENUES OVER (UNDER) EXPENDITURES	(119,500)	(119,500)	11,323	130,823
OTHER FINANCING SOURCES (USES)				
Transfers in	29,680	29,680	29,680	-
Transfers out	(11,000)	(11,000)	(11,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	18,680	18,680	18,680	-
NET CHANGE IN FUND BALANCE	(100,820)	(100,820)	30,003	130,823
FUND BALANCE, Beginning	100,820	100,820	126,876	26,056
FUND BALANCE, Ending	$ -	$ -	$ 156,879	$ 156,879

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 1,200	$ 1,200	$ 1,308	$ 108
Interest on investments	45,000	45,000	46,811	1,811
TOTAL REVENUES	46,200	46,200	48,119	1,919
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	55,000	55,000	37,508	17,492
Capital outlay	27,700	27,700	-	27,700
TOTAL EXPENDITURES	82,700	82,700	37,508	45,192
REVENUES OVER (UNDER) EXPENDITURES	(36,500)	(36,500)	10,611	47,111
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	6,000	6,000	-
TOTAL OTHER FINANCING SOURCES (USES)	6,000	6,000	6,000	-
NET CHANGE IN FUND BALANCE	(30,500)	(30,500)	16,611	47,111
FUND BALANCE, Beginning	644,850	644,850	659,035	14,185
FUND BALANCE, Ending	$ 614,350	$ 614,350	$ 675,646	$ 61,296

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 197,200	$ 197,200	$ 181,826	$ (15,374)
Interest on investments	1,000	1,000	6,642	5,642
Miscellaneous	5,000	5,000	9,345	4,345
TOTAL REVENUES	203,200	203,200	197,813	(5,387)
EXPENDITURES				
Current:				
General government:				
Materials and services	230,520	230,520	169,552	60,968
Contingency	21,080	21,080	-	21,080
TOTAL EXPENDITURES	251,600	251,600	169,552	82,048
REVENUES OVER (UNDER) EXPENDITURES	(48,400)	(48,400)	28,261	76,661
OTHER FINANCING SOURCES (USES)				
Transfers in	28,400	28,400	28,400	-
TOTAL OTHER FINANCING SOURCES (USES)	28,400	28,400	28,400	-
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	56,661	76,661
FUND BALANCE, Beginning	20,000	20,000	107,590	87,590
FUND BALANCE, Ending	$ -	$ -	$ 164,251	$ 164,251

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 20,000	$ 20,000	$ -	$ (20,000)
TOTAL REVENUES	20,000	20,000	-	(20,000)
EXPENDITURES				
Debt service	10,000	10,000	-	10,000
TOTAL EXPENDITURES	10,000	10,000	-	10,000
REVENUES OVER (UNDER) EXPENDITURES	10,000	10,000	-	(10,000)
NET CHANGE IN FUND BALANCE	10,000	10,000	-	(10,000)
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ 10,000	$ 10,000	$ -	$ (10,000)

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING REVOLVING LOAN FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Loan repayments	$ 41,000	$ 41,000	$ 33,573	$ (7,427)
Interest on investments	6,000	6,000	2,309	(3,691)
Miscellaneous	100	100	206	106
TOTAL REVENUES	47,100	47,100	36,088	(11,012)
EXPENDITURES				
Current:				
General government:				
Materials and services	60,000	170,000	155,233	14,767
Contingency	142,600	32,600	-	32,600
TOTAL EXPENDITURES	202,600	202,600	155,233	47,367
REVENUES OVER (UNDER) EXPENDITURES	(155,500)	(155,500)	(119,145)	36,355
OTHER FINANCING SOURCES (USES)				
Transfers out	(52,500)	(52,500)	(16,144)	36,356
TOTAL OTHER FINANCING SOURCES (USES)	(52,500)	(52,500)	(16,144)	36,356
NET CHANGE IN FUND BALANCE	(208,000)	(208,000)	(135,289)	72,711
FUND BALANCE, Beginning	208,000	208,000	189,495	(18,505)
FUND BALANCE, Ending	$ -	$ -	$ 54,206	$ 54,206

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 5,200	$ 5,200	$ 7,428	$ 2,228
TOTAL REVENUES	5,200	5,200	7,428	2,228
EXPENDITURES				
Current:				
General government:				
Materials and services	90,000	90,000	20,762	69,238
Contingency	93,100	93,100	-	93,100
TOTAL EXPENDITURES	183,100	183,100	20,762	162,338
REVENUES OVER (UNDER) EXPENDITURES	(177,900)	(177,900)	(13,334)	164,566
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	16,144	(33,856)
Transfers out	(2,500)	(2,500)	-	2,500
TOTAL OTHER FINANCING SOURCES (USES)	47,500	47,500	16,144	(31,356)
NET CHANGE IN FUND BALANCE	(130,400)	(130,400)	2,810	133,210
FUND BALANCE, Beginning	130,400	130,400	142,104	11,704
FUND BALANCE, Ending	$ -	$ -	$ 144,914	$ 144,914

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 50,000	$ 50,000	$ -	$ (50,000)
Assessments	15,000	15,000	26,931	11,931
Loan repayments	10,000	10,000	-	(10,000)
Interest on investments	-	-	23	23
Miscellaneous	-	-	80	80
TOTAL REVENUES	75,000	75,000	27,034	(47,966)
EXPENDITURES				
Current:				
General government:				
Materials and services	750	750	185	565
Capital outlay	350,000	350,000	-	350,000
Debt service	10,000	10,000	6,723	3,277
TOTAL EXPENDITURES	360,750	360,750	6,908	353,842
REVENUES OVER (UNDER) EXPENDITURES	(285,750)	(285,750)	20,126	305,876
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	415,750	415,750	-	(415,750)
Interfund loan repayment	(130,000)	(130,000)	(19,500)	110,500
TOTAL OTHER FINANCING SOURCES (USES)	285,750	285,750	(19,500)	(305,250)
NET CHANGE IN FUND BALANCE	-	-	626	626
Budgetary basis adjustment	-	-	19,500	19,500
FUND BALANCE (DEFICIT), Beginning	-	-	(125,207)	(125,207)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (105,081)	$ (105,081)

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AIRPORT REVOLVING LOAN FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 100	$ 100	$ -	$ (100)
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,400)	(3,400)	(3,311)	89
NET CHANGE IN FUND BALANCE	(3,300)	(3,300)	(3,311)	(11)
FUND BALANCE, Beginning	3,300	3,300	3,311	11
FUND BALANCE, Ending	$ -	$ -	$ -	$ -

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 CONVENTION CENTER FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Other taxes	$ 290,000	$ 326,000	$ 382,953	$ 56,953
Licenses and fees	55,000	55,000	53,848	(1,152)
Charges for services	317,000	317,000	207,373	(109,627)
Contributions	25,000	25,000	32,500	7,500
Interest on investments	-	-	28	28
Miscellaneous	15,000	15,000	11,773	(3,227)
TOTAL REVENUES	702,000	738,000	688,475	(49,525)
EXPENDITURES				
Current:				
General government:				
Personal services	265,450	265,450	234,110	31,340
Materials and services	395,520	386,520	325,854	60,666
Capital outlay	25,000	70,000	68,164	1,836
Debt service	10,000	10,000	7,488	2,512
TOTAL EXPENDITURES	695,970	731,970	635,616	96,354
REVENUES OVER (UNDER) EXPENDITURES	6,030	6,030	52,859	46,829
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	97,150	97,150	-	(97,150)
Interfund loan repayment	(95,000)	(95,000)	(23,000)	72,000
Transfers out	(8,180)	(8,180)	(8,180)	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,030)	(6,030)	(31,180)	(25,150)
NET CHANGE IN FUND BALANCE	-	-	21,679	21,679
Budgetary basis adjustment	-	-	23,000	23,000
FUND BALANCE (DEFICIT), Beginning	-	-	(112,202)	(112,202)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (67,523)	$ (67,523)

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 900	$ 900	$ 750	$ (150)
Interest on investments	100	100	137	37
TOTAL REVENUES	1,000	1,000	887	(113)
EXPENDITURES				
Current:				
General government:				
Materials and services	7,000	7,000	2,980	4,020
TOTAL EXPENDITURES	7,000	7,000	2,980	4,020
REVENUES OVER (UNDER) EXPENDITURES	(6,000)	(6,000)	(2,093)	3,907
NET CHANGE IN FUND BALANCE	(6,000)	(6,000)	(2,093)	3,907
FUND BALANCE, Beginning	6,000	6,000	4,555	(1,445)
FUND BALANCE, Ending	$ -	$ -	$ 2,462	$ 2,462

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 104,000	$ 104,000	$ 131,173	$ 27,173
Interest on investments	5,000	5,000	12,541	7,541
Miscellaneous	5,000	5,000	3,679	(1,321)
TOTAL REVENUES	114,000	114,000	147,393	33,393
EXPENDITURES				
Current:				
Public safety:				
Materials and services	388,000	388,000	176,457	211,543
TOTAL EXPENDITURES	388,000	388,000	176,457	211,543
REVENUES OVER (UNDER) EXPENDITURES	(274,000)	(274,000)	(29,064)	244,936
NET CHANGE IN FUND BALANCE	(274,000)	(274,000)	(29,064)	244,936
FUND BALANCE, Beginning	274,000	274,000	241,078	(32,922)
FUND BALANCE, Ending	$ -	$ -	$ 212,014	$ 212,014

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 100,000	$ 100,000	$ 61,573	$ (38,427)
Intergovernmental	-	-	140,136	140,136
Assessments	4,000	4,000	9,828	5,828
Interest on investments	20,000	20,000	33,157	13,157
TOTAL REVENUES	124,000	124,000	244,694	120,694
EXPENDITURES				
Capital outlay	454,000	454,000	8,723	445,277
TOTAL EXPENDITURES	454,000	454,000	8,723	445,277
REVENUES OVER (UNDER) EXPENDITURES	(330,000)	(330,000)	235,971	565,971
OTHER FINANCING SOURCES (USES)				
Transfers out	(440,000)	(440,000)	-	440,000
TOTAL OTHER FINANCING SOURCES (USES)	(440,000)	(440,000)	-	440,000
NET CHANGE IN FUND BALANCE	(770,000)	(770,000)	235,971	1,005,971
FUND BALANCE, Beginning	770,000	770,000	425,453	(344,547)
FUND BALANCE, Ending	$ -	$ -	$ 661,424	$ 661,424

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 2,200	$ 2,200	$ 4,278	$ 2,078
Contributions	3,500	3,500	5,047	1,547
Interest on investments	4,000	4,000	7,974	3,974
TOTAL REVENUES	9,700	9,700	17,299	7,599
EXPENDITURES				
Capital outlay	65,000	65,000	-	65,000
TOTAL EXPENDITURES	65,000	65,000	-	65,000
REVENUES OVER (UNDER) EXPENDITURES	(55,300)	(55,300)	17,299	72,599
NET CHANGE IN FUND BALANCE	(55,300)	(55,300)	17,299	72,599
FUND BALANCE, Beginning	150,820	150,820	154,399	3,579
FUND BALANCE, Ending	$ 95,520	$ 95,520	$ 171,698	$ 76,178

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARKS CAPITAL RESERVE FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 750	$ 750	$ 1,358	$ 608
TOTAL REVENUES	750	750	1,358	608
EXPENDITURES				
Capital outlay	35,000	35,000	14,765	20,235
TOTAL EXPENDITURES	35,000	35,000	14,765	20,235
REVENUES OVER (UNDER) EXPENDITURES	(34,250)	(34,250)	(13,407)	20,843
OTHER FINANCING SOURCES (USES)				
Transfers in	18,750	18,750	18,750	-
TOTAL OTHER FINANCING SOURCES (USES)	18,750	18,750	18,750	-
NET CHANGE IN FUND BALANCE	(15,500)	(15,500)	5,343	20,843
FUND BALANCE, Beginning	22,000	22,000	22,382	382
FUND BALANCE, Ending	$ 6,500	$ 6,500	$ 27,725	$ 21,225

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE CAPITAL RESERVE FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 90,900	$ 90,900	$ 88,003	$ (2,897)
Intergovernmental	82,350	82,350	-	(82,350)
Interest on investments	1,550	1,550	3,447	1,897
TOTAL REVENUES	174,800	174,800	91,450	(83,350)
EXPENDITURES				
Capital outlay	91,500	91,500	-	91,500
TOTAL EXPENDITURES	91,500	91,500	-	91,500
REVENUES OVER (UNDER) EXPENDITURES	83,300	83,300	91,450	8,150
OTHER FINANCING SOURCES (USES)				
Sale of property	4,000	4,000	-	(4,000)
Transfers in	48,070	48,070	48,070	-
TOTAL OTHER FINANCING SOURCES (USES)	52,070	52,070	48,070	(4,000)
NET CHANGE IN FUND BALANCE	135,370	135,370	139,520	4,150
FUND BALANCE, Beginning	8,500	8,500	1,103	(7,397)
FUND BALANCE, Ending	$ 143,870	$ 143,870	$ 140,623	$ (3,247)

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 60,000	$ 60,000	$ 14,500	$ (45,500)
Interest on investments	5,000	5,000	5,522	522
TOTAL REVENUES	65,000	65,000	20,022	(44,978)
EXPENDITURES				
Current:				
General government:				
Materials and services	40,000	40,000	36,577	3,423
TOTAL EXPENDITURES	40,000	40,000	36,577	3,423
REVENUES OVER (UNDER) EXPENDITURES	25,000	25,000	(16,555)	(41,555)
NET CHANGE IN FUND BALANCE	25,000	25,000	(16,555)	(41,555)
FUND BALANCE, Beginning	161,000	161,000	104,786	(56,214)
FUND BALANCE, Ending	$ 186,000	$ 186,000	$ 88,231	$ (97,769)

See auditor's report.

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, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive / (Negative)
REVENUES				
Property taxes	$ 90,000	$ 90,000	$ 121,859	$ 31,859
Intergovernmental	-	-	17,256	17,256
Interest on investments	3,000	3,000	4,885	1,885
Miscellaneous	-	-	2,200	2,200
TOTAL REVENUES	93,000	93,000	146,200	53,200
EXPENDITURES				
Current:				
General government:				
Materials and services	1,113,000	793,000	204,270	588,730
Capital outlay	-	320,000	272,284	47,716
Debt service	60,000	60,000	10,292	49,708
TOTAL EXPENDITURES	1,173,000	1,173,000	486,846	686,154
REVENUES OVER (UNDER) EXPENDITURES	(1,080,000)	(1,080,000)	(340,646)	739,354
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,080,000	1,080,000	480,000	(600,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,080,000	1,080,000	480,000	(600,000)
NET CHANGE IN FUND BALANCE	-	-	139,354	139,354
FUND BALANCE, Beginning	-	-	147,184	147,184
FUND BALANCE, Ending	$ -	$ -	$ 286,538	$ 286,538

See auditor's report.

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, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive / (Negative)
REVENUES				
Property taxes	$ 661,220	$ 661,220	$ 685,955	$ 24,735
Interest on investments	5,000	5,000	9,429	4,429
TOTAL REVENUES	666,220	666,220	695,384	29,164
EXPENDITURES				
Debt service	674,443	674,443	674,443	-
TOTAL EXPENDITURES	674,443	674,443	674,443	-
REVENUES OVER (UNDER) EXPENDITURES	(8,223)	(8,223)	20,941	29,164
NET CHANGE IN FUND BALANCE	(8,223)	(8,223)	20,941	29,164
FUND BALANCE, Beginning	76,500	76,500	83,263	6,763
FUND BALANCE, Ending	$ 68,277	$ 68,277	$ 104,204	$ 35,927

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 6,000	$ 6,000	$ 6,974	$ 974
TOTAL REVENUES	6,000	6,000	6,974	974
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,000)	(6,000)	(6,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,000)	(6,000)	(6,000)	-
NET CHANGE IN FUND BALANCE	-	-	974	974
FUND BALANCE, Beginning	139,295	139,295	139,432	137
FUND BALANCE, Ending	$ 139,295	$ 139,295	$ 140,406	$ 1,111

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY PERPETUAL CARE FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 3,200	$ 3,200	$ 3,307	$ 107
Interest on investments	25,000	25,000	26,489	1,489
TOTAL REVENUES	28,200	28,200	29,796	1,596
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(20,822)	4,178
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	(25,000)	(20,822)	4,178
NET CHANGE IN FUND BALANCE	3,200	3,200	8,974	5,774
FUND BALANCE, Beginning	645,125	645,125	640,476	(4,649)
FUND BALANCE, Ending	$ 648,325	$ 648,325	$ 649,450	$ 1,125

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
L.I.D. CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Assessments	$ 99,000	$ 99,000	$ 174,281	$ 75,281
Interest on investments	25	25	51	26
Miscellaneous	25	25	45	20
TOTAL REVENUES	99,050	99,050	174,377	75,327
EXPENDITURES				
Current:				
General government:				
Materials and services	1,000	1,000	161	839
Capital outlay	250,000	250,000	-	250,000
Debt service	20,000	20,000	11,480	8,520
TOTAL EXPENDITURES	271,000	271,000	11,641	259,359
REVENUES OVER (UNDER) EXPENDITURES	(171,950)	(171,950)	162,736	334,686
OTHER FINANCING SOURCES (USES)				
Issuance of debt	715,000	715,000	-	(715,000)
Interfund loan repayment	(275,000)	(275,000)	(162,000)	113,000
TOTAL OTHER FINANCING SOURCES (USES)	440,000	440,000	(162,000)	(602,000)
NET CHANGE IN FUND BALANCE	268,050	268,050	736	(267,314)
Budgetary basis adjustment	-	-	162,000	162,000
FUND BALANCE (DEFICIT), Beginning	(268,050)	(268,050)	(244,835)	23,215
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (82,099)	$ (82,099)

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 260,400	$ 260,400	$ 260,400	$ -
Interest on investments	4,000	4,000	7,354	3,354
TOTAL REVENUES	264,400	264,400	267,754	3,354
EXPENDITURES				
Current:				
General government:				
Materials and services	-	15,000	11,621	3,379
Capital outlay	2,710,000	2,695,000	-	2,695,000
Debt service	209,500	209,500	209,486	14
TOTAL EXPENDITURES	2,919,500	2,919,500	221,107	2,698,393
REVENUES OVER (UNDER) EXPENDITURES	(2,655,100)	(2,655,100)	46,647	2,701,747
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,700,000	2,700,000	-	(2,700,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,700,000	2,700,000	-	(2,700,000)
NET CHANGE IN FUND BALANCE	44,900	44,900	46,647	1,747
FUND BALANCE, Beginning	130,400	130,400	131,356	956
FUND BALANCE, Ending	$ 175,300	$ 175,300	$ 178,003	$ 2,703

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BARNHART ROAD CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 500,000	$ 500,000	$ -	$ (500,000)
TOTAL REVENUES	500,000	500,000	-	(500,000)
EXPENDITURES				
Capital outlay	940,000	940,000	-	940,000
TOTAL EXPENDITURES	940,000	940,000	-	940,000
REVENUES OVER (UNDER) EXPENDITURES	(440,000)	(440,000)	-	440,000
OTHER FINANCING SOURCES (USES)				
Transfers in	440,000	440,000	-	(440,000)
TOTAL OTHER FINANCING SOURCES (USES)	440,000	440,000	-	(440,000)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ -	$ -	$ -

See auditor's report.

CITY OF PENDLETON

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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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 2,980,800	$ 2,980,800	$ 3,103,554	$ 122,754
Interest on investments	10	10	18	8
Miscellaneous	5,200	5,200	12,415	7,215
TOTAL REVENUES	2,986,010	2,986,010	3,115,987	129,977
EXPENDITURES				
Current:				
Personal services	500,260	500,260	442,327	57,933
Materials and services	1,649,875	1,649,875	1,515,448	134,427
Capital outlay	425,000	425,000	297,825	127,175
Debt service	553,015	553,015	510,330	42,685
TOTAL EXPENDITURES	3,128,150	3,128,150	2,765,930	362,220
REVENUES OVER (UNDER) EXPENDITURES	(142,140)	(142,140)	350,057	492,197
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	10,500	10,500
Issuance of debt	959,340	959,340	-	(959,340)
Interfund loan repayment	(800,000)	(800,000)	(338,000)	462,000
Transfers out	(17,200)	(17,200)	(17,200)	-
TOTAL OTHER FINANCING SOURCES (USES)	142,140	142,140	(344,700)	(486,840)
NET CHANGE IN FUND BALANCE	-	-	5,357	5,357
Budgetary basis adjustment	-	-	338,000	338,000
FUND BALANCE (DEFICIT), Beginning	-	-	(797,544)	(797,544)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	(454,187)	$ (454,187)
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			14,501,071	
Notes receivable			16,135	
Accrued interest payable			(130,393)	
Long-term debt			(5,097,108)	
NET ASSETS, Ending			$ 8,835,518	

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 1,715,900	$ 1,715,900	$ 1,755,198	$ 39,298
Interest on investments	15,000	15,000	35,209	20,209
Miscellaneous	-	-	919	919
TOTAL REVENUES	1,730,900	1,730,900	1,791,326	60,426
EXPENDITURES				
Current:				
Personal services	342,230	342,230	316,595	25,635
Materials and services	1,019,803	1,019,803	1,016,102	3,701
Capital outlay	686,000	686,000	294,073	391,927
Debt service	3,840	3,840	3,836	4
Contingency	125,227	125,227	-	125,227
TOTAL EXPENDITURES	2,177,100	2,177,100	1,630,606	546,494
REVENUES OVER (UNDER) EXPENDITURES	(446,200)	(446,200)	160,720	606,920
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	10,000	10,000
Transfers in	301,100	301,100	301,100	-
Transfers out	(12,100)	(12,100)	(12,100)	-
TOTAL OTHER FINANCING SOURCES (USES)	289,000	289,000	299,000	10,000
NET CHANGE IN FUND BALANCE	(157,200)	(157,200)	459,720	616,920
FUND BALANCE, Beginning	157,200	157,200	183,428	26,228
FUND BALANCE, Ending	$ -	$ -	$ 643,148	$ 643,148

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER CAPITAL RESERVE FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 8,000	$ 8,000	$ 13,481	$ 5,481
TOTAL REVENUES	8,000	8,000	13,481	5,481
OTHER FINANCING SOURCES (USES)				
Transfers out	(301,100)	(301,100)	(301,100)	-
TOTAL OTHER FINANCING SOURCES (USES)	(301,100)	(301,100)	(301,100)	-
NET CHANGE IN FUND BALANCE	(293,100)	(293,100)	(287,619)	5,481
FUND BALANCE, Beginning	554,000	554,000	557,305	3,305
FUND BALANCE, Ending	$ 260,900	$ 260,900	$ 269,686	$ 8,786

See auditor's report.

CITY OF PENDLETON, OREGON
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2007

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	$ 643,148
Sewer Capital Reserve	269,686
	912,834
Adjustments:	
Capital assets, net of depreciation	3,005,212
Notes receivable	16,136
Long-term debt	(9,985)
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	$ 3,924,197

See auditor's report.

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 566,315	$ 566,315	$ 427,733	$ (138,582)
Intergovernmental	1,430,000	1,430,000	802,987	(627,013)
Contributions	165,000	165,000	5,000	(160,000)
Interest on investments	100	100	149	49
Miscellaneous	3,810	3,810	27,196	23,386
TOTAL REVENUES	2,165,225	2,165,225	1,263,065	(902,160)
EXPENDITURES				
Current:				
Personal services	309,500	309,500	286,919	22,581
Materials and services	413,100	425,100	420,796	4,304
Capital outlay	1,326,320	1,314,320	544,615	769,705
Debt service	1,858,000	1,858,000	106,431	1,751,569
TOTAL EXPENDITURES	3,906,920	3,906,920	1,358,761	2,548,159
REVENUES OVER (UNDER) EXPENDITURES	(1,741,695)	(1,741,695)	(95,696)	1,645,999
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	35,418	35,418
Transfers in	3,400	3,400	3,311	(89)
Interfund loan proceeds	1,747,575	1,747,575	-	(1,747,575)
Transfers out	(9,280)	(9,280)	(9,280)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,741,695	1,741,695	29,449	(1,712,246)
NET CHANGE IN FUND BALANCE	-	-	(66,247)	(66,247)
FUND BALANCE (DEFICIT), Beginning	-	-	(1,675,425)	(1,675,425)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	(1,741,672)	$ (1,741,672)
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			10,465,140	
Notes receivable			316,184	
NET ASSETS, Ending			$ 9,039,652	

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 78,085	$ 109,085	$ 122,449	$ 13,364
Charges for services	7,210	7,210	5,126	(2,084)
Contributions	-	-	870	870
Interest on investments	-	-	457	457
Miscellaneous	-	-	228	228
TOTAL REVENUES	85,295	116,295	129,130	12,835
EXPENDITURES				
Current:				
Personal services	146,530	146,530	138,059	8,471
Materials and services	70,110	98,310	96,904	1,406
Capital outlay	50,000	50,000	33,315	16,685
Debt service	11,000	11,000	-	11,000
Contingency	-	2,800	-	2,800
TOTAL EXPENDITURES	277,640	308,640	268,278	40,362
REVENUES OVER (UNDER) EXPENDITURES	(192,345)	(192,345)	(139,148)	53,197
OTHER FINANCING SOURCES (USES)				
Transfers in	146,805	146,805	142,627	(4,178)
Transfers out	(4,460)	(4,460)	(4,460)	-
TOTAL OTHER FINANCING SOURCES (USES)	142,345	142,345	138,167	(4,178)
NET CHANGE IN FUND BALANCE	(50,000)	(50,000)	(981)	49,019
FUND BALANCE, Beginning	50,000	50,000	40,214	(9,786)
FUND BALANCE, Ending	$ -	$ -	39,233	$ 39,233
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			60,788	
NET ASSETS, Ending			$ 100,021	

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ -	$ -	$ 13	$ 13
Charges for services	901,460	901,460	912,322	10,862
Interest on investments	12,000	12,000	23,336	11,336
Miscellaneous	40	40	433	393
TOTAL REVENUES	913,500	913,500	936,104	22,604
EXPENDITURES				
Current:				
Personal services	604,665	604,665	564,592	40,073
Materials and services	152,410	152,410	126,265	26,145
Capital outlay	220,000	220,000	216,034	3,966
Contingency	97,000	97,000	-	97,000
TOTAL EXPENDITURES	1,074,075	1,074,075	906,891	167,184
REVENUES OVER (UNDER) EXPENDITURES	(160,575)	(160,575)	29,213	189,788
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	19,000	19,000
Transfers out	(21,380)	(21,380)	(21,380)	-
TOTAL OTHER FINANCING SOURCES (USES)	(21,380)	(21,380)	(2,380)	19,000
NET CHANGE IN FUND BALANCE	(181,955)	(181,955)	26,833	208,788
FUND BALANCE, Beginning	351,000	351,000	404,309	53,309
FUND BALANCE, Ending	$ 169,045	$ 169,045	431,142	$ 262,097
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			644,172	
Notes receivable			16,136	
NET ASSETS, Ending			$ 1,091,450	

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 100,200	$ 100,200	$ 47,945	$ (52,255)
Charges for services	1,924,770	1,924,770	1,924,770	-
Intergovernmental	19,000	19,000	19,216	216
Contributions	-	8,000	8,000	-
Interest on investments	8,000	8,000	21,902	13,902
Miscellaneous	5,200	5,200	7,850	2,650
TOTAL REVENUES	2,057,170	2,065,170	2,029,683	(35,487)
EXPENDITURES				
Current:				
Personal services	1,555,800	1,563,800	1,488,779	75,021
Materials and services	664,100	673,100	636,269	36,831
Capital outlay	6,200	6,200	4,617	1,583
Contingency	274,100	265,100	-	265,100
TOTAL EXPENDITURES	2,500,200	2,508,200	2,129,665	378,535
REVENUES OVER (UNDER) EXPENDITURES	(443,030)	(443,030)	(99,982)	343,048
OTHER FINANCING SOURCES (USES)				
Transfers in	2,500	2,500	-	(2,500)
Transfers out	(67,470)	(67,470)	(67,470)	-
TOTAL OTHER FINANCING SOURCES (USES)	(64,970)	(64,970)	(67,470)	(2,500)
NET CHANGE IN FUND BALANCE	(508,000)	(508,000)	(167,452)	340,548
FUND BALANCE, Beginning	508,000	508,000	532,097	24,097
FUND BALANCE, Ending	$ -	$ -	364,645	$ 364,645
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			62,770	
NET ASSETS, Ending			$ 427,415	

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, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES AND TRANSFERS				
City manager's office	$ 327,750	$ 327,750	$ 319,474	$ 8,276
Insurance	289,500	289,500	269,519	19,981
Mayor and City Council	53,050	61,050	61,010	40
Legal	239,650	239,650	220,979	18,671
Finance	523,700	527,700	473,535	54,165
Engineering	384,750	384,750	372,530	12,220
Facilities	407,700	412,700	412,618	82
Contingency	274,100	265,100	-	265,100
Total expenditures	2,500,200	2,508,200	2,129,665	378,535
Transfers	67,470	67,470	67,470	-
TOTAL EXPENDITURES AND TRANSFERS	$ 2,567,670	$ 2,575,670	$ 2,197,135	$ 378,535

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
EASTERN OREGON DRUG TASK FORCE FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 110,000	$ 150,000	$ 125,022	$ (24,978)
TOTAL REVENUES	110,000	150,000	125,022	(24,978)
EXPENDITURES				
Current:				
Materials and services	110,000	150,000	125,022	24,978
TOTAL EXPENDITURES	110,000	150,000	125,022	24,978
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ -	$ -	$ -

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PENDLETON FOUNDATION TRUST FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 217,500	$ 217,500	$ 210,913	$ (6,587)
Interest on investments	2,500	2,500	2,019	(481)
TOTAL REVENUES	220,000	220,000	212,932	(7,068)
EXPENDITURES				
Current:				
Materials and services	240,000	240,000	186,570	53,430
TOTAL EXPENDITURES	240,000	240,000	186,570	53,430
REVENUES OVER (UNDER) EXPENDITURES	(20,000)	(20,000)	26,362	46,362
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	26,362	46,362
FUND BALANCE, Beginning	20,000	20,000	9,761	(10,239)
FUND BALANCE, Ending	$ -	$ -	$ 36,123	$ 36,123

See auditor's report.

CITY OF PENDLETON

INCORPORATED
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OREGON

OTHER FINANCIAL SCHEDULES

CITY OF PENDLETON, OREGON
ALL AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended June 30, 2007

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Northeast Oregon Air Task Force Agency				
ASSETS				
Cash and cash equivalents	$ 911	$ 53	$ -	$ 964
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	$ 911	$ 53	$ -	$ 964
Bail Fund				
ASSETS				
Cash and cash equivalents	$ 13,359	$ -	$ 902	$ 12,457
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 8,678	$ 2,905	$ -	$ 11,583
Due to other governments	4,681	-	3,807	874
Total liabilities	$ 13,359	$ 2,905	$ 3,807	$ 12,457
Eastern Oregon Drug Task Force Fund				
ASSETS				
Accounts receivable	$ -	$ 125,022	$ 88,865	$ 36,157
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ -	$ 125,022	$ 88,865	$ 36,157
Pendleton Foundation Trust				
ASSETS				
Cash and cash equivalents	$ 9,761	$ 212,932	$ 186,570	$ 36,123
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	$ 9,761	$ 212,932	$ 186,570	$ 36,123

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the fiscal year ended June 30, 2007

	Taxes Uncollected July 1, 2006	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2007
2006-07	$ -	$ 5,068,362	$ (158,815)	$ (4,711,353)	$ 198,194
2005-06	202,139	-	2,179	(106,488)	97,830
2004-05	96,266	-	4,048	(45,356)	54,958
2003-04	52,728	-	5,136	(36,294)	21,570
2002-03	23,583	-	3,220	(19,150)	7,653
2001-02	3,706	-	252	(1,881)	2,077
2000-01	2,600	-	86	(1,524)	1,162
1999-00	1,554	-	(571)	(155)	828
1998-99	1,574	-	(813)	(108)	653
1997-98	1,562	-	(60)	(102)	1,400
1996-97	486	-	(64)	(56)	366
1995-96	199	-	(4)	(2)	193
1994-95	179	-	7	(41)	145
Prior	767	-	(161)	(14)	592
	$ 387,343	$ 5,068,362	$ (145,560)	$ (4,922,524)	$ 387,621

	Tax Collections to June 30, 2007	Taxes Receivable June 30, 2007
Taxes receivable and tax collections classified by fund:		
General Fund	$ 4,122,659	$ 327,594
Pendleton Development Commission	120,995	5,978
Debt Service Fund	678,870	54,049
Plus: appeals and foreclosure adjustments	2,844	-
Totals	$ 4,925,368	$ 387,621

Reconciliation of Property Tax Revenues (Cash basis) to Property Tax Revenues (Generaly 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	$ 4,125,140	$ -	$ 41,453	$ 4,166,593
Pendleton Development Commission	121,207	-	652	121,859
Debt Service Fund	679,021	-	6,934	685,955
	$ 4,925,368	$ -	$ 49,039	$ 4,974,407

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL AND INTEREST TRANSACTIONS
For the fiscal year ended June 30, 2007

	Date of Issue	Interest Rate	Maturity Date		Original Amount
Governmental Funds:					
General Obligation Bonds					
1996 Armory Refunding	02/01/96	3.5% - 5.3%	06/01/10	$	1,305,000
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, 2006	Issued During Year	Paid During Year	Outstanding June 30, 2007	Outstanding June 30, 2006	Matured During Year	Paid During Year	Outstanding June 30, 2007
$ 565,000	$ -	$ 130,000	$ 435,000	$ -	$ 29,140	$ 29,140	$ -
1,770,000	-	200,000	1,570,000	-	80,803	80,803	-
1,925,000	-	165,000	1,760,000	-	69,500	69,500	-
(49,610)	-	(5,289)	(44,321)	-	-	-	-
4,210,390	-	489,711	3,720,679	-	179,443	179,443	-
7,160,000	-	70,000	7,090,000	-	351,884	351,884	-
120,000	480,000	-	600,000	-	10,292	10,292	-
2,572,723	-	80,952	2,491,771	-	128,534	128,534	-
13,162	-	3,178	9,984	-	658	658	-
$ 14,076,275	$ 480,000	$ 643,841	$ 13,912,434	$ -	$ 670,811	$ 670,811	$ -
$ 13,163	$ -	$ 3,178	$ 9,985	$ -	$ 658	$ 658	$ -
3,600,000	-	146,000	3,454,000	-	162,000	162,000	-
1,703,984	-	70,861	1,633,123	-	71,056	71,056	-
5,317,147	-	220,039	5,097,108	-	233,714	233,714	-
13,162	-	3,177	9,985	-	658	658	-
$ 5,330,309	$ -	$ 223,216	$ 5,107,093	$ -	$ 234,372	$ 234,372	$ -

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE GENERAL OBLIGATION BONDED DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2007

Year of Maturity	General Obligation Bonds Totals		Armory Refunding		McCune Refunding		Facilities Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007-08	$ 505,000	$ 159,193	$ 135,000	$ 22,640	$ 200,000	$ 72,003	$ 170,000	$ 64,550
2008-09	520,000	138,307	145,000	15,755	200,000	63,102	175,000	59,450
2009-10	550,000	116,518	155,000	8,215	215,000	54,103	180,000	54,200
2010-11	405,000	92,220	-	-	220,000	44,320	185,000	47,900
2011-12	430,000	75,735	-	-	235,000	34,310	195,000	41,425
2012-13	445,000	57,125	-	-	245,000	23,500	200,000	33,625
2013-14	465,000	37,610	-	-	255,000	11,985	210,000	25,625
2014-15	215,000	17,225	-	-	-	-	215,000	17,225
2015-16	230,000	8,625	-	-	-	-	230,000	8,625
	$ 3,765,000	$ 702,558	$ 435,000	$ 46,610	$ 1,570,000	$ 303,323	$ 1,760,000	$ 352,625

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE LIMITED TAX PENSION BONDED DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2007

Year of Maturity	Limited Tax Pension Bonds	
	Principal	Interest
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
	$ 7,090,000	$ 5,150,944

See auditors report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2007

Year of Maturity	Notes Payable Totals		Community Bank - Pendleton Development Commission		Community Bank - Keystone		Port of Umatilla	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007-08	$ 97,293	$ 155,029	$ -	$ 39,000	$ 93,956	$ 115,530	$ 3,337	$ 499
2008-09	101,203	151,119	-	39,000	97,699	111,787	3,504	332
2009-10	705,585	146,201	600,000	39,000	102,442	107,044	3,143	157
2010-11	107,415	102,071	-	-	107,415	102,071	-	-
2011-12	112,630	96,856	-	-	112,630	96,856	-	-
2012-13	118,098	91,388	-	-	118,098	91,388	-	-
2013-14	123,831	85,655	-	-	123,831	85,655	-	-
2014-15	129,843	79,643	-	-	129,843	79,643	-	-
2015-16	136,146	73,340	-	-	136,146	73,340	-	-
2016-17	142,756	66,730	-	-	142,756	66,730	-	-
2017-18	149,686	59,800	-	-	149,686	59,800	-	-
2018-19	156,953	52,533	-	-	156,953	52,533	-	-
2019-20	164,573	44,913	-	-	164,573	44,913	-	-
2020-21	172,563	36,923	-	-	172,563	36,923	-	-
2021-22	180,940	28,546	-	-	180,940	28,546	-	-
2022-23	189,725	19,761	-	-	189,725	19,761	-	-
2023-24	198,935	10,551	-	-	198,935	10,551	-	-
2024-25	113,580	1,682	-	-	113,580	1,682	-	-
	$ 3,101,755	$ 1,302,741	$ 600,000	$ 117,000	$ 2,491,771	$ 1,184,753	$ 9,984	$ 988

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
WATER FUND
June 30, 2007

Year of Maturity	Notes Payable Totals		Port of Umatilla		Safe Drinking Water State Revolving Loan Fund			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	430,238	18,911	-	-	294,000	13,230	136,238	5,681
	$ 5,097,108	$ 2,105,878	$ 9,985	$ 988	$ 3,454,000	$ 1,465,325	$ 1,633,123	$ 639,565

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
SEWER FUND
June 30, 2007

Year of Maturity	Port of Umatilla	
	Principal	Interest
2007-08	$ 3,337	$ 499
2008-09	3,504	332
2009-10	3,144	157
	$ 9,985	$ 988

See auditor's report.

ACCOMPANYING INFORMATION

INDEPENDENT AUDITOR'S COMMENTS

Oregon Administrative Rules 162-10-0000 through 162-10-0330 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 generally operating as designed, however, there was a significant deficiency reported in accordance with the requirements of SAS 112 and the revised Governmental Auditing Standards. We also noted other matters involving internal control, which we have reported to management of the City of Pendleton in a separate letter dated December 27, 2007.

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, 2007.

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 2006-07 and the preparation and adoption of the budget for 2007-08. 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:

General Fund:	
Planning and building	$ 1,933

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, 2007, 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, 2007, 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

December 27, 2007

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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 27, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expression on the effectiveness of the City of Pendleton, Oregon's internal control over financial reporting.

Our consideration of internal control over financial reporting was limited for the purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned duties, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Pendleton, Oregon's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Pendleton, Oregon's financial statements that is more than inconsequential will not be prevented or detected by the City of Pendleton, Oregon's internal control. We consider the deficiency described as 2007-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might by significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

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 that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we reported to management of the City of Pendleton, Oregon, in a separate letter dated December 27, 2007.

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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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

December 27, 2007

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, 2007. 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, 2007. 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.

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Oregon Society of Certified Public Accountants

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, 2007.

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.

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

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

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

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, 2007

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:

Program Title	Federal CFDA Number	Amount Provided
Passed through the City of Pendleton to Eastern Oregon Drug Task Force	16.579	$ 125,022

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2007

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	$ 512,431 **
Passed through the Oregon Department of Transportation:			
Formula Grants for Other than Urbanized Areas	23333	20.509	67,839
Elderly and Persons with Disabilities	22578	20.513	41,932
USC 5310 Capital Program	22579	20.513	3,288
Passed through Oregon Association of Chiefs of Police:			
State and Community Highway Safety		20.600	2,670
Total U.S. Department of Transportation			628,160
Department of Housing and Urban Development:			
EDI-Special Project Grant	B-06-SP-OR	14.246	198,000
Department of Justice:			
Direct programs:			
Bulletproof Vest Partnership Grant		16.607	2,418
Passed through State of Oregon Criminal Justice Services Division:			
Passed through City of Pendleton to Eastern Oregon Drug Task Force:			
Byrne Formula Grant Program		16.579	125,022
Passed through Eastern Oregon Drug Task Force to City of Pendleton:			
Byrne Formula Grant Program	98-007	16.579	36,142
Total U.S. Department of Justice			163,582
US Department of Homeland Security:			
Passed through the Oregon Department of State Police			
Office for Domestic Preparedness:			
Citizen Corps Program	04-133	97.053	9,216
Fire Management Assistance Grant		97.046	46,191
Total US Department of Homeland Security			55,407
Executive Office of the President			
Office of the National Drug Control Policy			
High Intensity Drug Trafficking Area	DOJ-HIDTA	07.XXX	112,993
Total expenditures of Federal Funds			$ 1,158,142

** Signifies Major Program

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For The Fiscal Year Ended June 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Passenger Facility Charges (PFC's)	N/A	$ 18,601

CITY OF PENDLETON, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2007

There were no prior year audit findings to report

CITY OF PENDLETON, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Pendleton, Oregon.
2. No material weaknesses in internal control were discovered by the audit of the basic financial statements of the City of Pendleton, Oregon; however, we noted what we consider to be a significant deficiency.
3. No instances of noncompliance material to the financial statements of the City of Pendleton, Oregon were disclosed during the audit.

Federal Awards

4. No material weaknesses or significant deficiencies in internal control over the major federal program were disclosed by the audit.
5. The auditor's report on compliance for the major federal award program for the City of Pendleton, Oregon, expresses an unqualified opinion.
6. The audit did not disclose any audit findings, which the auditor is required to report in accordance with section 510(a) of Circular A-133.
7. The program tested as a major program included:

Airport Improvement Program	CFDA # 20.106

8. The threshold for distinguishing Types A and B programs was $300,000.
9. The City of Pendleton, Oregon was determined to be a low risk auditee.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

2007-1

Condition and criteria: The City recorded cash activity in the wrong fiscal year and the bank reconciliations were not reviewed by a second party to detect the error.

Effect: The City's cash and cash equivalents were misstated for the June 30, 2007 fiscal year prior to audit.

Cause: Human error was the cause of the original mistake. The errors were not detected through the bank reconciliation process because the main transaction was recorded after the June 30, 2007 bank reconciliation was prepared, and there were no procedures in place to review the monthly bank reconciliations. In addition, the transaction was not recorded by the regular staff due to employee vacations and City staff had not had time to find the error in the normal course of business due to the additional workload preparing for the audit and the training of new staff.

Auditor's recommendation: All bank reconciliations should be reviewed, dated, and initialed by a second party and cash activity should be recorded in the appropriate fiscal period.

Management's response: The City agrees with the above finding and the auditor's recommendations have been adopted.

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

None

CITY OF PENDLETON

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