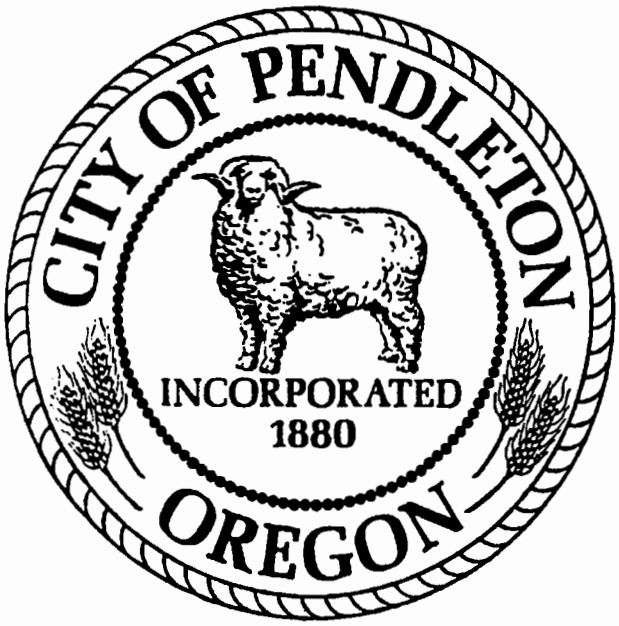
CITY OF PENDLETON, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2008



CITY OF PENDLETON

INCORPORATED
1880

OREGON

CITY OF PENDLETON, OREGON
ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2008

TABLE OF CONTENTS

	Page
OFFICIALS OF THE CITY	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government – Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
State Tax Street Fund	27
Statement of Net Assets – Proprietary Funds	29
Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	31
Reconciliation of the Statement of Revenues, Expenses, and Changes In Fund Net Assets of Enterprise Funds to the Statement of Activities	32
Statement of Cash Flows – Proprietary Funds	33
Statement of Fiduciary Net Assets – Fiduciary Funds	36
Notes to the Basic Financial Statements	37
SUPPLEMENTAL INFORMATION	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Non-Major Governmental Funds	61
Sub-Combining Balance Sheet:	
Non-Major Special Revenue Funds	62
Non-Major Capital Projects Funds	63
Non-Major Permanent Trust Funds	64

	Page
Combining Statement of Revenues, Expenditures, and Change in Fund Balance – Non-Major Governmental Funds	65
Sub-Combining Statement of Revenues, Expenditures, and Changes in Fund Balance:	
Non-Major Special Revenue Funds	66
Non-Major Capital Projects Funds	67
Non-Major Permanent Trust Funds	68
Combining Balance Sheet – Internal Service Funds	70
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	71
Combining Statement of Cash Flows – Internal Service Funds	72
Combining Statement of Fiduciary Net Assets – Agency Funds	75
Schedule of Expenditures and Transfers – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	77
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Governmental Funds:	
Special Revenue Funds:	
Bike Fund	79
Library Fund	80
Library Trust Fund	81
Transportation Services Fund	82
Community Development Block Grant	83
Housing Revolving Loan Fund	84
Local Community Development Fund	85
Sidewalk Repair Loan Fund	86
Pendleton Convention Center Fund	87
Pendleton Youth Commission Fund	88
Police Interagency Special Revolving Fund	89
System Development Fees Fund	90
Parks Trust Fund	91
Parks Capital Reserve Fund	92
Fire Capital Reserve Fund	93
County Dispatch Capital Equipment Fund	94
Pendleton Development Commission Fund	95
Debt Service Fund:	
Debt Service Fund	96
Permanent Trust Funds:	
Library Permanent Trust Fund	97
Cemetery Perpetual Care Fund	98
Capital Projects Funds:	
L.I.D. Construction Fund	99
Keystone Project Fund	100
Barnhart Road Construction Fund	101
Proprietary Funds:	
Enterprise Funds:	
Water Fund	103
All Sewer Funds:	
Sewer Fund	104
Sewer Capital Reserve Fund	105

	Page
Wastewater Capital Project Fund	106
Wastewater Revenue Bond Reserve Fund	107
Wastewater Revenue Bond Debt Service Fund	108
Wastewater Rate Stabilization Fund	109
Reconciliation to Generally Accepted Accounting Principles	110
Airport Fund	111
Cemetery Fund	112
Internal Service Funds:	
Construction and Repair Fund	113
Central Services Fund	114
Schedule of Expenditures and Transfers – Budget and Actual (Non-GAAP Budgetary Basis) – Central Services Fund	115
Fiduciary Funds:	
Agency Funds:	
Eastern Oregon Drug Task Force Fund	117
Pendleton Foundation Trust	118
Other Financial Schedules:	
Schedule of Changes in Assets and Liabilities – All Agency Funds	119
Schedule of Property Tax Transactions and Outstanding Balances	120
Schedule of Outstanding Debt Principal and Interest Transactions	121
Schedule of Future General Obligation Bonded Debt Requirements – Governmental Funds	122
Schedule of Future Limited Tax Pension Bonded Debt Requirements – Governmental Funds	123
Schedule of Future Note Payable Debt Requirements – Governmental Funds	124
Water Fund	125
Sewer Fund	126
ACCOMPANYING INFORMATION	
Independent Auditor's Comments	127
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	129
Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance With the Passenger Facility Charge Audit Guide for Public Agencies	131
Schedule of Expenditures of Passenger Facility Charges	133

CITY OF PENDLETON

INCORPORATED
1880

OREGON

CITY OF PENDLETON, OREGON
OFFICIALS OF THE CITY
AS OF JUNE 30, 2008

MAYOR AND CITY COUNCIL

Name and Address	Term Expires December 31,
Phillip Houk, Mayor 707 NW 3rd Street Pendleton, OR 97801	2008
John Brenne, Council President PO Box 1404 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
Marjorie Iburg, Council Member 404 NW Horn Avenue Pendleton, OR 97801	2008
Steven Bjerke, Council Member PO Box 1537 Pendleton, OR 97801	2010
Dan Ceniga, Council Member 2130 SW Quinney Avenue Pendleton, OR 97801	2008
John Boston, Council Member 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
Mike Muller	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

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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, 2008, 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, 2008, 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 23, 2008, 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 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 23, 2008

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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, 2008. 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 increased by $9,734,213 or 191%. The City sold Wastewater Revenue Bonds to finance costs of improvements to the City's sanitary sewerage facilities for $9,980,000 in December 07. On a side note, the Port of Umatilla note payable was paid off early for a total of $31,160.07 in preparation for the Revenue Bonds.

- Governmental activities revenue decreased by $399,819. Capital grants, operating grants and investments saw the majority of the decrease. Expenditures decreased by $82,618, with the largest decrease in general activities as compared to specific program expenses such as public safety or parks & recreation.

- Business-type activities revenue increased by $739,137, due mainly to the increased sewer rates to cover the revenue bond debt requirements. The Airport improvement project was completed early in the fiscal year and received $54,642 in grant receipts as compared to $512,431 in FY07. Expenditures increased in all funds except Cemetery by a total of $396,032. Sewer saw the greatest increase, $286,662, with capital outlay at the Wastewater Treatment plant.

- The unreserved fund balance for the General Fund was $1,916,199 and the total fund balance was $3,803,199 or approximately 40% of total general fund expenditures. The beginning fund balance increased by 20% from the previous year.

- The City's governmental activities total bonded debt decreased by $550,000 or 5% over FY2006-07. 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 11 proprietary funds.

  Enterprise funds are used to report the same functions presented as *business-type activities* in the government -wide financial statements. Of the 11 proprietary funds, nine 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 11 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 $52,651,019 at the close of the FY2007-08 year. Restricted net assets in the governmental funds include $408,947 for bonded debt service, $521,216 State Street Tax monies reserved for street operations, and $803,037 of restricted funds for Library and the Cemetery Perpetual Care funds. Proprietary Funds have a restricted balance of $973,345 in the Sewer Fund due to amount of debt associated with the Wastewater Treatment Plant improvement revenue bonds.

The largest portion of the City's net assets reflects an investment of $45,105,845 or 86 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 2006-07	FY 2007-08	Change
Assets			
Current and other assets	$ 14,622,024	$ 15,039,754	$ 417,730
Capital Assets	29,316,550	29,175,036	(141,514)
Total assets	$ 43,938,574	$ 44,214,790	$ 276,216
Liabilities			
Long-term liabilities outstanding	$13,265,141	$ 12,580,940	$ (684,201)
Other liabilities	1,707,272	2,402,894	695,622
Total liabilities	$ 14,972,413	$ 14,983,834	$ 11,421
Net Assets			
Invested in capital assets, net of related debt	$ 22,494,116	$ 22,919,175	$ 425,059
Restricted	1,548,942	1,733,200	184,258
Unrestricted (deficit)	4,923,103	4,578,581	(344,522)
Total Net Assets	$ 28,966,161	$ 29,230,956	$ 264,795

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

Business-type Activities

	FY 2006-07	FY 2007-08	Change
Assets			
Current and other assets	$ (163,417)	$ 11,082,728	$11,246,145
Capital Assets	28,676,383	27,937,694	(738,689)
Total assets	$ 28,512,966	$ 39,020,422	$10,507,456
Liabilities			
Long-term liabilities outstanding	$ 4,874,602	$ 14,290,411	$ 9,415,809
Other liabilities	750,052	1,309,948	559,896
Total liabilities	$ 5,624,654	$ 15,600,359	$ 9,975,705
Net Assets			
Invested in capital assets, net of related debt	$ 23,569,290	$ 22,186,670	$ (1,382,620)
Restricted	--	973,345	973,345
Unrestricted (deficit)	(680,978)	260,048	941,026
Total Net Assets	$ 22,888,312	$ 23,420,063	$ 531,751

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

Total Net Assets

	FY 2006-07	FY 2007-08	Change
Assets			
Current and other assets	$ 14,458,607	$ 26,122,482	$ 11,663,875)
Capital Assets	57,992,933	57,112,730	(880,203)
Total assets	$ 72,451,540	$ 83,235,212	$ 10,783,672
Liabilities			
Long-term liabilities outstanding	$ 18,139,743	$ 26,871,351	$ 8,731,608
Other liabilities	2,457,324	3,712,842	1,255,518
Total liabilities	$ 20,597,067	$ 30,584,193	$ 9,987,126
Net Assets			
Invested in capital assets, net of related debt	$ 46,063,406	$ 45,105,845	$ (957,561)
Restricted	1,548,942	2,706,545	1,157,603
Unrestricted (deficit)	4,242,125	4,838,629	596,504
Total Net Assets	$ 51,854,473	$ 52,651,019	$ 796,546

An additional portion of the City's net assets $2,706,545, approximately 6 percent, represents resources that are subject to external restrictions on how they may be used. The remaining, balance is *unrestricted net assets* totaling $4,838,629 or approximately 10 percent. Unrestricted net assets increased from the previous year by $596,504.

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

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 2006-07	FY 2007-08	Change
Revenues			
Program revenues:			
Charges for services	$2,586,881	$3,171,626	$ 584,745
Operating grants & contributions	1,869,523	1,812,443	(57,080)
Capital grants & contributions	1,107,016	485,485	(621,531)
General revenues:			
Property taxes	4,925,674	5,112,788	187,114
Franchise fees	3,328,536	3,728,679	400,143
Investment earnings	1,150,727	253,785	(896,942)
Other	167,838	171,570	3,732
Total revenues	**$15,136,195**	**$14,736,376**	**$ (399,819)**
Expenses			
General government	$3,272,077	$2,676,999	$ (595,078)
Public safety	6,296,541	6,400,108	103,567
Highways & streets	1,500,475	1,534,291	33,816
Culture & recreation	2,317,217	2,649,113	331,896
Amortization of PERS prepayment	244,788	295,832	51,044
Interest on long-term debt	698,747	690,884	(7,863)
Total expenses	**$14,329,845**	**$14,247,227**	**$ (82,618)**
Revenues over (under) expenses	$ 806,350	$ 489,149	$ (317,201)
Transfers	(81,518)	(132,637)	(51,119)
Change in net assets	724,832	356,512	(368,320)
Net assets--beginning	**$31,202,801**	**$28,966,161**	**$(2,236,640)**
Pension asset valuation adjustment	(2,961,472)	-0-	2,961,472
Prior Period adjustment	-0-	(91,717)	(91,717)
Net assets--ending	**$28,966,161**	**$29,230,956**	**$ 264,795**

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

Business-type Activities

	FY 2006-07	FY 2007-08	Change
Revenues			
Program revenues:			
Charges for services	$5,454,820	$6,482,577	$ 1,027,757
Operating grants & contributions	296,426	270,412	(26,014)
Capital grants & contributions	512,431	54,642	(457,789)
General revenues:			
Investment earnings	72,650	287,905	215,255
Other	23,969	3,897	(20,072)
Total revenues	**$6,360,296**	**$7,099,433**	**$ 739,137**
Expenses			
Water	$ 2,911,894	$ 2,976,793	$ 64,899
Sewer	1,543,694	1,830,356	286,662
Airport	1,607,542	1,663,441	55,899
Cemetery	241,157	229,729	(11,428)
Total expenses	**$6,304,287**	**$ 6,700,319**	**$ 396,032**
Revenues over (under) expenses	$ 56,009	$ 399,114	$ 343,105
Transfers	81,518	132,637	51,119
Change in net assets	137,527	531,751	394,224
Net assets--beginning	**$22,750,785**	**$22,888,312**	**$ 137,527**
Net assets--ending	**$22,888,312**	**$23,420,063**	**$ 531,751**

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

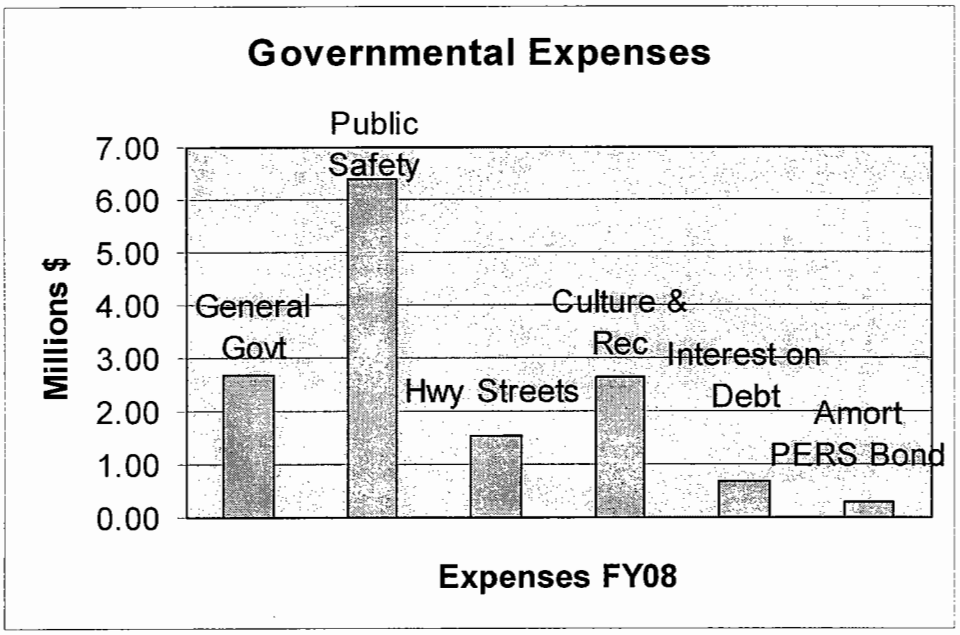
Total Net Assets

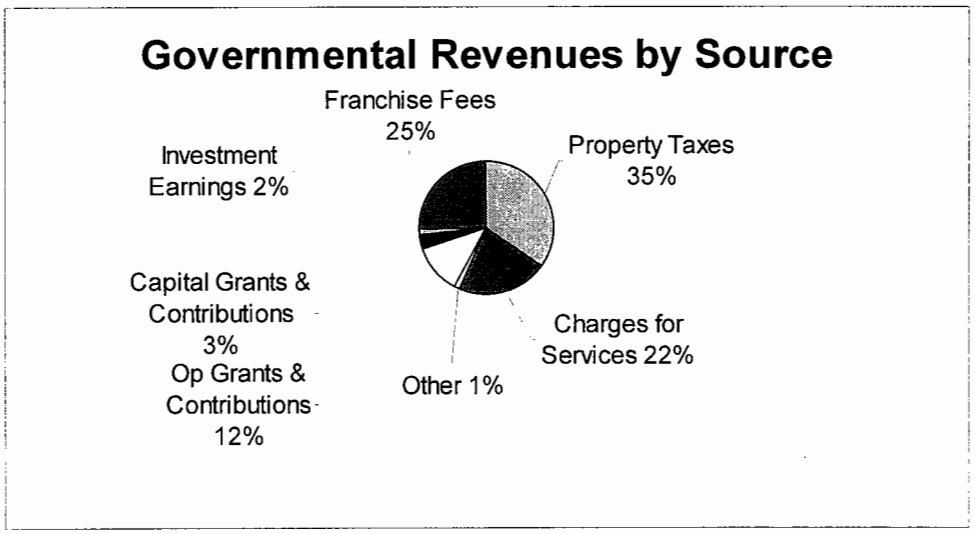
	FY 2006-07	FY 2007-08	Change
Revenues			
Program revenues:			
Charges for services	$8,041,701	$9,654,203	$ 1,612,502
Operating grants & contributions	2,165,949	2,082,855	(83,094)
Capital grants & contributions	1,619,447	540,127	(1,079,320)
General revenues:			
Property taxes	4,925,674	5,112,788	187,114
Franchise fees	3,328,536	3,728,679	400,143
Investment earnings	1,223,377	541,690	(681,687)
Other	191,807	175,467	(16,340)
Total revenues	**$21,496,491**	**$21,835,809**	**$ 339,318**
Expenses			
General government	$3,272,077	$2,676,999	$ (595,078)
Public safety	6,296,541	6,400,108	103,567
Highways & streets	1,500,475	1,534,291	33,816
Culture & recreation	2,317,217	2,649,113	331,896
Amortization on PERS prepayment	244,788	295,832	51,044
Interest on long-term debt	698,747	690,884	(7,863)
Water	2,911,894	2,976,793	64,899
Sewer	1,543,694	1,830,356	286,662
Airport	1,607,542	1,663,441	55,899
Cemetery	241,157	229,729	(11,428)
Total expenses	**$20,634,132**	**$20,947,546**	**$ 313,414**
Revenues over (under) expenses	$ 862,359	$ 888,263	$ 25,904
Transfers	--	--	--
Change in net assets	862,359	888,263	25,904
Net assets--beginning	**$53,953,586**	**$51,854,473**	**$(2,099,113)**
Pension asset valuation adjustment	(2,961,472)	-0-	2,961,472
Prior Period adjustment	-0-	(91,717)	(91,717)
Net assets--ending	**$51,854,473**	**$52,651,019**	**$ 796,546**

As noted above, the City of Pendleton's overall net assets increased by $796,546 during FY2007-08. This increase is explained in the government and business-type activities discussion below.

Governmental activities. The major factor for the governmental activities net asset increase was the first year after the PERS pension asset valuation adjustment decrease of $2,961,472. The other governmental activities increased only by $25,904 over the previous year. The net affect was net assets ending balance of $29,230,956. Franchise fees increased by $400,143 or 12 percent. This is the second full year since the franchise fee rate increased to 7% for all utilities within the City limits.

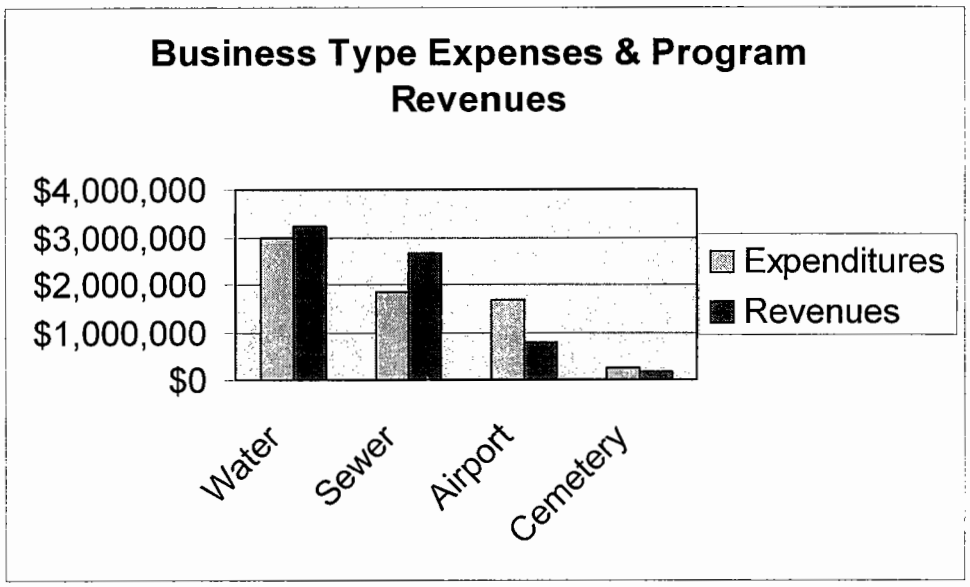
The following graphs provide visual representation of the expenses and revenues for governmental activities for FY2007-08.

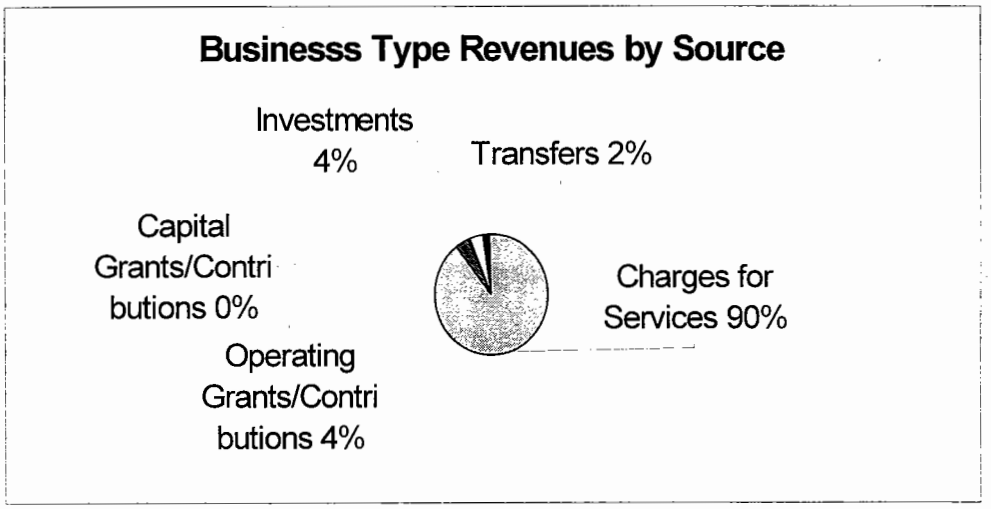




Business-type activities. Business-type activities increased the City's net assets by $531,751. Charges for services increased by over one million dollars due mainly to an increase in sewer rates to cover the costs of the Wastewater Treatment Plant's revenue bonds issued for improvements. Capital grants & contributions overall decreased over $457,789 due mainly to the completion of the Airport Improvement project. Total revenues taken in were more than total expenses by $399,114 for FY08. 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 FY2007-08.





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 $8,022,311, an increase of $732,219. Of the combined ending fund balances, $3,441,611 or 43 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 $521,216 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 $803,037, 3) to pay for future debt service payments of $408,947, and 4) advances to other funds of $2,847,500.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unreserved fund balance* of the General Fund was $1,916,199. 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 40 percent of total General Fund expenditures and transfers.

The fund balance of the City's General Fund increased by $628,003 during FY2007-08. Key factors in that affected fund balance are as follows:

- Revenues and transfers in received by the General Fund increased by 6%, taking in $10,518,698 for the year.
- Expenditures & transfers increased by 4% for a total of $9,890,695. Materials and services decreased by 6% or $157,330. Personnel costs, not including the PERS bond payment, increased by four percent from the prior year, $294,781.
- Franchise fees from utilities are assessed at 7% for all utilities, an increase of 9 percent, or $175,095.
- Capital Outlay of $446,110 for governmental projects, including parks and recreation, facilities, and patrol cars, increased from the prior year by $204,935 or 85 percent. The skate park expenditures are supported by grant and donation dollars.

See pages 59-68 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 ($220,674), $1,679,623, ($1,592,288) and $55,131 respectively. The Water Fund unrestricted net assets continued in a negative amount in FY08 due to the loan outstanding for the construction of the water treatment plant. The Water Fund owed $4.86 million to the State for the project and borrowed $658,000 from other funds at the end of the fiscal year. The Airport Fund owes approximately $1.845 million to other City funds for AIP capital improvements and operating expenses. Total net assets for enterprise funds increased by $538,110 due mainly to sewer fund rate increases required for the sewer revenue bonds issued while holding expenditures to essential requirements.

See Combining Statements on pages 69-73 for the internal service funds, and pages 102-115 for the proprietary funds budgetary schedules.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were five 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:

- $7,000 increase in *Debt Servic*e to provide for the General Funds' portion of the Port of Umatilla note payable payoff. *Contingency* was decreased to balance the fund.

- Increase *Beginning Fund Balance* to actual of $3,175,000; increase *Fire Department* expenditures by $38,000 for costs associated with firefighter and ambulance services provided for out of district incidents, increase *Donations* and *Capital Outlay* by $16,000 for Community Park ballfield fence and pool vacuum, increase *Capital Outlay* for the skateboard park construction by $110,000, increase *Transfers Out* to the Library for $13,600 for the Youth Services Librarian position and increase *Transfers Out* to cemetery $9,000 for road improvements, increase *Debt Service* by $6,600 to cover payoff of the Port of Umatilla note payable, increase *Contingency* by $134,800 to balance.

- Increase by $42,500 *Licenses & Permits* for the increase expected in the Business Licenses fees. Increase *Transfers Out* for $27,000 to the CDBG Business Development Revolving Loan Fund for match of the grant program. *Contingency* increased by $15,500 to balance the fund.

- Increase *Police Department* budget by $5,000 for OT expenses unanticipated at the start of the budget year including the security coverage for presidential candidates. *Contingency* decreased to balance the fund.

- Decrease *Contingency* by $17,000 and increase *Municipal Court* by the same amount to provide additional funding for the court indigent defense costs obligated by contract

The net change in budgeted fund balance during the year was a increase of $628,003. A factor that affected the increase in fund balance was the skateboard park donations received during the year and the expenditures which were not accomplished on the project as planned by the end of June 30, 2008.

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, 2008, amounts to $57,112,730 (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 $880,203 or one percent (a one percent decrease for business-type activities and a one percent decrease for governmental activities).

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

- The Airport fund closed out the year with $58,540 in improvements due to the rehabilitation of a runway and runway lighting system.

- The addition of the Round-Up Let' R Buck room remodel was added to the City's assets for $88,082.

- The Sewer Fund expended approximately $349,252 on the Wastewater Treatment Plant improvements.

- The gun range was finished with $133,269 spent in FY08, along with the skateboard park groundbreaking construction for $79,865.

- Depreciation for governmental activities expense for FY08 was $1,622,411 versus capital outlay expenditures of $1,488,830. Depreciation for business-type activities expense for FY08 was $1,705,800 versus capital outlay expenditures of $967,111.

The following table provides comparative information on the City's capital assets for FY2006-07 and FY2007-08.

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

Governmental Activities

Asset Category	FY2006-07	FY2007-08	Change
Land	$ 2,054,291	$ 2,428,987	$ 374,696
Assets available for sale	272,284	308,726	36,442
Buildings	14,919,239	15,106,152	186,913
Equipment	5,288,414	5,300,986	12,572
Improvements	9,544,416	9,866,435	322,019
Infrastructure	20,926,650	20,926,650	0
Work In Progress	-0-	327,250	327,250
Accumulated depreciation & amortization	(23,688,744)	(25,090,150)	(1,401,406)
Total	$29,316,550	$29,175,036	$ (141,514)

Business-type Activities

Asset Category	FY2006-07	FY2007-08	Change
Land	$ 339,345	$ 339,345	$ 0
Buildings	13,592,392	13,611,915	19,523
Equipment	17,449,316	17,573,979	124,663
Improvements	26,958,982	27,364,365	405,383
Work In Progress	-0-	349,252	349,252
Accumulated depreciation & amortization	(29,663,652)	(31,301,162)	(1,637,510)
Total	$28,676,383	$27,937,694	$ (738,689)

Total Net Capital Assets

Asset Category	FY2006-07	FY2007-08	Change
Land	$ 2,393,636	$ 2,768,332	$ 374,696
Assets Available for sale	272,284	308,726	36,442
Buildings	28,511,631	28,718,067	206,436
Equipment	22,737,732	22,874,965	137,233
Improvements	36,503,398	37,230,800	727,402
Infrastructure	20,926,650	20,926,650	-0-
Work In Progress	-0-	676,502	676,502
Accumulated depreciation & amortization	(53,352,398)	(56,391,312)	(3,038,914)
Total	$57,992,933	$57,112,730	$ (880,203)

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

B. Debt Administration

As of June 30, 2008, the City had General Obligation Bond debt outstanding of $3,260,000. The general obligation debt outstanding is backed by the full faith and credit and taxing power of the City. Debt payments of $505,000 was made on scheduled for FY08. 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, 2008, the City had PERS debt outstanding of $7,045,000.

The City owed 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. That note was paid in full in December 2007. The City also holds a business loan for the purchase of land and construction of a RV manufacturing plant for $2,397,673 at June 30th. The Pendleton Development Commission (PDC) was advanced $600,000 in loan proceeds for the Downtown Facade Restoration Progam in FY08. Total PDC loan balance outstanding at June 30th was $1,200,000.

In addition, the Water Fund owes $4,861,306 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 City sold Wastewater Revenue Bonds to finance costs of improvements to the City's sanitary sewerage facilities for $9,980,000 in December 07. Sewer rates were increased to cover the debt service required in the future.

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	FY2006-07	FY2007-08	Change
General Obligation Bonds	$ 3,765,000	$ 3,260,000	$ (505,000)
Less Deferred Refunding	(44,320)	(39,034)	5,286
Limited Tax Pension Obligation Bonds	7,090,000	7,045,000	(45,000)
Notes Payable	2,501,756	2,397,672	(104,084)
Notes Payable - PDC	600,000	1,200,000	600,000
Total	$13,912,436	$13,863,638	$ (48,798)

Business-type Activities

Debt Category	FY2006-07	FY2007-08	Change
Revenue Bonds Payable	$ -0-	$ 9,980,000	$ 9,980,000
Notes Payable	5,107,093	4,861,306	(245,787)
Total	$5,107,093	$14,841,306	$ 9,734,213

Total Outstanding Debt

Debt Category	FY2006-07	FY2007-08	Change
General Obligation Bonds	$3,765,000	$ 3,260,000	$ (505,000)
Less Deferred Refunding	(44,320)	(39,034)	5,286
Limited Tax Pension Obligation Bonds	7,090,000	7,045,000	(45,000)
Revenue Bonds Payable	-0-	9,980,000	9,980,000
Notes Payable	8,208,849	8,458,978	250,129
Total	$19,019,529	$28,704,944	$ 9,685,415

The City's total debt increased by $9,685,415 (51 percent) during the current fiscal year. Debt for governmental activities decreased by $48,798 while debt for business-type activities increased by $9,734,213. Governmental activities debt decreased by the payments made on the GO Bonded debt and the PERS unfunded actuarial liability and payoff the General Fund's portion of the Port of Umatilla note payable. 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 less than one percent. The Business-type activities debt increased due to the $9.9 million for Wastewater Treatment Plant bonds issued in December 2007.

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 FY2007-08 real market value, this debt limitation is $29,197,627. The amount of outstanding City debt subject to this limitation is $10,305,000.

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 FY2008 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.
- The Police Department would hire a full-time code enforcement officer.
- The City would help fund a Economic Development Director position.
- Health insurance rates expect a 12.5% increase and Workers Comp rates expect a 17% increase.
- Fire salaries would increase by 2% in July and 2% in January.
- Exempt salaries would increase by 2.75% in July.
- OPEU salaries would increase by $100 per month 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 except for donation/grant funded skateboard park construction.
- Water and sewer residential rates would increase by the CPI.
- Sewer Fund would borrow $4 million for sewer facility upgrades.

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

INCORPORATED
1880

OREGON

BASIC FINANCIAL STATEMENTS

CITY OF PENDLETON, OREGON
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,761,895	$ 2,606,821	$ 6,368,716
Receivables:			
Accounts, net	1,062,351	495,442	1,557,793
Property taxes	385,553	-	385,553
Assessments	337,431	-	337,431
Notes	586,066	320,411	906,477
Interest	-	86,500	86,500
Internal balances	2,700,525	(2,700,525)	-
Prepaid items	190,875	-	190,875
Inventories	-	210,452	210,452
Bond discounts and issuance costs	95,835	138,658	234,493
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	930,163	1,491,957	2,422,120
Investments	-	8,433,012	8,433,012
Pension asset	4,186,023	-	4,186,023
Permanently restricted:			
Cash and cash equivalents	159,495	-	159,495
Investments	643,542	-	643,542
Capital assets:			
Land	2,428,987	339,345	2,768,332
Assets available for sale	308,726	-	308,726
Construction in progress	327,250	349,252	676,502
Depreciable assets, net of depreciation	26,110,073	27,249,097	53,359,170
Total assets	44,214,790	39,020,422	83,235,212
LIABILITIES			
Accounts payable and accrued expenses	565,815	336,794	902,609
Deposits	41,355	1,635	42,990
Unearned revenue	21,700	-	21,700
Accrued interest payable	96,333	336,922	433,255
Compensated absences payable	394,992	83,702	478,694
Long-term obligations:			
Due within one year	1,282,699	550,895	1,833,594
Due in more than one year	12,580,940	14,290,411	26,871,351
Total liabilities	14,983,834	15,600,359	30,584,193
NET ASSETS			
Invested in capital assets, net of related debt	22,919,175	22,186,670	45,105,845
Restricted for:			
Debt service	408,947	973,345	1,382,292
Highways and streets	521,216	-	521,216
Library permanent trust	140,406	-	140,406
Cemetery perpetual care permanent trust	662,631	-	662,631
Unrestricted (deficit)	4,578,581	260,048	4,838,629
Total net assets	$ 29,230,956	$ 23,420,063	$ 52,651,019

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

CITY OF PENDLETON, OREGON
STATEMENT OF ACTIVITIES
June 30, 2008

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	Net (Expense) Revenue and Change in Net Assets – Primary Government: Business-Type Activities	Net (Expense) Revenue and Change in Net Assets – Primary Government: Total
Governmental activities:							
General government	$ 2,676,999	$ 1,272,578	$ 358,931	$ 293,541	$ (751,949)	$ -	$ (751,949)
Public safety	6,400,108	1,360,273	239,361	132,439	(4,668,035)	-	(4,668,035)
Highways and streets	1,534,291	219,058	743,912	-	(571,321)	-	(571,321)
Culture and recreation	2,649,113	319,717	470,239	59,505	(1,799,652)	-	(1,799,652)
Amortiation of PERS prepayment	295,832	-	-	-	(295,832)	-	(295,832)
Interest on long-term obligations	690,884	-	-	-	(690,884)	-	(690,884)
Total governmental activities	14,247,227	3,171,626	1,812,443	485,485	(8,777,673)	-	(8,777,673)
Business-type activities:							
Water	2,976,793	3,229,722	-	-	-	252,929	252,929
Sewer	1,830,356	2,656,024	-	-	-	825,668	825,668
Airport	1,663,441	469,487	251,086	54,642	-	(888,226)	(888,226)
Cemetery	229,729	127,344	19,326	-	-	(83,059)	(83,059)
Total business-type activities	6,700,319	6,482,577	270,412	54,642	-	107,312	107,312
Total primary government	$ 20,947,546	$ 9,654,203	$2,082,855	$ 540,127	(8,777,673)	107,312	(8,670,361)
General revenues:							
Property taxes levied for:							
General purposes					4,247,176	-	4,247,176
Debt service					865,612	-	865,612
Franchise and public services taxes					3,728,679	-	3,728,679
Interest and investment earnings					408,987	287,905	696,892
Investment earnings (loss) on pension asset					(155,202)	-	(155,202)
Miscellaneous					165,234	3,897	169,131
Gain (loss) on sale of property					6,336	-	6,336
Transfers					(132,637)	132,637	-
Total general revenues, special items, and transfers					9,134,185	424,439	9,558,624
Change in net assets					356,512	531,751	888,263
Net assets, beginning					28,966,161	22,888,312	51,854,473
Prior period adjustment					(91,717)	-	(91,717)
Net assets, beginning, as adjusted					28,874,444	22,888,312	51,762,756
Net assets, ending					$ 29,230,956	$ 23,420,063	$ 52,651,019

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

CITY OF PENDLETON

INCORPORATED
1880

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, 2008

	General Fund	Street Fund	Other Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 1,580,850	$ 537,218	$ 2,473,869	$ 4,591,937
Investments	-	-	643,542	643,542
Receivables:				
Property taxes	322,773	-	62,780	385,553
Accounts	745,665	66,733	237,461	1,049,859
Assessments	3,674	-	333,757	337,431
Notes	266,662	13,215	306,189	586,066
Advances to other funds	1,887,000	-	960,500	2,847,500
Total assets	$ 4,806,624	$ 617,166	$ 5,018,098	$ 10,441,888
LIABILITIES				
Accounts payable and accrued liabilities	$ 323,927	$ 82,735	$ 122,794	$ 529,456
Deposits	75	-	33,470	33,545
Deferred revenue	679,423	13,215	819,438	1,512,076
Advances from other funds	-	-	344,500	344,500
Total liabilities	1,003,425	95,950	1,320,202	2,419,577
FUND BALANCES (DEFICIT)				
Reserved for:				
Advances to other funds	1,887,000	-	960,500	2,847,500
Debt service	-	-	408,947	408,947
Highways and streets	-	521,216	-	521,216
Permanent funds	-	-	803,037	803,037
Unreserved, reported in:				
Major funds	1,916,199	-	-	1,916,199
Capital projects funds	-	-	57,421	57,421
Special revenue funds	-	-	1,467,991	1,467,991
Total fund balances	3,803,199	521,216	3,697,896	8,022,311
Total liabilities and fund balances	$ 4,806,624	$ 617,166	$ 5,018,098	$ 10,441,888

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, 2008

Fund balances - total governmental funds		$ 8,022,311
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activites are not financial resources, and, therefore, are not reported in the funds		29,131,586
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.		4,281,858
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		1,490,376
Expenditures paid for local improvement districts are expensed as paid in the funds, but are reported as prepaid items in governmental activities until the final assessment on property owners is made.		190,875
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.		(337,274)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(96,333)
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.		(13,863,639)
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	$ 259,616	
Accounts receivable, net	12,492	
Internal balances	197,525	
Capital assets, net	43,450	
Accounts payable and accrued expenses	(36,359)	
Deposits	(7,810)	
Compensated absences payable	(57,718)	
Total internal service funds		411,196
Net assets of governmental activities		$ 29,230,956

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, 2008

	General Fund	State Tax Street Fund	Other Governmental Funds	Totals
REVENUES				
Property taxes	$ 4,232,296	$ -	$ 859,440	$ 5,091,736
Other taxes	524,854	-	457,272	982,126
Franchise fees	2,284,799	-	-	2,284,799
Licenses and fees	563,740	-	198,525	762,265
Charges for services	1,028,989	197,177	664,798	1,890,964
Intergovernmental	942,473	742,412	754,037	2,438,922
Fines and forfeitures	390,864	-	-	390,864
Assessments	6,128	-	81,453	87,581
Loan repayments	-	-	11,701	11,701
Contributions	129,840	-	70,776	200,616
Interest on investments	179,434	21,793	196,353	397,580
Miscellaneous	105,850	21,881	55,467	183,198
TOTAL REVENUES	10,389,267	983,263	3,349,822	14,722,352
EXPENDITURES				
Current:				
General govrenment	1,070,640	-	1,316,625	2,387,265
Public safety	5,973,266	-	108,230	6,081,496
Culture and recreation	1,691,536	-	449,115	2,140,651
Highways and streets	-	851,032	-	851,032
Capital outlay	446,110	112,486	1,059,728	1,618,324
Debt service	404,663	-	937,763	1,342,426
TOTAL EXPENDITURES	9,586,215	963,518	3,871,461	14,421,194
REVENUES OVER (UNDER) EXPENDITURES	803,052	19,745	(521,639)	301,158
OTHER FINANCING SOURCES (USES)				
Sale of property	9,031	3,727	1,648	14,406
Issuance of debt	-	-	600,000	600,000
Transfers in	120,400	-	225,459	345,859
Transfers out	(304,480)	(4,860)	(128,146)	(437,486)
TOTAL OTHER FINANCING SOURCES (USES)	(175,049)	(1,133)	698,961	522,779
NET CHANGE IN FUND BALANCE	628,003	18,612	177,322	823,937
FUND BALANCE, Beginning	3,175,196	502,604	3,612,291	7,290,091
Prior period adjustment	-	-	(91,717)	(91,717)
FUND BALANCE, Beginning, As adjusted	3,175,196	502,604	3,520,574	7,198,374
FUND BALANCE, Ending	$ 3,803,199	$ 521,216	$ 3,697,896	$ 8,022,311

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, 2008

Net change in fund balance - governmental funds		$ 823,937
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		5,250
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.		648,794
Issuance of debt is a financial resource in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.		(600,000)
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		(23,118)
Change in accrued interest payable		7,736
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	$ (155,202)	
Amortization of PERS UAL	(295,832)	
		(451,034)
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:		
Prepaid items	$ 190,875	
Capital asset additions	1,488,831	
Basis of assets disposed	(9,312)	
Depreciation expense	(1,601,713)	
		68,681
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.		(118,745)
Change in net assets - governmental activities		$ 356,512

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 4,236,750	$ 4,236,750	$ 4,232,296	$ (4,454)
Other taxes	467,000	467,000	524,854	57,854
Franchise fees	2,040,075	2,040,075	2,284,799	244,724
Licenses and fees	567,360	609,860	563,740	(46,120)
Charges for services	987,950	987,950	1,028,989	41,039
Intergovernmental	1,129,300	1,215,300	942,473	(272,827)
Fines and forfeitures	359,000	359,000	390,864	31,864
Assessments	5,900	5,900	6,128	228
Contributions	139,800	139,800	129,840	(9,960)
Interest on investments	140,000	140,000	179,434	39,434
Miscellaneous	68,360	68,360	105,850	37,490
TOTAL REVENUES	10,141,495	10,269,995	10,389,267	119,272
EXPENDITURES				
Current:				
General government	1,170,025	1,187,025	1,070,640	116,385
Public safety	5,990,890	6,033,890	5,973,266	60,624
Culture and recreation	1,717,295	1,717,295	1,691,536	25,759
Capital outlay	795,900	944,500	446,110	498,390
Debt service	398,930	412,530	404,663	7,867
Contingency	2,845,800	2,967,100	-	2,967,100
TOTAL EXPENDITURES	12,918,840	13,262,340	9,586,215	3,676,125
REVENUES OVER (UNDER) EXPENDITURES	(2,777,345)	(2,992,345)	803,052	3,795,397
OTHER FINANCING SOURCES (USES)				
Sale of property	1,425	1,425	9,031	7,606
Transfers in	120,400	120,400	120,400	-
Interfund loan repayment	-	-	270,500	270,500
Transfers out	(277,480)	(304,480)	(304,480)	-
TOTAL OTHER FINANCING SOURCES (USES)	(155,655)	(182,655)	95,451	278,106
NET CHANGE IN FUND BALANCE	(2,933,000)	(3,175,000)	898,503	4,073,503
Budgetary basis adjustment	-	-	(270,500)	(270,500)
FUND BALANCE, Beginning	2,933,000	3,175,000	3,175,196	196
FUND BALANCE, Ending	$ -	$ -	$ 3,803,199	$ 3,803,199

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 157,220	$ 157,220	$ 197,177	$ 39,957
Intergovernmental	1,094,500	1,094,500	742,412	(352,088)
Interest on investments	10,000	10,000	21,793	11,793
Miscellaneous	200	200	21,881	21,681
TOTAL REVENUES	1,261,920	1,261,920	983,263	(278,657)
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	318,640	318,640	258,995	59,645
Materials and services	603,655	603,655	592,037	11,618
Capital outlay	300,000	300,000	112,486	187,514
Contingency	50,000	50,000	-	50,000
TOTAL EXPENDITURES	1,272,295	1,272,295	963,518	308,777
REVENUES OVER (UNDER) EXPENDITURES	(10,375)	(10,375)	19,745	30,120
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	3,727	3,727
Transfers out	(4,860)	(4,860)	(4,860)	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,860)	(4,860)	(1,133)	3,727
NET CHANGE IN FUND BALANCE	(15,235)	(15,235)	18,612	33,847
FUND BALANCE, Beginning	410,200	410,200	502,604	92,404
FUND BALANCE, Ending	$ 394,965	$ 394,965	$ 521,216	$ 126,251

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

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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
  Wastewater Capital Project Fund
  Wastewater Revenue Bond Reserve Fund
  Wastewater Revenue Bond Debt Service Fund
  Wastewater Rate Stabilization 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, 2008

	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	$ 514	$ 1,989,545	$ 180	$ 61,054	$ 2,051,293	$ 815,144
Receivables:						
Accounts, net	431,069	7,959	40,928	6,834	486,790	21,144
Notes	13,215	13,215	280,766	-	307,196	13,215
Interest	-	86,500	-	-	86,500	-
Inventories	196,699	13,753	-	-	210,452	-
Total current assets	641,497	2,110,972	321,874	67,888	3,142,231	849,503
Noncurrent assets:						
Restricted cash and cash equivalents	-	1,491,957	-	-	1,491,957	-
Restricted investments	-	8,433,012	-	-	8,433,012	-
Bond discount and issuance costs	-	138,658	-	-	138,658	-
Capital assets:						
Land	254,903	41,975	21,317	21,150	339,345	-
Construction in progress	-	349,252	-	-	349,252	-
Depreciable assets, net of depreciation	13,924,609	2,847,734	9,734,552	97,893	26,604,788	687,759
Total noncurrent assets	14,179,512	13,302,588	9,755,869	119,043	37,357,012	687,759
Total assets	$ 14,821,009	$ 15,413,560	$ 10,077,743	$ 186,931	$ 40,499,243	$ 1,537,262
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	$ 62,907	$ 201,154	$ 51,330	$ 7,442	$ 322,833	$ 50,320
Accrued interest payable	124,607	212,315	-	-	336,922	-
Deposits	1,635	-	-	-	1,635	7,810
Compensated absences payable	15,022	17,880	17,832	5,315	56,049	85,371
Current portion of long-term debt	235,895	315,000	-	-	550,895	-
Total current liabilities	440,066	746,349	69,162	12,757	1,268,334	143,501
Long-term debt, net of current portion:						
Advances from other funds	658,000	-	1,845,000	-	2,503,000	-
Notes and contracts payable	4,625,411	-	-	-	4,625,411	-
Bonds payable	-	9,665,000	-	-	9,665,000	-
Total liabilities	5,723,477	10,411,349	1,914,162	12,757	18,061,745	143,501
Net assets (deficit):						
Invested in capital assets, net of related debt	9,318,206	2,349,243	9,755,869	119,043	21,542,361	687,759
Restricted for debt service	-	973,345	-	-	973,345	-
Unrestricted	(220,674)	1,679,623	(1,592,288)	55,131	(78,208)	706,002
Total net assets	9,097,532	5,002,211	8,163,581	174,174	22,437,498	1,393,761
Total liabilities and net assets	$ 14,821,009	$ 15,413,560	$ 10,077,743	$ 186,931	$ 40,499,243	$ 1,537,262

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, 2008

Net assets - total enterprise funds		$ 22,437,498
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	$ 555,528	
Accounts receivable, net	8,652	
Notes receivable	13,215	
Internal balances	(197,525)	
Capital assets, net	644,309	
Accounts payable and accrued expenses	(13,961)	
Compensated absences payable	(27,653)	
		982,565
Net assets of business - type activities		$ 23,420,063

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, 2008

	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	$3,212,353	$2,655,155	$ 467,866	$ 6,677	$ 6,342,051	$2,994,422
Licenses and fees	-	-	-	120,476	120,476	33,588
Miscellaneous	17,368	868	1,622	190	20,048	13,759
TOTAL OPERATING REVENUES	3,229,721	2,656,023	469,488	127,343	6,482,575	3,041,769
OPERATING EXPENSES						
Personal services	444,394	331,780	288,043	120,741	1,184,958	2,226,025
Materials and services	1,678,800	1,069,572	478,744	99,328	3,326,444	803,761
Depreciation	582,260	220,441	776,984	7,227	1,586,912	139,588
TOTAL OPERATING EXPENSES	2,705,454	1,621,793	1,543,771	227,296	6,098,314	3,169,374
OPERATING INCOME (LOSS)	524,267	1,034,230	(1,074,283)	(99,953)	384,261	(127,605)
NON-OPERATING INCOME (EXPENSES)						
Intergovernmental	-	-	250,586	-	250,586	10,000
Contributions	-	-	500	19,326	19,826	2,242
Gain (loss) on disposal of capital assets	-	6,650	-	-	6,650	770
Interest on investments	838	263,277	46	1,433	265,594	33,719
Interest expense	(255,543)	(216,272)	(107,491)	-	(579,306)	-
TOTAL NON-OPERATING INCOME (EXPENSES)	(254,705)	53,655	143,641	20,759	(36,650)	46,731
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	269,562	1,087,885	(930,642)	(79,194)	347,611	(80,874)
CAPITAL CONTRIBUTIONS						
Intergovernmental	-	-	54,642	-	54,642	-
TRANSFERS						
Transfers in	-	228,647	-	156,382	385,029	-
Transfers out	(7,550)	(238,517)	(70)	(3,035)	(249,172)	(44,230)
CHANGE IN NET ASSETS	262,012	1,078,015	(876,070)	74,153	538,110	(125,104)
NET ASSETS, Beginning	8,835,520	3,924,196	9,039,651	100,021	21,899,388	1,518,865
NET ASSETS, Ending	$9,097,532	$5,002,211	$8,163,581	$ 174,174	$22,437,498	$1,393,761

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, 2008

Change in net assets - total enterprise funds	$	538,110
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.		(6,359)
Change in net assets of business - type activities	$	531,751

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, 2008

	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	$ 3,104,067	$ 2,664,401	$ 537,038	$ 127,786	$ 6,433,292	$ 60,720
Receipts from interfund services provided	-	-	-	-	-	2,998,124
Payments to suppliers	(1,016,885)	(256,017)	(460,998)	(111,568)	(1,845,468)	(1,321,475)
Payments to employees	(310,124)	(239,446)	(225,622)	(85,406)	(860,598)	(1,695,134)
Payments for interfund services used	(818,204)	(822,000)	(103,950)	(19,430)	(1,763,584)	(6,130)
Net cash provided from (used by) operating activities	958,854	1,346,938	(253,532)	(88,618)	1,963,642	36,105
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES						
Transfers in	-	228,647	-	156,382	385,029	-
Transfers out	(7,550)	(238,517)	(70)	(3,035)	(249,172)	(44,230)
Net cash provided from (used by) non-capital financing activities	(7,550)	(9,870)	(70)	153,347	135,857	(44,230)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from intergovernmental revenue	-	-	305,228	-	305,228	10,000
Contributions	-	-	500	19,326	19,826	2,242
Notes receivable principal collections	2,921	2,922	35,418	-	41,261	2,920
Proceeds from issuance of debt	-	9,980,000	-	-	9,980,000	-
Proceeds from sale of capital assets	-	6,650	-	-	6,650	770
Interfund loan proceeds	-	-	87,000	-	87,000	-
Interfund loan payments	(197,500)	-	-	-	(197,500)	-
Acquisition of capital assets	(260,700)	(592,850)	(67,714)	(65,482)	(986,746)	(120,404)
Principal paid on long-term obligations	(235,802)	(9,985)	-	-	(245,787)	-
Interest paid on long-term obligations	(261,329)	(3,957)	(107,491)	-	(372,777)	-
Net cash provided from (used by) capital and related financing activities	(952,410)	9,382,780	252,941	(46,156)	8,637,155	(104,472)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net sales (purchases) of investments	-	(8,433,012)	-	-	(8,433,012)	-
Interest on investments	838	176,777	46	1,433	179,094	33,719
Net cash provided (used) by investing activities	838	(8,256,235)	46	1,433	(8,253,918)	33,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(268)	2,463,613	(615)	20,006	2,482,736	(78,878)
CASH AND CASH EQUIVALENTS, Beginning	782	1,017,889	795	41,048	1,060,514	894,022
CASH AND CASH EQUIVALENTS, Ending	$ 514	$ 3,481,502	$ 180	$ 61,054	$ 3,543,250	$ 815,144

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, 2008

	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)	$ 524,267	$ 1,034,230	$ (1,074,283)	$ (99,953)	$ 384,261	$ (127,605)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	582,260	220,441	776,984	7,227	1,586,912	139,588
(Increase) decrease in assets:						
Receivables	(127,289)	8,378	67,550	443	(50,918)	14,476
Inventories	7,557	143	-	-	7,700	-
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	(32,588)	83,670	(23,934)	4,805	31,953	(380)
Deposits	1,635	-	-	-	1,635	2,800
Compensated absences payable	3,012	76	151	(1,140)	2,099	7,226
Net cash provided from (used by) operating activities	$ 958,854	$ 1,346,938	$ (253,532)	$ (88,618)	$ 1,963,642	$ 36,105

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

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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. 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, 2008

	Agency
ASSETS	
Cash and cash equivalents	$ 32,380
Accounts receivable	16,615
Total assets	$ 48,995
LIABILITIES	
Accounts payable	$ 24,821
Due to other governments	24,174
Total laibilities	$ 48,995

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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, and the pension asset is restricted to the payment of pension expenditures. The Sewer funds have $973,345 restricted for debt service and $8,951,624 of unspent bond proceeds restricted towards capital improvements. 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, Pendleton Convention Center special revenue fund, System Development Fees 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, Pendleton Convention Center special revenue fund, System Development Fees special revenue fund, Local Improvement District construction capital project fund, and the Water 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, 2008, 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 one expenditure that exceeded appropriations. Interfund loan repayment exceeded budgetary authority by $66,000 in the Pendleton Convention Center fund.

C. Deficit fund balances

Funds having a deficit fund balance on the budgetary basis at June 30, 2008 are as follows:

Special Revenue Funds	
Sidewalk Repair Loan Fund	$ (276,218)
Capital Project Funds	
Local Improvement District Construction Fund	$ (32,764)
Enterprise Funds	
Water Fund	$ (109,282)
Airport Fund	$ (1,873,054)

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 includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2008. 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 fiscal year ended June 30, 2008, the carrying amount of the City and Urban Renewal Agency's deposits, including certificates of deposit categorized as investments of $8,433,012, was $9,657,378 and the bank balance was

$10,127,759. All deposits are held in the name of the City or the Pendleton Development Commission (blended component unit). Of the bank balance, $4,191,952 was covered by federal depository insurance and collateral certificates in the City or City of Pendleton Development Commission's name. The remaining $5,935,807 was uninsured and uncollateralized per GAAP standards, but the entire amount was collateralized in accordance with Oregon Minimum Standards.

Effective July 1, 2008, there were significant changes to ORS 295, which governs the collateralization of Oregon public funds. Public officials will no longer request Certificates of Participation for balances in excess of FDIC insured amounts. Instead, public officials must ensure the bank they are doing business with is on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials will be required to report to OST all bank depositories in which they deposit public funds and bank depositories will report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss.

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, 2008, the amount held in the escrow account for future scheduled payments was $237.

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 Certificates of Deposit at Banner Bank and Sterling Savings Bank, which represent 67% and 26% of total investments, respectively.

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, 2008 include Certificates of Deposit with Banner Bank totaling $6,106,565 and Sterling Bank of $2,326,447. All of the Certificates will mature within one year. In addition, the City is invested in the following:

	Reported Amount/ Fair Value
Investments not subject to categorization:	
External Investment Pool	$ 643,542

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

Cash on hand	$ 2,020
Cash with Police Department	12,335
Deposits with financial institutions	1,224,366
Local Government Investment Pool	7,743,991
Total cash and cash equivalents	$8,982,712
Funds:	
General	$1,580,850
State Tax Street	537,218
Non - major Governmental funds	2,473,869
Water	514
All Sewer funds	3,481,502
Airport	180
Cemetary	61,054
Internal Service funds	815,144
Fiduciary funds	32,381
Total cash and cash equivalents	$8,982,712

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 2007-2008, the City levied property taxes in the amount of $5,226,880. After loss due to constitutional limits and special assessed added taxes, this resulted in a net levy of $5,215,786. 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	$ 322,773	$ -	$ 62,780	$ -	$ 385,553
Special assessments	3,674	-	333,757	-	337,431
Accounts	603,211	-	111,126	-	714,337
Intergovernmental	185,667	66,733	126,335	12,492	391,227
Notes	266,662	13,215	306,189	-	586,066
Gross Receivables	1,381,987	79,948	940,187	12,492	2,414,614
Less: Allowance for Uncollectibles	43,213	-	-	-	43,213
Net Total Receivables	$ 1,425,200	$ 79,948	$ 940,187	$ 12,492	$ 2,457,827

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	$ 442,781	$ 1,315	$ -	$ 6,834	$ -	$ 450,930
Intergovernmental	-	6,644	51,592	-	8,652	66,888
Notes	-	13,215	280,766	-	13,215	307,196
Interest	-	86,500	-	-	-	86,500
Gross Receivables	442,781	107,674	332,358	6,834	21,867	911,514
Less: Allowance for Uncollectibles	(11,712)	-	(10,664)	-	-	(22,376)
Net Total Receivables	$ 431,069	$ 107,674	$ 321,694	$ 6,834	$ 21,867	$ 889,138

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 2007-2008 was $260,400. Future lease revenues will be $260,400 for fiscal years 2009 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 $13,019 for April 2007 to March 2008, and a building lease payment of $37,282 for April of 2007 to March 2008. Total future minimum annual lease payments are expected to be $13,019 for the land lease and $37,282 for the building lease/purchase through the fiscal year ending June 30, 2010. At June 30, 2008, the principal balance due the City was $280,766.

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. At June 30, 2008, the principal balance due the City was $262,500.

The City sold property to the Pendleton School District in the 2006-07 fiscal year for $104,542. $40,000 was paid down and the City is carrying the remaining balance over a 5 year term at 5.0% interest. At June 30, 2008, the principal balance due the City was $52,860.

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. The most current available information, at October 31, 2008, from the Oregon Employee Retirement System web site indicates a decline in value of approximately 18.77% from the value at June 30. Further declines for future periods are possible due to the recent market downturn.

Pension assets are as follows:

Pension assets, beginning		$ 4,637,057
Earnings on pension assets	$ (155,202)	
Credit for annual actuarial liability change	(295,832)	
Increase in pension assets		(451,034)
Pension assets, ending		$ 4,186,023

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 $21,700 in *unearned revenue* reported in the government-wide financial statements for prepaid rental income.

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

	General	Street	Other Governmental Funds	Total Governmental Activities
Property taxes	$ 301,021	$ -	$ 58,644	$ 359,665
Intergovernmental	99,471	-	99,148	198,619
Notes and assessments	277,941	13,215	639,946	931,102
Unearned revenue	-	-	21,700	21,700
Other	990	-	-	990
	$ 679,423	$ 13,215	$ 819,438	$ 1,512,076

E. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2008 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	$ 2,054,291	$ 374,696	$ -	$ -	$ 2,428,987
Land available for sale	272,284	36,442	-	-	308,726
Construction in progress	-	327,250	-	-	327,250
Total non-depreciable	2,326,575	738,388	-	-	3,064,963
Buildings	14,919,239	186,913	-	-	15,106,152
Equipment	5,281,420	241,510	(1,368)	(220,576)	5,300,986
Improvements	9,544,416	322,019	-	-	9,866,435
Infrastructure	20,926,650	-	-	-	20,926,650
Total depreciable	50,671,725	750,442	(1,368)	(220,576)	51,200,223
Accumulated depreciation					
Buildings	(4,452,254)	(413,700)	-	-	(4,865,954)
Equipment	(3,466,385)	(327,753)	1,368	212,643	(3,580,127)
Improvements	(2,683,955)	(357,792)	-	-	(3,041,747)
Infrastructure	(13,079,156)	(523,166)	-	-	(13,602,322)
Total accumulated depreciation	(23,681,750)	(1,622,411)	1,368	212,643	(25,090,150)
Governmental activities capital assets, net	$ 29,316,550	$ (133,581)	$ -	$ (7,933)	$ 29,175,036

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

General government	$ 230,717
Public safety	226,207
Highways and streets	685,718
Culture and recreation	459,069
Internal service - Central Serivces	20,700
Total depreciation for governmental activities	$ 1,622,411

Capital asset activity for business-type activities for the year ended June 30, 2008 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	$ 339,345	$ -	$ -	$ -	$ 339,345
Construction in progress	-	349,252	-	-	349,252
Total non-depreciable	339,345	349,252	-	-	688,597
Buildings	13,592,392	19,523	-	-	13,611,915
Equipment	17,449,316	157,250	1,368	(33,955)	17,573,979
Improvements	26,958,982	441,086	-	(35,703)	27,364,365
Total depreciable	58,000,690	617,859	1,368	(69,658)	58,550,259
Accumulated depreciation					
Buildings	(3,362,097)	(337,427)	-	-	(3,699,524)
Equipment	(16,041,585)	(283,610)	(1,368)	33,955	(16,292,608)
Improvements	(10,259,970)	(1,084,763)	-	35,703	(11,309,030)
Total accumulated depreciation	(29,663,652)	(1,705,800)	(1,368)	69,658	(31,301,162)
Business-type activities capital assets, net	$ 28,676,383	$ (738,689)	$ -	$ -	$ 27,937,694

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

Water	$ 582,260
Sewer	220,441
Airport	776,984
Cemetery	7,227
Internal service - Construction and Repair	118,888
Total depreciation for business-type activities	$ 1,705,800

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 $2,700,525. At June 30, 2008, amounts due from other funds in the fund financial statements are as follows:

General Fund receivable from:		
Special Revenue Funds:		
Sidewalk Repair Loan Fund	$ 273,000	
Pendleton Convention Center Fund	38,000	$ 311,000
Capital Projects Funds:		
Local Improvement District Construction Fund		33,500
Enterprise Funds:		
Water Fund	$ 347,500	
Airport Fund	1,195,000	1,542,500
Total General Fund		1,887,000
Library Trust Fund receivable from:		
Airport Fund		650,000
System Development Fees Fund receivable from:		
Water Fund		310,500
Total Interfund Receivables		$ 2,847,500

Interfund loans were made for capital purposes and accrue interest at 6% 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 $132,637. A reconciliation of transfers in the fund financial statements is as follows:

	Transfers In	Transfers Out
General Fund	$ 120,400	$ 304,480
State Tax Street Fund	-	4,860
Non-major governmental funds	225,459	128,146
Enterprise Funds:		
Water Fund	-	7,550
Sewer Fund	228,647	238,517
Airport Fund	-	70
Cemetery Fund	156,382	3,035
Internal Service Funds:		
Construction and Repair Fund	-	3,220
Central Services Fund	-	41,010
Total all funds	$ 730,888	$ 730,888

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, 2008 are as follows:

Description	Interest rates	Amount
Armory Refunding Bonds - 1996	5.10% - 5.30%	$ 300,000
McCune Refunding Bonds - 1998	4.45% - 4.70%	1,370,000
Facilities Refunding Bonds - 2005	3.00% - 4.00%	1,590,000
		3,260,000
Less deferred amounts on refunding		(39,034)
		$ 3,220,966

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
2009	$ 520,000	$ 138,307
2010	550,000	116,518
2011	405,000	92,220
2012	430,000	75,735
2013	445,000	57,125
2014-2016	910,000	63,460
	$ 3,260,000	$ 543,365

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
2009	$ 65,000	$ 347,976
2010	85,000	345,129
2011	105,000	341,358
2012	125,000	336,616
2013	155,000	329,741
2014-2018	1,210,000	1,512,312
2019-2023	2,175,000	1,129,773
2024-2028	3,125,000	458,116
	$ 7,045,000	$ 4,801,021

3. Waste Water Revenue Bonds

The City issued Waste Water Revenue Bonds in December of 2007, with interest rates ranging from 3% to 4.3%. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the waste water system and amounts deposited in the reserve account, with final payment due January 15, 2028. These bonds were issued to finance the costs of the improvements to the waste water system, to fund a reserve account, and to pay the costs of issuance.

The City's future maturities for the Waste Water Revenue Bonds are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2009	$ 315,000	$ 427,471
2010	355,000	388,198
2011	370,000	373,998
2012	380,000	362,898
2013	395,000	349,598
2014-2018	2,200,000	1,515,640
2019-2023	2,680,000	1,031,810
2024-2028	3,285,000	430,641
	$ 9,980,000	$ 4,880,254

4. Contracts, loans, and notes payable

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2009	$ 235,895	$ 213,603
2010	246,101	203,252
2011	257,442	192,441
2012	267,921	181,132
2013	279,546	169,362
2014-2018	1,595,612	651,207
2019-2023	1,978,789	270,362
	$ 4,861,306	$ 1,881,359

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
2009	$ 97,699	$ 111,787
2010	102,442	107,044
2011	107,415	102,071
2012	112,630	96,856
2013	118,098	91,388
2014-2018	682,262	365,168
2019-2023	864,754	182,676
2024-2025	312,373	12,233
	$ 2,397,673	$ 1,069,223

The Pendleton Development Commission established a line of credit to finance both approved projects and general operations of the Agency. The line of credit was authorized for $600,000, and is to be repaid from property taxes. As of June 30, 2008, the Agency has drawn $600,000 of the line of credit and the interest rate was 5.50%. Interest only payments are payable quarterly until December 31, 2008 when the outstanding balance is due.

The Pendleton Development Commission established a second line of credit to finance both approved projects and general operations of the Agency. The line of credit is authorized for $1,400,000 and is to be repaid from property taxes. As of June 30, 2008, the Agency has drawn $600,000 of the line of credit and the interest rate was 6.50%. The remaining $800,000 was drawn down subsequent to year end. Interest only payments are payable quarterly until July 31, 2009 when the outstanding balance is due.

Management is in the process of restructuring the debt to long-term financing to be paid from property tax revenues. The permanent financing will be amortized over 10 years with a fixed interest rate of about 6.4%. Annual payments will be approximately $280,000. Future debt service requirements based on the current interest rates and outstanding balances are is follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	$ 600,000	$ 72,000
2010	600,000	39,000
	$ 1,200,000	$ 111,000

4. Changes Long-Term Liabilities

Long-term liability activity for the year ending June 30, 2008 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 3,765,000	$ -	$ 505,000	$ 3,260,000	$ 520,000
Less deferred amounts on refunding	(44,322)	-	(5,288)	(39,034)	-
Limited Tax Pension Bonds	7,090,000	-	45,000	7,045,000	65,000
Contracts, Loans and Notes	3,101,755	600,000	104,082	3,597,673	697,699
Compensated Absences	364,677	394,992	364,677	394,992	394,992
Governmental activity Long-term liabilities	$ 14,277,110	$ 994,992	$ 1,013,471	$ 14,258,631	$ 1,677,691
Business-type activities:					
Revenue Bonds	-	9,980,000	-	9,980,000	315,000
Contracts, Loans and Notes	5,107,093	-	245,787	4,861,306	235,895
Compensated Absences	81,574	83,702	81,574	83,702	83,702
Business-type activity Long-term liabilities	$ 5,188,667	$ 10,063,702	$ 327,361	$ 14,925,008	$ 634,597

The central services internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for compensated absences in the amount of $57,718 are included in the above amounts. The construction and repair internal service fund predominantly serves the business-type activities and $27,653 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 14.46% 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 13.92% of covered payroll for general services employees and 17.19% 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 10.18% of covered payroll for the Tier I and Tier II employees, 9.64% for OPSRP general services employees, and 12.91% 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, 2008, 2007, and 2006 were $775,960, $772,704, and $909,964, 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, 2008 were as follows:

Annual required contribution	$ 772,704
Earnings on pension assets	155,202
Adjustment to the annual required contribution	295,832
Annual pension cost	1,223,738
Contributions made	772,704
Increase (decrease) in pension asset	(451,034)
Pension assets, beginning of year	4,637,057
Pension assets, end of year	$ 4,186,023

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.

The Pendleton Development Commission has committed funds to various projects totaling approximately $1.7 million. Many of the projects are still in the planning stages. Major projects include the following:

- $260,000 towards the Court/Dorion intersection and landscaping.
- $450,000 for demolition of existing buildings and construction of a new park on Court Street.
- Approximately $550,000 for façade, storm drain, and other improvements.
- $100,000 towards a gathering facility and rest rooms at Roy Rayley Park and $65,000 towards sidewalks and street realignment. The City has also committed $100,000 towards the project.
- $45,000 towards windows at the Vert.
- $200,000 towards second floor development on Main Street.

D. Construction in Progress

The City is committed under various construction contracts at June 30, 2008. Major projects in progress at June 30, 2008 are as follows:

The Pendleton Development Commission, a blended component unit, has approved three engineering contracts for park and intersection improvements. At June 30, 2008, $93,801 of the estimated $138,850 has been expended on design and engineering costs and the design portion of the projects was 68% complete. The construction portion of the contract has not yet been approved.

The City has contracted for the purchase of a Fire Truck Chassis, which will be constructed by the manufacturer. At June 30, 2008, the City has paid $153,584 of the estimated $349,256 and the project is estimated to be 44% complete.

The City has construction in progress for the skate park. At June 30, 2008, $79,865 has been spent on the project. Total estimated project costs are $421,255 and the project is estimated to be 19% complete.

The City is in the preliminary stages for major improvements to the waste water treatment plant, as required by the Department of Environmental Quality. At June 30, 2008, the City had issued $9,980,000 in wastewater revenue bonds and expended $349,252 in design costs for the project. The total estimated project costs are $2,482,561 for design and $13,347,439 for construction. The design portion of the project is estimated to be 14% complete and the construction portion has not started. The City expects to issue additional revenue bonds to fund the remainder of the project.

E. Subsequent Events

The City awarded bids to various contractors for street projects, landscaping, and building improvements for approximately $260,000. The City also approved the bid for an ambulance for an amount not to exceed $172,903, the purchase of a house for $62,500, and bids for the purchase of defibrillators for $70,400.

In November 2008, the Council voted to go forward with a project to replace the two lane bridge that spans McKay Creek and related infrastructure improvements. ODOT has awarded the City a $2.7 million grants for the project, and the City has retained a firm to provide bridge design and engineering services. The City also entered into an agreement with ODOT to improve access to Roy Rayley Park. ODOT has estimated the project will cost $146,000 and will contribute $45,000 towards the project. The Pendleton Development Commission will contribute $65,000, and the remaining $36,000 will be funded mainly though an in-kind match of City labor.

In December 2008, the City took additional steps towards the Barnhart Road Construction Project estimated to cost $7.7 million. The City informally approved a $4.37 million construction bid on the project, subject to ODOT review and approval, and approved a fuel tax of 4 cent per gallon effective January 15, 2009. The fuel tax will be used to fund repayment of the estimated $3.6 million loan from ODOT needed to fund a portion of the project. The City has received a loan approval of up to $6.1 million from ODOT, but does not plan to use the entire loan authorization.

SUPPLEMENTAL INFORMATION

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND – accounts for the receipt and expenditures associated with the individual requirements of a community development block grant.

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.

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, 2008

	Special Revenue	Capital Projects	Debt Service Debt Service Fund	Permanent Trust	Totals
ASSETS					
Cash and cash equivalents	$ 2,102,465	$ 112,621	$ 103,781	$ 155,002	$ 2,473,869
Investments	-	-	-	643,542	643,542
Receivables:					
Property taxes	11,285	-	51,495	-	62,780
Accounts	232,968	-	-	4,493	237,461
Assessments	57,517	276,240	-	-	333,757
Notes	306,189	-	-	-	306,189
Advances to other funds	960,500	-	-	-	960,500
Total assets	$ 3,670,924	$ 388,861	$ 155,276	$ 803,037	$ 5,018,098
LIABILITIES					
Accounts payable and accrued liabilities	$ 122,794	$ -	$ -	$ -	$ 122,794
Deposits	33,470	-	-	-	33,470
Deferred revenue	473,474	297,940	48,024	-	819,438
Advances from other funds	311,000	33,500	-	-	344,500
Total liabilities	940,738	331,440	48,024	-	1,320,202
FUND BALANCES (DEFICIT)					
Reserved for:					
Advances to other funds	960,500	-	-	-	960,500
Debt service	301,695	-	107,252	-	408,947
Library endowment	-	-	-	140,406	140,406
Cemetery perpetual care endowment	-	-	-	662,631	662,631
Unreserved, reported in:					
Capital projects funds	-	57,421	-	-	57,421
Special revenue funds	1,467,991	-	-	-	1,467,991
Total fund balances	2,730,186	57,421	107,252	803,037	3,697,896
Total liabilities and fund balances	$ 3,670,924	$ 388,861	$ 155,276	$ 803,037	$ 5,018,098

See auditor's report.

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2008

	Bike Fund	Library Fund	Library Trust Fund	Transportation Services Fund	Community Develop. Block Grant Fund	Housing Revolving Loan Fund	Local Community Develop. Fund	Sidewalk Repair Loan Fund
ASSETS								
Cash and cash equivalents	$ 5,675	$ 163,341	$ 20,426	$ 136,484	$ 105,488	$ 24,040	$ 92,557	$ 869
Receivables:								
Property taxes	-	-	-	-	-	-	-	-
Accounts	589	4,572	-	99,149	-	-	-	-
Assessments	-	-	-	-	-	-	-	48,535
Notes	-	-	-	-	-	306,189	-	-
Advances to other funds	-	-	650,000	-	-	-	-	-
Total assets	$ 6,264	$ 167,913	$ 670,426	$ 235,633	$ 105,488	$ 330,229	$ 92,557	$ 49,404
LIABILITIES								
Accounts payable and accrued liabilities	$ -	$ 4,808	$ 2,218	$ 15,735	$ -	$ 3,265	$ -	$ 4,087
Deposits	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	99,149	-	306,189	-	48,535
Advances from other funds	-	-	-	-	-	-	-	273,000
Total liabilities	-	4,808	2,218	114,884	-	309,454	-	325,622
FUND BALANCES (DEFICIT)								
Reserved for:								
Advances to other funds	-	-	650,000	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved	6,264	163,105	18,208	120,749	105,488	20,775	92,557	(276,218)
Total fund balances	6,264	163,105	668,208	120,749	105,488	20,775	92,557	(276,218)
Total liabilities and fund balances	$ 6,264	$ 167,913	$ 670,426	$ 235,633	$ 105,488	$ 330,229	$ 92,557	$ 49,404

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
$ 395	$ 2,802	$ 264,968	$ 486,335	$ 189,393	$ 38,835	$ 165,083	$ 73,441	$ 332,333	$ 2,102,465
-	-	-	-	-	-	-	-	11,285	11,285
122,658	-	6,000	-	-	-	-	-	-	232,968
-	-	-	8,982	-	-	-	-	-	57,517
-	-	-	-	-	-	-	-	-	306,189
-	-	-	310,500	-	-	-	-	-	960,500
$ 123,053	$ 2,802	$ 270,968	$ 805,817	$ 189,393	$ 38,835	$ 165,083	$ 73,441	$ 343,618	$ 3,670,924
$ 28,259	$ -	$ 2,066	$ -	$ -	$ -	$ -	$ -	$ 62,356	$ 122,794
-	-	33,470	-	-	-	-	-	-	33,470
-	-	-	8,982	-	-	-	-	10,619	473,474
38,000	-	-	-	-	-	-	-	-	311,000
66,259	-	35,536	8,982	-	-	-	-	72,975	940,738
-	-	-	310,500	-	-	-	-	-	960,500
-	-	-	-	-	-	-	-	301,695	301,695
56,794	2,802	235,432	486,335	189,393	38,835	165,083	73,441	(31,052)	1,467,991
56,794	2,802	235,432	796,835	189,393	38,835	165,083	73,441	270,643	2,730,186
$ 123,053	$ 2,802	$ 270,968	$ 805,817	$ 189,393	$ 38,835	$ 165,083	$ 73,441	$ 343,618	$ 3,670,924

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2008

	L.I.D. Construction Fund	Keystone Project Fund	Totals
ASSETS			
Cash and cash equivalents	$ 736	$ 111,885	$ 112,621
Receivables:			
Assessments	276,240	-	276,240
Total assets	$ 276,976	$ 111,885	$ 388,861
LIABILITIES			
Accounts payable and Deferred revenue	$ 276,240	$ 21,700	$ 297,940
Advances from other funds	33,500	-	33,500
Total liabilities	309,740	21,700	331,440
FUND BALANCES (DEFICIT)			
Unreserved, reported in:			
Capital projects funds	(32,764)	90,185	57,421
Total fund balances	(32,764)	90,185	57,421
Total liabilities and fund balances	$ 276,976	$ 111,885	$ 388,861

See auditor's report.

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR PERMANENT TRUST FUNDS
June 30, 2008

	Library Permanent Trust Fund	Cemetery Perpetual Care Trust Fund	Totals
ASSETS			
Cash and cash equivalents	$ 140,406	$ 14,596	$ 155,002
Investments	-	643,542	643,542
Receivables:			
Accounts	-	4,493	4,493
Total assets	$ 140,406	$ 662,631	$ 803,037
FUND BALANCES			
Reserved for:			
Library endowment	$ 140,406	$ -	$ 140,406
Cemetery perpetual care endowment	-	662,631	662,631
Total fund balances	$ 140,406	$ 662,631	$ 803,037

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, 2008

	Special Revenue	Capital Projects	Debt Service: Debt Service Fund	Permanent Trust	Totals
REVENUES					
Property taxes	$ 200,269	$ -	$ 659,171	$ -	$ 859,440
Other taxes	457,272	-	-	-	457,272
Licenses and fees	194,071	-	-	4,454	198,525
Charges for services	404,398	260,400	-	-	664,798
Intergovernmental	754,037	-	-	-	754,037
Assessments	28,457	52,996	-	-	81,453
Loan repayments	11,701	-	-	-	11,701
Contributions	70,776	-	-	-	70,776
Interest on investments	148,279	8,496	8,070	31,508	196,353
Miscellaneous	55,397	70	-	-	55,467
TOTAL REVENUES	2,324,657	321,962	667,241	35,962	3,349,822
EXPENDITURES					
Current:					
General govrenment	1,309,352	7,273	-	-	1,316,625
Public safety	108,230	-	-	-	108,230
Culture and recreation	449,115	-	-	-	449,115
Capital outlay	919,728	140,000	-	-	1,059,728
Debt service	60,398	213,172	664,193	-	937,763
TOTAL EXPENDITURES	2,846,823	360,445	664,193	-	3,871,461
REVENUES OVER (UNDER) EXPENDITURES	(522,166)	(38,483)	3,048	35,962	(521,639)
OTHER FINANCING SOURCES (USES)					
Sale of property	1,648	-	-	-	1,648
Issuance of debt	600,000	-	-	-	600,000
Transfers in	225,459	-	-	-	225,459
Transfers out	(105,365)	-	-	(22,781)	(128,146)
TOTAL OTHER FINANCING SOURCES (USES)	721,742	-	-	(22,781)	698,961
NET CHANGE IN FUND BALANCE	199,576	(38,483)	3,048	13,181	177,322
FUND BALANCE, Beginning	2,622,327	95,904	104,204	789,856	3,612,291
Prior period adjustment	(91,717)	-	-	-	(91,717)
FUND BALANCE, Beginning, As adjusted	2,530,610	95,904	104,204	789,856	3,520,574
FUND BALANCE, Ending	$ 2,730,186	$ 57,421	$ 107,252	$ 803,037	$ 3,697,896

See auditor's report.

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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, 2008

	Bike Fund	Library Fund	Library Trust Fund	Transportation Services Fund	Community Develop. Block Grant Fund	Housing Revolving Loan Fund	Local Community Develop. Fund	Sidewalk Repair Loan Fund
REVENUES								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other taxes	-	-	-	-	-	-	-	-
Licenses and fees	-	20,192	-	-	-	-	-	-
Charges for services	-	-	-	23,617	-	-	-	-
Intergovernmental	7,499	329,651	-	151,039	50,000	-	-	-
Assessments	-	-	-	-	-	-	-	26,283
Loan repayments	-	-	-	-	-	11,701	-	-
Contributions	-	13,959	1,258	-	-	-	-	-
Interest on investments	444	6,939	47,992	7,384	488	1,966	5,781	26
Miscellaneous	-	44	-	4,120	-	125	-	75
TOTAL REVENUES	7,943	370,785	49,250	186,160	50,488	13,792	5,781	26,384
EXPENDITURES								
Current:								
General govrenment	-	-	-	185,119	7,500	47,222	22,638	29
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	10,000	397,006	42,109	-	-	-	-	-
Capital outlay	-	23,113	20,728	76,623	-	-	-	190,875
Debt service	-	-	-	-	-	-	-	6,617
TOTAL EXPENDITURES	10,000	420,119	62,837	261,742	7,500	47,222	22,638	197,521
REVENUES OVER (UNDER) EXPENDITURES	(2,057)	(49,334)	(13,587)	(75,582)	42,988	(33,430)	(16,857)	(171,137)
OTHER FINANCING SOURCES (USES)								
Sale of property	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Transfers in	-	58,980	6,149	32,080	62,500	-	-	-
Transfers out	-	(3,420)	-	-	-	-	(35,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	55,560	6,149	32,080	62,500	-	(35,500)	-
NET CHANGE IN FUND BALANCE	(2,057)	6,226	(7,438)	(43,502)	105,488	(33,430)	(52,357)	(171,137)
FUND BALANCE (DEFICIT), Beginning	8,321	156,879	675,646	164,251	-	54,205	144,914	(105,081)
Prior period adjustment	-	-	-	-	-	-	-	-
FUND BALANCE, (DEFICIT), Beginning, as adjusted	8,321	156,879	675,646	164,251	-	54,205	144,914	(105,081)
FUND BALANCE (DEFICIT), Ending	$ 6,264	$ 163,105	$ 668,208	$ 120,749	$ 105,488	$ 20,775	$ 92,557	$ (276,218)

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
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 200,269	$ 200,269
457,272	-	-	-	-	-	-	-	-	457,272
51,060	-	-	-	4,554	-	118,265	-	-	194,071
254,472	-	-	66,309	-	-	-	60,000	-	404,398
-	-	185,408	30,440	-	-	-	-	-	754,037
-	-	-	2,174	-	-	-	-	-	28,457
-	-	-	-	-	-	-	-	-	11,701
35,050	883	-	-	5,451	-	14,175	-	-	70,776
415	112	8,302	36,488	7,690	1,126	8,854	4,575	9,697	148,279
11,538	-	28,920	-	-	-	-	-	10,575	55,397
809,807	995	222,630	135,411	17,695	1,126	141,294	64,575	220,541	2,324,657
632,880	655	-	-	-	-	-	19,365	393,944	1,309,352
-	-	108,230	-	-	-	-	-	-	108,230
-	-	-	-	-	-	-	-	-	449,115
43,498	-	-	-	-	19,667	153,584	-	391,640	919,728
2,929	-	-	-	-	-	-	-	50,852	60,398
679,307	655	108,230	-	-	19,667	153,584	19,365	836,436	2,846,823
130,500	340	114,400	135,411	17,695	(18,541)	(12,290)	45,210	(615,895)	(522,166)
262	-	735	-	-	651	-	-	-	1,648
-	-	-	-	-	-	-	-	600,000	600,000
-	-	-	-	-	29,000	36,750	-	-	225,459
(6,445)	-	-	-	-	-	-	(60,000)	-	(105,365)
(6,183)	-	735	-	-	29,651	36,750	(60,000)	600,000	721,742
124,317	340	115,135	135,411	17,695	11,110	24,460	(14,790)	(15,895)	199,576
(67,523)	2,462	212,014	661,424	171,698	27,725	140,623	88,231	286,538	2,622,327
-	-	(91,717)	-	-	-	-	-	-	(91,717)
(67,523)	2,462	120,297	661,424	171,698	27,725	140,623	88,231	286,538	2,530,610
$ 56,794	$ 2,802	$ 235,432	$ 796,835	$ 189,393	$ 38,835	$ 165,083	$ 73,441	$ 270,643	$ 2,730,186

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, 2008

	L.I.D. Construction Fund	Keystone Project Fund	Totals
REVENUES			
Charges for services	$ -	$ 260,400	$ 260,400
Assessments	52,996	-	52,996
Interest on investments	35	8,461	8,496
Miscellaneous	70	-	70
TOTAL REVENUES	53,101	268,861	321,962
EXPENDITURES			
Current:			
General govrenment	80	7,193	7,273
Capital outlay	-	140,000	140,000
Debt service	3,686	209,486	213,172
TOTAL EXPENDITURES	3,766	356,679	360,445
REVENUES OVER (UNDER) EXPENDITURES	49,335	(87,818)	(38,483)
NET CHANGE IN FUND BALANCE	49,335	(87,818)	(38,483)
FUND BALANCE (DEFICIT), Beginning	(82,099)	178,003	95,904
FUND BALANCE (DEFICIT), Ending	$ (32,764)	$ 90,185	$ 57,421

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, 2008

	Library Permanent Trust Fund	Cemetery Perpetual Care Trust Fund	Totals
REVENUES			
Licenses and fees	$ -	$ 4,454	$ 4,454
Interest on investments	6,149	25,359	31,508
TOTAL REVENUES	6,149	29,813	35,962
OTHER FINANCING SOURCES (USES)			
Transfers out	(6,149)	(16,632)	(22,781)
TOTAL OTHER FINANCING SOURCES (USES)	(6,149)	(16,632)	(22,781)
NET CHANGE IN FUND BALANCE	-	13,181	13,181
FUND BALANCE, Beginning	140,406	649,450	789,856
FUND BALANCE, Ending	$ 140,406	$ 662,631	$ 803,037

See auditor's report.

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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, 2008

	Construction and Repair Fund	Central Services Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 555,528	$ 259,616	$ 815,144
Receivables:			
Accounts	8,652	12,492	21,144
Notes	13,215	-	13,215
Total current assets	577,395	272,108	849,503
Noncurrent assets:			
Capital assets:			
Depreciable assets, net of depreciation	644,309	43,450	687,759
Total noncurrent assets	644,309	43,450	687,759
Total assets	$ 1,221,704	$ 315,558	$ 1,537,262
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued liabilities	$ 13,961	$ 36,359	$ 50,320
Deposits	-	7,810	7,810
Compensated absences payable	27,653	57,718	85,371
Total current liabilities	41,614	101,887	143,501
Net assets:			
Invested in capital assets, net of related debt	644,309	43,450	687,759
Unrestricted	535,781	170,221	706,002
Total net assets	1,180,090	213,671	1,393,761
Total liabilities and net assets	$ 1,221,704	$ 315,558	$ 1,537,262

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, 2008

	Construction and Repair Fund	Central Services Fund	Totals
OPERATING REVENUES			
Charges for services	$ 1,080,062	$ 1,914,360	$ 2,994,422
Licenses and fees	-	33,588	33,588
Miscellaneous	201	13,558	13,759
TOTAL OPERATING REVENUES	1,080,263	1,961,506	3,041,769
OPERATING EXPENSES			
Personal services	715,104	1,510,921	2,226,025
Materials and services	177,492	626,269	803,761
Depreciation	118,888	20,700	139,588
TOTAL OPERATING EXPENSES	1,011,484	2,157,890	3,169,374
OPERATING INCOME (LOSS)	68,779	(196,384)	(127,605)
NON-OPERATING INCOME (EXPENSES)			
Intergovernmental	-	10,000	10,000
Contributions	-	2,242	2,242
Gain (loss) on disposal of capital assets	770	-	770
Interest on investments	22,311	11,408	33,719
TOTAL NON-OPERATING INCOME (EXPENSES)	23,081	23,650	46,731
NET INCOME (LOSS) BEFORE TRANSFERS	91,860	(172,734)	(80,874)
TRANSFERS			
Transfers out	(3,220)	(41,010)	(44,230)
TOTAL TRANSFERS	(3,220)	(41,010)	(44,230)
CHANGE IN NET ASSETS	88,640	(213,744)	(125,104)
NET ASSETS, Beginning	1,091,450	427,415	1,518,865
NET ASSETS, Ending	$ 1,180,090	$ 213,671	$ 1,393,761

See auditor's report.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008

	Construction and Repair Fund	Central Services Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 7,318	$ 53,402	$ 60,720
Receipts from interfund services provided	1,068,484	1,929,640	2,998,124
Payments to suppliers	(344,151)	(977,324)	(1,321,475)
Payments to employees	(542,838)	(1,152,296)	(1,695,134)
Payments for interfund services used	(6,130)	-	(6,130)
Net cash provided from (used by) operating activities	182,683	(146,578)	36,105
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES			
Transfers out	(3,220)	(41,010)	(44,230)
Net cash provided from (used by) non-capital financing activities	(3,220)	(41,010)	(44,230)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	-	10,000	10,000
Contributions	-	2,242	2,242
Notes receivable principal collections	2,920	-	2,920
Proceeds from sale of capital assets	770	-	770
Acquisition of capital assets	(119,024)	(1,380)	(120,404)
Net cash provided from (used by) capital and related financing activities	(115,334)	10,862	(104,472)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	22,311	11,408	33,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,440	(165,318)	(78,878)
CASH AND CASH EQUIVALENTS, Beginning	469,088	424,934	894,022
CASH AND CASH EQUIVALENTS, Ending	$ 555,528	$ 259,616	$ 815,144

See auditor's report.

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008

	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)	$ 68,779	$ (196,384)	$ (127,605)
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities			
Depreciation	118,888	20,700	139,588
(Increase) decrease in assets:			
Receivables	(4,260)	18,736	14,476
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(753)	373	(380)
Deposits	-	2,800	2,800
Compensated absences payable	29	7,197	7,226
Net cash provided from (used by) operating activities	$ 182,683	$ (146,578)	$ 36,105

See auditor's report.

CITY OF PENDLETON

INCORPORATED
1880

OREGON

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, 2008

	Northeast Oregon Air Task Force Fund	Bail Fund	Pendleton Foundation Trust Fund	Eastern Oregon Drug Task Force Fund	Totals
ASSETS					
Cash and cash equivalents	$ 1,002	$ 10,587	$ 20,791	$ -	$ 32,380
Accounts receivable	-	-	-	16,615	16,615
Total assets	$ 1,002	$ 10,587	$ 20,791	$ 16,615	$ 48,995
LIABILITIES					
Accounts payable	$ -	$ 8,206	$ -	$ 16,615	$ 24,821
Due to other governments	1,002	2,381	20,791	-	24,174
Total laibilities	$ 1,002	$ 10,587	$ 20,791	$ 16,615	$ 48,995

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Planning and building	$ 416,850	$ 416,850	$ 399,875	$ 16,975
Municipal court	299,850	316,850	303,765	13,085
Economic development	46,185	46,185	30,011	16,174
Police	3,331,090	3,336,090	3,316,549	19,541
Fire / Ambulance	2,687,300	2,725,300	2,683,692	41,608
Parks and recreation	1,717,295	1,717,295	1,691,536	25,759
Non-departmental	1,453,020	1,628,620	1,060,604	568,016
Debt service	398,930	412,530	404,663	7,867
Contingency	2,845,800	2,967,100	-	2,967,100
TOTAL EXPENDITURES AND TRANSFERS	$ 13,196,320	$ 13,566,820	$ 9,890,695	$ 3,676,125

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
- 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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 7,945	$ 7,945	$ 7,499	$ (446)
Interest on investments	500	500	444	(56)
TOTAL REVENUES	8,445	8,445	7,943	(502)
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	(1,555)	(1,555)	(2,057)	(502)
NET CHANGE IN FUND BALANCE	(1,555)	(1,555)	(2,057)	(502)
FUND BALANCE, Beginning	10,190	10,190	8,321	(1,869)
FUND BALANCE, Ending	$ 8,635	$ 8,635	$ 6,264	$ (2,371)

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 20,000	$ 20,000	$ 20,192	$ 192
Intergovernmental	330,060	330,060	329,651	(409)
Contributions	43,900	43,900	13,959	(29,941)
Interest on investments	5,510	5,510	6,939	1,429
Miscellaneous	-	-	44	44
TOTAL REVENUES	399,470	399,470	370,785	(28,685)
EXPENDITURES				
Current:				
Culture and recreation:				
Personal services	346,710	360,310	307,016	53,294
Materials and services	111,730	111,730	89,990	21,740
Capital outlay	26,200	26,200	23,113	3,087
Contingency	96,890	96,890	-	96,890
TOTAL EXPENDITURES	581,530	595,130	420,119	175,011
REVENUES OVER (UNDER) EXPENDITURES	(182,060)	(195,660)	(49,334)	146,326
OTHER FINANCING SOURCES (USES)				
Transfers in	45,380	58,980	58,980	-
Transfers out	(3,420)	(3,420)	(3,420)	-
TOTAL OTHER FINANCING SOURCES (USES)	41,960	55,560	55,560	-
NET CHANGE IN FUND BALANCE	(140,100)	(140,100)	6,226	146,326
FUND BALANCE, Beginning	140,100	140,100	156,879	16,779
FUND BALANCE, Ending	$ -	$ -	$ 163,105	$ 163,105

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 1,200	$ 1,200	$ 1,258	$ 58
Interest on investments	42,000	42,000	47,992	5,992
TOTAL REVENUES	43,200	43,200	49,250	6,050
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	55,000	55,000	42,109	12,891
Capital outlay	24,800	24,800	20,728	4,072
TOTAL EXPENDITURES	79,800	79,800	62,837	16,963
REVENUES OVER (UNDER) EXPENDITURES	(36,600)	(36,600)	(13,587)	23,013
OTHER FINANCING SOURCES (USES)				
Transfers in	8,000	8,000	6,149	(1,851)
TOTAL OTHER FINANCING SOURCES (USES)	8,000	8,000	6,149	(1,851)
NET CHANGE IN FUND BALANCE	(28,600)	(28,600)	(7,438)	21,162
FUND BALANCE, Beginning	666,000	666,000	675,646	9,646
FUND BALANCE, Ending	$ 637,400	$ 637,400	$ 668,208	$ 30,808

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	18,250	18,250	23,617	5,367
Intergovernmental	$ 276,470	$ 276,470	$ 151,039	$ (125,431)
Interest on investments	1,000	1,000	7,384	6,384
Miscellaneous	5,000	5,000	4,120	(880)
TOTAL REVENUES	300,720	300,720	186,160	(114,560)
EXPENDITURES				
Current:				
General government:				
Materials and services	246,230	246,230	185,119	61,111
Capital outlay	85,000	85,000	76,623	8,377
Contingency	21,570	21,570	-	21,570
TOTAL EXPENDITURES	352,800	352,800	261,742	91,058
REVENUES OVER (UNDER) EXPENDITURES	(52,080)	(52,080)	(75,582)	(23,502)
OTHER FINANCING SOURCES (USES)				
Transfers in	32,080	32,080	32,080	-
TOTAL OTHER FINANCING SOURCES (USES)	32,080	32,080	32,080	-
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	(43,502)	(23,502)
FUND BALANCE, Beginning	20,000	20,000	164,251	144,251
FUND BALANCE, Ending	$ -	$ -	$ 120,749	$ 120,749

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ -	$ 800,000	$ 50,000	$ (750,000)
Interest on investments	-	-	488	488
TOTAL REVENUES	-	800,000	50,488	(749,512)
EXPENDITURES				
Current:				
General government:				
Materials and services	-	860,000	7,500	852,500
Debt service	-	2,500	-	2,500
TOTAL EXPENDITURES	-	862,500	7,500	855,000
REVENUES OVER (UNDER) EXPENDITURES	-	(62,500)	42,988	105,488
OTHER FINANCING SOURCES (USES)				
Transfers in	-	62,500	62,500	-
TOTAL OTHER FINANCING SOURCES (USES)	-	62,500	62,500	-
NET CHANGE IN FUND BALANCE	-	-	105,488	105,488
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ -	$ 105,488	$ 105,488

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Loan repayments	$ 12,000	$ 12,000	$ 11,701	$ (299)
Interest on investments	1,000	1,000	1,966	966
Miscellaneous	100	100	125	25
TOTAL REVENUES	13,100	13,100	13,792	692
EXPENDITURES				
Current:				
General government:				
Materials and services	55,520	55,520	47,222	8,298
Contingency	3,730	3,730	-	3,730
TOTAL EXPENDITURES	59,250	59,250	47,222	12,028
REVENUES OVER (UNDER) EXPENDITURES	(46,150)	(46,150)	(33,430)	12,720
NET CHANGE IN FUND BALANCE	(46,150)	(46,150)	(33,430)	12,720
FUND BALANCE, Beginning	46,150	46,150	54,205	8,055
FUND BALANCE, Ending	$ -	$ -	$ 20,775	$ 20,775

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 5,000	$ 5,000	$ 5,781	$ 781
TOTAL REVENUES	5,000	5,000	5,781	781
EXPENDITURES				
Current:				
General government:				
Materials and services	53,250	53,250	22,638	30,612
Contingency	94,850	59,350	-	59,350
TOTAL EXPENDITURES	148,100	112,600	22,638	89,962
REVENUES OVER (UNDER) EXPENDITURES	(143,100)	(107,600)	(16,857)	90,743
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(35,500)	(35,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(35,500)	(35,500)	-
NET CHANGE IN FUND BALANCE	(143,100)	(143,100)	(52,357)	90,743
FUND BALANCE, Beginning	143,100	143,100	144,914	1,814
FUND BALANCE, Ending	$ -	$ -	$ 92,557	$ 92,557

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SIDEWALK REPAIR LOAN FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Assessments	$ 25,000	$ 25,000	$ 26,283	$ 1,283
Loan repayments	10,000	10,000	-	(10,000)
Interest on investments	-	-	26	26
Miscellaneous	100	100	75	(25)
TOTAL REVENUES	35,100	35,100	26,384	(8,716)
EXPENDITURES				
Current:				
General government:				
Materials and services	750	750	29	721
Capital outlay	300,000	300,000	190,875	109,125
Debt service	10,000	10,000	6,617	3,383
TOTAL EXPENDITURES	310,750	310,750	197,521	113,229
REVENUES OVER (UNDER) EXPENDITURES	(275,650)	(275,650)	(171,137)	104,513
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	380,650	380,650	-	(380,650)
Interfund loan repayment	(105,000)	(105,000)	-	105,000
TOTAL OTHER FINANCING SOURCES (USES)	275,650	275,650	-	(275,650)
NET CHANGE IN FUND BALANCE	-	-	(171,137)	(171,137)
FUND BALANCE (DEFICIT), Beginning	-	-	(105,081)	(105,081)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (276,218)	$ (276,218)

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Other taxes	$ 405,000	$ 405,000	$ 457,272	$ 52,272
Licenses and fees	52,185	52,185	51,060	(1,125)
Charges for services	292,000	292,000	254,472	(37,528)
Contributions	-	-	35,050	35,050
Interest on investments	-	-	415	415
Miscellaneous	10,000	10,000	11,538	1,538
TOTAL REVENUES	759,185	759,185	809,807	50,622
EXPENDITURES				
Current:				
General government:				
Personal services	265,785	265,785	261,344	4,441
Materials and services	403,500	403,500	371,536	31,964
Capital outlay	70,000	70,000	43,498	26,502
Debt service	5,000	5,000	2,929	2,071
TOTAL EXPENDITURES	744,285	744,285	679,307	64,978
REVENUES OVER (UNDER) EXPENDITURES	14,900	14,900	130,500	115,600
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	262	262
Interfund loan proceeds	81,545	81,545	-	(81,545)
Interfund loan repayment	(70,000)	(70,000)	(136,000)	(66,000)
Transfers out	(6,445)	(6,445)	(6,445)	-
TOTAL OTHER FINANCING SOURCES (USES)	5,100	5,100	(142,183)	(147,283)
NET CHANGE IN FUND BALANCE	20,000	20,000	(11,683)	(31,683)
Budgetary basis adjustment	-	-	136,000	136,000
FUND BALANCE (DEFICIT), Beginning	-	-	(67,523)	(67,523)
FUND BALANCE (DEFICIT), Ending	$ 20,000	$ 20,000	$ 56,794	$ 36,794

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 1,500	$ 1,500	$ 883	$ (617)
Interest on investments	75	75	112	37
TOTAL REVENUES	1,575	1,575	995	(580)
EXPENDITURES				
Current:				
General government:				
Materials and services	3,575	3,575	655	2,920
TOTAL EXPENDITURES	3,575	3,575	655	2,920
REVENUES OVER (UNDER) EXPENDITURES	(2,000)	(2,000)	340	2,340
NET CHANGE IN FUND BALANCE	(2,000)	(2,000)	340	2,340
FUND BALANCE, Beginning	2,000	2,000	2,462	462
FUND BALANCE, Ending	$ -	$ -	$ 2,802	$ 2,802

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 105,500	$ 105,500	$ 185,408	$ 79,908
Interest on investments	10,000	10,000	8,302	(1,698)
Miscellaneous	50,100	50,100	28,920	(21,180)
TOTAL REVENUES	165,600	165,600	222,630	57,030
EXPENDITURES				
Current:				
Public safety:				
Materials and services	243,300	243,300	108,230	135,070
TOTAL EXPENDITURES	243,300	243,300	108,230	135,070
REVENUES OVER (UNDER) EXPENDITURES	(77,700)	(77,700)	114,400	192,100
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	735	735
TOTAL OTHER FINANCING SOURCES (USES)	-	-	735	735
NET CHANGE IN FUND BALANCE	(77,700)	(77,700)	115,135	192,835
FUND BALANCE, Beginning	77,700	77,700	212,014	134,314
Prior period adjustment	-	-	(91,717)	(91,717)
FUND BALANCE, Beginning, as adjusted	77,700	77,700	120,297	42,597
FUND BALANCE, Ending	$ -	$ -	$ 235,432	$ 235,432

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SYSTEM DEVELOPMENT FEES FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 100,000	$ 100,000	$ 66,309	$ (33,691)
Intergovernmental	-	-	30,440	30,440
Assessments	2,130	2,130	2,174	44
Interest on investments	20,000	20,000	36,488	16,488
TOTAL REVENUES	122,130	122,130	135,411	13,281
EXPENDITURES				
Capital outlay	377,130	377,130	-	377,130
TOTAL EXPENDITURES	377,130	377,130	-	377,130
REVENUES OVER (UNDER) EXPENDITURES	(255,000)	(255,000)	135,411	390,411
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	-	-	113,000	113,000
Transfers out	(440,000)	(440,000)	-	440,000
TOTAL OTHER FINANCING SOURCES (USES)	(440,000)	(440,000)	113,000	553,000
NET CHANGE IN FUND BALANCE	(695,000)	(695,000)	248,411	943,411
Budgetary basis adjustment	-	-	(113,000)	(113,000)
FUND BALANCE, Beginning	695,000	695,000	661,424	(33,576)
FUND BALANCE, Ending	$ -	$ -	$ 796,835	$ 796,835

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 2,000	$ 2,000	$ 4,554	$ 2,554
Contributions	3,200	3,200	5,451	2,251
Interest on investments	7,000	7,000	7,690	690
TOTAL REVENUES	12,200	12,200	17,695	5,495
EXPENDITURES				
Capital outlay	15,000	26,000	-	26,000
TOTAL EXPENDITURES	15,000	26,000	-	26,000
REVENUES OVER (UNDER) EXPENDITURES	(2,800)	(13,800)	17,695	31,495
NET CHANGE IN FUND BALANCE	(2,800)	(13,800)	17,695	31,495
FUND BALANCE, Beginning	165,200	165,200	171,698	6,498
FUND BALANCE, Ending	$ 162,400	$ 151,400	$ 189,393	$ 37,993

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 500	$ 500	$ 1,126	$ 626
TOTAL REVENUES	500	500	1,126	626
EXPENDITURES				
Capital outlay	36,350	36,350	19,667	16,683
TOTAL EXPENDITURES	36,350	36,350	19,667	16,683
REVENUES OVER (UNDER) EXPENDITURES	(35,850)	(35,850)	(18,541)	17,309
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	651	651
Transfers in	29,000	29,000	29,000	-
TOTAL OTHER FINANCING SOURCES (USES)	29,000	29,000	29,651	651
NET CHANGE IN FUND BALANCE	(6,850)	(6,850)	11,110	17,960
FUND BALANCE, Beginning	6,850	6,850	27,725	20,875
FUND BALANCE, Ending	$ -	$ -	$ 38,835	$ 38,835

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 127,260	$ 127,260	$ 118,265	$ (8,995)
Intergovernmental	128,250	128,250	-	(128,250)
Contributions	-	-	14,175	14,175
Interest on investments	7,175	7,175	8,854	1,679
TOTAL REVENUES	262,685	262,685	141,294	(121,391)
EXPENDITURES				
Capital outlay	554,725	554,725	153,584	401,141
Debt service	3,000	3,000	-	3,000
TOTAL EXPENDITURES	557,725	557,725	153,584	404,141
REVENUES OVER (UNDER) EXPENDITURES	(295,040)	(295,040)	(12,290)	282,750
OTHER FINANCING SOURCES (USES)				
Transfers in	36,750	36,750	36,750	-
Interfund loan proceeds	114,690	114,690	-	(114,690)
TOTAL OTHER FINANCING SOURCES (USES)	151,440	151,440	36,750	(114,690)
NET CHANGE IN FUND BALANCE	(143,600)	(143,600)	24,460	168,060
FUND BALANCE, Beginning	143,600	143,600	140,623	(2,977)
FUND BALANCE, Ending	$ -	$ -	$ 165,083	$ 165,083

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 60,000	$ 60,000	$ 60,000	$ -
Interest on investments	5,000	5,000	4,575	(425)
TOTAL REVENUES	65,000	65,000	64,575	(425)
EXPENDITURES				
Current:				
General government:				
Materials and services	50,000	50,000	19,365	30,635
TOTAL EXPENDITURES	50,000	50,000	19,365	30,635
REVENUES OVER (UNDER) EXPENDITURES	15,000	15,000	45,210	30,210
OTHER FINANCING SOURCES (USES)				
Transfers out	(60,000)	(60,000)	(60,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(60,000)	(60,000)	(60,000)	-
NET CHANGE IN FUND BALANCE	(45,000)	(45,000)	(14,790)	30,210
FUND BALANCE, Beginning	84,000	84,000	88,231	4,231
FUND BALANCE, Ending	$ 39,000	$ 39,000	$ 73,441	$ 34,441

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 201,000	$ 201,000	$ 200,269	$ (731)
Interest on investments	4,000	4,000	9,697	5,697
Miscellaneous	-	-	10,575	10,575
TOTAL REVENUES	205,000	205,000	220,541	15,541
EXPENDITURES				
Current:				
General government:				
Materials and services	481,300	481,300	393,944	87,356
Capital outlay	977,000	977,000	391,640	585,360
Debt service	90,000	90,000	50,852	39,148
TOTAL EXPENDITURES	1,548,300	1,548,300	836,436	711,864
REVENUES OVER (UNDER) EXPENDITURES	(1,343,300)	(1,343,300)	(615,895)	727,405
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,264,300	1,264,300	600,000	(664,300)
TOTAL OTHER FINANCING SOURCES (USES)	1,264,300	1,264,300	600,000	(664,300)
NET CHANGE IN FUND BALANCE	(79,000)	(79,000)	(15,895)	63,105
FUND BALANCE, Beginning	79,000	79,000	286,538	207,538
FUND BALANCE, Ending	$ -	$ -	$ 270,643	$ 270,643

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 639,170	$ 639,170	$ 659,171	$ 20,001
Interest on investments	5,000	5,000	8,070	3,070
TOTAL REVENUES	644,170	644,170	667,241	23,071
EXPENDITURES				
Debt service	664,193	664,193	664,193	-
TOTAL EXPENDITURES	664,193	664,193	664,193	-
REVENUES OVER (UNDER) EXPENDITURES	(20,023)	(20,023)	3,048	23,071
NET CHANGE IN FUND BALANCE	(20,023)	(20,023)	3,048	23,071
FUND BALANCE, Beginning	81,300	81,300	104,204	22,904
FUND BALANCE, Ending	$ 61,277	$ 61,277	$ 107,252	$ 45,975

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 8,000	$ 8,000	$ 6,149	$ (1,851)
TOTAL REVENUES	8,000	8,000	6,149	(1,851)
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,000)	(8,000)	(6,149)	1,851
TOTAL OTHER FINANCING SOURCES (USES)	(8,000)	(8,000)	(6,149)	1,851
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	139,430	139,430	140,406	976
FUND BALANCE, Ending	$ 139,430	$ 139,430	$ 140,406	$ 976

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 2,595	$ 2,595	$ 4,454	$ 1,859
Interest on investments	25,000	25,000	25,359	359
TOTAL REVENUES	27,595	27,595	29,813	2,218
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(16,632)	8,368
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	(25,000)	(16,632)	8,368
NET CHANGE IN FUND BALANCE	2,595	2,595	13,181	10,586
FUND BALANCE, Beginning	643,200	643,200	649,450	6,250
FUND BALANCE, Ending	$ 645,795	$ 645,795	$ 662,631	$ 16,836

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Assessments	$ 52,000	$ 52,000	$ 52,996	$ 996
Interest on investments	-	-	35	35
Miscellaneous	-	-	70	70
TOTAL REVENUES	52,000	52,000	53,101	1,101
EXPENDITURES				
Current:				
General government:				
Materials and services	2,000	2,000	80	1,920
Capital outlay	250,000	250,000	-	250,000
Debt service	20,000	20,000	3,686	16,314
TOTAL EXPENDITURES	272,000	272,000	3,766	268,234
REVENUES OVER (UNDER) EXPENDITURES	(220,000)	(220,000)	49,335	269,335
OTHER FINANCING SOURCES (USES)				
Issuance of debt	542,000	542,000	-	(542,000)
Interfund loan repayment	(160,000)	(160,000)	(50,000)	110,000
TOTAL OTHER FINANCING SOURCES (USES)	382,000	382,000	(50,000)	(432,000)
NET CHANGE IN FUND BALANCE	162,000	162,000	(665)	(162,665)
Budgetary basis adjustment	-	-	50,000	50,000
FUND BALANCE (DEFICIT), Beginning	(162,000)	(162,000)	(82,099)	79,901
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (32,764)	$ (32,764)

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, 2008

	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	-	-	8,461	8,461
TOTAL REVENUES	260,400	260,400	268,861	8,461
EXPENDITURES				
Current:				
General government:				
Materials and services	15,000	15,000	7,193	7,807
Capital outlay	-	140,000	140,000	-
Debt service	209,500	209,500	209,486	14
TOTAL EXPENDITURES	224,500	364,500	356,679	7,821
REVENUES OVER (UNDER) EXPENDITURES	35,900	(104,100)	(87,818)	16,282
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	9,000	9,000	-	(9,000)
TOTAL OTHER FINANCING SOURCES (USES)	9,000	9,000	-	(9,000)
NET CHANGE IN FUND BALANCE	44,900	(95,100)	(87,818)	7,282
FUND BALANCE, Beginning	180,100	180,100	178,003	(2,097)
FUND BALANCE, Ending	$ 225,000	$ 85,000	$ 90,185	$ 5,185

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 3,000,000	$ 3,000,000	$ -	$ (3,000,000)
TOTAL REVENUES	3,000,000	3,000,000	-	(3,000,000)
EXPENDITURES				
Capital outlay	3,440,000	3,440,000	-	3,440,000
TOTAL EXPENDITURES	3,440,000	3,440,000	-	3,440,000
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.

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

Proprietary Funds

Enterprise Funds

- Water
- All Sewer Funds
  - Sewer
  - Sewer Capital Reserve
  - Wastewater Capital Project
  - Wastewater Revenue Bond Reserve
  - Wastewater Revenue Bond Debt Service
  - Wastewater Rate Stabilization
- 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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 3,109,100	$ 3,109,100	$ 3,212,353	$ 103,253
Interest on investments	10	10	31	21
Miscellaneous	10,100	10,100	17,368	7,268
TOTAL REVENUES	3,119,210	3,119,210	3,229,752	110,542
EXPENDITURES				
Current:				
Personal services	523,600	523,600	444,394	79,206
Materials and services	1,642,660	1,642,660	1,606,988	35,672
Capital outlay	451,800	451,800	332,513	119,287
Debt service	963,890	963,890	497,130	466,760
TOTAL EXPENDITURES	3,581,950	3,581,950	2,881,025	700,925
REVENUES OVER (UNDER) EXPENDITURES	(462,740)	(462,740)	348,727	811,467
OTHER FINANCING SOURCES (USES)				
Sale of property	11,030	11,030	3,727	(7,303)
Interfund loan proceeds	656,760	656,760	-	(656,760)
Interfund loan repayment	(197,500)	(197,500)	(197,500)	-
Transfers out	(7,550)	(7,550)	(7,550)	-
TOTAL OTHER FINANCING SOURCES (USES)	462,740	462,740	(201,323)	(664,063)
NET CHANGE IN FUND BALANCE	-	-	147,404	147,404
Budgetary basis adjustment	-	-	197,500	197,500
FUND BALANCE (DEFICIT), Beginning	-	-	(454,186)	(454,186)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	(109,282)	$ (109,282)
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			14,179,512	
Notes receivable			13,215	
Accrued interest payable			(124,607)	
Long-term debt			(4,861,306)	
NET ASSETS, Ending			$ 9,097,532	

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 1,844,500	$ 2,674,500	$ 2,655,155	$ (19,345)
Interest on investments	20,000	20,000	42,883	22,883
Miscellaneous	-	-	868	868
TOTAL REVENUES	1,864,500	2,694,500	2,698,906	4,406
EXPENDITURES				
Current:				
Personal services	368,840	368,840	331,780	37,060
Materials and services	1,030,690	1,080,690	1,069,572	11,118
Capital outlay	492,000	492,000	104,940	387,060
Debt service	3,840	17,440	10,387	7,053
Contingency	169,260	470,660	-	470,660
TOTAL EXPENDITURES	2,064,630	2,429,630	1,516,679	912,951
REVENUES OVER (UNDER) EXPENDITURES	(200,130)	264,870	1,182,227	917,357
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	10,377	10,377
Transfers out	(9,870)	(474,870)	(238,517)	236,353
TOTAL OTHER FINANCING SOURCES (USES)	(9,870)	(474,870)	(228,140)	246,730
NET CHANGE IN FUND BALANCE	(210,000)	(210,000)	954,087	1,164,087
FUND BALANCE, Beginning	210,000	210,000	643,148	433,148
FUND BALANCE, Ending	$ -	$ -	$ 1,597,235	$ 1,597,235

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 11,200	$ 11,200	$ 11,802	$ 602
TOTAL REVENUES	11,200	11,200	11,802	602
EXPENDITURES				
Capital outlay	4,000,000	4,000,000	-	4,000,000
Debt service	160,000	160,000	-	160,000
TOTAL EXPENDITURES	4,160,000	4,160,000	-	4,160,000
OTHER FINANCING SOURCES (USES)				
Issuance of debt	4,000,000	4,000,000	-	(4,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	4,000,000	4,000,000	-	(4,000,000)
NET CHANGE IN FUND BALANCE	(148,800)	(148,800)	11,802	160,602
FUND BALANCE, Beginning	570,300	570,300	269,686	(300,614)
FUND BALANCE, Ending	$ 421,500	$ 421,500	$ 281,488	$ (140,012)

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WASTEWATER CAPITAL PROJECT FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ -	$ 290,000	$ 207,786	$ (82,214)
TOTAL REVENUES	-	290,000	207,786	(82,214)
EXPENDITURES				
Current:				
Materials and services	-	300,000	142,213	157,787
Capital outlay	-	15,239,000	349,252	14,889,748
TOTAL EXPENDITURES	-	15,539,000	491,465	15,047,535
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	15,249,000	9,235,303	(6,013,697)
TOTAL OTHER FINANCING SOURCES (USES)	-	15,249,000	9,235,303	(6,013,697)
NET CHANGE IN FUND BALANCE	-	-	8,951,624	8,951,624
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ -	$ 8,951,624	$ 8,951,624

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WASTEWATER REVENUE BOND RESERVE FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ -	$ 25,000	$ -	$ (25,000)
TOTAL REVENUES	-	25,000	-	(25,000)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	1,241,000	744,698	(496,302)
TOTAL OTHER FINANCING SOURCES (USES)	-	1,241,000	744,698	(496,302)
NET CHANGE IN FUND BALANCE	-	1,266,000	744,698	(521,302)
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ 1,266,000	$ 744,698	$ (521,302)

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WASTEWATER REVENUE BOND DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES				
Debt service	$ -	$ 365,000	$ -	$ 365,000
TOTAL EXPENDITURES	-	365,000	-	365,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	365,000	228,647	(136,353)
TOTAL OTHER FINANCING SOURCES (USES)	-	365,000	228,647	(136,353)
NET CHANGE IN FUND BALANCE	-	-	228,647	228,647
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ -	$ 228,647	$ 228,647

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WASTEWATER RATE STABILIZATION FUND
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 100,000	$ -	$ (100,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	100,000	-	(100,000)
NET CHANGE IN FUND BALANCE	-	100,000	-	(100,000)
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ 100,000	$ -	$ (100,000)

See auditor's report.

CITY OF PENDLETON, OREGON
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2008

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	$ 1,597,235
Sewer Capital Reserve	281,488
Wastewater Capital Project	8,951,624
Wastewater Revenue Bond Reserve	744,698
Wastewater Revenue Bond Debt Service	228,647
Wastewater Rate Stabilization	-
	11,803,692
Adjustments:	
Capital assets, net of depreciation	3,238,961
Bond discount and issuance costs	138,658
Notes receivable	13,215
Accrued interest payable	(212,315)
Long-term debt	(9,980,000)
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	$ 5,002,211

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 550,000	$ 553,500	$ 467,866	$ (85,634)
Intergovernmental	290,000	356,500	305,228	(51,272)
Contributions	5,000	5,000	500	(4,500)
Interest on investments	150	150	46	(104)
Miscellaneous	100	100	1,622	1,522
TOTAL REVENUES	845,250	915,250	775,262	(139,988)
EXPENDITURES				
Current:				
Personal services	311,870	311,870	288,043	23,827
Materials and services	478,810	478,810	478,744	66
Capital outlay	-	70,000	67,712	2,288
Debt service	1,880,000	1,880,000	107,491	1,772,509
TOTAL EXPENDITURES	2,670,680	2,740,680	941,990	1,798,690
REVENUES OVER (UNDER) EXPENDITURES	(1,825,430)	(1,825,430)	(166,728)	1,658,702
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	35,418	35,418
Interfund loan proceeds	1,825,500	1,825,500	-	(1,825,500)
Transfers out	(70)	(70)	(70)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,825,430	1,825,430	35,348	(1,790,082)
NET CHANGE IN FUND BALANCE	-	-	(131,380)	(131,380)
FUND BALANCE (DEFICIT), Beginning	-	-	(1,741,674)	(1,741,674)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	(1,873,054)	$ (1,873,054)
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			9,755,869	
Notes receivable			280,766	
NET ASSETS, Ending			$ 8,163,581	

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 91,050	$ 103,550	$ 120,476	$ 16,926
Charges for services	7,200	7,200	6,677	(523)
Contributions	-	-	19,326	19,326
Interest on investments	500	500	1,433	933
Miscellaneous	34,500	34,500	190	(34,310)
TOTAL REVENUES	133,250	145,750	148,102	2,352
EXPENDITURES				
Current:				
Personal services	139,845	139,845	120,741	19,104
Materials and services	92,320	104,820	99,328	5,492
Capital outlay	74,500	83,500	65,482	18,018
TOTAL EXPENDITURES	306,665	328,165	285,551	42,614
REVENUES OVER (UNDER) EXPENDITURES	(173,415)	(182,415)	(137,449)	44,966
OTHER FINANCING SOURCES (USES)				
Transfers in	155,750	164,750	156,382	(8,368)
Transfers out	(3,035)	(3,035)	(3,035)	-
TOTAL OTHER FINANCING SOURCES (USES)	152,715	161,715	153,347	(8,368)
NET CHANGE IN FUND BALANCE	(20,700)	(20,700)	15,898	36,598
FUND BALANCE, Beginning	20,700	20,700	39,233	18,533
FUND BALANCE, Ending	$ -	$ -	55,131	$ 55,131
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			119,043	
NET ASSETS, Ending			$ 174,174	

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 939,025	$ 1,114,025	$ 1,080,062	$ (33,963)
Interest on investments	25,000	25,000	21,504	(3,496)
Miscellaneous	-	-	201	201
TOTAL REVENUES	964,025	1,139,025	1,101,767	(37,258)
EXPENDITURES				
Current:				
Personal services	640,280	815,280	715,104	100,176
Materials and services	155,130	180,130	177,492	2,638
Capital outlay	152,000	127,000	119,024	7,976
Contingency	50,000	50,000	-	50,000
TOTAL EXPENDITURES	997,410	1,172,410	1,011,620	160,790
REVENUES OVER (UNDER) EXPENDITURES	(33,385)	(33,385)	90,147	123,532
OTHER FINANCING SOURCES (USES)				
Sale of property	3,220	3,220	4,497	1,277
Transfers out	(3,220)	(3,220)	(3,220)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	1,277	1,277
NET CHANGE IN FUND BALANCE	(33,385)	(33,385)	91,424	124,809
FUND BALANCE, Beginning	355,200	355,200	431,142	75,942
FUND BALANCE, Ending	$ 321,815	$ 321,815	522,566	$ 200,751
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			644,309	
Notes receivable			13,215	
NET ASSETS, Ending			$ 1,180,090	

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 101,200	$ 101,200	$ 33,588	$ (67,612)
Charges for services	1,921,360	1,921,360	1,914,360	(7,000)
Intergovernmental	10,000	10,000	10,000	-
Contributions	-	-	2,242	2,242
Interest on investments	-	-	11,408	11,408
Miscellaneous	5,200	5,200	12,179	6,979
TOTAL REVENUES	2,037,760	2,037,760	1,983,777	(53,983)
EXPENDITURES				
Current:				
Personal services	1,588,500	1,591,000	1,510,921	80,079
Materials and services	673,700	679,700	626,269	53,431
Capital outlay	5,000	5,000	-	5,000
Contingency	99,450	90,950	-	90,950
TOTAL EXPENDITURES	2,366,650	2,366,650	2,137,190	229,460
REVENUES OVER (UNDER) EXPENDITURES	(328,890)	(328,890)	(153,413)	175,477
OTHER FINANCING SOURCES (USES)				
Transfers out	(41,010)	(41,010)	(41,010)	-
TOTAL OTHER FINANCING SOURCES (USES)	(41,010)	(41,010)	(41,010)	-
NET CHANGE IN FUND BALANCE	(369,900)	(369,900)	(194,423)	175,477
FUND BALANCE, Beginning	369,900	369,900	364,644	(5,256)
FUND BALANCE, Ending	$ -	$ -	170,221	$ 170,221
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			43,450	
NET ASSETS, Ending			$ 213,671	

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES AND TRANSFERS				
City manager's office	$ 336,650	$ 336,650	$ 318,272	$ 18,378
Insurance	289,500	289,500	277,856	11,644
Mayor and City Council	45,000	45,000	34,720	10,280
Legal	241,600	241,600	227,504	14,096
Finance	521,600	521,600	471,884	49,716
Engineering	404,550	404,550	388,456	16,094
Facilities	428,300	436,800	418,498	18,302
Contingency	99,450	90,950	-	90,950
Total expenditures	2,366,650	2,366,650	2,137,190	229,460
Transfers	41,010	41,010	41,010	-
TOTAL EXPENDITURES AND TRANSFERS	$ 2,407,660	$ 2,407,660	$ 2,178,200	$ 229,460

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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 150,000	$ 150,000	$ 66,179	$ (83,821)
TOTAL REVENUES	150,000	150,000	66,179	(83,821)
EXPENDITURES				
Current:				
Materials and services	150,000	150,000	66,179	83,821
TOTAL EXPENDITURES	150,000	150,000	66,179	83,821
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, 2008

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 227,500	$ 227,500	$ 197,787	$ (29,713)
Interest on investments	2,500	2,500	952	(1,548)
TOTAL REVENUES	230,000	230,000	198,739	(31,261)
EXPENDITURES				
Current:				
Materials and services	240,000	240,000	214,071	25,929
TOTAL EXPENDITURES	240,000	240,000	214,071	25,929
REVENUES OVER (UNDER) EXPENDITURES	(10,000)	(10,000)	(15,332)	(5,332)
NET CHANGE IN FUND BALANCE	(10,000)	(10,000)	(15,332)	(5,332)
FUND BALANCE, Beginning	10,000	10,000	36,123	26,123
FUND BALANCE, Ending	$ -	$ -	$ 20,791	$ 20,791

See auditor's report.

CITY OF PENDLETON

INCORPORATED
1880

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, 2008

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Northeast Oregon Air Task Force Agency				
ASSETS				
Cash and cash equivalents	$ 964	$ 38	$ -	$ 1,002
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	$ 964	$ 38	$ -	$ 1,002
Bail Fund				
ASSETS				
Cash and cash equivalents	$ 12,457	$ -	$ 1,870	$ 10,587
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 11,583	$ -	$ 3,377	$ 8,206
Due to other governments	874	1,507	-	2,381
Total liabilities	$ 12,457	$ 1,507	$ 3,377	$ 10,587
Eastern Oregon Drug Task Force Fund				
ASSETS				
Accounts receivable	$ 36,157	$ 66,179	$ 85,721	$ 16,615
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 36,157	$ 66,179	$ 85,721	$ 16,615
Pendleton Foundation Trust				
ASSETS				
Cash and cash equivalents	$ 36,123	$ 198,739	$ 214,071	$ 20,791
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	$ 36,123	$ 198,739	$ 214,071	$ 20,791

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the fiscal year ended June 30, 2008

	Taxes Uncollected July 1, 2007	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2008
2007-08	$ -	$ 5,215,786	$ (124,746)	$ (4,880,145)	$ 210,895
2006-07	198,194	-	2,544	(111,695)	89,043
2005-06	97,830	-	4,248	(46,983)	55,095
2004-05	54,958	-	6,090	(42,181)	18,867
2003-04	21,570	-	3,874	(22,498)	2,946
2002-03	7,653	-	(157)	(2,632)	4,864
2001-02	2,077	-	79	(1,181)	975
2000-01	1,162	-	(66)	(221)	875
1999-00	828	-	(18)	(314)	496
1998-99	653	-	39	(278)	414
1997-98	1,400	-	(1,128)	(55)	217
1996-97	366	-	83	(265)	184
1995-96	193	-	72	(205)	60
1994-95	145	-	93	(207)	31
Prior	592	-	(1)	-	591
	$ 387,621	$ 5,215,786	$ (108,994)	$ (5,108,860)	$ 385,553

	Tax Collections to June 30, 2008	Taxes Receivable June 30, 2008
Taxes receivable and tax collections classified by fund:		
General Fund	$ 4,246,438	$ 322,773
Pendleton Development Commission	199,819	11,285
Debt Service Fund	662,603	51,495
Plus: appeals and foreclosure adjustments	5,994	-
Totals	$ 5,114,854	$ 385,553

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	$ 4,251,996	$ (41,453)	$ 21,753	$ 4,232,296
Pendleton Development Commission	200,255	(652)	666	200,269
Debt Service Fund	662,603	(6,904)	3,472	659,171
	$ 5,114,854	$ (49,009)	$ 25,891	$ 5,091,736

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL AND INTEREST TRANSACTIONS
For the fiscal year ended June 30, 2008

	Date of Issue	Interest Rate	Maturity Date	Original Amount
Governmental Funds:				
General Obligation Bonds				
1996 Armory Refunding	02/01/96	5.10% - 5.30%	06/01/10	$ 1,305,000
1998 McCune Refunding	06/01/98	4.45% - 4.70%	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	4.328% - 5.004%	06/01/28	$ 7,160,000
Notes payable				
Community Bank - Pendleton Development Commission	08/10/07	6.50%	07/31/09	$ 1,400,000
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
Waste Water Revenue Bonds	12/11/07	3.00% - 4.30%	01/15/28	$ 9,980,000
Total Sewer Fund				
Total Enterprise Funds				

See auditor's report.

Debt Principal				Matured Interest Payable			
Outstanding June 30, 2007	Issued During Year	Paid During Year	Outstanding June 30, 2008	Outstanding June 30, 2007	Matured During Year	Paid During Year	Outstanding June 30, 2008
$ 435,000	$ -	$ 135,000	$ 300,000	$ -	$ 22,640	$ 22,640	$ -
1,570,000	-	200,000	1,370,000	-	72,003	72,003	-
1,760,000	-	170,000	1,590,000	-	64,550	64,550	-
(44,322)	-	(5,288)	(39,034)	-	-	-	-
3,720,678	-	499,712	3,220,966	-	159,193	159,193	-
7,090,000	-	45,000	7,045,000	-	348,916	348,916	-
-	600,000	-	600,000	-	17,703	17,703	-
600,000	-	-	600,000	-	33,149	33,149	-
2,491,771	-	94,098	2,397,673	-	115,388	115,388	-
9,984	-	9,984	-	-	402	402	-
$ 13,912,433	$ 600,000	$ 648,794	$ 13,863,639	$ -	$ 674,751	$ 674,751	$ -
$ 9,985	$ -	$ 9,985	$ -	$ -	$ 402	$ 402	$ -
3,454,000	-	152,000	3,302,000	-	155,430	155,430	-
1,633,123	-	73,817	1,559,306	-	68,101	68,101	-
5,097,108	-	235,802	4,861,306	-	223,933	223,933	-
9,985	-	9,985	-	-	402	402	-
-	9,980,000	-	9,980,000	-	-	-	-
9,985	9,980,000	9,985	9,980,000	-	402	402	-
$ 5,107,093	$ 9,980,000	$ 245,787	$ 14,841,306	$ -	$ 224,335	$ 224,335	$ -

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE GENERAL OBLIGATION BONDED DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2008

Year of Maturity	General Obligation Bonds Totals		Armory Refunding		McCune Refunding		Facilities Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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
	$ 3,260,000	$ 543,365	$ 300,000	$ 23,970	$ 1,370,000	$ 231,320	$ 1,590,000	$ 288,075

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE LIMITED TAX PENSION BONDED DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2008

Year of Maturity	Limited Tax Pension Bonds	
	Principal	Interest
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
	$ 7,045,000	$ 4,801,021

See auditors report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2008

Year of Maturity	Notes Payable Totals		Community Bank - Pendleton Development Commission		Community Bank - Pendleton Development Commission		Community Bank - Keystone	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008-09	$ 697,699	$ 183,787	$ -	$ 39,000	$ 600,000	$ 33,000	$ 97,699	$ 111,787
2009-10	702,442	146,044	600,000	39,000	-	-	102,442	107,044
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	113,438	1,682	-	-	-	-	113,438	1,682
	$ 3,597,673	$ 1,180,223	$ 600,000	$ 78,000	$ 600,000	$ 33,000	$ 2,397,673	$ 1,069,223

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
WATER FUND
June 30, 2008

Year of Maturity	Notes Payable Totals		Safe Drinking Water State Revolving Loan Fund			
	Principal	Interest	Principal	Interest	Principal	Interest
2008-09	$ 235,895	$ 213,603	$ 159,000	$ 148,580	$ 76,895	$ 65,023
2009-10	246,101	203,252	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
2019-20	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
	$ 4,861,306	$ 1,881,359	$ 3,302,000	$ 1,309,895	$ 1,559,306	$ 571,464

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE BONDED DEBT REQUIREMENTS
SEWER FUND
June 30, 2008

Year of Maturity	Waste Water Revenue Bonds	
	Principal	Interest
2008-09	$ 315,000	$ 427,471
2009-10	355,000	388,198
2010-11	370,000	373,998
2011-12	380,000	362,898
2012-13	395,000	349,598
2013-14	405,000	335,773
2014-15	425,000	319,573
2015-16	440,000	304,698
2016-17	455,000	288,923
2017-18	475,000	266,673
2018-19	495,000	247,673
2019-20	515,000	227,873
2020-21	535,000	207,273
2021-22	555,000	185,873
2022-23	580,000	163,118
2023-24	605,000	139,048
2024-25	630,000	113,940
2025-26	655,000	87,480
2026-27	685,000	59,643
2027-28	710,000	30,530
	$ 9,980,000	$ 4,880,254

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 were deficiencies 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 23, 2008.

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, 2008.

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 disclosed 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 2007-08 and the preparation and adoption of the budget for 2008-09. The City has complied with statutory requirements in all material respects for the current and ensuing year's budget, except expenditures for interfund loan repayment exceeded appropriations in the Pendleton Convention Center fund by $66,000.

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, 2008, 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, 2008, 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.

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

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 23, 2008

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 following deficiency to be a significant deficiency in internal control over financial reporting.

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

The City is the legal owner of the Pendleton Round-Up Grounds and any structural improvements should be added to the City's capital assets each year. The City does not currently have procedures in place to ensure that improvements constructed by the Round Up Association are captured in the City's financial records.

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. We consider the following deficiency to be a material weakness in internal control over financial reporting.

The City receives drug forfeiture monies to hold in a fiduciary capacity until the case is adjudicated. When the case is adjudicated, the City will either have to return the money to the defendant or distribute the money to the various state and federal agencies, and the City only retains about 20% of the funds. The forfeitures have been recorded as revenue in the past, and a prior period adjustment was reported in the current year reclassifying the monies on hand to a deposit account. In addition, the money the police use for "confidential cash" have been expensed in past years at the time it is distributed to the police department, rather than as it is expended. An adjustment was recorded in the current year to report the cash on hand at year end. Additional procedures should be instituted in this area to properly account for confidential funds and drug forfeitures.

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.

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 23, 2008.

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

Dickey and Tremper, LLP
Certified Public Accountants

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

Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance

December 23, 2008

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 *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration for its passenger facility charge program for the year ended June 30, 2008. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its 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; and the *Passenger Facility Charge Audit Guide for Public Agencies.* Those standards 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Pendleton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Pendleton's compliance with those requirements.

In our opinion, the City of Pendleton, Oregon complied, in all material respects, with the requirements referred to above that are applicable to its Passenger Facility Charge program for the year ended June 30, 2008.

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 the passenger facility charge program. In planning and performing our audit, we considered the City of Pendleton's internal control over compliance with requirements

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

that could have a direct and material effect on the 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 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
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For The Fiscal Year Ended June 30, 2008

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Passenger Facility Charges (PFC's)	N/A	$ 20,953