CITY OF PENDLETON, OREGON

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

CITY OF PENDLETON

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CITY OF PENDLETON, OREGON
ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2010

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CITY OF PENDLETON, OREGON
OFFICIALS OF THE CITY
AS OF JUNE 30, 2010

MAYOR AND CITY COUNCIL

Name and Address	Term Expires December 31,
Phillip Houk, Mayor 707 NW 3rd Street Pendleton, OR 97801	2012
Steve Taylor, Council President 514 SE 17th Pendleton, OR 97801	2010
John Brenne, Council Member PO Box 1404 Pendleton, OR 97801	2010
Justin Pearce, Council Member 301 NW Gilliam Avenue Pendleton, OR 97801	2010
Becky Marks, Council Member PO Box 494 Pendleton, OR 97801	2012
Bryan Branstetter, Council Member 911 NW Carden Avenue Pendleton, OR 97801	2012
Steven Bjerke, Council Member PO Box 1537 Pendleton, OR 97801	2010
Dan Ceniga, Council Member 2130 SW Quinney Avenue Pendleton, OR 97801	2012
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

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FINANCIAL SECTION

Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Pendleton, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pendleton, Oregon, as of and for the year ended June 30, 2010, 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, 2010, 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 31, 2010, 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

INDEPENDENT AUDITOR'S REPORT (Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pendleton, Oregon's financial statements as a whole. The combining and individual fund financial statements, budgetary comparison schedules, other financial schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. 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. The combining and individual fund financial statements, budgetary comparison schedules, other financial schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Dickey and Tremper, LLP

Dickey and Tremper, LLP
Certified Public Accountants

December 31, 2010

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MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the City of Pendleton, we offer readers of the City's Annual Financial Report, this narrative overview and analysis of the financial activities of the City of the fiscal year ended June 30, 2010. 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 20).

Financial Highlights

- Governmental activities revenue increased by $7,813,975, or fifty-five percent. The majority of the increase came from the federal and state assistance on the Airport Connector Road construction. Expenditures increased by $1,398,350, with the largest increase in highway and streets.

- Business-type activities revenue increased by $763,829, due mainly to the FAA capital grant of $1.09 million for runway improvements and an airport rescue fire station. Expenditures decreased overall by a total of $357,268. Three out of the four proprietary funds saw a slight decrease in business-type activities expense.

- The unreserved fund balance for the General Fund was $996,126 and the total fund balance was $2,710,248 or approximately 22% of total general fund expenditures & transfers out. The beginning fund balance decreased by 21% from the previous year.

- The City's governmental activities total debt increased by $3.6 million or 26% over FY2008-09. The bonded debt consists of three General Obligation Bonds approved by the voters and the PERS limited tax pension obligation bonds. The Pendleton Development Commission increased their notes payable by additional borrowing of $1,200,000. The City also took on additional debt for the Airport Road Connector at $1.19 million, Sunridge Estates Local Improvement District at $1.3 million and a USDA loan for the Airport Road police station building at $871,932.

- Enterprise fund debt increased by $2.2 million or 16%. The Sewer Fund was loaned $2.8 million for the wastewater treatment plant upgrades through the Oregon's Clean Water State Revolving Fund.

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 20-21 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 31 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Tax Street Fund, and Quinney Bridge Construction fund, which are considered to be *major funds*. Data from the other 28 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *nonmajor* governmental funds is provided in the form of *combining statements* in the supplemental information section of this report.

The City's major governmental funds, the General Fund, State Tax Street Fund and Quinney Bridge Construction 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 22-28 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 29-35 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 37 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 38-64 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 $59,843,503 at the close of the FY2009-10 year. Restricted net assets in the governmental funds include $543,866 for debt service, and $316,451 street tax monies reserved for street operations and construction, $851,568 of restricted funds for Library and the Cemetery Perpetual Care funds. Proprietary Funds have a restricted balance of $744,698 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 $52,019,100 or 87 percent, in capital asset (i.e. land, buildings, and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay for these liabilities.

A. Analysis of Net Assets

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

	Governmental Activities		
	FY 2008-09	**FY 2009-10**	**Change**
Assets			
Current and other assets	$13,715,098	$17,113,387	$3,398,289
Capital assets	30,040,501	37,929,276	7,888,775
Total assets	$43,755,599	$55,042,663	$11,287,064
Liabilities			
Long-term liabilities outstanding	$13,304,286	$17,114,816	$3,810,530
Other liabilities	2,674,682	5,119,591	2,444,909
Total liabilities	$15,978,968	$22,234,407	$6,255,439
Net Assets			
Invested in capital assets, net of related debt	$24,236,403	$28,783,393	$4,546,990
Restricted	1,583,015	1,711,885	128,870
Unrestricted (deficit)	1,957,213	2,312,978	355,765
Total Net Assets	$27,776,631	$32,808,256	$5,031,625

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

Business-type Activities

	FY 2008-09	FY 2009-10	Change
Assets			
Current and other assets	$11,279,690	$12,792,143	$1,512,453
Capital assets	28,665,515	32,316,679	3,651,164
Total assets	$39,945,205	$45,108,822	$5,163,617
Liabilities			
Long-term liabilities outstanding	$13,726,144	$15,996,001	$2,269,857
Other liabilities	1,516,792	2,077,574	560,782
Total liabilities	$15,242,936	$18,073,575	$2,830,639
Net Assets			
Invested in capital assets, net of related debt	$22,409,432	$23,235,707	$826,275
Restricted	744,702	744,698	(4)
Unrestricted (deficit)	1,548,135	3,054,842	1,506,707
Total Net Assets	$24,702,269	$27,035,247	$2,332,978

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

Total Net Assets

	FY 2008-09	FY 2009-10	Change
Assets			
Current and other assets	$24,994,788	$29,905,530	$4,910,742
Capital assets	58,706,016	70,245,955	11,539,939
Total assets	$83,700,804	$100,151,485	$16,450,681
Liabilities			
Long-term liabilities outstanding	27,030,430	$33,110,817	$6,080,387
Other liabilities	4,191,474	7,197,165	3,005,691
Total liabilities	$31,221,904	$40,307,982	$9,086,078
Net Assets			
Invested in capital assets, net of related debt	$46,645,835	$52,019,100	$5,373,265
Restricted	2,327,717	2,456,583	128,866
Unrestricted (deficit)	3,505,348	5,367,820	1,862,472
Total Net Assets	$52,478,900	$59,843,503	$7,364,603

An additional portion of the City's net assets $2,456,583, approximately 5 percent, represents resources that are subject to external restrictions on how they may be used. The remaining, balance is *unrestricted net assets* totaling $5,367,820 or approximately 9 percent. Unrestricted net assets increased from the previous year by $1,862,472.

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 2008-09	FY 2009-10	Change
Revenues			
Program revenues:			
Charges for services	$2,954,650	$3,147,853	$193,203
Operating grants & contributions	1,515,960	2,339,579	823,619
Capital grants & contributions	1,081,571	6,187,794	5,106,223
General revenues:			
Property taxes	5,260,537	5,610,792	350,255
Franchise fees	3,913,444	3,758,746	(154,698)
Investment earnings	(642,814)	724,478	1,367,292
Other	195,136	323,217	128,081
Total revenues	**$14,278,484**	**$22,092,459**	**$7,813,975**
Expenses			
General government	$3,160,175	$3,603,726	$443,551
Public safety	6,822,373	7,164,767	342,394
Highways & streets	1,688,048	2,025,705	337,657
Culture & recreation	2,797,426	2,873,887	76,461
Amortization of PERS prepayment	310,202	352,830	42,628
Interest on long-term debt	744,640	900,299	155,659
Total expenses	**$15,522,864**	**$16,921,214**	**$1,398,350**
Change in net assets	($1,244,380)	$5,171,245	$6,415,625
Transfers	(209,945)	(139,620)	70,325
Change in net assets	(1,454,325)	5,031,625	6,485,950
Net assets -- beginning	**$29,230,956**	**$27,776,631**	**($1,454,325)**
Net assets -- ending	**$27,776,631**	**$32,808,256**	**$5,031,625**

Table 2-B

City of Pendleton
Summary of Changes in Net Assets
For Years as Stated

Business-type Activities

	FY 2008-09	FY 2009-10	Change
Revenues			
Program revenues:			
Charges for services	$7,358,625	$7,658,537	$299,912
Operating grants & contributions	268,107	56,291	(211,816)
Capital grants & contributions	220,621	1,155,252	934,631
General revenues:			
Investment earnings	360,169	137,826	(222,343)
Other	10,317	(26,238)	(36,555)
Total revenues	**$8,217,839**	**$8,981,668**	**$763,829**
Expenses			
Water	$2,906,511	$3,011,072	$104,561
Sewer	2,364,169	2,130,600	(233,569)
Airport	1,627,886	1,401,057	(226,829)
Cemetery	247,012	245,581	(1,431)
Total expenses	**$7,145,578**	**$6,788,310**	**($357,268)**
Change in net assets	$1,072,261	$2,193,358	$1,121,097
Transfers	209,945	139,620	(70,325)
Change in net assets	1,282,206	2,332,978	1,050,772
Net assets -- beginning	**$23,420,063**	**$24,702,269**	**$1,282,206**
Net assets -- ending	**$24,702,269**	**$27,035,247**	**$2,332,978**

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

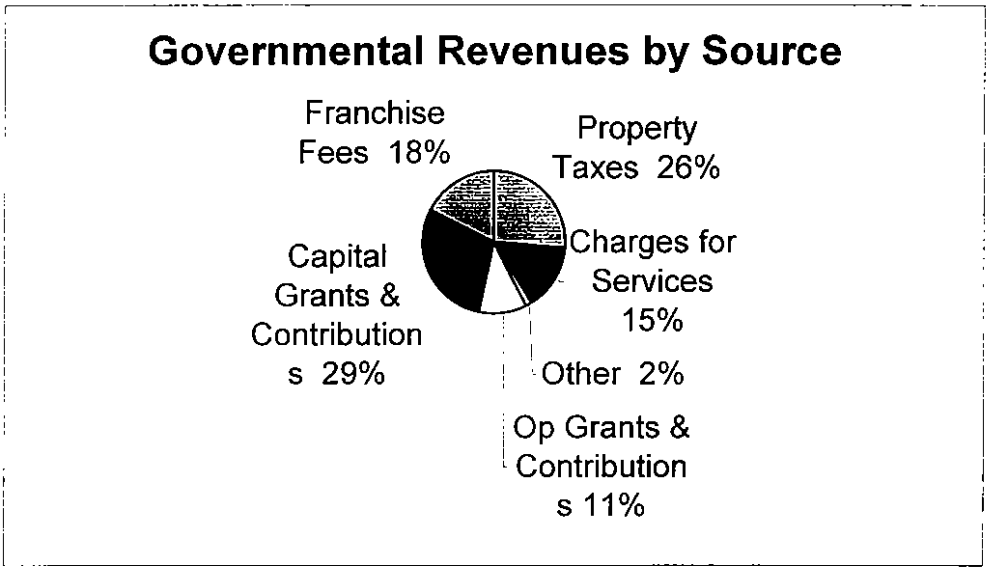
Total Net Assets

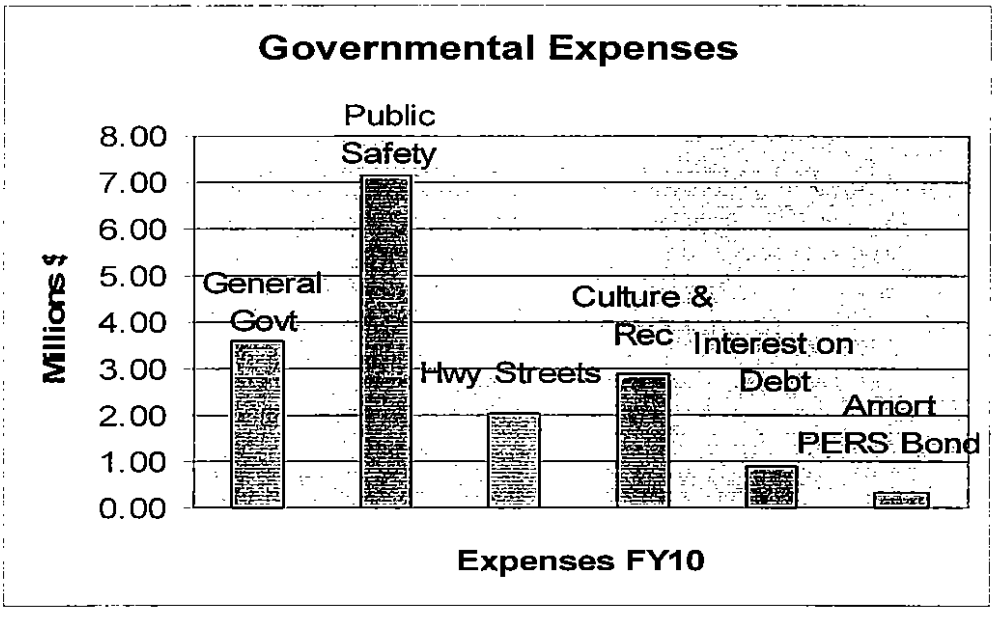
	FY 2008-09	FY 2009-10	Change
Revenues			
Program revenues:			
Charges for services	$10,313,275	$10,806,390	$493,115
Operating grants & contributions	1,784,067	2,395,870	611,803
Capital grants & contributions	1,302,192	7,343,046	6,040,854
General revenues:			
Property taxes	5,260,537	5,610,792	350,255
Franchise fees	3,913,444	3,758,746	(154,698)
Investment earnings	(282,645)	862,304	1,144,949
Other	205,453	296,979	91,526
Total revenues	**$22,496,323**	**$31,074,127**	**$8,577,804**
Expenses			
General government	$3,160,175	$3,603,726	$443,551
Public safety	6,822,373	7,164,767	342,394
Highways & streets	1,688,048	2,025,705	337,657
Culture & recreation	2,797,426	2,873,887	76,461
Amortization of PERS prepayment	310,202	352,830	42,628
Interest on long-term debt	744,640	900,299	155,659
Water	2,906,511	3,011,072	104,561
Sewer	2,364,169	2,130,600	(233,569)
Airport	1,627,886	1,401,057	(226,829)
Cemetery	247,012	245,581	(1,431)
Total expenses	**$22,668,442**	**$23,709,524**	**$1,041,082**
Change in net assets	($172,119)	$7,364,603	$7,536,722
Transfers	0	0	0
Change in net assets	(172,119)	7,364,603	7,536,722
Net assets -- beginning	**$52,651,019**	**$52,478,900**	**($172,119)**
Net assets -- ending	**$52,478,900**	**$59,843,503**	**$7,364,603**

As noted above, the City of Pendleton's overall net assets increased by $7,364,603 during FY2009-10. 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 receipt of federal monies and state funds to complete the Airport Connector Road and the Quinney Bridge construction. The net affect was net assets ending balance of $32,808,256, a 19% increase.

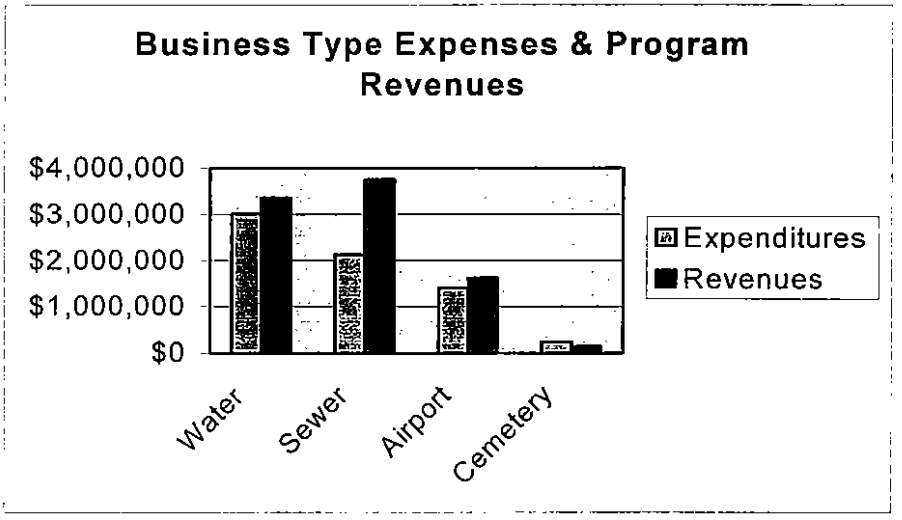
The following graphs provide visual representation of the expenses and revenues for governmental activities for FY2009-10.

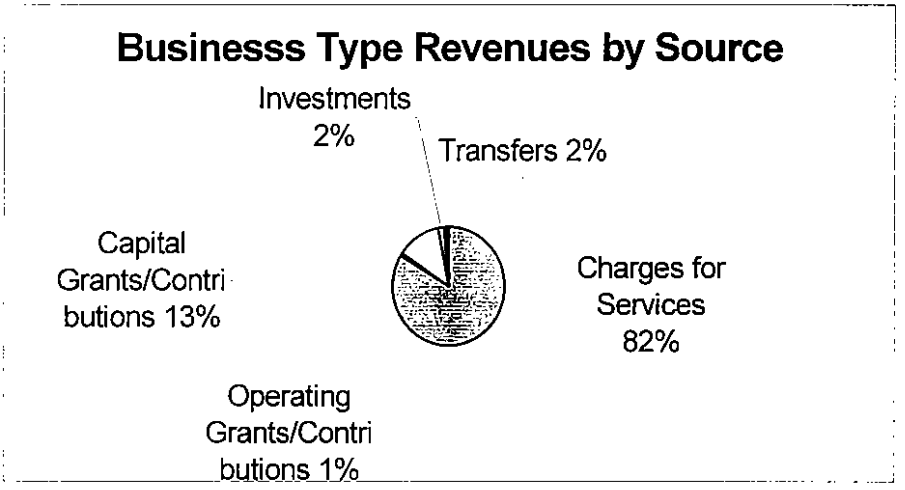




Business-type activities. Business-type activities increased the City's net assets by $2,332,978. Charges for services increased by $299,912 with CPI utility rate increases and increased water usage. Capital grants and contributions increased by $934,631 with Airport Improvement Projects (AIPS) from federal FAA dollars for runway improvements and the building of the Airport Rescue Fire Station. Total revenues taken in were more than total expenses by $2,193,358 for FY10. Three of the four business-type funds had positive net revenues over expenditures, water, sewer and airport.

The following graphs provide visual representation of the expenses and revenues for business-type activities for FY2009-10.





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.

At of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $6,208,777, a decrease of $1,112,636. Of the combined ending fund balances, $1,763,392 or 29 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 and contributions of $316,451 are 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 $851,568, 3) to pay for future debt service payments of $543,866, and 4) advances to other funds of $2,733,500.

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 $996,126.

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 22 percent of total General Fund expenditures and transfers.

The General Fund balance decreased by $728,595 during FY2009-10. Key factors in that affected fund balance are as follows:

- Revenues and transfers in received by the General Fund increased by only 3%, taking in $10,788,765 for the year. Franchise fees decreased by $79,690 or 3%. Ambulance revenues increased by 14% overall, write offs increased by 5% and collections increased by 10%. Intergovernmental revenues decreased by 7%, due to reduction in capital grants received in FY10.
- Expenditures & transfers minus the USDA assumed loan for the new police station increased by 6% for a total of $11,517,359. Materials and services increased by 2% or $41,693. Personnel costs, not including the PERS bond payment, increased by four percent from the prior year or $234,315.
- Capital Outlay (minus the USDA loan assumption)of $1,089,989 for governmental projects, including parks and recreation, restroom facilities, and a police station, increased from the prior year by $316,791 or 41 percent.

See pages 65-76 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 $669,628, $3,867,853, ($1,839,767) and $58,094 respectively. The Water Fund owed $4.12

million to the State for the water treatment plant at the end of the fiscal year. The Sewer Fund has borrowed $2.84 million from the Clean Water State Revolving Loan Fund for the wastewater treatment plant upgrades required by the DEQ. The Airport Fund owes approximately $2.04 million to other City funds for AIP capital improvements and operating expenses. Total net assets for business-type activities increased by $2,332,978 due mainly to sewer fund rates that are set to offset the debt being incurred in the WWTP construction project and the capital grants received at the Airport for the airport improvements.

See Combining Statements on pages 77-81 for the internal service funds, and pages 114-127 for the proprietary funds budgetary schedules.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one budget resolution 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:

- Increase the police department budget for $50,000 related to drug task force overtime reimbursement through governmental grants. $8,500 was transferred from the City/County Public Safety Fund to purchase crisis response communication equipment.

- Increased non-departmental by $499,000 in General Fund for the purchase and remodel of the Airport Road Pendleton Police and Oregon State Police buildings. Debt service was increased by $50,000 to cover the USDA loan consumption payments for the year. Rental income was increased and contingency was reduced to balance the fund.

- Increased the Aquatic Center Division by $5,000 for a Wildhorse grant to purchase pool lounge chairs.

The net change in budgeted fund balance during the year was an increase of $72,500.

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, 2010, amounts to $70,245,955 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, improvements and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was $11,539,937 or twenty percent (a twenty-seven percent increase for governmental activities and a thirteen percent increase for business-type activities).

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

- The Airport fund closed out the year with $1.15 million in improvements due to the rehabilitation of a runway, runway lighting system, and construction of a new Airport Rescue Fire Station.

- The Airport Connector Road was completed for just under $6 million for FY10 with federal, state and city funds.

- The Sewer Fund expended approximately $2.85 million on the Wastewater Treatment Plant upgrade.

- The City purchased buildings on Airport Road for the Police Department. The City is renting the second building to the Oregon State Police. The purchase and remodel expense was $1.4 million.

- Roy Raley Restrooms were rebuilt prior to the centennial anniversary of the Pendleton Round-Up for $185,400.

- Community Park improvements included a new shelter and play structure for a total of $71,500.

- Depreciation for governmental activities expense for FY10 was $1,957,816 versus capital outlay expenditures of $6,854,839. Depreciation for business-type activities expense for FY10 was $1,729,032 versus capital outlay expenditures of $5,171,875.

The following table provides comparative information on the City's capital assets for FY2008-09 and FY2009-10.

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

Governmental Activities

Asset Category	FY 2008-09	FY 2009-10	Change
Land	$2,478,872	$2,611,414	$132,542
Assets available for sale	308,726	308,726	0
Buildings	15,622,139	17,435,617	1,813,478
Equipment	5,975,469	6,188,151	212,682
Improvements	10,938,262	17,321,724	6,383,462
Infrastructure	20,926,650	20,926,650	0
Work in progress	466,017	1,449,943	983,926
Accumulated depreciation & amort.	(26,675,634)	(28,312,950)	(1,637,316)
Total	**$30,040,501**	**$37,929,276**	**$7,888,775**

Business-type Activities

Asset Category	FY 2008-09	FY 2009-10	Change
Land	$339,345	$339,345	$0
Buildings	13,631,868	14,629,837	$997,969
Equipment	17,606,540	17,573,375	(33,165)
Improvements	28,257,720	28,528,931	271,211
Work in progress	1,686,886	5,509,912	3,823,026
Accumulated depreciation & amort.	(32,856,843)	(34,264,722)	(1,407,879)
Total	**$28,665,516**	**$32,316,678**	**$3,651,162**

Total Net Capital Assets

Asset Category	FY 2008-09	FY 2009-10	Change
Land	$2,818,217	$2,950,759	$132,542
Assets available for sale	308,726	308,726	0
Buildings	29,254,007	32,065,454	2,811,447
Equipment	23,582,009	23,761,526	179,517
Improvements	39,195,982	45,850,655	6,654,673
Infrastructure	20,926,650	20,926,650	0
Work in progress	2,152,903	6,959,855	4,806,952
Accumulated depreciation & amort.	(59,532,477)	(62,577,672)	(3,045,195)
Total	**$58,706,017**	**$70,245,954**	**$11,539,937**

Additional information on the City of Pendleton's capital assets can be found in footnote III.E. on pages 50-51 of this report.

B. Debt Administration

As of June 30, 2010, the City had General Obligation Bond debt outstanding of $2,190,000. The general obligation debt outstanding is backed by the full faith and credit and taxing power of the City. Debt payments of $550,000 were made on scheduled for FY10. 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, 2010, the City had PERS debt outstanding of $6,895,000.

The City also holds a business loan for the purchase of land and construction of a RV manufacturing plant for $2,199,169 at June 30th. A construction loan with Oregon Transportation Investment Bank (OTIP) for the construction of the Airport Connector Road and improvements has a balance of $1,194,961 as of June 30th. A construction loan for the local improvement district (LID) construction at Sunridge Estates was received for $1.3 million and had a balance of $1,292,925 at June 30th. This loan will be paid back from the contractor on a loan payment schedule along with prepayments from sold lots. The City also assumed a USDA loan in the purchase of the Airport Road police station. The balance of the USDA loan at June 30th was $871,932.

The Pendleton Development Commission (PDC) was advanced $1,200,000 in loan proceeds for the PDC projects including façade restoration, utility construction grants, and second story elevator grants in FY10. Total PDC loan balance outstanding at June 30th was $3,052,715.

In addition, the Water Fund owed $4,379,310 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 balance of the outstanding bonds as of June 30th was $9,310,000. The City has also obtained Clean Water Revolving Loan funds for the wastewater treatment plan upgrades. The loan balance as of June 30th was $2,845,401. $2 million of this debt has a loan forgiveness clause.

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	FY2008-09	FY2009-10	Change
General Obligation Bonds	$ 2,740,000	$ 2,190,000	$ (550,000)
Less Deferred Refunding	(33,745)	(28,517)	5,228
Limited Tax Pension Obligation Bonds	6,980,000	6,895,000	(85,000)
Notes Payable	2,364,742	5,558,988	3,194,246
Notes Payable - PDC	2,000,000	3,052,715	1,052,715
Total	$14,050,997	$17,668,186	$3,617,189

Business-type Activities

Debt Category	FY2008-09	FY2009-10	Change
Revenue Bonds Payable	$ 9,665,000	$ 9,310,000	$ (355,000)
Notes Payable	4,625,412	7,224,711	2,599,299
Total	$14,290,412	$16,534,711	$ 2,244,299

Total Outstanding Debt

Debt Category	FY2008-09	FY2009-10	Change
General Obligation Bonds	$ 2,740,000	$ 2,190,000	$ (550,000)
Less Deferred Refunding	(33,745)	(28,517)	5,228
Limited Tax Pension Obligation Bonds	6,980,000	6,895,000	(85,000)
Revenue Bonds Payable	9,665,000	9,310,000	(355,000)
Notes Payable	8,990,154	15,836,414	6,846,260
Total	$28,341,409	$34,202,897	$ 5,861,488

The City's total debt increased by $5,861,488 (21 percent) during the current fiscal year. Debt for governmental activities increased by $3,617,189 while debt for business-type activities increased by $2,244,299. The new USDA loan for the police building for $871,932, the OTIB loan for the Airport Connector road of $1,194,961, and the Pendleton Development Commission component unit to the City of Pendleton additional debt for the urban renewal district of $1.05 million increased the overall general governmental debt. The Business-type activities debt increased by 16% due to the additional debt incurred for the wastewater treatment plant upgrade through the Clean Water State Revolving Fund for at $2,845,401.

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 FY2009-10 real market value, this debt limitation is $30,648,524. The amount of outstanding City debt subject to this limitation is $9,085,000.

Additional information on the City of Pendleton's bonded debt can be found in the notes to the basic financial statements on pages 53-5 8.

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 FY2010 budget:

- Assessed values, the basis of property tax revenues, will grow by 3%.
- Property tax rate is set at 6.5771 as a permanent rate due to Measure 50.
- Health insurance rates expect a 12% increase and Workers Comp rates staying level.
- Fire salaries would increase by 2% in July and 2% in January.
- OPEU and exempt salaries would not have a rate increase in July.
- Police salaries would increase by 2.5% in July and 2.5% in January.
- PERS rates would see a decrease of approximately 40% due to previous earnings on PERS investments.
- General Fund capital improvements would be minimal due to lack of funds available except for donation/grant funded construction.
- Water residential rates would increase by the CPI.

- Sewer rates would increase by CPI to maintain operations and provide for revenue bond payments.
- Airport Connector Road construction would continue with federal grants and state loans.
- Wastewater treatment plant improvements are estimated at an $11 million expense provided by loan and bond funds.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

CITY OF PENDLETON

INCORPORATED
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OREGON

CITY OF PENDLETON, OREGON
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,798,845	$ 4,707,039	$ 10,505,884
Receivables:			
Accounts, net	1,162,148	1,212,188	2,374,336
Property taxes	496,943	-	496,943
Assessments	421,244	-	421,244
Notes	800,437	230,721	1,031,158
Interest	680	11,457	12,137
Internal balances	1,995,098	(1,995,098)	-
Prepaid items	1,515,408	-	1,515,408
Inventories	-	302,963	302,963
Bond discounts and issuance costs	85,856	124,436	210,292
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	860,317	2,250,683	3,111,000
Investments	-	5,947,754	5,947,754
Pension asset	3,124,843	-	3,124,843
Permanently restricted:			
Cash and cash equivalents	155,699	-	155,699
Investments	695,869	-	695,869
Capital assets:			
Land	2,611,414	339,345	2,950,759
Assets available for sale	308,726	-	308,726
Construction in progress	1,449,943	5,509,913	6,959,856
Depreciable assets, net of depreciation	33,559,193	26,467,421	60,026,614
Total assets	55,042,663	45,108,822	100,151,485
LIABILITIES			
Accounts payable and accrued expenses	1,041,717	905,193	1,946,910
Deposits	60,197	100,450	160,647
Retainage payable	97,124	45,790	142,914
Unearned revenue	2,417,962	-	(2,417,962)
Accrued interest payable	135,571	283,673	419,244
Compensated absences payable	500,565	115,026	615,591
Long-term obligations:			
Due within one year	866,455	627,442	1,493,897
Due in more than one year	17,114,816	15,996,001	33,110,817
Total liabilities	22,234,407	18,073,575	40,307,982
NET ASSETS			
Invested in capital assets, net of related debt	28,783,393	23,235,707	52,019,100
Restricted for:			
Debt service	543,866	744,698	1,288,564
Highways and streets	316,451	-	316,451
Library permanent trust	140,598	-	140,598
Cemetery perpetual care permanent trust	710,970	-	710,970
Unrestricted	2,312,978	3,054,842	5,367,820
Total net assets	$ 32,808,256	$ 27,035,247	$ 59,843,503

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

CITY OF PENDLETON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Change in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 3,603,726	$ 1,150,175	$ 409,415	$ 901,457	$ (1,142,679)	$ -	$ (1,142,679)
Public safety	7,164,767	1,338,872	346,182	126,497	(5,353,216)	-	(5,353,216)
Highways and streets	2,025,705	345,540	1,133,228	5,150,998	4,604,061	-	4,604,061
Culture and recreation	2,873,887	313,266	450,754	8,842	(2,101,025)	-	(2,101,025)
Amortiation of PERS prepayment	352,830	-	-	-	(352,830)	-	(352,830)
Interest on long-term obligations	900,299	-	-	-	(900,299)	-	(900,299)
Total governmental activities	16,921,214	3,147,853	2,339,579	6,187,794	(5,245,988)	-	(5,245,988)
Business-type activities:							
Water	3,011,072	3,353,976	-	-	-	342,904	342,904
Sewer	2,130,600	3,745,100	-	2,250	-	1,616,750	1,616,750
Airport	1,401,057	413,503	56,291	1,153,002	-	221,739	221,739
Cemetery	245,581	145,958	-	-	-	(99,623)	(99,623)
Total business-type activities	6,788,310	7,658,537	56,291	1,155,252	-	2,081,770	2,081,770
Total primary government	$ 23,709,524	$ 10,806,390	$ 2,395,870	$ 7,343,046	(5,245,988)	2,081,770	(3,164,218)
	General revenues:						
	Property taxes levied for:						
	General purposes				4,598,842	-	4,598,842
	Debt service				1,011,950	-	1,011,950
	Franchise and public services taxes				3,758,746	-	3,758,746
	Interest and investment earnings				202,947	137,826	340,773
	Investment earnings (loss) on pension asset				521,531	-	521,531
	Miscellaneous				382,600	9,598	392,198
	Gain (loss) on sale of property				(59,383)	(35,836)	(95,219)
	Transfers				(139,620)	139,620	-
	Total general revenues, special items, and transfers				10,277,613	251,208	10,528,821
	Change in net assets				5,031,625	2,332,978	7,364,603
	Net assets, beginning				27,776,631	24,702,269	52,478,900
	Net assets, ending				$ 32,808,256	$ 27,035,247	$ 59,843,503

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

FUND FINANCIAL STATEMENTS

Major Governmental Funds

General Fund

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

Street Fund

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

Quinney Bridge Construction Fund

Accounts for the replacement of the SW Quinney Avenue Bridge located between Southgate Place and SW 44th Street. Revenues are from state grants and interest income.

CITY OF PENDLETON, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Street Fund	Quinney Bridge Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	$ 876,206	$ 109,914	$ 2,589,989	$ 2,781,859	$ 6,357,968
Investments	-	-	-	695,869	695,869
Receivables:					
Property taxes	410,460	-	-	86,483	496,943
Accounts	696,715	102,291	-	301,796	1,100,802
Interest	119	18	260	235	632
Assessments	2,189	-	-	419,055	421,244
Notes	112,500	6,930	-	681,007	800,437
Advances to other funds	1,709,500	-	-	1,024,000	2,733,500
Prepaid items	4,811	-	-	-	4,811
Total assets	$ 3,812,500	$ 219,153	$ 2,590,249	$ 5,990,304	$ 12,612,206
LIABILITIES					
Accounts payable and accrued liabilities	$ 512,831	$ 35,091	$ 32,967	$ 411,343	$ 992,232
Deposits	75	-	-	53,265	53,340
Deferred revenue	585,013	6,930	2,417,963	1,316,327	4,326,233
Retainage payable	4,333	-	-	92,791	97,124
Advances from other funds	-	-	-	934,500	934,500
Total liabilities	1,102,252	42,021	2,450,930	2,808,226	6,403,429
FUND BALANCES (DEFICIT)					
Reserved for:					
Advances to other funds	1,709,500	-	-	1,024,000	2,733,500
Debt service	4,622	-	-	539,244	543,866
Highways and streets	-	177,132	139,319	-	316,451
Permanent funds	-	-	-	851,568	851,568
Unreserved, reported in:					
Major funds	996,126	-	-	-	996,126
Capital projects funds	-	-	-	58,075	58,075
Special revenue funds	-	-	-	709,191	709,191
Total fund balances	2,710,248	177,132	139,319	3,182,078	6,208,777
Total liabilities and fund balances	$ 3,812,500	$ 219,153	$ 2,590,249	$ 5,990,304	$ 12,612,206

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, 2010

Fund balances - total governmental funds		$ 6,208,777
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		37,689,581
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.		3,210,699
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		1,908,271
Other post employment benefits payable are not due and payable in the current period, and, therefore, are not reported in the funds.		(252,406)
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.		(413,601)
Expenditures paid for local improvement districts are expensed as paid in the funds, but are reported as prepaid items in the governmental activities until the final assessment on the property owners is made.		1,510,597
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(135,571)
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.		(17,668,187)
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	$ 456,893	
Accounts receivable, net	61,346	
Interest receivable	48	
Internal balances	196,098	
Capital assets, net	239,695	
Accounts payable and accrued expenses	(49,485)	
Deposits	(6,857)	
Other post employment benefits liability	(60,678)	
Compensated absences payable	(86,964)	
Total internal service funds		750,096
Net assets of governmental activities		$ 32,808,256

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, 2010

	General Fund	Street Fund	Quinney Bridge Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	$ 4,590,896	$ -	$ -	$ 1,006,454	$ 5,597,350
Other taxes	521,996	-	-	871,301	1,393,297
Franchise fees	2,324,784	-	-	-	2,324,784
Licenses and fees	605,460	-	-	201,425	806,885
Charges for services	1,002,810	293,638	-	475,132	1,771,580
Intergovernmental	1,032,442	918,332	291,397	1,737,123	3,979,294
Fines and forfeitures	360,354	-	-	-	360,354
Assessments	982	-	-	168,589	169,571
Loan repayments	-	-	-	31,152	31,152
Contributions	31,526	-	-	52,107	83,633
Interest on investments	78,076	645	16,331	105,177	200,229
Miscellaneous	123,371	51,903	-	53,249	228,523
TOTAL REVENUES	10,672,697	1,264,518	307,728	4,701,709	16,946,652
EXPENDITURES					
Current:					
General govrenment	1,324,208	-	-	2,408,297	3,732,505
Public safety	6,541,396	-	-	225,818	6,767,214
Culture and recreation	1,825,097	-	-	540,411	2,365,508
Highways and streets	-	1,016,991	-	-	1,016,991
Capital outlay	1,979,522	326,738	170,856	4,377,717	6,854,833
Debt service	476,340	-	-	1,596,527	2,072,867
TOTAL EXPENDITURES	12,146,563	1,343,729	170,856	9,148,770	22,809,918
REVENUES OVER (UNDER) EXPENDITURES	(1,473,866)	(79,211)	136,872	(4,447,061)	(5,863,266)
OTHER FINANCING SOURCES (USES)					
Sale of property	14,088	3,727	-	3,000	20,815
Issuance of debt	889,533	33,405	-	3,864,231	4,787,169
Transfers in	101,980	-	-	143,320	245,300
Transfers out	(260,330)	(5,780)	-	(36,539)	(302,649)
TOTAL OTHER FINANCING SOURCES (USES)	745,271	31,352	-	3,974,012	4,750,635
NET CHANGE IN FUND BALANCE	(728,595)	(47,859)	136,872	(473,049)	(1,112,631)
FUND BALANCE, Beginning	3,438,843	224,991	2,447	3,655,127	7,321,408
FUND BALANCE, Ending	$ 2,710,248	$ 177,132	$ 139,319	$ 3,182,078	$ 6,208,777

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, 2010

Net change in fund balance - governmental funds		$ (1,112,631)
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		310,322
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.		1,169,980
Issuance of debt is a financial resource in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.		(4,787,169)
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		(41,575)
Change in other post employment benefits liability		(138,259)
Change in accrued interest payable		7,578
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	$ 521,531	
Amortization of PERS UAL	(352,830)	
		168,701
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:		
Capital asset additions	$ 9,637,469	
Prepaid items	1,510,597	
Depreciation expense	(1,937,216)	
		9,210,850
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.		248,817
Change in net assets - governmental activities		$ 5,031,625

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
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 4,580,000	$ 4,580,000	$ 4,590,896	$ 10,896
Other taxes	525,000	525,000	521,996	(3,004)
Franchise fees	2,413,700	2,413,700	2,324,784	(88,916)
Licenses and fees	585,050	585,050	605,460	20,410
Charges for services	1,026,200	1,035,200	1,002,810	(32,390)
Intergovernmental	1,070,800	1,120,800	1,032,442	(88,358)
Fines and forfeitures	371,000	371,000	360,354	(10,646)
Assessments	770	770	982	212
Contributions	51,500	51,500	31,526	(19,974)
Interest on investments	100,000	100,000	78,076	(21,924)
Miscellaneous	114,700	119,700	123,371	3,671
TOTAL REVENUES	10,838,720	10,902,720	10,672,697	(230,023)
EXPENDITURES				
Current:				
General government	1,490,500	1,490,500	1,324,208	166,292
Public safety	6,665,330	6,723,830	6,541,396	182,434
Culture and recreation	1,840,330	1,845,330	1,825,097	20,233
Capital outlay	762,500	1,261,500	1,979,522	(718,022) **
Debt service	430,130	480,130	476,340	3,790
Contingency	2,985,180	2,445,180	-	2,445,180
TOTAL EXPENDITURES	14,173,970	14,246,470	12,146,563	2,099,907
REVENUES OVER (UNDER) EXPENDITURES	(3,335,250)	(3,343,750)	(1,473,866)	1,869,884
OTHER FINANCING SOURCES (USES)				
Sale of property	2,100	2,100	14,088	11,988
Issuance of debt	-	-	889,533	889,533
Transfers in	93,480	101,980	101,980	-
Transfers out	(260,330)	(260,330)	(260,330)	-
TOTAL OTHER FINANCING SOURCES (USES)	(164,750)	(156,250)	745,271	901,521
NET CHANGE IN FUND BALANCE	(3,500,000)	(3,500,000)	(728,595)	2,771,405
FUND BALANCE, Beginning	3,500,000	3,500,000	3,438,843	(61,157)
FUND BALANCE, Ending	$ -	$ -	$ 2,710,248	$ 2,710,248

** Exempt from Oregon Budget Law.

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

CITY OF PENDLETON, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 156,150	$ 206,150	$ 293,638	$ 87,488
Intergovernmental	1,452,600	1,452,600	918,332	(534,268)
Interest on investments	12,000	12,000	645	(11,355)
Miscellaneous	-	-	51,903	51,903
TOTAL REVENUES	1,620,750	1,670,750	1,264,518	(406,232)
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	327,650	377,650	331,594	46,056
Materials and services	694,350	694,350	685,397	8,953
Capital outlay	740,000	740,000	326,738	413,262
Contingency	150,000	150,000	-	150,000
TOTAL EXPENDITURES	1,912,000	1,962,000	1,343,729	618,271
REVENUES OVER (UNDER) EXPENDITURES	(291,250)	(291,250)	(79,211)	212,039
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	3,727	3,727
Issuance of debt	-	-	33,405	33,405
Transfers out	(5,780)	(5,780)	(5,780)	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,780)	(5,780)	31,352	37,132
NET CHANGE IN FUND BALANCE	(297,030)	(297,030)	(47,859)	249,171
FUND BALANCE, Beginning	375,000	375,000	224,991	(150,009)
FUND BALANCE, Ending	$ 77,970	$ 77,970	$ 177,132	$ 99,162

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

CITY OF PENDLETON

INCORPORATED
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OREGON

FUND FINANCIAL STATEMENTS

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 Rate Reserve Fund
  Wastewater 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, 2010

	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	$ 236,027	$ 3,826,936	$ 868	$ 66,009	$ 4,129,840	$ 1,034,092
Receivables:						
Accounts, net	367,631	569,704	259,189	12,484	1,209,008	64,526
Notes	6,930	6,930	209,931	-	223,791	6,930
Interest	21	11,383	-	3	11,407	98
Inventories	279,339	23,624	-	-	302,963	-
Total current assets	889,948	4,438,577	469,988	78,496	5,877,009	1,105,646
Noncurrent assets:						
Restricted cash and cash equivalents	-	2,250,683	-	-	2,250,683	-
Restricted investments	-	5,947,754	-	-	5,947,754	-
Advances to other funds	-	245,000	-	-	245,000	-
Bond discount and issuance costs	-	124,436	-	-	124,436	-
Capital assets:						
Land	254,903	41,975	21,317	21,150	339,345	-
Construction in progress	16,365	5,493,548	-	-	5,509,913	-
Depreciable assets, net of depreciation	13,082,457	2,894,224	9,507,979	160,363	25,645,023	1,062,093
Total noncurrent assets	13,353,725	16,997,620	9,529,296	181,513	40,062,154	1,062,093
Total assets	$ 14,243,673	$ 21,436,197	$ 9,999,284	$ 260,009	$ 45,939,163	$ 2,167,739
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	$ 70,241	$ 617,704	$ 188,047	$ 7,177	$ 883,169	$ 71,509
Retainage Payable	-	-	45,790	-	45,790	-
Accrued interest payable	112,257	171,416	-	-	283,673	-
Deposits	-	100,450	-	-	100,450	6,857
Compensated absences payable	18,673	27,898	21,995	7,491	76,057	125,933
Current portion of long-term debt	257,442	370,000	-	-	627,442	-
Total current liabilities	458,613	1,287,468	255,832	14,668	2,016,581	204,299
Long-term debt, net of current portion:						
Advances from other funds	-	-	2,044,000	-	2,044,000	-
Other post employment benefits liability	19,149	22,692	9,923	5,734	57,498	91,912
Notes and contracts payable	4,121,868	-	-	-	4,121,868	-
Bonds payable	-	11,785,401	-	-	11,785,401	-
Total liabilities	4,599,630	13,095,561	2,309,755	20,402	20,025,348	296,211
Net assets (deficit):						
Invested in capital assets, net of related debt	8,974,415	3,728,085	9,529,296	181,513	22,413,309	1,062,093
Restricted for debt service	-	744,698	-	-	744,698	-
Unrestricted	669,628	3,867,853	(1,839,767)	58,094	2,755,808	809,435
Total net assets	9,644,043	8,340,636	7,689,529	239,607	25,913,815	1,871,528
Total liabilities and net assets	$ 14,243,673	$ 21,436,197	$ 9,999,284	$ 260,009	$ 45,939,163	$ 2,167,739

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, 2010

Net assets - total enterprise funds		$ 25,913,815
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	$ 577,199	
Accounts receivable, net	3,180	
Notes receivable	6,930	
Interest receivable	50	
Internal balances	(196,098)	
Capital assets, net	822,398	
Accounts payable and accrued expenses	(22,024)	
Compensated absences payable	(38,969)	
Other post employment benefits liability	(31,234)	
		1,121,432
Net assets of business - type activities		$ 27,035,247

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, 2010

	Business - type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Total	
OPERATING REVENUES						
Charges for services	$3,319,507	$3,718,984	$ 413,490	$ 7,174	$ 7,459,155	$3,351,030
Licenses and fees	-	-	-	138,521	138,521	94,018
Miscellaneous	34,470	28,366	14	263	63,113	18,756
TOTAL OPERATING REVENUES	3,353,977	3,747,350	413,504	145,958	7,660,789	3,463,804
OPERATING EXPENSES						
Personal services	433,552	465,257	246,788	139,820	1,285,417	2,281,741
Materials and services	1,811,868	1,448,692	275,114	94,030	3,629,704	834,877
Depreciation	586,177	242,788	798,487	11,767	1,639,219	110,414
TOTAL OPERATING EXPENSES	2,831,597	2,156,737	1,320,389	245,617	6,554,340	3,227,032
OPERATING INCOME (LOSS)	522,380	1,590,613	(906,885)	(99,659)	1,106,449	236,772
NON-OPERATING INCOME (EXPENSES)						
Intergovernmental	-	-	113,722	-	113,722	79,917
Contributions	-	-	-	-	-	56,785
Gain (loss) on disposal of capital assets	(22,253)	-	-	-	(22,253)	(35,836)
Interest on investments	1,547	133,390	8	33	134,978	6,579
Interest expense	(198,458)	(12,657)	(81,009)	-	(292,124)	-
TOTAL NON-OPERATING INCOME (EXPENSES)	(219,164)	120,733	32,721	33	(65,677)	107,445
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	303,216	1,711,346	(874,164)	(99,626)	1,040,772	344,217
CAPITAL CONTRIBUTIONS						
Intergovernmental	-	-	1,095,570	-	1,095,570	-
Capital asset transfers	17,171	26,720	-	-	43,891	-
TRANSFERS						
Transfers in	-	1,243,193	-	134,489	1,377,682	-
Transfers out	(7,550)	(1,252,283)	(4,870)	(2,580)	(1,267,283)	(53,050)
CHANGE IN NET ASSETS	312,837	1,728,976	216,536	32,283	2,290,632	291,167
NET ASSETS, Beginning	9,331,206	6,611,660	7,472,993	207,324	23,623,183	1,580,361
NET ASSETS, Ending	$9,644,043	$8,340,636	$7,689,529	$ 239,607	$25,913,815	$1,871,528

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, 2010

Change in net assets - total enterprise funds	$	2,290,632
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.		42,346
Change in net assets of business - type activities	$	2,332,978

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, 2010

	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	$ 3,365,305	$ 3,730,537	$ 413,977	$ 142,383	$ 7,652,202	$ 87,380
Receipts from interfund services provided	-	-	-	-	-	3,376,892
Payments to suppliers	(1,029,350)	(645,947)	(168,209)	(108,053)	(1,951,559)	(1,307,148)
Payments to employees	(306,844)	(316,372)	(187,078)	(102,443)	(912,737)	(1,712,257)
Payments for interfund services used	(964,574)	(1,134,388)	(101,975)	(13,340)	(2,214,277)	(7,550)
Net cash provided from (used by) operating activities	1,064,537	1,633,830	(43,285)	(81,453)	2,573,629	437,317
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES						
Transfers in	-	1,243,193	-	134,489	1,377,682	-
Transfers out	(7,550)	(1,252,283)	(4,870)	(2,580)	(1,267,283)	(53,050)
Net cash provided from (used by) non-capital financing activities	(7,550)	(9,090)	(4,870)	131,909	110,399	(53,050)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from intergovernmental revenue	-	-	1,084,171	-	1,084,171	79,917
Contributions	-	-	-	-	-	56,785
Notes receivable principal collections	3,219	3,219	35,418	-	41,856	3,219
Proceeds from issuance of debt	-	2,298,331	-	-	2,298,331	-
Proceeds from sale of capital assets	-	-	-	-	-	2,000
Interfund loan proceeds	-	-	105,000	-	105,000	-
Interfund loan payments	(243,000)	(245,000)	-	-	(488,000)	-
Acquisition of capital assets	(132,743)	(3,273,702)	(1,111,881)	-	(4,518,326)	(456,201)
Principal paid on long-term obligations	(246,101)	(355,000)	-	-	(601,101)	-
Interest paid on long-term obligations	(204,763)	(14,365)	(81,009)	-	(300,137)	-
Net cash provided from (used by) capital and related financing activities	(823,388)	(1,586,517)	31,699	-	(2,378,206)	(314,280)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net sales (purchases) of investments	-	(104,357)	-	-	(104,357)	-
Interest on investments	1,525	134,440	8	31	136,004	7,178
Net cash provided (used) by investing activities	1,525	30,083	8	31	31,647	7,178
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	235,124	68,306	(16,448)	50,487	337,469	77,165
CASH AND CASH EQUIVALENTS, Beginning	903	6,009,313	17,316	15,522	6,043,054	956,927
CASH AND CASH EQUIVALENTS, Ending	$ 236,027	$ 6,077,619	$ 868	$ 66,009	$ 6,380,523	$ 1,034,092

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, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Fund	All Sewer Funds	Airport Fund	Non-Major Cemetery Fund	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities						
Operating income (loss)	$ 522,380	$ 1,590,613	$ (906,885)	$ (99,659)	$ 1,106,449	$ 236,772
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	586,177	242,788	798,487	11,767	1,639,219	110,414
(Increase) decrease in assets:						
Receivables	13,624	(16,813)	473	(3,575)	(6,291)	469
Inventories	(91,331)	(10,031)	-	-	(101,362)	-
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	22,240	(194,850)	56,224	4,769	(111,617)	7,525
Deposits	(2,296)	-	-	-	(2,296)	1
Compensated absences payable	4,415	7,189	2,830	2,015	16,449	27,973
Other post employment benefits liability	9,328	14,934	5,586	3,230	33,078	54,163
Net cash provided from (used by) operating activities	$ 1,064,537	$ 1,633,830	$ (43,285)	$ (81,453)	$ 2,573,629	$ 437,317
Non cash Investing, Capital and Financing Activities						
Transfer of capital assets between funds	$ 17,171	$ 26,720	$ -	$ -	$ 43,891	$ -

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

CITY OF PENDLETON

INCORPORATED
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OREGON

FUND FINANCIAL STATEMENTS

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, 2010

	Agency
ASSETS	
Cash and cash equivalents	$ 67,271
Accounts receivable	19,044
Total assets	$ 86,315
LIABILITIES	
Accounts payable	$ 25,295
Due to other governments	61,020
Total laibilities	$ 86,315

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 these 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 *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 *Quinney Bridge Construction fund* accounts for all revenues and expenses in connection with the construction of the Quinney Bridge and surrounding area.

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 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 $744,698 restricted for debt service and $7,453,739 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 $373,432 of interest capitalized during the year for the Waste Water Treatment Plant project.

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 System Development Fees special revenue 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 System Development Fees special revenue 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, 2010, 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 no expenditures that exceeded appropriations.

C. Deficit fund balances

Funds having a deficit fund balance on the budgetary basis at June 30, 2010 are as follows:

Special Revenue Funds	
Community Rehabilitation Fund	$ (252,601)
Sidewalk Repair Loan Fund	$ (236,299)
Pendleton Convention Center Fund	$ (100,457)
PCC TPAC Fund	$ (148,346)
Fire Capital Reserve Fund	$ (112,721)
Capital Project Funds	
LID Construction Fund	$ (137,594)
Enterprise Funds	
Airport Fund	$ (2,039,775)

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, 2010. If bank deposits at year end are not entirely insured or collateralized 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 of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank 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. For the fiscal year ended June 30, 2010, the carrying amount of the City and Urban Renewal Agency's deposits, including certificates of deposit categorized as investments of $5,947,754, was $7,956,106 and the bank balance was $8,696,047. All deposits are held in the name of the City or the Pendleton Development Commission (blended component unit). Of the bank balance, $2,499,311 was covered by federal depository insurance. The remaining $6,196,736 was collateralized under ORS 295.

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, 2010, the amount held in the escrow account for future scheduled payments was $9.

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, which represent 90% of total investments.

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

Investments held by the City at June 30, 2010 include Certificates of Deposit with Banner Bank totaling $5,947,754. All of the Certificates will mature within one year. In addition, the City is invested in the following:

Investments not subject to categorization:	
External Investment Pool	$ 695,869

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

Cash on hand	$ 2,145
Cash with Police Department	36,570
Cash with fiscal agent	85,890
Deposits with financial institutions	2,008,352
Local Government Investment Pool	11,706,897
Total cash and cash equivalents	$13,839,854
Funds:	
General	$ 876,206
Street	109,914
Quinney Bridge Construction	2,589,989
Non - major Governmental funds	2,781,859
Water	236,027
All Sewer funds	6,077,619
Airport	868
Cemetary	66,009
Internal Service funds	1,034,092
Fiduciary funds	67,271
Total cash and cash equivalents	$13,839,854

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 2009-

2010, the City levied property taxes in the amount of $5,724,348. 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	Street	Quinney Bridge Construction	Other Governmental Funds	Internal Service	Total Governmental Activites
Property taxes	$ 410,460	$ -	$ -	$ 86,483	$ -	$ 496,943
Special assessments	2,189	-	-	419,055	-	421,244
Accounts	600,839	-	-	194,446	58	795,343
Intergovernmental	133,674	102,291	-	107,350	61,288	404,603
Notes	112,500	6,930	-	681,007	-	800,437
Interest	119	18	260	235	48	680
Gross Receivables	1,259,781	109,239	260	1,488,576	61,394	2,919,250
Less: Allowance for Uncollectibles	(37,798)	-	-	-	-	(37,798)
Net Total Receivables	$ 1,221,983	$ 109,239	$ 260	$1,488,576	$ 61,394	$ 2,881,452

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	$ 402,687	$ 22,634	$ 9,337	$ 12,484	$ 3,180	$ 450,322
Intergovernmental	-	547,070	271,736	-	-	818,806
Notes	6,930	6,930	209,931	-	6,930	230,721
Interest	21	11,383	-	3	50	11,457
Gross Receivables	409,638	588,017	491,004	12,487	10,160	1,511,306
Less: Allowance for Uncollectibles	(35,056)	-	(21,884)	-	-	(56,940)
Net Total Receivables	$ 374,582	$ 588,017	$ 469,120	$ 12,487	$ 10,160	$ 1,454,366

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 2009-2010 was $260,400. Future lease revenues will be $260,400 for fiscal year 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 $13,386 for April 2009 to March 2010, and a building lease payment of $37,282 for April of 2008 to March 2009. Total future minimum annual lease payments are expected to be $13,386 for the land lease and $37,282 for the building lease/purchase through the fiscal year ending June 30, 2015. At June 30, 2010, the principal balance due the City was $209,931.

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, 2010, the principal balance due the City was $112,500.

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, 2010, the principal balance due the City was $27,720

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 November 30, 2010, from the Oregon Employee Retirement System web site indicates an increase in value of approximately 8.61% from the value at June 30.

Pension assets are as follows:

Pension assets, beginning		$ 2,956,142
Earnings (loss) on pension assets	$ 521,531	
Credit for annual actuarial liability change	(352,830)	
Increase in pension assets		168,701
Pension assets, ending		$ 3,124,843

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 $2,417,962 in unearned grant advance revenue reported in the government-wide financial statements.

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

	General	Street	Quinney Bridge	Other Governmental Funds	Total Governmental Activities
Property taxes	$ 375,441	$ -	$ -	$ 79,208	$ 454,649
Intergovernmental	36,779	-	2,417,963	70,549	2,525,291
Notes and assessments	114,689	6,930	-	1,129,303	1,250,922
Other	58,104	-	-	37,267	95,371
	$ 585,013	$ 6,930	$ 2,417,963	$ 1,316,327	$ 4,326,233

E. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	$ 2,478,872	$ 132,542	$ -	$ -	$ 2,611,414
Land available for sale	308,726	-	-	-	308,726
Construction in progress	466,017	1,162,711	(178,784)	-	1,449,943
Total non-depreciable	3,253,615	1,295,253	(178,784)	-	4,370,083
Buildings	15,622,139	1,813,477	-	-	17,435,616
Equipment	5,975,469	608,079	(3,246)	(392,152)	6,188,151
Improvements	10,938,262	6,185,219	198,244	-	17,321,725
Infrastructure	20,926,650	63,351	(63,351)	-	20,926,650
Total depreciable	53,462,520	8,670,127	131,648	(392,152)	61,872,143
Accumulated depreciation					
Buildings	(5,306,578)	(440,393)	-	-	(5,746,971)
Equipment	(3,851,270)	(430,503)	3,246	317,254	(3,961,273)
Improvements	(3,392,298)	(563,754)	-	-	(3,956,052)
Infrastructure	(14,125,488)	(523,166)	-	-	(14,648,654)
Total accumulated depreciation	(26,675,634)	(1,957,816)	3,246	317,254	(28,312,950)
Governmental activities capital assets, net	$ 30,040,501	$ 8,007,564	$ (43,891)	$ (74,898)	$ 37,929,276

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

General government	$ 338,014
Public safety	288,263
Highways and streets	833,879
Culture and recreation	477,060
Internal service - Central Serivces	20,600
Total depreciation for governmental activities	$ 1,957,816

Capital asset activity for business-type activities for the year ended June 30, 2010 was as follows:

Description	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Land	$ 339,345	$ -	$ -	$ -	$ 339,345
Construction in progress	1,686,886	3,823,027	-	-	5,509,913
Total non-depreciable	2,026,231	3,823,027	-	-	5,849,258
Buildings	13,631,868	997,969	-	-	14,629,837
Equipment	17,606,540	278,372	3,246	(314,784)	17,573,374
Improvements	28,257,720	297,532	43,891	(70,211)	28,528,932
Total depreciable	59,496,128	1,573,873	47,137	(384,995)	60,732,143
Accumulated depreciation					
Buildings	(4,046,346)	(343,350)	-	-	(4,389,696)
Equipment	(16,401,715)	(256,029)	(3,246)	263,109	(16,397,881)
Improvements	(12,408,782)	(1,129,653)	-	61,290	(13,477,145)
Total accumulated depreciation	(32,856,843)	(1,729,032)	(3,246)	324,399	(34,264,722)
Business-type activities capital assets, net	$ 28,665,516	$ 3,667,868	$ 43,891	$ (60,596)	$ 32,316,679

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

Water	$ 586,177
Sewer	242,788
Airport	798,487
Cemetery	11,767
Internal service - Construction and Repair	89,814
Total depreciation for business-type activities	$ 1,729,032

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 $1,995,098. At June 30, 2010, amounts due from other funds in the fund financial statements are as follows:

General Fund receivable from:		
Special Revenue Funds:		
Sidewalk Repair Loan Fund	$ 236,500	
Pendleton Convention Center Fund	191,000	
PCC TPAC Fund	149,000	
Fire Capital Reserve Fund	113,000	$ 689,500
Enterprise Funds:		
Airport Fund	$ 1,020,000	1,020,000
Total General Fund		1,709,500
Library Trust Fund receivable from:		
Airport Fund		645,000
Sewer Fund receivable from:		
Community Rehabilitation Fund		245,000
Total Interfund Receivables		$ 2,599,500

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 the business-type activities in the amounts of $139,620. A reconciliation of transfers in the fund financial statements is as follows:

	Transfers In	Transfers Out
General Fund	$ 101,980	$ 260,330
State Tax Street Fund	-	5,780
Non-major governmental funds	143,320	36,539
Enterprise Funds:		
Water Fund	-	7,550
Sewer Fund	1,243,193	1,252,283
Airport Fund		4,870
Cemetery Fund	134,489	2,580
Internal Service Funds:		
Construction and Repair Fund	-	14,670
Central Services Fund	-	38,380
Total all funds	$ 1,622,982	$ 1,622,982

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 transfers include the transfer of interest earnings from the library and cemetery permanent trust funds to the Library Trust Fund and Cemetery Fund; transfers of resources for debt service to the new Urban Renewal Debt Service Fund and transfers for capital expenditures from the Fire Capital Reserve Fund and City/County Public Safety 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, 2009 are as follows:

Description	Interest rates	Amount
McCune Refunding Bonds - 1998	4.45% - 4.70%	955,000
Facilities Refunding Bonds - 2005	3.00% - 4.00%	1,235,000
		2,190,000
Less deferred amounts on refunding		(28,517)
		$ 2,161,483

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
2011	$ 405,000	$ 92,220
2012	430,000	75,735
2013	445,000	57,125
2014	465,000	37,610
2015	215,000	17,225
2016	230,000	8,625
	$ 2,190,000	$ 288,540

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
2011	$ 105,000	$ 341,358
2012	125,000	336,616
2013	155,000	329,741
2014	180,000	322,591
2015	210,000	314,194
2016-2020	1,555,000	1,387,056
2021-2025	2,670,000	901,721
2026-2028	1,895,000	174,639
	$ 6,895,000	$ 4,107,916

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
2011	$ 370,000	$ 373,998
2012	380,000	362,898
2013	395,000	349,598
2014	405,000	335,773
2015	425,000	319,573
2016-2020	2,380,000	1,335,840
2021-2025	2,905,000	809,252
2026-2028	2,050,000	177,653
	$ 9,310,000	$ 4,064,585

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
2011	$ 257,442	$ 192,441
2012	267,921	181,132
2013	279,546	169,362
2014	292,321	157,081
2015	305,255	144,238
2016-2020	1,739,256	507,889
2021-2023	1,237,569	112,361
	$ 4,379,310	$ 1,464,504

The Sewer Fund received approval of a $4.0 million Clean Water State Revolving Loan for improvements to the wastewater treatment facility. The loan is at 0% interest and includes a loan forgiveness clause for 50% of the total debt to be determined by DEQ after the project is completed. No payments are due until after the project completion date. At June 30, 2010, the City had requested loan reimbursements for $2,845,401. The City was also approved for an additional loan from the CWSRLF for $2.4 million. The interest rate of this loan will be 2.77% over a 20 year life, but no funds had been requested at year end. Amortization of the loan is not yet available.

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
2011	$ 107,415	$ 102,071
2012	112,630	96,856
2013	118,098	91,388
2014	123,831	85,655
2015	129,843	79,643
2016-2020	750,114	297,316
2021-2025	857,239	97,463
	$ 2,199,170	$ 850,392

The City assumed a $889,534 note payable with the USDA for the purchase of the Pendleton Academies property to be used as a new police station. Payments of $5,778 are due on the 5th day of each month through January, 2030. The loan calls for $6,934 to be reserved annually until the loan reserve balance reaches $69,336. The reserve balance at June 30, 2010 was $4,622. Future maturities of the note are as follows:

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2011	$ 27,437	$ 41,899
2012	28,805	40,531
2013	30,241	39,095
2014	31,748	37,588
2015	33,331	36,005
2016-2020	193,302	153,378
2021-2025	246,536	100,143
2026-2030	280,533	32,581
	$ 871,933	$ 481,220

The City established a note payable with Banner Bank for the Sunridge LID. The note was authorized and withdrawn in full for $1,300,000. The payments are due over the subsequent 15 years at an interest rate of 4.9%. Future payments of the note are as follows:

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2011	$ 63,034	$ 62,591
2012	66,161	59,464
2013	69,442	56,182
2014	72,887	52,738
2015	76,502	49,123
2016-2020	443,334	184,790
2021-2025	501,565	63,390
	$ 1,292,925	$ 528,278

The Pendleton Development Commission established a non-revolving line of credit with Banner Bank on June 26, 2009 in the amount of $1,500,000, which was amended September 30, 2010 to increase the available amount to $2,150,000, change the interest rate to a fixed 5.5%, and change the maturity date to September 20, 2011. The line of credit is to be repaid by property taxes and the balance at June 30, 2010 was $1,200,000. There is no prepayment penalty and property tax revenues are pledged to the loan. An amortization schedule is not currently available.

The Pendleton Development Commission refinanced the 2008 line of credits into permanent financing during the 2008-09 fiscal year in the amount of $2,000,000. The note payable is payable in annual installments of $280,752 for 10 years

beginning January 28, 2010, which includes interest at a 6.6%. Future maturities are as follows:

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2011	$ 158,569	$ 122,182
2012	169,035	111,717
2013	180,191	100,560
2014	192,084	88,668
2015	204,761	75,990
2016-2019	948,075	159,601
	$ 1,852,715	$ 658,718

The City also entered into a loan agreement with the Oregon Department of Transportation on April 22, 2009 in the amount not to exceed $6,500,000 to provide financing for the construction of the airport connector road. The loan bears interest at 4.8% per annum. The first interest payment shall be due January 1, 2010. If the full amount of the loan is received, annual payments of $512,769 shall be due beginning January 1, 2011 and the first day of each January thereafter until January 1, 2030. The loan also required a 10% loan fee, which was charged to the loan in April 2009. The City requested $1,462,636 of the available loan amount and the balance at year end was $1,194,961. The City is in negotiations with ODOT to use the remaining loan funds for other projects and an amortization schedule is not yet available. However, the City has been making payments on the loan as monies become available from the City fuel tax, which is dedicated to the loan balance.

5. Changes Long-Term Liabilities

Long-term liability activity for the year ending June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 2,740,000	$ -	$ 550,000	$ 2,190,000	$ 405,000
Less deferred amounts on refunding	(33,745)	-	(5,228)	(28,517)	-
Limited Tax Pension Bonds	6,980,000	-	85,000	6,895,000	105,000
Contracts, Loans and Notes	4,364,742	4,787,170	540,208	8,611,704	356,455
OPEB Liability	139,483	173,601	-	313,084	-
Compensated Absences	436,067	500,565	436,067	500,565	500,565
Governmental activity Long-term liabilities	$ 14,626,547	$ 5,461,336	$ 1,606,047	$ 18,481,836	$ 1,367,020
Business-type activities:					
Revenue Bonds	$ 9,665,000	$ -	$ 355,000	$ 9,310,000	$ 370,000
Contracts, Loans and Notes	4,625,412	2,845,401	246,102	7,224,711	257,442
OPEB Liability	36,833	51,899	-	88,732	-
Compensated Absences	93,526	115,026	93,526	115,026	115,026
Business-type activity Long-term liabilities	$ 14,420,771	$ 3,012,326	$ 694,628	$ 16,738,469	$ 742,468

The central services internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for compensated absences in the amount of $86,964 are included in the above amounts. The construction and repair internal service fund predominantly serves the business-type activities and $38,969 of long-term liabilities for compensated absences have been included in the totals for business-type activities.

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. Other Postemployment Benefits

The City does not a have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the City does not pay any portion of the retiree's health care insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active

employees. GASB Statement 45 is applicable to the City due only to this implicit rate subsidy. This "plan" is not a stand-alone plane and therefore does not issue its own financial statements. GASB Statement 45 has been implemented prospectively, beginning July 1, 2008.

Funding Policy. Retirees pay City County Insurance Services directly for healthcare insurance premiums at the appropriate rate for each family classification. The City had 9 retired members and 124 active members in its plan on August 1, 2008, the date of its actuarial valuation. The annual required contribution (ARC) to the plan includes the employer's pay-as you-go amount and an additional amount calculated to prefund future benefits.

Annual OPEB Costs and Net OPEB Obligation. The City's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (UAAL) over a closed period of not more than 30 years.

The City's ARC is made up of normal cost of $160,043 and amortization of the UAAL of $154,227. The Actuarial Accrued Liability is the present value of benefits that are attributed to past service only. The portion attributed to future service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age. The normal cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. Normal costs are increased from the valuation date to the fiscal year end dates using a combination of the discount rate and health cost trend assumptions. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan. For fiscal year 2009-10, the City's implicit benefit payments were estimated to be $84,259.

Nominal cost at year end	$ 160,043
Interest on net OPEB obligation	7,934
One year's amortization of UAAL	154,227
Adjustment to annual required contribution	(12,446)
Annual OPEB cost (expense)	309,758
Contributions made (Implicit benefit payments)	(84,259)
Increase in net OPEB obligation	225,499
Net OPEB obligation - beginning of year	176,316
Net OPEB obligation - end of year	$ 401,815

Funding Policy. The City has elected to not prefund the actuarially determine future cost amount of $401,815. The City funds the benefits on a pay-as-you-go basis. Since the total annual contribution in the current year was less than the Annual Required Contribution, a liability is presented on the City's Statement of Net Assets.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributions	Net OPEB Obligation
6/30/2010	$ 309,758	27%	$ 225,499
6/30/2009	$ 274,079	36%	$ 176,316

Funded Status and Funding Progress. As of August 1, 2008, the most recent alternative valuation date, the plan was considered unfunded. The actuarial accrued liability for benefits was $2,022,670, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2,022,670. The covered payroll (annual payroll of active employees covered by the plan) was $7,283,379 and the ratio of UAAL to the covered payroll was 27.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shown below presents trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

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

Assumptions used in calculating the actuarial liabilities associated with the City's health plan include a 4.5% investment return and discount rate; an increase in health costs of 8.0% in the first year (August 1, 2010 premiums compared to August 1, 2009, premiums), 7.0% for the second year, 6.5% for the third year, 6.0% for the 4th through 14th year, 5.5% for the 15th through 29th year, and 5.0% thereafter; and retirement rates used by Oregon PERS for its December 31, 2007, actuarial valuation.

Retirement age for active employees was estimated based on PERS retirement rates. The marital status of members at the calculation date was assumed to continue through retirement. Non-group-specific age-based turnover data from GASB 45 were used as the basis for assigning the probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

The Projected Unit Credit Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability. Amortization of the UAAL is calculated as a level percentage of payroll over a rolling period of fifteen years. Payroll was assumed to increase 3.75% per year for this purpose.

The City's Plan is deemed to be "unfunded" in accordance with the relevant GASB statements. The table below presents a schedule of funding progress for the most recent actuarial valuations for the City's postretirement health plans.

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a/c)
8/1/2008	$ -	$ 2,022,670	$ 2,022,670	0%	$7,283,379	27.8%

C. 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.

After the offset of the credit for the City's PERS UAL prepayment, the City pays a net rate of 3.24% of covered payroll for the Tier I and Tier II employees, 11.52% for Tier I and Tier II police and fire employees, 4.18% for OPSRP general services employees, and 6.89% 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, 2010, 2009, and 2008, were $571,973, $819,810, and $775,960, 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, 2010 were as follows:

Annual required contribution	$ 571,973
Loss (earnings) on pension assets	(521,531)
Adjustment to the annual required contribution	352,830
Annual pension cost	403,272
Contributions made	571,973
Increase (decrease) in pension asset	168,701
Pension assets, beginning of year	2,956,142
Pension assets, end of year	$ 3,124,843

D. 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 City of Pendleton has committed to purchase the following items:

- A down payment was made for a Wildland Fire Engine BME Type III in the amount of $102,575, with a total cost expected of $272,266.

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

- Miscellaneous Façade Restoration projects for approximately $246,000.
- Wayfinding signs for $76,800.
- $40,000 landscaping grants.
- $20,000 demolition project.

E. Construction in Progress

The City is committed under various construction contracts at June 30, 2010. Major projects in progress at June 30, 2010 are as follows:

The Pendleton Development Commission, a blended component unit, has construction in progress for the Court Street project with total costs to date of $459,357 and estimated total project costs of $494,417. At June 30, 2010, the project was approximately 93% complete. The Commission also has construction in progress relating to the Riverfront Park Improvements. Total costs were $369,043, with total estimated project costs of $445,631 and the project is approximately 83% complete. The Commission has also paid $39,604 in engineering and design costs towards improvements to Westgate; the design portion was essentially complete at year end.

The City is in the preliminary stages for major improvements to Quinney Bridge. ODOT has awarded the City $2.7 million in grants for the project and the City has paid bridge design and engineering costs in the amount of $282,395. Construction did not start until after year end and the total estimated costs are $2.5 million.

The City is constructing major improvements to the waster water treatment plant facility, as required by the Department of Environmental Quality. At June 30, 2010, the City had issued $9,980,000 in revenue bonds and received approvals for up to $4.0 million and $2.4 million Clean Water State Revolving Loan Fund loans to assist in financing of the project. Total costs incurred at June 30, 2010 were $5,476,067 and total estimated project costs are approximately $18.0 million and the project was considered 30% complete.

The City is responsible for constructing a portion of the improvements to Sunridge Estates Road and the associated water and sewer lines. The City's portion of the costs at June 30, 2010 totaled $129,665 for road improvements, $16,365 for water line improvements, and $17,481 for sewer line improvements. The City's portion of the project is essentially complete, but will not be placed into service until the total project is complete. The City is financing a Local Improvement District with a developer for the majority of the project and the improvements will be contributed to the City upon completion and final inspection. LID costs to date total $1,476,752 for road improvements, $16,365 for water line improvements and $17,481 for sewer line improvements.

The City is also in the design and engineering stage for improvements to NW King Street and SW Perkins and has expended $67,304 in design and engineering costs. Total design and engineering costs are expected to be $137,000 and the design portion is 49% complete.

F. Subsequent Events

The city has had several events occur subsequent to the year end. The major events are detailed below.

PDC has a LOC at Banner Bank originally due on September 30, 2010. As of June 30 the balance was $1.2 million. After year end, another $200,000 was drawn down and the loan was amended to increase the authorized amount to $2.15 million, change the loan maturity date to September 30, 2011, and change the interest rate to 5.5%.

The Pendleton Development Commission transferred the improvements to SW Court Avenue at the SE 4th Street park and entry to the Umatilla River Parkway to the City.

The City approved the transfer of the Round-Up grounds to the Pendleton Round-Up Holdings, LLC.

The City also approved the final assessment for Sunridge Local Improvement District No. 437.

In addition to the above, the City and the Pendleton Development Commission approved a number of bids and contracts subsequent to year end. Major contracts approved include the following:

- Contract awarded to complete curbs and paving of interior road of Roy Raley Park for $68,683.
- Contract awarded to build two bus shelters for $17,944.
- Grant money was received from the Department of Land Conservation and Development for $80,000.
- Received grant offer from FAA for $590,382 for AIP 20 project. Contracted with a company to provide work for AIP 20 project in the amount of $434,321.
- Received two grants for Connect Oregon III, Grant #26983 for $50,781 and Grant #27001 for $57,432.
- Purchase of 4 Suzuki King Quad 4x4's for $28,200 from USDOJ grants.
- Contracted for $106,838 for Community Park Overlay Project.
- Approved Oregon Jobs and Transportation Act of 2009 grant, and receipt of $2,200,000 in project funding for AIP.
- Awarded the bid for construction of the SW Quinney Bridge Project for $1,776,838.
- Contract awarded for the South Hill Reservoir Valve Replacement project for $49,845.
- Bid award for a valve exercising machine for $47,415.

CITY OF PENDLETON

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SUPPLEMENTAL INFORMATION

CITY OF PENDLETON

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COMBINING STATEMENTS

Non-Major Governmental Funds

Special Revenue Funds

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

CITY FUEL TAX – accounts for the receipt and dispersion of funds collected from the new city wide fuel tax.

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.

COMMUNITY REHABILITATION 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.

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 operations, marketing and maintenance of the Pendleton Convention Center.

PCC TPAC FUND – maintains and tracks the Pendleton Convention Center (PCC) Tourism Promotion Assessment Charge (TPAC) collections to be used for PCC capital improvements.

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.

POLICE 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.

CITY/COUNTY PUBLIC SAFETY FUND – accounts for monies set aside for the purchase of needed equipment that mutually benefits both the Pendleton Police Department and Umatilla County Sheriff's Office, with priority given to dispatch services and technology.

URBAN RENEWAL DISTRICT OPERATING FUND – accounts for the City's urban renewal projects. Revenues are from 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 Funds

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.

URBAN RENEWAL DEBT SERVICE FUND – accounts for payment of urban renewal loan 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 Funds

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

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

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

AIRPORT CONNECTOR ROAD CONSTRUCTION FUND – accounts for the construction of the Airport Connector Road. The majority of the funds are federal grants and loan proceeds.

STREET HB2201 FUND – accounts for the revenues and expenses associated with this project.

CITY OF PENDLETON, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue	Capital Projects	Debt Service	Permanent Trust	Totals
ASSETS					
Cash and cash equivalents	$ 1,793,788	$ 377,080	$ 456,769	$ 154,222	$ 2,781,859
Investments	-	-	-	695,869	695,869
Receivables:					
Property taxes	-	-	86,483	-	86,483
Accounts	270,098	30,242	-	1,456	301,796
Interest	169	41	4	21	235
Assessments	204,642	214,413	-	-	419,055
Notes	681,007	-	-	-	681,007
Advances to other funds	1,024,000	-	-	-	1,024,000
Total assets	$ 3,973,704	$ 621,776	$ 543,256	$ 851,568	$ 5,990,304
LIABILITIES					
Accounts payable and accrued liabilities	$ 168,135	$ 243,208	$ -	$ -	$ 411,343
Deposits	53,265	-	-	-	53,265
Deferred revenue	993,465	243,655	79,207	-	1,316,327
Retainage	15,953	76,838	-	-	92,791
Advances from other funds	934,500	-	-	-	934,500
Total liabilities	2,165,318	563,701	79,207	-	2,808,226
FUND BALANCES (DEFICIT)					
Reserved for:					
Advances to other funds	1,024,000	-	-	-	1,024,000
Debt service	75,195	-	464,049	-	539,244
Library endowment	-	-	-	140,598	140,598
Cemetery perpetual care endowment	-	-	-	710,970	710,970
Unreserved, reported in:					
Capital projects funds	-	58,075	-	-	58,075
Special revenue funds	709,191	-	-	-	709,191
Total fund balances	1,808,386	58,075	464,049	851,568	3,182,078
Total liabilities and fund balances	$ 3,973,704	$ 621,776	$ 543,256	$ 851,568	$ 5,990,304

See auditor's report

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2010

	City Fuel Tax Fund	Bike Fund	Library Fund	Library Trust Fund	Transportation Services Fund	Community Develop. Block Grant Fund	Community Rehabilitation Fund	Sidewalk Repair Loan Fund
ASSETS								
Cash and cash equivalents	$ 66,264	$ 3,786	$136,515	$ 2,643	$ 266,745	$ 6,257	$ 780	$ 232
Receivables:								
Accounts	39,556	612	13,140	-	55,765	-	-	-
Interest	20	-	15	-	28	1	4	-
Assessments	-	-	-	-	-	-	-	200,768
Notes	-	-	-	-	-	-	681,007	-
Advances to other funds	-	-	-	645,000	-	-	-	-
Total assets	$ 105,840	$ 4,398	$149,670	$ 647,643	$ 322,538	$ 6,258	$ 681,791	$201,000
LIABILITIES								
Accounts payable and accrued liabilities	$ -	$ -	$ 5,556	$ 605	$ 12,752	$ 3,700	$ 8,385	$ 31
Deposits	-	-	-	-	-	-	-	-
Deferred revenue	-	-	8,218	-	47,561	-	681,007	200,768
Retainage Payable	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	245,000	236,500
Total liabilities	-	-	13,774	605	60,313	3,700	934,392	437,299
FUND BALANCES (DEFICIT)								
Reserved for:								
Advances to other funds	-	-	-	645,000	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved	105,840	4,398	135,896	2,038	262,225	2,558	(252,601)	(236,299)
Total fund balances	105,840	4,398	135,896	647,038	262,225	2,558	(252,601)	(236,299)
Total liabilities and fund balances	$ 105,840	$ 4,398	$149,670	$ 647,643	$ 322,538	$ 6,258	$ 681,791	$201,000

See auditor's report

Pendleton Convention Center Fund	PCC TPAC 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	City/County Public Safety Fund	Urban Renwal District Operating Fund	Totals
$ 277	$ 653	$ 2,679	$ 367,311	$ 243,892	$ 190,470	$ 11,396	$ 279	$ 95,195	$ 398,414	$ 1,793,788
136,304	5,925	-	18,796	-	-	-	-	-	-	270,098
-	-	-	39	33	19	1	-	9	-	169
-	-	-	-	3,874	-	-	-	-	-	204,642
-	-	-	-	-	-	-	-	-	-	681,007
-	-	-	-	379,000	-	-	-	-	-	1,024,000
$ 136,581	$ 6,578	$ 2,679	$ 386,146	$ 626,799	$ 190,489	$ 11,397	$ 279	$ 95,204	$ 398,414	$ 3,973,704
$ 14,695	$ -	$ -	$ 11,210	$ 8,045	$ -	$ -	$ -	$ -	$ 103,156	$ 168,135
-	-	-	53,265	-	-	-	-	-	-	53,265
31,343	5,924	-	14,771	3,873	-	-	-	-	-	993,465
-	-	-	-	-	-	-	-	-	15,953	15,953
191,000	149,000	-	-	-	-	-	113,000	-	-	934,500
237,038	154,924	-	79,246	11,918	-	-	113,000	-	119,109	2,165,318
-	-	-	-	379,000	-	-	-	-	-	1,024,000
-	-	-	-	-	-	-	-	-	75,195	75,195
(100,457)	(148,346)	2,679	306,900	235,881	190,489	11,397	(112,721)	95,204	204,110	709,191
(100,457)	(148,346)	2,679	306,900	614,881	190,489	11,397	(112,721)	95,204	279,305	1,808,386
$ 136,581	$ 6,578	$ 2,679	$ 386,146	$ 626,799	$ 190,489	$ 11,397	$ 279	$ 95,204	$ 398,414	$ 3,973,704

See auditor's report.

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2010

	L.I.D. Construction Fund	Keystone Project Fund	Airport Connector Road Construction Fund	Street HB2201 Fund	Totals
ASSETS					
Cash and cash equivalents	$ 174,116	$ 195,649	$ 7,315	$ -	$ 377,080
Receivables:					
Accounts	29,242	-	1,000	-	30,242
Interest	21	20	-	-	41
Assessments	214,413	-	-	-	214,413
Total assets	$ 417,792	$ 195,669	$ 8,315	$ -	$ 621,776
LIABILITIES					
Accounts payable accrued liabilities	$ 243,208	$ -	$ -	$ -	$ 243,208
Retainage payable	68,523	-	8,315	-	76,838
Deferred revenue	243,655	-	-	-	243,655
Total liabilities	555,386	-	8,315	-	563,701
FUND BALANCES (DEFICIT)					
Unreserved, reported in:					
Capital projects funds	(137,594)	195,669	-	-	58,075
Total fund balances	(137,594)	195,669	-	-	58,075
Total liabilities and fund balances	$ 417,792	$ 195,669	$ 8,315	$ -	$ 621,776

See auditor's report

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
June 30, 2010

	Debt Service Fund	Urban Renewal Debt Service Fund	Totals
ASSETS			
Cash and cash equivalents	$ 58,508	$ 398,261	$ 456,769
Receivables:			
Property taxes	60,556	25,927	86,483
Interest	4	-	4
Total assets	$ 119,068	$ 424,188	$ 543,256
LIABILITIES			
Deferred revenue	$ 55,258	$ 23,949	$ 79,207
Total liabilities	55,258	23,949	79,207
FUND BALANCES			
Reserved for:			
Debt service	63,810	400,239	464,049
Total fund balances	63,810	400,239	464,049
Total liabilities and fund balances	$ 119,068	$ 424,188	$ 543,256

See auditor's report.

CITY OF PENDLETON, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR PERMANENT TRUST FUNDS
June 30, 2010

	Library Permanent Trust Fund	Cemetery Perpetual Care Trust Fund	Totals
ASSETS			
Cash and cash equivalents	$ 140,584	$ 13,638	$ 154,222
Investments	-	695,869	695,869
Receivables:			
Accounts	-	1,456	1,456
Interest	14	7	21
Total assets	$ 140,598	$ 710,970	$ 851,568
FUND BALANCES			
Reserved for:			
Library endowment	$ 140,598	$ -	$ 140,598
Cemetery perpetual care endowment	-	710,970	710,970
Total fund balances	$ 140,598	$ 710,970	$ 851,568

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, 2010

	Special Revenue	Capital Projects	Debt Service	Permanent Trust	Totals
REVENUES					
Property taxes	$ -	$ -	$ 1,006,454	$ -	$ 1,006,454
Other taxes	871,301	-	-	-	871,301
Licenses and fees	195,948	-	-	5,477	201,425
Charges for services	214,732	260,400	-	-	475,132
Intergovernmental	1,737,123	-	-	-	1,737,123
Assessments	48,401	120,188	-	-	168,589
Loan repayments	31,152	-	-	-	31,152
Contributions	52,107	-	-	-	52,107
Interest on investments	56,380	5,351	6,796	36,650	105,177
Miscellaneous	53,149	100	-	-	53,249
TOTAL REVENUES	3,260,293	386,039	1,013,250	42,127	4,701,709
EXPENDITURES					
Current:					
General govrenment	2,387,023	324	20,950	-	2,408,297
Public safety	225,818	-	-	-	225,818
Culture and recreation	540,411	-	-	-	540,411
Capital outlay	1,616,673	2,761,044	-	-	4,377,717
Debt service	333,067	272,298	991,162	-	1,596,527
TOTAL EXPENDITURES	5,102,992	3,033,666	1,012,112	-	9,148,770
REVENUES OVER (UNDER) EXPENDITURES	(1,842,699)	(2,647,627)	1,138	42,127	(4,447,061)
OTHER FINANCING SOURCES (USES)					
Sale of property	3,000	-	-	-	3,000
Issuance of debt	1,200,000	2,664,231	-	-	3,864,231
Transfers in	143,320	-	-	-	143,320
Transfers out	(26,060)	-	-	(10,479)	(36,539)
TOTAL OTHER FINANCING SOURCES (USES)	1,320,260	2,664,231	-	(10,479)	3,974,012
NET CHANGE IN FUND BALANCE	(522,439)	16,604	1,138	31,648	(473,049)
FUND BALANCE, Beginning	2,330,825	41,471	462,911	819,920	3,655,127
FUND BALANCE, Ending	$ 1,808,386	$ 58,075	$ 464,049	$ 851,568	$ 3,182,078

See auditor's report

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, 2010

	City Fuel Tax Fund	Bike Fund	Library Fund	Library Trust Fund	Transpor-tation Services Fund	Community Develop. Block Grant Fund	Community Rehab Fund	Sidewalk Repair Loan Fund
REVENUES								
Other taxes	$ 414,767	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and fees	-	-	18,015	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Intergovernmental	-	7,257	405,029	-	292,151	734,871	20,609	-
Assessments	-	-	-	-	-	-	-	44,265
Loan repayments	-	-	-	-	-	-	28,538	2,614
Contributions	-	-	25,583	939	-	-	-	-
Interest on investments	1,069	49	960	26,842	1,824	27	785	5
Miscellaneous	-	-	1,279	-	13,229	-	10	85
TOTAL REVENUES	415,836	7,306	450,866	27,781	307,204	734,898	49,942	46,969
EXPENDITURES								
Current:								
General govrenment	-	-	-	-	178,660	793,371	412,655	326
Public safety	-	-	-	-	-	-	-	-
Culture and recreation	-	8,000	502,909	29,502	-	-	-	-
Capital outlay	-	-	-	14,851	90,019	-	-	58,400
Debt service	309,996	-	-	-	-	-	-	7,891
TOTAL EXPENDITURES	309,996	8,000	502,909	44,353	268,679	793,371	412,655	66,617
REVENUES OVER (UNDER) EXPENDITURES	105,840	(694)	(52,043)	(16,572)	38,525	(58,473)	(362,713)	(19,648)
OTHER FINANCING SOURCES (USES)								
Issuance of debt	-	-	-	-	-	-	-	-
Transfers in	-	-	52,810	990	20,000	-	-	-
Transfers out	-	-	(8,140)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	44,670	990	20,000	-	-	-
NET CHANGE IN FUND BALANCE	105,840	(694)	(7,373)	(15,582)	58,525	(58,473)	(362,713)	(19,648)
FUND BALANCE (DEFICIT), Beginning	-	5,092	143,269	662,620	203,700	61,031	110,112	(216,651)
FUND BALANCE (DEFICIT), Ending	$ 105,840	$ 4,398	$ 135,896	$ 647,038	$ 262,225	$ 2,558	$ (252,601)	$ (236,299)

See auditor's report.

Pendleton Convention Center Fund	PCC TPAC 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	City/County Public Safety Fund	Urban Renewal District Operating Fund	Totals
$ 376,163	$ 80,371	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 871,301
50,194	-	-	-	-	1,242	-	126,497	-	-	195,948
140,772	-	-	-	13,960	-	-	-	60,000	-	214,732
-	-	-	277,206	-	-	-	-	-	-	1,737,123
-	-	-	-	4,136	-	-	-	-	-	48,401
-	-	-	-	-	-	-	-	-	-	31,152
11,023	-	757	-	-	7,655	-	-	-	6,150	52,107
2	5	18	2,360	16,539	1,306	125	4	673	3,787	56,380
10,360	-	-	474	-	-	-	-	-	27,712	53,149
588,514	80,376	775	280,040	34,635	10,203	125	126,501	60,673	37,649	3,260,293
579,928	-	1,060	-	-	-	-	-	43,448	377,575	2,387,023
-	-	-	225,818	-	-	-	-	-	-	225,818
-	-	-	-	-	-	-	-	-	-	540,411
47,550	38,919	-	-	273,485	-	43,000	254,950	-	795,499	1,616,673
3,634	6,986	-	-	-	-	-	4,560	-	-	333,067
631,112	45,905	1,060	225,818	273,485	-	43,000	259,510	43,448	1,173,074	5,102,992
(42,598)	34,471	(285)	54,222	(238,850)	10,203	(42,875)	(133,009)	17,225	(1,135,425)	(1,842,699)
-	-	-	-	-	-	-	3,000	-	-	3,000
-	-	-	-	-	-	-	-	-	1,200,000	1,200,000
-	-	-	-	-	-	29,000	40,520	-	-	143,320
(5,820)	-	-	(3,600)	-	-	-	-	(8,500)	-	(26,060)
(5,820)	-	-	(3,600)	-	-	29,000	43,520	(8,500)	1,200,000	1,320,260
(48,418)	34,471	(285)	50,622	(238,850)	10,203	(13,875)	(89,489)	8,725	64,575	(522,439)
(52,039)	(182,817)	2,964	256,278	853,731	180,286	25,272	(23,232)	86,479	214,730	2,330,825
$ (100,457)	$(148,346)	$ 2,679	$ 306,900	$ 614,881	$190,489	$ 11,397	$(112,721)	$ 95,204	$ 279,305	$ 1,808,386

See auditor's report.

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, 2010

	L.I.D. Construction Fund	Keystone Project Fund	Airport Connector Road Construction Fund	Street HB2201 Fund	Totals
REVENUES					
Charges for services	$ -	$ 260,400	$ -	$ -	$ 260,400
Assessments	120,188	-	-	-	120,188
Interest on investments	4,172	1,179	-	-	5,351
Miscellaneous	100	-	-	-	100
TOTAL REVENUES	124,460	261,579	-	-	386,039
EXPENDITURES					
Current:					
General govrenment	324	-	-	-	324
Capital outlay	1,510,597	-	1,250,447	-	2,761,044
Debt service	62,812	209,486	-	-	272,298
TOTAL EXPENDITURES	1,573,733	209,486	1,250,447	-	3,033,666
REVENUES OVER (UNDER) EXPENDITURES	(1,449,273)	52,093	(1,250,447)	-	(2,647,627)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	1,300,000	-	1,364,231	-	2,664,231
TOTAL OTHER FINANCING SOURCES (USES)	1,300,000	-	1,364,231	-	2,664,231
NET CHANGE IN FUND BALANCE	(149,273)	52,093	113,784	-	16,604
FUND BALANCE (DEFICIT), Beginning	11,679	143,576	(113,784)	-	41,471
FUND BALANCE (DEFICIT), Ending	$ (137,594)	$ 195,669	$ -	$ -	$ 58,075

See auditor's report

CITY OF PENDLETON, OREGON
SUB-COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010

	Debt Service Fund	Urban Renewal Debt Service Fund	Totals
REVENUES			
Property taxes	$ 680,828	$ 325,626	$ 1,006,454
Interest on investments	942	5,854	6,796
TOTAL REVENUES	681,770	331,480	1,013,250
EXPENDITURES			
Current:			
General govrenment	-	20,950	20,950
Debt service	666,518	324,644	991,162
TOTAL EXPENDITURES	666,518	345,594	1,012,112
REVENUES OVER (UNDER) EXPENDITURES	15,252	(14,114)	1,138
OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	15,252	(14,114)	1,138
FUND BALANCE, Beginning	48,558	414,353	462,911
FUND BALANCE, Ending	$ 63,810	$ 400,239	$ 464,049

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, 2010

	Library Permanent Trust Fund	Cemetery Perpetual Care Trust Fund	Totals
REVENUES			
Licenses and fees	$ -	$ 5,477	$ 5,477
Interest on investments	990	35,660	36,650
TOTAL REVENUES	990	41,137	42,127
OTHER FINANCING SOURCES (USES)			
Transfers out	(990)	(9,489)	(10,479)
TOTAL OTHER FINANCING SOURCES (USES)	(990)	(9,489)	(10,479)
NET CHANGE IN FUND BALANCE	-	31,648	31,648
FUND BALANCE, Beginning	140,598	679,322	819,920
FUND BALANCE, Ending	$ 140,598	$ 710,970	$ 851,568

See auditor's report

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, 2010

	Construction and Repair Fund	Central Services Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 577,199	$ 456,893	$ 1,034,092
Receivables:			
Accounts	3,180	61,346	64,526
Notes	6,930	-	6,930
Interest	50	48	98
Total current assets	587,359	518,287	1,105,646
Noncurrent assets:			
Capital assets:			
Depreciable assets, net of depreciation	822,398	239,695	1,062,093
Total noncurrent assets	822,398	239,695	1,062,093
Total assets	$ 1,409,757	$ 757,982	$ 2,167,739
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued liabilities	$ 22,024	$ 49,485	$ 71,509
Deposits	-	6,857	6,857
Compensated absences payable	38,969	86,964	125,933
Total current liabilities	60,993	143,306	204,299
Long-term debt, net of current portion			
Other post employment benefits liability	31,234	60,678	91,912
Total liabilities	92,227	203,984	296,211
Net assets:			
Invested in capital assets, net of related debt	822,398	239,695	1,062,093
Unrestricted	495,132	314,303	809,435
Total net assets	1,317,530	553,998	1,871,528
Total liabilities and net assets	$ 1,409,757	$ 757,982	$ 2,167,739

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, 2010

	Construction and Repair Fund	Central Services Fund	Totals
OPERATING REVENUES			
Charges for services	$ 1,051,606	$ 2,299,424	$ 3,351,030
Licenses and fees	-	94,018	94,018
Miscellaneous	865	17,891	18,756
TOTAL OPERATING REVENUES	1,052,471	2,411,333	3,463,804
OPERATING EXPENSES			
Personal services	697,453	1,584,288	2,281,741
Materials and services	157,237	677,640	834,877
Depreciation	89,814	20,600	110,414
TOTAL OPERATING EXPENSES	944,504	2,282,528	3,227,032
OPERATING INCOME (LOSS)	107,967	128,805	236,772
NON-OPERATING INCOME (EXPENSES)			
Intergovernmental	-	79,917	79,917
Contributions	-	56,785	56,785
Gain (loss) on disposal of capital assets	(35,836)	-	(35,836)
Interest on investments	3,861	2,718	6,579
TOTAL NON-OPERATING INCOME (EXPENSES)	(31,975)	139,420	107,445
NET INCOME (LOSS) BEFORE TRANSFERS	75,992	268,225	344,217
TRANSFERS			
Transfers out	(14,670)	(38,380)	(53,050)
TOTAL TRANSFERS	(14,670)	(38,380)	(53,050)
CHANGE IN NET ASSETS	61,322	229,845	291,167
NET ASSETS, Beginning	1,256,208	324,153	1,580,361
NET ASSETS, Ending	$ 1,317,530	$ 553,998	$ 1,871,528

See auditor's report

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010

	Construction and Repair Fund	Central Services Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 8,226	$ 79,154	$ 87,380
Receipts from interfund services provided	1,088,002	2,288,890	3,376,892
Payments to suppliers	(304,286)	(1,002,862)	(1,307,148)
Payments to employees	(508,495)	(1,203,762)	(1,712,257)
Payments for interfund services used	(7,550)	-	(7,550)
Net cash provided from (used by) operating activities	275,897	161,420	437,317
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES			
Transfers out	(14,670)	(38,380)	(53,050)
Net cash provided from (used by) non-capital financing activities	(14,670)	(38,380)	(53,050)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from intergovernmental revenue	-	79,917	79,917
Contributions	-	56,785	56,785
Notes receivable principal collections	3,219	-	3,219
Proceeds from sale of capital assets	2,000	-	2,000
Acquisition of capital assets	(247,080)	(209,121)	(456,201)
Net cash provided from (used by) capital and related financing activities	(241,861)	(72,419)	(314,280)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	4,431	2,747	7,178
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,797	53,368	77,165
CASH AND CASH EQUIVALENTS, Beginning	553,402	403,525	956,927
CASH AND CASH EQUIVALENTS, Ending	$ 577,199	$ 456,893	$ 1,034,092

See auditor's report

CITY OF PENDLETON, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010

	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)	$ 107,967	$ 128,805	$ 236,772
Adjustments to reconcile operating income (loss) to net cash provided (used in) operating activities			
Depreciation	89,814	20,600	110,414
(Increase) decrease in assets:			
Receivables	43,758	(43,289)	469
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	10,486	(2,961)	7,525
Deposits	-	1	1
Compensated absences payable	5,051	22,922	27,973
Other post employment benefits liability	18,821	35,342	54,163
Net cash provided from (used by) operating activities	$ 275,897	$ 161,420	$ 437,317

See auditor's report

CITY OF PENDLETON

INCORPORATED
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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, 2010

	Northeast Oregon Air Task Force Fund	Bail Fund	Pendleton Foundation Trust Fund	Eastern Oregon Drug Task Force Fund	Totals
ASSETS					
Cash and cash equivalents	$ 1,030	$ 12,366	$ 53,875	$ -	$ 67,271
Accounts receivable	-	-	3	19,041	19,044
Total assets	$ 1,030	$ 12,366	$ 53,878	$ 19,041	$ 86,315
LIABILITIES					
Accounts payable	$ -	$ 6,254	$ -	$ 19,041	$ 25,295
Due to other governments	1,030	6,112	53,878	-	61,020
Total laibilities	$ 1,030	$ 12,366	$ 53,878	$ 19,041	$ 86,315

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) 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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES AND TRANSFERS				
Planning and building	$ 564,370	$ 564,370	$ 466,059	$ 98,311
Municipal court	339,270	339,270	315,714	23,556
Economic development	120,000	120,000	113,874	6,126
Police	3,755,870	3,814,370	3,653,216	161,154
Fire / Ambulance	2,916,960	2,916,960	2,894,400	22,560
Parks and recreation	1,840,330	1,845,330	1,825,097	20,233
Non-departmental	1,482,190	1,981,190	2,662,193	(681,003) **
Debt service	430,130	480,130	476,340	3,790
Contingency	2,985,180	2,445,180	-	2,445,180
TOTAL EXPENDITURES AND TRANSFERS	$ 14,434,300	$ 14,506,800	$ 12,406,893	$ 2,099,907

** Exempt from Oregon Budget Law.

See auditor's report.

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

Governmental Funds

Special Revenue Funds

- City Fuel Tax
- Bike
- Library
- Library Trust
- Transportation Services
- Community Development Block Grant
- Community Rehabilitation
- Sidewalk Repair Loan Fund
- Pendleton Convention Center
- PCC TPAC
- Pendleton Youth Commission
- Police Interagency Special Revolving
- System Development Fees
- Parks Trust
- Parks Capital Reserve
- Fire Capital Reserve
- City/County Public Safety
- Urban Renewal District Operating

Debt Service Fund

- Debt Service
- Urban Renewal District Debt Service

Permanent Trust Funds

- Library Permanent Trust
- Cemetery Perpetual Care Trust

Capital Projects Funds

- L.I.D. Construction
- Keystone Project
- Airport Connector Road Construction
- Quinney Bridge Construction
- Street HB2201

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CITY FUEL TAX FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Other taxes	$ -	$ 500,000	$ 414,767	$ (85,233)
Interest on investments	-	-	1,069	1,069
TOTAL REVENUES	-	500,000	415,836	(84,164)
EXPENDITURES				
Debt service	-	500,000	309,996	190,004
TOTAL EXPENDITURES	-	500,000	309,996	190,004
REVENUES OVER (UNDER) EXPENDITURES	-	-	105,840	105,840
NET CHANGE IN FUND BALANCE	-	-	105,840	105,840
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ -	$ -	$ 105,840	$ 105,840

See auditor's report

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 7,200	$ 7,200	$ 7,257	$ 57
Interest on investments	150	150	49	(101)
TOTAL REVENUES	7,350	7,350	7,306	(44)
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	8,000	8,000	8,000	-
TOTAL EXPENDITURES	8,000	8,000	8,000	-
REVENUES OVER (UNDER) EXPENDITURES	(650)	(650)	(694)	(44)
NET CHANGE IN FUND BALANCE	(650)	(650)	(694)	(44)
FUND BALANCE, Beginning	5,450	5,450	5,092	(358)
FUND BALANCE, Ending	$ 4,800	$ 4,800	$ 4,398	$ (402)

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 20,000	$ 20,000	$ 18,015	$ (1,985)
Intergovernmental	411,275	411,275	405,029	(6,246)
Contributions	30,500	30,500	25,583	(4,917)
Interest on investments	2,515	2,515	960	(1,555)
Miscellaneous	-	-	1,279	1,279
TOTAL REVENUES	464,290	464,290	450,866	(13,424)
EXPENDITURES				
Current:				
Culture and recreation:				
Personal services	370,560	370,560	339,821	30,739
Materials and services	190,120	190,120	163,088	27,032
Contingency	77,280	77,280	-	77,280
TOTAL EXPENDITURES	637,960	637,960	502,909	135,051
REVENUES OVER (UNDER) EXPENDITURES	(173,670)	(173,670)	(52,043)	121,627
OTHER FINANCING SOURCES (USES)				
Transfers in	52,810	52,810	52,810	-
Transfers out	(8,140)	(8,140)	(8,140)	-
TOTAL OTHER FINANCING SOURCES (USES)	44,670	44,670	44,670	-
NET CHANGE IN FUND BALANCE	(129,000)	(129,000)	(7,373)	121,627
FUND BALANCE, Beginning	129,000	129,000	143,269	14,269
FUND BALANCE, Ending	$ -	$ -	$ 135,896	$ 135,896

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 1,000	$ 1,000	$ 939	$ (61)
Interest on investments	20,000	20,000	26,842	6,842
TOTAL REVENUES	21,000	21,000	27,781	6,781
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	30,000	30,000	29,502	498
Capital outlay	39,200	39,200	14,851	24,349
TOTAL EXPENDITURES	69,200	69,200	44,353	24,847
REVENUES OVER (UNDER) EXPENDITURES	(48,200)	(48,200)	(16,572)	31,628
OTHER FINANCING SOURCES (USES)				
Transfers in	4,500	4,500	990	(3,510)
TOTAL OTHER FINANCING SOURCES (USES)	4,500	4,500	990	(3,510)
NET CHANGE IN FUND BALANCE	(43,700)	(43,700)	(15,582)	28,118
FUND BALANCE, Beginning	646,700	646,700	662,620	15,920
FUND BALANCE, Ending	$ 603,000	$ 603,000	$ 647,038	$ 44,038

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 417,700	$ 417,700	$ 292,151	$ (125,549)
Interest on investments	1,000	1,000	1,824	824
Miscellaneous	5,000	5,000	13,229	8,229
TOTAL REVENUES	423,700	423,700	307,204	(116,496)
EXPENDITURES				
Current:				
General government:				
Materials and services	275,775	275,775	178,660	97,115
Capital outlay	167,925	167,925	90,019	77,906
Contingency	20,000	20,000	-	20,000
TOTAL EXPENDITURES	463,700	463,700	268,679	195,021
REVENUES OVER (UNDER) EXPENDITURES	(40,000)	(40,000)	38,525	78,525
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
TOTAL OTHER FINANCING SOURCES (USES)	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	58,525	78,525
FUND BALANCE, Beginning	20,000	20,000	203,700	183,700
FUND BALANCE, Ending	$ -	$ -	$ 262,225	$ 262,225

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 750,000	$ 750,000	$ 734,871	$ (15,129)
Interest on investments	1,000	1,000	27	(973)
TOTAL REVENUES	751,000	751,000	734,898	(16,102)
EXPENDITURES				
Current:				
General government:				
Materials and services	830,500	830,500	793,371	37,129
Debt service	3,000	3,000	-	3,000
TOTAL EXPENDITURES	833,500	833,500	793,371	40,129
REVENUES OVER (UNDER) EXPENDITURES	(82,500)	(82,500)	(58,473)	24,027
NET CHANGE IN FUND BALANCE	(82,500)	(82,500)	(58,473)	24,027
FUND BALANCE, Beginning	82,500	82,500	61,031	(21,469)
FUND BALANCE, Ending	$ -	$ -	$ 2,558	$ 2,558

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY REHABILITATION FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ -	$ -	$ 20,609	$ 20,609
Loan repayments	35,000	35,000	28,538	(6,462)
Interest on investments	1,000	1,000	785	(215)
Miscellaneous	-	-	10	10
TOTAL REVENUES	36,000	36,000	49,942	13,942
EXPENDITURES				
Current:				
General government:				
Materials and services	124,800	574,800	412,655	162,145
TOTAL EXPENDITURES	124,800	574,800	412,655	162,145
REVENUES OVER (UNDER) EXPENDITURES	(88,800)	(538,800)	(362,713)	176,087
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	-	450,000	-	(450,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	450,000	-	(450,000)
NET CHANGE IN FUND BALANCE	(88,800)	(88,800)	(362,713)	(273,913)
FUND BALANCE, Beginning	88,800	88,800	110,112	21,312
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (252,601)	$ (252,601)

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Assessments	$ 30,000	$ 30,000	$ 44,265	$ 14,265
Loan repayments	5,000	5,000	2,614	(2,386)
Interest on investments	-	-	5	5
Miscellaneous	-	-	85	85
TOTAL REVENUES	35,000	35,000	46,969	11,969
EXPENDITURES				
Current:				
General government:				
Materials and services	500	500	326	174
Capital outlay	70,000	70,000	58,400	11,600
Debt service	11,000	11,000	7,891	3,109
TOTAL EXPENDITURES	81,500	81,500	66,617	14,883
REVENUES OVER (UNDER) EXPENDITURES	(46,500)	(46,500)	(19,648)	26,852
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	271,500	271,500	-	(271,500)
Interfund loan repayment	(225,000)	(225,000)	-	225,000
TOTAL OTHER FINANCING SOURCES (USES)	46,500	46,500	-	(46,500)
NET CHANGE IN FUND BALANCE	-	-	(19,648)	(19,648)
FUND BALANCE (DEFICIT), Beginning	-	-	(216,651)	(216,651)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (236,299)	$ (236,299)

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PENDLETON CONVENTION CENTER FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Other taxes	$ 380,000	$ 380,000	$ 376,163	$ (3,837)
Licenses and fees	55,000	55,000	50,194	(4,806)
Charges for services	267,000	267,000	140,772	(126,228)
Contributions	-	-	11,023	11,023
Interest on investments	500	500	2	(498)
Miscellaneous	10,000	10,000	10,360	360
TOTAL REVENUES	712,500	712,500	588,514	(123,986)
EXPENDITURES				
Current:				
General government:				
Personal services	307,290	307,290	289,769	17,521
Materials and services	391,090	391,090	290,159	100,931
Capital outlay	15,000	90,000	47,550	42,450
Debt service	60,800	60,800	3,634	57,166
TOTAL EXPENDITURES	774,180	849,180	631,112	218,068
REVENUES OVER (UNDER) EXPENDITURES	(61,680)	(136,680)	(42,598)	94,082
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	67,500	142,500	-	(142,500)
Transfers out	(5,820)	(5,820)	(5,820)	-
TOTAL OTHER FINANCING SOURCES (USES)	61,680	136,680	(5,820)	(142,500)
NET CHANGE IN FUND BALANCE	-	-	(48,418)	(48,418)
FUND BALANCE (DEFICIT), Beginning	-	-	(52,039)	(52,039)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (100,457)	$ (100,457)

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PCC TPAC FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Other taxes	$ 80,000	$ 80,000	$ 80,371	$ 371
Interest on investments	200	200	5	(195)
TOTAL REVENUES	80,200	80,200	80,376	176
EXPENDITURES				
Capital outlay	-	50,000	38,919	11,081
Debt service	225,000	225,000	6,986	218,014
TOTAL EXPENDITURES	225,000	275,000	45,905	229,095
REVENUES OVER (UNDER) EXPENDITURES	(144,800)	(194,800)	34,471	229,271
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	144,800	194,800	-	(194,800)
TOTAL OTHER FINANCING SOURCES (USES)	144,800	194,800	-	(194,800)
NET CHANGE IN FUND BALANCE	-	-	34,471	34,471
FUND BALANCE (DEFICIT), Beginning	-	-	(182,817)	(182,817)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (148,346)	$ (148,346)

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 1,500	$ 1,500	$ 757	$ (743)
Interest on investments	50	50	18	(32)
TOTAL REVENUES	1,550	1,550	775	(775)
EXPENDITURES				
Current:				
General government:				
Materials and services	4,250	4,250	1,060	3,190
TOTAL EXPENDITURES	4,250	4,250	1,060	3,190
REVENUES OVER (UNDER) EXPENDITURES	(2,700)	(2,700)	(285)	2,415
NET CHANGE IN FUND BALANCE	(2,700)	(2,700)	(285)	2,415
FUND BALANCE, Beginning	2,700	2,700	2,964	264
FUND BALANCE, Ending	$ -	$ -	$ 2,679	$ 2,679

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 116,500	$ 116,500	$ 277,206	$ 160,706
Interest on investments	8,000	8,000	2,360	(5,640)
Miscellaneous	500	500	474	(26)
TOTAL REVENUES	125,000	125,000	280,040	155,040
EXPENDITURES				
Current:				
Public safety:				
Materials and services	343,400	343,400	225,818	117,582
TOTAL EXPENDITURES	343,400	343,400	225,818	117,582
REVENUES OVER (UNDER) EXPENDITURES	(218,400)	(218,400)	54,222	272,622
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,600)	(3,600)	(3,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,600)	(3,600)	(3,600)	-
NET CHANGE IN FUND BALANCE	(222,000)	(222,000)	50,622	272,622
FUND BALANCE, Beginning	222,000	222,000	256,278	34,278
FUND BALANCE, Ending	$ -	$ -	$ 306,900	$ 306,900

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 75,000	$ 75,000	$ 13,960	$ (61,040)
Assessments	2,170	2,170	4,136	1,966
Interest on investments	15,000	15,000	16,539	1,539
TOTAL REVENUES	92,170	92,170	34,635	(57,535)
EXPENDITURES				
Capital outlay	959,000	959,000	273,485	685,515
TOTAL EXPENDITURES	959,000	959,000	273,485	685,515
REVENUES OVER (UNDER) EXPENDITURES	(866,830)	(866,830)	(238,850)	627,980
OTHER FINANCING SOURCES (USES)				
Interfund loan repayment	-	-	243,000	243,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	243,000	243,000
NET CHANGE IN FUND BALANCE	(866,830)	(866,830)	4,150	870,980
Budgetary basis adjustment	-	-	(243,000)	(243,000)
FUND BALANCE, Beginning	866,830	866,830	853,731	(13,099)
FUND BALANCE, Ending	$ -	$ -	$ 614,881	$ 614,881

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 500	$ 500	$ 1,242	$ 742
Contributions	3,000	3,000	7,655	4,655
Interest on investments	2,500	2,500	1,306	(1,194)
TOTAL REVENUES	6,000	6,000	10,203	4,203
EXPENDITURES				
Capital outlay	125,000	125,000	-	125,000
TOTAL EXPENDITURES	125,000	125,000	-	125,000
REVENUES OVER (UNDER) EXPENDITURES	(119,000)	(119,000)	10,203	129,203
NET CHANGE IN FUND BALANCE	(119,000)	(119,000)	10,203	129,203
FUND BALANCE, Beginning	162,000	162,000	180,286	18,286
FUND BALANCE, Ending	$ 43,000	$ 43,000	$ 190,489	$ 147,489

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 300	$ 300	$ 125	$ (175)
TOTAL REVENUES	300	300	125	(175)
EXPENDITURES				
Capital outlay	45,000	45,000	43,000	2,000
TOTAL EXPENDITURES	45,000	45,000	43,000	2,000
REVENUES OVER (UNDER) EXPENDITURES	(44,700)	(44,700)	(42,875)	1,825
OTHER FINANCING SOURCES (USES)				
Sale of property	300	300	-	(300)
Transfers in	29,000	29,000	29,000	-
TOTAL OTHER FINANCING SOURCES (USES)	29,300	29,300	29,000	(300)
NET CHANGE IN FUND BALANCE	(15,400)	(15,400)	(13,875)	1,525
FUND BALANCE, Beginning	25,000	25,000	25,272	272
FUND BALANCE, Ending	$ 9,600	$ 9,600	$ 11,397	$ 1,797

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 133,600	$ 133,600	$ 126,497	$ (7,103)
Intergovernmental	68,400	68,400	-	(68,400)
Interest on investments	580	580	4	(576)
TOTAL REVENUES	202,580	202,580	126,501	(76,079)
EXPENDITURES				
Capital outlay	355,700	355,700	254,950	100,750
Debt service	110,000	110,000	4,560	105,440
TOTAL EXPENDITURES	465,700	465,700	259,510	206,190
REVENUES OVER (UNDER) EXPENDITURES	(263,120)	(263,120)	(133,009)	130,111
OTHER FINANCING SOURCES (USES)				
Sale of property	2,500	2,500	3,000	500
Transfers in	40,520	40,520	40,520	-
Interfund loan proceeds	220,100	220,100	-	(220,100)
TOTAL OTHER FINANCING SOURCES (USES)	263,120	263,120	43,520	(219,600)
NET CHANGE IN FUND BALANCE	-	-	(89,489)	(89,489)
FUND BALANCE (DEFICIT), Beginning	-	-	(23,232)	(23,232)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (112,721)	$ (112,721)

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CITY/COUNTY PUBLIC SAFETY FUND
For the Fiscal Year Ended June 30, 2010

	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	2,000	2,000	673	(1,327)
TOTAL REVENUES	62,000	62,000	60,673	(1,327)
EXPENDITURES				
Current:				
General government:				
Materials and services	43,500	43,500	43,448	52
TOTAL EXPENDITURES	43,500	43,500	43,448	52
REVENUES OVER (UNDER) EXPENDITURES	18,500	18,500	17,225	(1,275)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(8,500)	(8,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(8,500)	(8,500)	-
NET CHANGE IN FUND BALANCE	18,500	10,000	8,725	(1,275)
FUND BALANCE, Beginning	81,500	81,500	86,479	4,979
FUND BALANCE, Ending	$ 100,000	$ 91,500	$ 95,204	$ 3,704

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
URBAN RENEWAL DISTRICT OPERATING FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ -	$ -	$ 6,150	$ 6,150
Interest on investments	1,000	1,000	3,787	2,787
Miscellaneous	-	-	27,712	27,712
TOTAL REVENUES	1,000	1,000	37,649	36,649
EXPENDITURES				
Current:				
General government:				
Materials and services	420,000	420,000	377,575	42,425
Capital outlay	981,000	981,000	795,499	185,501
TOTAL EXPENDITURES	1,401,000	1,401,000	1,173,074	227,926
REVENUES OVER (UNDER) EXPENDITURES	(1,400,000)	(1,400,000)	(1,135,425)	264,575
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,300,000	1,300,000	1,200,000	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,300,000	1,300,000	1,200,000	(100,000)
NET CHANGE IN FUND BALANCE	(100,000)	(100,000)	64,575	164,575
FUND BALANCE, Beginning	100,000	100,000	214,730	114,730
FUND BALANCE, Ending	$ -	$ -	$ 279,305	$ 279,305

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 667,230	$ 667,230	$ 680,828	$ 13,598
Interest on investments	400	400	942	542
TOTAL REVENUES	667,630	667,630	681,770	14,140
EXPENDITURES				
Debt service	666,520	666,520	666,518	2
TOTAL EXPENDITURES	666,520	666,520	666,518	2
REVENUES OVER (UNDER) EXPENDITURES	1,110	1,110	15,252	14,142
NET CHANGE IN FUND BALANCE	1,110	1,110	15,252	14,142
FUND BALANCE, Beginning	45,000	45,000	48,558	3,558
FUND BALANCE, Ending	$ 46,110	$ 46,110	$ 63,810	$ 17,700

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
URBAN RENEWAL DISTRICT DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 347,000	$ 347,000	$ 325,626	$ (21,374)
Interest on investments	10,000	10,000	5,854	(4,146)
TOTAL REVENUES	357,000	357,000	331,480	(25,520)
EXPENDITURES				
Current:				
General government:				
Materials and services	20,950	20,950	20,950	-
Debt service	371,000	371,000	324,644	46,356
TOTAL EXPENDITURES	391,950	391,950	345,594	46,356
REVENUES OVER (UNDER) EXPENDITURES	(34,950)	(34,950)	(14,114)	20,836
NET CHANGE IN FUND BALANCE	(34,950)	(34,950)	(14,114)	20,836
FUND BALANCE, Beginning	485,950	485,950	414,353	(71,597)
FUND BALANCE, Ending	$ 451,000	$ 451,000	$ 400,239	$ (50,761)

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 4,500	$ 4,500	$ 990	$ (3,510)
TOTAL REVENUES	4,500	4,500	990	(3,510)
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,500)	(4,500)	(990)	3,510
TOTAL OTHER FINANCING SOURCES (USES)	(4,500)	(4,500)	(990)	3,510
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	140,500	140,500	140,598	98
FUND BALANCE, Ending	$ 140,500	$ 140,500	$ 140,598	$ 98

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 4,875	$ 4,875	$ 5,477	$ 602
Interest on investments	15,000	15,000	35,660	20,660
TOTAL REVENUES	19,875	19,875	41,137	21,262
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(9,489)	5,511
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(15,000)	(9,489)	5,511
NET CHANGE IN FUND BALANCE	4,875	4,875	31,648	26,773
FUND BALANCE, Beginning	665,500	665,500	679,322	13,822
FUND BALANCE, Ending	$ 670,375	$ 670,375	$ 710,970	$ 40,595

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CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
L.I.D. CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Assessments	$ 207,000	$ 207,000	$ 120,188	$ (86,812)
Interest on investments	-	-	4,172	4,172
Miscellaneous	-	-	100	100
TOTAL REVENUES	207,000	207,000	124,460	(82,540)
EXPENDITURES				
Current:				
General government:				
Materials and services	2,000	2,000	324	1,676
Capital outlay	1,775,000	1,775,000	1,510,597	264,403
Debt service	170,000	170,000	62,812	107,188
TOTAL EXPENDITURES	1,947,000	1,947,000	1,573,733	373,267
REVENUES OVER (UNDER) EXPENDITURES	(1,740,000)	(1,740,000)	(1,449,273)	290,727
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,760,000	1,760,000	1,300,000	(460,000)
Interfund loan repayment	(20,000)	(20,000)	-	20,000
TOTAL OTHER FINANCING SOURCES (USES)	1,740,000	1,740,000	1,300,000	(440,000)
NET CHANGE IN FUND BALANCE	-	-	(149,273)	(149,273)
FUND BALANCE, Beginning	-	-	11,679	11,679
FUND BALANCE (DEFICIT), Ending	$ -	$ -	$ (137,594)	$ (137,594)

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, 2010

	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	5,000	5,000	1,179	(3,821)
TOTAL REVENUES	265,400	265,400	261,579	(3,821)
EXPENDITURES				
Current:				
General government:				
Materials and services	10,000	10,000	-	10,000
Debt service	209,500	209,500	209,486	14
TOTAL EXPENDITURES	219,500	219,500	209,486	10,014
REVENUES OVER (UNDER) EXPENDITURES	45,900	45,900	52,093	6,193
NET CHANGE IN FUND BALANCE	45,900	45,900	52,093	6,193
FUND BALANCE, Beginning	143,600	143,600	143,576	(24)
FUND BALANCE, Ending	$ 189,500	$ 189,500	$ 195,669	$ 6,169

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AIRPORT CONNECTOR ROAD CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES				
Capital outlay	$ 3,690,000	$ 3,690,000	$ 1,250,447	$ 2,439,553
TOTAL EXPENDITURES	3,690,000	3,690,000	1,250,447	2,439,553
REVENUES OVER (UNDER) EXPENDITURES	(3,690,000)	(3,690,000)	(1,250,447)	2,439,553
OTHER FINANCING SOURCES (USES)				
Issuance of debt	3,690,000	3,690,000	1,364,231	(2,325,769)
TOTAL OTHER FINANCING SOURCES (USES)	3,690,000	3,690,000	1,364,231	(2,325,769)
NET CHANGE IN FUND BALANCE	-	-	113,784	113,784
FUND BALANCE (DEFICIT), Beginning	-	-	(113,784)	(113,784)
FUND BALANCE, Ending	$ -	$ -	$ -	$ -

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
QUINNEY BRIDGE CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 2,324,000	$ 2,324,000	$ 291,397	$ (2,032,603)
Interest on investments	10,000	10,000	16,331	6,331
TOTAL REVENUES	2,334,000	2,334,000	307,728	(2,026,272)
EXPENDITURES				
Capital outlay	2,687,600	2,687,600	170,856	2,516,744
TOTAL EXPENDITURES	2,687,600	2,687,600	170,856	2,516,744
REVENUES OVER (UNDER) EXPENDITURES	(353,600)	(353,600)	136,872	490,472
NET CHANGE IN FUND BALANCE	(353,600)	(353,600)	136,872	490,472
FUND BALANCE, Beginning	353,600	353,600	2,447	(351,153)
FUND BALANCE, Ending	$ -	$ -	$ 139,319	$ 139,319

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET HB2201 FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ -	$ 1,025,000	$ -	$ (1,025,000)
TOTAL REVENUES	-	1,025,000	-	(1,025,000)
EXPENDITURES				
Current:				
Highways and streets:				
Capital outlay	-	1,025,000	-	1,025,000
TOTAL EXPENDITURES	-	1,025,000	-	1,025,000
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 Rate Reserve
  - Wastewater 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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 3,216,600	$ 3,216,600	$ 3,319,507	$ 102,907
Interest on investments	100	100	1,040	940
Miscellaneous	7,000	7,000	34,470	27,470
TOTAL REVENUES	3,223,700	3,223,700	3,355,017	131,317
EXPENDITURES				
Current:				
Personal services	428,400	428,400	424,224	4,176
Materials and services	1,755,570	1,755,570	1,663,062	92,508
Capital outlay	2,770,100	2,770,100	281,549	2,488,551
Debt service	679,880	679,880	450,865	229,015
TOTAL EXPENDITURES	5,633,950	5,633,950	2,819,700	2,814,250
REVENUES OVER (UNDER) EXPENDITURES	(2,410,250)	(2,410,250)	535,317	2,945,567
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	3,727	3,727
Issuance of debt	2,165,000	2,165,000	-	(2,165,000)
Interfund loan proceeds	652,800	652,800	-	(652,800)
Interfund loan repayment	(400,000)	(400,000)	(243,000)	157,000
Transfers out	(7,550)	(7,550)	(7,550)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,410,250	2,410,250	(246,823)	(2,657,073)
NET CHANGE IN FUND BALANCE	-	-	288,494	288,494
Budgetary basis adjustment	-	-	243,000	243,000
FUND BALANCE, Beginning	-	-	262,610	262,610
FUND BALANCE, Ending	$ -	$ -	794,104	$ 794,104
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			13,353,725	
Notes receivable			6,930	
Accrued interest payable			(112,257)	
Other post employment benefits liability			(19,149)	
Long-term debt			(4,379,310)	
NET ASSETS, Ending			$ 9,644,043	

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 3,697,000	$ 3,697,000	$ 3,718,984	$ 21,984
Interest on investments	45,000	45,000	11,782	(33,218)
Miscellaneous	-	-	26,116	26,116
TOTAL REVENUES	3,742,000	3,742,000	3,756,882	14,882
EXPENDITURES				
Current:				
Personal services	451,600	451,600	450,323	1,277
Materials and services	1,486,680	1,486,680	1,448,570	38,110
Capital outlay	1,345,000	1,345,000	70,225	1,274,775
Contingency	240,430	240,430	-	240,430
TOTAL EXPENDITURES	3,523,710	3,523,710	1,969,118	1,554,592
REVENUES OVER (UNDER) EXPENDITURES	218,290	218,290	1,787,764	1,569,474
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	3,727	3,727
Transfers out	(1,252,290)	(1,252,290)	(1,252,283)	7
TOTAL OTHER FINANCING SOURCES (USES)	(1,252,290)	(1,252,290)	(1,248,556)	3,734
NET CHANGE IN FUND BALANCE	(1,034,000)	(1,034,000)	539,208	1,573,208
FUND BALANCE, Beginning	1,034,000	1,034,000	1,123,981	89,981
FUND BALANCE, Ending	$ -	$ -	$ 1,663,189	$ 1,663,189

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 13,000	$ 13,000	$ 9,323	$ (3,677)
TOTAL REVENUES	13,000	13,000	9,323	(3,677)
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
TOTAL OTHER FINANCING SOURCES (USES)	500,000	500,000	500,000	-
NET CHANGE IN FUND BALANCE	513,000	513,000	509,323	(3,677)
FUND BALANCE, Beginning	1,307,250	1,307,250	1,308,082	832
FUND BALANCE, Ending	$ 1,820,250	$ 1,820,250	$ 1,817,405	$ (2,845)

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Interest on investments	$ 50,000	$ 50,000	$ 111,778	$ 61,778
Miscellaneous	-	-	2,250	2,250
TOTAL REVENUES	50,000	50,000	114,028	64,028
EXPENDITURES				
Current:				
Materials and services	5,000	5,000	122	4,878
Capital outlay	11,245,000	11,245,000	3,415,349	7,829,651
TOTAL EXPENDITURES	11,250,000	11,250,000	3,415,471	7,834,529
OTHER FINANCING SOURCES (USES)				
Issuance of debt	5,000,000	5,000,000	2,845,401	(2,154,599)
TOTAL OTHER FINANCING SOURCES (USES)	5,000,000	5,000,000	2,845,401	(2,154,599)
NET CHANGE IN FUND BALANCE	(6,200,000)	(6,200,000)	(456,042)	5,743,958
FUND BALANCE, Beginning	7,690,000	7,690,000	7,909,781	219,781
FUND BALANCE, Ending	$ 1,490,000	$ 1,490,000	$ 7,453,739	$ 5,963,739

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 RESERVE FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
FUND BALANCE, Beginning	$ 744,698	$ 744,698	$ 744,698	$ -
FUND BALANCE, Ending	$ 744,698	$ 744,698	$ 744,698	$ -

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 DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES				
Debt service	$ 743,200	$ 743,200	$ 743,198	$ 2
TOTAL EXPENDITURES	743,200	743,200	743,198	2
OTHER FINANCING SOURCES (USES)				
Transfers in	743,200	743,200	743,193	(7)
TOTAL OTHER FINANCING SOURCES (USES)	743,200	743,200	743,193	(7)
NET CHANGE IN FUND BALANCE	-	-	(5)	(5)
FUND BALANCE, Beginning	-	-	5	5
FUND BALANCE, Ending	$ -	$ -	$ -	$ -

See auditor's report

CITY OF PENDLETON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WASTEWATER RATE STABILIZATION FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
FUND BALANCE, Beginning	$ 450,000	$ 450,000	$ 450,000	$ -
FUND BALANCE, Ending	$ 450,000	$ 450,000	$ 450,000	$ -

See auditor's report

CITY OF PENDLETON, OREGON
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2010

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	$ 1,663,189
Sewer Capital Reserve	1,817,405
Wastewater Capital Project	7,453,739
Wastewater Rate Reserve	744,698
Wastewater Rate Stabilization	450,000
	12,129,031
Adjustments:	
Capital assets, net of depreciation	8,429,748
Bond discount and issuance costs	124,436
Notes receivable	6,930
Accrued interest payable	(171,416)
Other post employment benefits liability	(22,692)
Long-term debt	(12,155,401)
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	$ 8,340,636

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 407,000	$ 407,000	$ 413,490	$ 6,490
Intergovernmental	1,051,000	1,270,000	1,209,292	(60,708)
Interest on investments	150	150	8	(142)
Miscellaneous	5,000	5,000	14	(4,986)
TOTAL REVENUES	1,463,150	1,682,150	1,622,804	(59,346)
EXPENDITURES				
Current:				
Personal services	250,910	250,910	241,202	9,708
Materials and services	275,220	275,220	275,114	106
Capital outlay	981,000	1,200,000	1,157,672	42,328
Debt service	2,060,000	2,060,000	81,009	1,978,991
TOTAL EXPENDITURES	3,567,130	3,786,130	1,754,997	2,031,133
REVENUES OVER (UNDER) EXPENDITURES	(2,103,980)	(2,103,980)	(132,193)	1,971,787
OTHER FINANCING SOURCES (USES)				
Sale of property	35,500	35,500	35,418	(82)
Interfund loan proceeds	2,073,350	2,073,350	-	(2,073,350)
Transfers out	(4,870)	(4,870)	(4,870)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,103,980	2,103,980	30,548	(2,073,432)
NET CHANGE IN FUND BALANCE	-	-	(101,645)	(101,645)
FUND BALANCE (DEFICIT), Beginning	-	-	(1,938,130)	(1,938,130)
FUND BALANCE (DEFICIT), Ending	$ -	$ -	(2,039,775)	$ (2,039,775)
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			9,529,296	
Notes receivable			209,931	
Other post employment benefits liability			(9,923)	
NET ASSETS, Ending			$ 7,689,529	

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 100,650	$ 100,650	$ 138,521	$ 37,871
Charges for services	7,000	7,000	7,174	174
Contributions	25,000	25,000	-	(25,000)
Interest on investments	350	350	33	(317)
Miscellaneous	-	-	263	263
TOTAL REVENUES	133,000	133,000	145,991	12,991
EXPENDITURES				
Current:				
Personal services	145,370	145,370	136,590	8,780
Materials and services	94,050	94,050	94,030	20
Capital outlay	31,000	31,000	-	31,000
TOTAL EXPENDITURES	270,420	270,420	230,620	39,800
REVENUES OVER (UNDER) EXPENDITURES	(137,420)	(137,420)	(84,629)	52,791
OTHER FINANCING SOURCES (USES)				
Transfers in	140,000	140,000	134,489	(5,511)
Transfers out	(2,580)	(2,580)	(2,580)	-
TOTAL OTHER FINANCING SOURCES (USES)	137,420	137,420	131,909	(5,511)
NET CHANGE IN FUND BALANCE	-	-	47,280	47,280
FUND BALANCE, Beginning	-	-	16,548	16,548
FUND BALANCE, Ending	$ -	$ -	63,828	$ 63,828
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			181,513	
Other post employment benefits liability			(5,734)	
NET ASSETS, Ending			$ 239,607	

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Charges for services	$ 1,077,970	$ 1,077,970	$ 1,051,606	$ (26,364)
Interest on investments	20,000	20,000	3,861	(16,139)
Miscellaneous	230	230	865	635
TOTAL REVENUES	1,098,200	1,098,200	1,056,332	(41,868)
EXPENDITURES				
Current:				
Personal services	736,800	765,800	678,632	87,168
Materials and services	179,300	179,300	157,237	22,063
Capital outlay	262,100	297,000	247,080	49,920
Contingency	175,000	111,100	-	111,100
TOTAL EXPENDITURES	1,353,200	1,353,200	1,082,949	270,251
REVENUES OVER (UNDER) EXPENDITURES	(255,000)	(255,000)	(26,617)	228,383
OTHER FINANCING SOURCES (USES)				
Sale of property	500	500	5,727	5,227
Transfers out	(14,670)	(14,670)	(14,670)	-
TOTAL OTHER FINANCING SOURCES (USES)	(14,170)	(14,170)	(8,943)	5,227
NET CHANGE IN FUND BALANCE	(269,170)	(269,170)	(35,560)	233,610
FUND BALANCE, Beginning	450,000	450,000	554,996	104,996
FUND BALANCE, Ending	$ 180,830	$ 180,830	519,436	$ 338,606
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			822,398	
Notes receivable			6,930	
Other post employment benefits liability			(31,234)	
NET ASSETS, Ending			$ 1,317,530	

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Licenses and fees	$ 66,450	$ 66,450	$ 94,018	$ 27,568
Charges for services	2,290,690	2,290,690	2,299,424	8,734
Intergovernmental	136,500	136,500	79,917	(56,583)
Contributions	-	-	56,785	56,785
Interest on investments	5,000	5,000	2,718	(2,282)
Miscellaneous	5,360	5,360	17,891	12,531
TOTAL REVENUES	2,504,000	2,504,000	2,550,753	46,753
EXPENDITURES				
Current:				
Personal services	1,666,400	1,666,400	1,548,946	117,454
Materials and services	740,900	740,900	677,640	63,260
Capital outlay	205,000	205,000	209,121	(4,121)
Contingency	113,320	113,320	-	113,320
TOTAL EXPENDITURES	2,725,620	2,725,620	2,435,707	289,913
REVENUES OVER (UNDER) EXPENDITURES	(221,620)	(221,620)	115,046	336,666
OTHER FINANCING SOURCES (USES)				
Transfers out	(38,380)	(38,380)	(38,380)	-
TOTAL OTHER FINANCING SOURCES (USES)	(38,380)	(38,380)	(38,380)	-
NET CHANGE IN FUND BALANCE	(260,000)	(260,000)	76,666	336,666
FUND BALANCE, Beginning	260,000	260,000	298,315	38,315
FUND BALANCE, Ending	$ -	$ -	374,981	$ 374,981
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation			239,695	
Other post employment benefits liability			(60,678)	
NET ASSETS, Ending			$ 553,998	

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
EXPENDITURES AND TRANSFERS				
City manager's office	$ 325,600	$ 325,600	$ 312,200	$ 13,400
Insurance	289,500	289,500	280,386	9,114
Mayor and City Council	47,000	47,000	32,235	14,765
Legal	250,500	250,500	233,014	17,486
Finance	528,700	528,700	455,439	73,261
Engineering	381,000	381,000	357,240	23,760
Facilities	503,000	503,000	497,238	5,762
Information technology	287,000	287,000	267,955	19,045
Contingency	113,320	113,320	-	113,320
Total expenditures	2,725,620	2,725,620	2,435,707	289,913
Transfers	38,380	38,380	38,380	-
TOTAL EXPENDITURES AND TRANSFERS	$ 2,764,000	$ 2,764,000	$ 2,474,087	$ 289,913

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Intergovernmental	$ 95,000	$ 95,000	$ 81,285	$ (13,715)
TOTAL REVENUES	95,000	95,000	81,285	(13,715)
EXPENDITURES				
Current:				
Materials and services	95,000	95,000	81,285	13,715
TOTAL EXPENDITURES	95,000	95,000	81,285	13,715
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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive / (Negative)
REVENUES				
Contributions	$ 227,500	$ 227,500	$ 197,827	$ (29,673)
Interest on investments	2,500	2,500	123	(2,377)
TOTAL REVENUES	230,000	230,000	197,950	(32,050)
EXPENDITURES				
Current:				
Materials and services	240,000	240,000	145,840	94,160
TOTAL EXPENDITURES	240,000	240,000	145,840	94,160
REVENUES OVER (UNDER) EXPENDITURES	(10,000)	(10,000)	52,110	62,110
NET CHANGE IN FUND BALANCE	(10,000)	(10,000)	52,110	62,110
FUND BALANCE, Beginning	10,000	10,000	1,768	(8,232)
FUND BALANCE, Ending	$ -	$ -	$ 53,878	$ 53,878

See auditor's report.

CITY OF PENDLETON

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OREGON

OTHER FINANCIAL SCHEDULES

CITY OF PENDLETON, OREGON
ALL AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended June 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Northeast Oregon Air Task Force Agency				
ASSETS				
Cash and cash equivalents	$ 1,022	$ 8	$ -	$ 1,030
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	$ 1,022	$ 8	$ -	$ 1,030
Bail Fund				
ASSETS				
Cash and cash equivalents	$ 10,406	$ 1,960	$ -	$ 12,366
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 7,373	$ -	$ 1,119	$ 6,254
Due to other governments	3,033	3,079	-	6,112
Total liabilities	$ 10,406	$ 3,079	$ 1,119	$ 12,366
Eastern Oregon Drug Task Force Fund				
ASSETS				
Accounts receivable	$ 29,086	$ 81,285	$ 91,330	$ 19,041
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 29,086	$ 81,285	$ 91,330	$ 19,041
Pendleton Foundation Trust				
ASSETS				
Cash and cash equivalents	$ 1,768	$ 197,950	$ 145,840	$ 53,878
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other governments	$ 1,768	$ 197,950	$ 145,840	$ 53,878

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the fiscal year ended June 30, 2010

	Taxes Uncollected July 1, 2009	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2010
2009-10	$ -	$ 5,724,348	$ (162,065)	$ (5,308,464)	$ 253,819
2008-09	265,243	-	5,111	(137,946)	132,408
2007-08	120,411	-	5,472	(50,095)	75,788
2006-07	58,137	-	6,669	(40,613)	24,193
2005-06	29,427	-	5,865	(31,167)	4,125
2004-05	3,652	-	443	(1,988)	2,107
2003-04	1,445	-	85	(642)	888
2002-03	1,018	-	(6)	(158)	854
2001-02	796	-	72	(235)	633
2000-01	686	-	61	(194)	553
1999-00	404	-	7	(20)	391
1998-99	380	-	2	(3)	379
1997-98	190	-	-	-	190
1996-97	196	-	-	-	196
1995-96	67	-	-	-	67
1994-95	23	-	5	(10)	18
Prior	265	-	69	-	334
	$ 482,340	$ 5,724,348	$ (138,210)	$ (5,571,535)	$ 496,943

	Tax Collections to June 30, 2010	Taxes Receivable June 30, 2010
Taxes receivable and tax collections classified by fund:		
General Fund	$ 4,572,901	$ 410,460
Urban Renewal Debt Service Fund	323,880	25,927
Debt Service Fund	674,754	60,556
Plus: appeals and foreclosure adjustments	24,653	-
Totals	$ 5,596,188	$ 496,943

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	$ 4,590,270	$ (324,393)	$ 35,019	$ 4,300,896
Pendleton Development Commission	325,364	(1,715)	1,977	325,626
Debt Service Fund	680,554	(5,024)	5,298	680,828
	$ 5,596,188	$ (331,132)	$ 42,294	$ 5,307,350

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL AND INTEREST TRANSACTIONS
For the fiscal year ended June 30, 2010

	Terms				
	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	01/28/09	6.60%	01/28/19	$	2,000,000
Banner Bank - Pendleton Development Commission	06/26/09	5.50%	09/30/11	$	2,150,000
Community Bank - Keystone	01/12/05	4.75%	01/15/25	$	2,700,000
USDA- Pendlton Academies	03/05/98	4.88%	03/05/38	$	889,533
Sunridge LID	07/29/09	4.90%	07/29/24	$	1,300,000
Oregon Department of Transportation	04/07/09	4.80%	01/01/30	$	6,500,000
Total General Long Term Debt					
Enterprise Funds:					
Water Fund:					
Notes payable:					
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:					
Clean Water State Revolving Fund '09	09/22/09	0.00%	04/01/31		4,000,000
Clean Water State Revolving Fund 2010	04/15/10	2.77%	04/01/31	$	2,400,000
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, 2009	Issued During Year	Paid During Year	Outstanding June 30, 2010	Outstanding June 30, 2009	Matured During Year	Paid During Year	Outstanding June 30, 2010
$ 155,000	$ -	$ 155,000	$ -	$ -	$ 8,215	$ 8,215	$ -
1,170,000	-	215,000	955,000	-	54,103	54,103	-
1,415,000	-	180,000	1,235,000	-	54,200	54,200	-
(33,745)	-	(5,228)	(28,517)	-	-	-	-
2,706,255	-	544,772	2,161,483	-	116,518	116,518	-
6,980,000	-	85,000	6,895,000	-	345,129	345,129	-
2,000,000	-	147,285	1,852,715	-	133,467	133,467	-
-	1,200,000	-	1,200,000	-	43,893	43,893	-
2,299,742	-	100,572	2,199,170	-	108,913	108,913	-
-	889,534	17,601	871,933	-	28,623	28,623	-
-	1,300,000	7,075	1,292,925	-	55,774	55,774	-
65,000	1,397,636	267,675	1,194,961	-	42,321	42,321	-
$ 14,050,997	$ 4,787,170	$ 1,169,980	$ 17,668,187	$ -	$ 874,638	$ 874,638	$ -
$ 3,143,000	$ -	$ 166,000	$ 2,977,000	$ -	$ 141,435	$ 141,435	$ -
1,482,412	-	80,102	1,402,310	-	61,817	61,817	-
4,625,412	-	246,102	4,379,310	-	203,252	203,252	-
-	2,845,401	-	2,845,401	-	-	-	-
-	-	-	-	-	-	-	-
9,665,000	-	355,000	9,310,000	-	388,198	388,198	-
9,665,000	2,845,401	355,000	12,155,401	-	388,198	388,198	-
$ 14,290,412	$ 2,845,401	$ 601,102	$ 16,534,711	$ -	$ 591,449	$ 591,449	$ -

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE GENERAL OBLIGATION BONDED DEBT REQUIREMENTS- GOVERNMENTAL FUNDS
June 30, 2010

Year of Maturity	General Obligation Bonds Totals		McCune Refunding		Facilities Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
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
	$ 2,190,000	$ 288,540	$ 955,000	$ 114,115	$ 1,235,000	$ 174,425

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE LIMITED TAX PENSION BONDED DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2010

Year of Maturity	Limited Tax Pension Bonds	
	Principal	Interest
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
	$ 6,895,000	$ 4,107,916

See auditors report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
GOVERNMENTAL FUNDS
June 30, 2010

Year of Maturity	Notes Payable Totals		Community Bank - Pendleton Development Commission		Community Bank - Keystone	
	Principal	Interest	Principal	Interest	Principal	Interest
2010-11	$ 356,455	$ 328,743	$ 158,569	$ 122,182	$ 107,415	$ 102,071
2011-12	376,631	308,568	169,035	111,717	112,630	96,856
2012-13	397,972	287,226	180,191	100,560	118,098	91,388
2013-14	420,550	264,649	192,084	88,668	123,831	85,655
2014-15	444,437	240,761	204,761	75,990	129,843	79,643
2015-16	469,711	215,487	218,276	62,476	136,146	73,340
2016-17	496,455	188,744	232,682	48,070	142,756	66,730
2017-18	524,753	160,445	248,039	32,713	149,686	59,800
2018-19	539,369	130,497	249,078	16,342	156,953	52,533
2019-20	304,536	99,911	-	-	164,573	44,913
2020-21	319,479	84,968	-	-	172,563	36,923
2021-22	335,154	69,293	-	-	180,940	28,546
2022-23	351,599	52,846	-	-	189,725	19,761
2023-24	368,851	35,595	-	-	198,935	10,551
2024-25	230,256	18,294	-	-	115,076	1,682
2025-26	56,921	12,415	-	-	-	-
2026-27	59,758	9,578	-	-	-	-
2027-28	62,738	6,598	-	-	-	-
2028-29	65,865	3,471	-	-	-	-
2029-30	35,251	519	-	-	-	-
	$ 6,216,743	$ 2,518,607	$ 1,852,715	$ 658,718	$ 2,199,170	$ 850,392

Year of Maturity	USDA- Pendleton Academies		Sunridge LID	
	Principal	Interest	Principal	Interest
2010-11	$ 27,437	$ 41,899	$ 63,034	$ 62,591
2011-12	28,805	40,531	66,161	59,464
2012-13	30,241	39,095	69,442	56,182
2013-14	31,748	37,588	72,887	52,738
2014-15	33,331	36,005	76,502	49,123
2015-16	34,993	34,343	80,296	45,328
2016-17	36,738	32,598	84,279	41,346
2017-18	38,569	30,767	88,459	37,165
2018-19	40,492	28,844	92,847	32,778
2019-20	42,511	26,825	97,452	28,173
2020-21	44,630	24,706	102,286	23,339
2021-22	46,855	22,481	107,359	18,265
2022-23	49,190	20,145	112,684	12,940
2023-24	51,643	17,693	118,273	7,351
2024-25	54,218	15,118	60,962	1,494
2025-26	56,921	12,415	-	-
2026-27	59,758	9,578	-	-
2027-28	62,738	6,598	-	-
2028-29	65,865	3,471	-	-
2029-30	35,251	519	-	-
	$ 871,933	$ 481,220	$ 1,292,925	$ 528,277

* Amortization of the Oregon Department of Transportation and Banner Bank -PDC Notes are not available at this time.

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE NOTE PAYABLE DEBT REQUIREMENTS
WATER FUND
June 30, 2010

Year of Maturity	Notes Payable Totals		Safe Drinking Water State Revolving Loan Fund			
	Principal	Interest	Principal	Interest	Principal	Interest
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
	$ 4,379,310	$ 1,464,504	$ 2,977,000	$ 1,019,880	$ 1,402,310	$ 444,624

See auditor's report.

CITY OF PENDLETON, OREGON
SCHEDULE OF FUTURE BONDED DEBT REQUIREMENTS
SEWER FUND
June 30, 2010

Year of Maturity	Waste Water Revenue Bonds	
	Principal	Interest
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
	$ 9,310,000	$ 4,064,585

* Amortization of the Clean Water State Revolving Fund is not available at this time.

See auditor's report.

STATISTICAL SECTION

City of Pendleton
Major Wastewater Accounts FY10

[illegible]	[illegible]	[illegible]
EOCI	$477,888	13.23%
TRIBES/WILDHORSE	87,547	2.42%
RED LION	30,021	0.83%
CRAIG NEUBO	32,083	0.89%
ST ANTHONY	23,490	0.65%
RON MORRIS	27,070	0.75%
PEND HIGH SCHOOL	19,335	0.54%
WILLIAM SMITH	25,733	0.71%
HILL MEAT	23,442	0.65%
OREGON TRAIL MANOR	17,044	0.47%
TOTAL	$763,653	21.14%
ALL OTHER CUSTOMERS	2,848,847	78.86%
TOTAL SEWER REVENUE	$3,612,500	100.00%

See auditor's report.

City of Pendleton
Coverage Table - Historical and Projected Operating Results

	Actual							Projected 2.5%	
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues:									
Transfers from Other Funds - IN	$0	$330,000	$0	$301,100	$0	$0	$0	$0	$0
State Revenues:	0	0	3500	0	0	0	0	0	0
Enterprise Revenues:	1,304,218	1,415,696	1,662,682	1,754,055	2,649,142	3,656,158	3,707,262	3,799,944	3,894,942
Intergovernmental revenues:	1,754	613	8,207	1,142	6,013	1,487	11,722	12,015	12,315
Total Operating Revenues	1,305,972	1,746,309	1,674,389	2,056,297	2,655,155	3,657,645	3,718,984	3,811,959	3,907,258
Operating Expenses:									
Personal Services	297,823	325,992	297,575	316,595	331,780	385,723	450,321	461,579	473,119
Materials & Services	761,651	938,364	1,093,110	1,016,103	1,069,572	1,372,440	1,448,569	1,484,783	1,521,903
Transfers to other fund- OUT	0	0	21,725	12,100	9,870	10,100	9,090	9,317	9,550
Contingency	0	0	0	0	0	0	0	0	0
Total Operating Expenses	1,059,474	1,264,356	1,412,410	1,344,798	1,411,222	1,768,263	1,907,980	1,955,680	2,004,571
Net Operating Income	246,498	481,953	261,979	711,499	1,243,933	1,889,382	1,811,004	1,856,279	1,902,686
Non-operating Income (Expenses):									
Sale of Equipment/land	0	0	0	10,000	10,377	3,727	3,727	5,000	5,000
Other miscellaneous	600	0	0	0			8,616		
Reimbursement of expense	0	-393	0	919	868	13,108	17,500	1,000	1,000
Investment Income									
Sewer Fund	6,210	6,214	13,745	35,209	42,883	43,774	11,782	20,000	10,000
Sewer Capital Reserve Fund	12,494	19,047	20,244	13,481	11,802	5,814	9,323	8,000	15,000
Total Non-operating Income (Expense)	19,304	24,868	33,989	59,609	65,930	66,423	50,948	34,000	31,000
Net Revenues Avail. For Debt Service	265,802	506,821	295,968	771,108	1,309,863	1,955,805	1,861,952	1,890,279	1,933,686
Senior Len Debt Service:									
OCEDD Special Public Works Fund Loan	3,836	3,836	3,836	3,836	10,387	0	0	0	0
Sewer System Revenue Bonds 2007						742,471	743,198	743,998	1,014,333
CWSRF $4 million, $2 million Debt Forgive			0	0	0	0	0	0	0
CWSRF $2 million estimated at 3.5%	0	0	0	0	0	0	0	0	0
Total Senior Lien Debt Service	3,836	3,836	3,836	3,836	10,387	742,471	743,198	743,998	1,014,333
Net Revenues Avail for Other purposes	$261,966	$502,985	$292,132	$767,272	$1,299,476	$1,213,334	$1,118,754	1,146,281	$919,353
Debt Service Coverage	69.29	132.12	77.16	201.02	126.11	2.63	2.51	2.54	1.91

See auditor's report.

City of Pendleton
Sewer Fund
Projected Debt Service Requirements

2010	$355,000	$388,198	$0	$0	$0	$0	$743,198
2011	370,000	373,998	0	0	0	0	743,998
2012	380,000	362,898	100,000	9,750	100,000	61,685	1,014,333
2013	395,000	349,598	100,000	9,250	100,000	65,625	1,019,473
2014	405,000	335,773	100,000	8,750	100,000	62,125	1,011,648
2015	425,000	319,573	100,000	8,250	100,000	58,625	1,011,448
2016	440,000	304,698	100,000	7,750	100,000	55,125	1,007,573
2017	455,000	288,923	100,000	7,250	100,000	51,625	1,002,798
2018	475,000	266,673	100,000	6,750	100,000	48,125	996,548
2019	495,000	247,673	100,000	6,250	100,000	44,625	993,548
2020	515,000	227,873	100,000	5,750	100,000	41,125	989,748
2021	535,000	207,273	100,000	5,250	100,000	37,625	985,148
2022	555,000	185,873	100,000	4,750	100,000	34,125	979,748
2023	580,000	163,118	100,000	4,250	100,000	30,625	977,993
2024	605,000	139,048	100,000	3,750	100,000	27,125	974,923
2025	630,000	113,940	100,000	3,250	100,000	23,625	970,815
2026	655,000	87,480	100,000	2,750	100,000	20,125	965,355
2027	685,000	59,643	100,000	2,250	100,000	16,625	963,518
2028	710,000	30,530	100,000	1,750	100,000	13,125	955,405
2029	0	0	100,000	1,250	100,000	9,625	210,875
2030	0	0	100,000	750	100,000	6,125	206,875
2031	0	0	100,000	250	100,000	2,625	202,875
Total	$9,665,000	$4,452,775	$2,000,000	$100,000	$2,000,000	$710,060	$18,927,835

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 115, Governmental Auditing Standards, and OMB Circular A-133. 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 31, 2010.

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, 2010.

3. COLLATERAL

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials must ensure the banks they are doing business with are on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials are also required to report to OST all bank depositories in which they deposit public funds.

Our review of the City's deposited funds did not disclose any instances where the City deposited funds with unapproved depositories or did not properly notify the OST of what depositories held their public funds, as required by ORS 295.

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 2009-10 and the preparation and adoption of the budget for 2010-11. The City has complied with statutory requirements in all material respects for the current and ensuing year's budget.

6. INSURANCE AND FIDELITY BONDS

We reviewed the City's insurance and fidelity bond coverage at June 30, 2010, 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, 2010, 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, except there were two findings disclosed in the Schedule of Findings and Questioned Costs related to compliance with a major program.

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

December 31, 2010

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, 2010, which collectively comprise the City of Pendleton, Oregon's basic financial statements and have issued our report thereon, dated December 31, 2010. 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 opinion on the financial statements, but not for the purpose of expression on the effectiveness of the City of Pendleton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pendleton, Oregon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the significant deficiency described in the accompanying schedule of finings and questioned costs as 2010-01 to also be a material weakness.

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Oregon Society of Certified Public Accountants

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the schedule of findings and questioned costs as 2010-01 to be a significant deficiency.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the City of Pendleton'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 in a separate letter dated December 31, 2010.

The City of Pendleton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Pendleton's response and, accordingly, we express no opinion on it.

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

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Passenger Facility Charge Audit Guide for Public Agencies

December 31, 2010

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

Compliance

We have audited the compliance of the City of Pendleton with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. We have also audited the compliance of the City of Pendleton, Oregon with the compliance requirement described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration. The City of Pendleton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and passenger facility charges is the responsibility of the City of Pendleton's management. Our responsibility is to express an opinion on the City of Pendleton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Passenger Facility Charge Guide for Public Agencies.* Those standards, OMB Circular A-133, and the guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pendleton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Pendleton's compliance with those requirements.

As described in 2010-02 in the accompanying schedule of findings and questioned costs, the City of Pendleton did not comply with requirements regarding the monitoring of sub recipients over the Business Loan Incentive Program. Compliance with such requirements is necessary in our opinion for the City of Pendleton to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Pendleton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and to its passenger facility charge program for the year ended June 30, 2010.

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Internal Control Over Compliance

The management of the City of Pendleton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and passenger facility charge program. In planning and performing our audit, we considered the City of Pendleton's internal control over compliance with requirements that could have a direct and material effect on a major federal program and passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Pendleton's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-02 to also be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-02 to be a significant deficiency.

The City of Pendleton Oregon's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Pendleton, Oregon's responses and, accordingly, we express no opinion on the responses.

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

CITY OF PENDLETON, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2010

Note A – Basis of Accounting

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

Note B – Sub-recipients

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

Program Title	Federal CFDA Number	Amount Provided
Passed through the City of Pendleton to Eastern Oregon Drug Task Force	16.579	$ 81,285
Passed through the City of Pendleton to Horizon Project, Incorporated	14.228	$ 680,871

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Pass-Through Entity Identification Number	Federal CFDA Number	Federal Expenditures	
U.S. Department of Transportation:				
Direct programs:				
Airport Improvement Program		20.106	$ 1,094,967	**
Passed through the Oregon Department of Transportation:				
Rural and Small Urban Areas 5311	25829	20.509	73,517	
Rural and Small Urban Areas ARRA 5311	25640	20.509	104,494	
Elderly and Persons with Disabilities	26113	20.513	26,883	
Highway Planning and Construction	0911WKZN	20.205	3,501	
Passed through Oregon Association of Chiefs of Police:				
State and Community Highway Safety	09-35-15-0008	20.600	1,700	
Total U.S. Department of Transportation			1,305,062	
Department of Environmental Protection Agency:				
Passed through State of Oregon:				
Capitalization Grants for State Revolving Funds - ARRA	R06724	66.458	2,845,401	**
Institute of Museum and Library Services				
Passsed through Oregon State Library				
The Door is Open	9/9/2021	45.310	42,852	
Department of Housing and Urban Development:				
Passed through Oregon Economic and Community Development Department				
Business Loan Incentive Program	EO726	14.228	680,871	**
Department of Justice:				
Direct programs:				
Recovery Actit Justice Assistance Grant - ARRA	2009-SB-B9-0088	16.804	64,916	
Passed through State of Oregon Criminal Justice Services Division:				
Passed through City of Pendleton to Eastern Oregon Drug Task Force:				
Byrne Formula Grant Program		16.579	81,285	
Passed through Eastern Oregon Drug Task Force to City of Pendleton:				
Byrne Formula Grant Program	98-007	16.579	25,675	
Total U.S. Department of Justice			171,876	
Executive Office of the President				
Office of the National Drug Control Policy				
High Intensity Drug Trafficking Area	DOJ-HIDTA	07.XXX	117,935	
Total expenditures of Federal Funds			$ 5,163,997	

** Signifies Major Program

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF PENDLETON, OREGON
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For The Fiscal Year Ended June 30, 2010

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Passenger Facility Charges (PFC's)	N/A	$ 13,595

CITY OF PENDLETON, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2010

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING 2009-02: Business Loan Incentive Program – CFDA No. 14.228

Condition: This finding was a compliance finding and material weakness stating that the City did not adequately monitor the performance of the sub-grantee's program administration and reimbursements for program administration and management.

Recommendation: The auditor recommended that the City work closely with the State of Oregon to resolve the questioned items and increase their monitoring of the program.

Current Status: The recommendation was adopted and at the end of the 2010 fiscal year, the overall program, monitoring, and costs were determined to be in compliance by the State oversight agency and the program was closed out shortly after the end of the fiscal year. There were similar current year findings issued, which resulted from activity occurring prior to the issuance of the above findings and implementation of the recommendations.

DEPARTMENT OF TRANSPORTATION

FINDING 2009-03: Rural and Small Urban Areas 5311 – CFDA No. 20.509

Condition: This finding was a compliance finding and material weakness stating that the City was not properly reporting program revenue.

Recommendation: The auditor recommended that the City implement procedures to ensure that all program income is properly reported.

Current Status: The City refunded the $8,378 excess reimbursement and no similar findings were noted in the 2010 fiscal year audit.

CITY OF PENDLETON, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

01 The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Pendleton.

02 A significant deficiency in internal control was discovered by the audit of the basic financial statements of the City of Pendleton. The deficiency described below as 2010-01 is reported as a material weakness.

03 No instances of noncompliance material to the financial statements of the City of Pendleton, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

04 One significant deficiency in internal control over compliance for major federal programs was disclosed by the audit. The deficiency is reported as a material weakness.

05 The auditor's report on compliance for the Business Loan Incentive Program expresses a qualified opinion; the report on the remaining programs is unqualified.

06 Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.

07 The programs tested as a major programs included:

Airport Improvement Program (AIP)	CFDA # 20.106
Business Loan Incentive Program	CFDA # 14.228
Capitalization Grants for State Revolving Funds	CFDA # 66.458

08 The threshold for distinguishing Types A and B programs was $300,000.

09 The City of Pendleton was not determined to be a low-risk auditee.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2010-01

Condition and criteria: The City's controls over the reporting of capital asset additions is a manual process, and the capital asset summaries received from management did not include the Airport Connector Road constructed by the Oregon

Department of Transportation (ODOT). In addition, the records included Sunridge LID improvements, which had not yet been completed and contributed to the City.

Effect: Adjustments material to the financial statements were required to the capital asset records to add the Airport Connector Road and to remove the LID improvements.

Cause: The City had numerous projects in progress in the current year and the two items mentioned above were abnormal transactions. ODOT constructed most of the Airport Connector Road and the City was required to obtain information from ODOT to estimate the value donated to the City upon completion, which was not available at the time the capital asset records were created. The Sunridge LID project expenditures were paid by the City's LID Construction Fund, but will be reimbursed by the developer through an LID assessment. Additional discussions were held with Public Works to determine that the assets do not become property of the City until the project is complete, the LID assessment is finalized, and the public improvement contributions are donated to the City.

Auditor's recommendation: We recommend improved communications between departments of the City and funding agencies, and that additional procedures be implemented to ensure that public improvement contributions are accurately reflected in the capital asset records.

Management's response: Management agrees with the condition. Procedures have already been implemented in the 2011 fiscal year to accept public improvement contributions at the Council level, which was done with the contribution of Riverfront Park from the Pendleton Development Commission to the City.

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Business Loan Incentive Program – CFDA No. 14.228

2010-02

Condition and criteria: The City is a recipient of funds, which are passed through to Horizon Project, Inc. (a non-profit organization) to administer the program, as required by the grant. The City has the responsibility to monitor the sub-recipient's costs, reporting, and program administration. In the beginning of the year, the City did not oversee the performance of the sub-grantee enough to ensure compliance with reporting and program administration requirements. There were adjustments required to most of the reimbursement requests submitted to the State of Oregon Economic and Community Development Department (the State), questions from the State on verifying that the loan funds were used as intended, and the City did not publish the Fair Housing Resolution within six months of the first cash request. In addition, payments made to the sub-recipient for program management and grant administration are required to be reimbursements based on costs actually incurred. The invoices paid by the City lacked sufficient detail to show that the payments were based on costs actually incurred by the sub-recipient.

After identification of the above items, the State worked closely with the sub-recipient and the City to obtain additional documentation on the questioned items. Additional information was received verifying the use of the loan funds and the final two reimbursement requests and final closeout report appeared accurate and complete. The State also required the sub-recipient to provide additional information to substantiate the expenses reimbursed for program management and administration, which included expanding the invoice descriptions and providing a listing of hours and dates of services performed. These revised invoices listed hours to fit the original amount claimed at a rate of $100 per hour in most cases. At year end, the overall program, monitoring, and costs were determined to be in compliance by the State oversight agency and the program was closed out shortly after the close of the fiscal year.

Effect: The costs paid to the sub-recipient related to the program are potentially subject to disallowance. Current year program costs include $83,700 for program management and administration, $171 for legal expenses and $597,000 in loan funds distributed. However, the State has reviewed the program and associated costs and determined the program to be in compliance at year end.

Cause: The project was initiated through discussions between the Oregon Economic and Community Development Department and the non-profit organization. The City was approached to be the conduit of the funds to help benefit the community. Although the grant and sub grant agreements detail the responsibilities of the City, both agreements were written through negotiations directly between the State and the non-profit organization. The City received very little communication of what their responsibilities were under the program. As a result, the City was not fully aware of their responsibilities in the beginning of the year.

Population and Sample Size: The payments during the year consist of five payments for program administration, management and legal expenses and one payment to reimburse for the loan disbursement. 100% of the payments were considered in our sample.

Auditor's recommendation: We recommend that the City ensure that they have a full understanding of the program administration and monitoring requirements on future grant programs involving sub recipient organizations. The City should also obtain a copy of the sub recipient's 2010 audit report to verify that a Single Audit is performed on the Federal funds disbursed to the organization.

Management's response: The City is required by the Oregon Economic and Community Development Department (OECDD) to contract out the administration of this grant to a non profit third party. The City contracted with Horizon Projects for project administration. At year end, the overall program, monitoring, and costs were determined to be in compliance by the State oversight agency and the program was closed out shortly after the end of the fiscal year.