

**PENDLETON DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pendleton, Oregon)

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2009**

**PENDLETON DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pendleton, Oregon)

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**PENDLETON DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pendleton, Oregon)

**OFFICIALS OF THE AGENCY**  
**JUNE 30, 2009**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Term Expires</u> <u>December 31,</u>
Phillip Houk	707 NW 3 <sup>rd</sup> Street Pendleton, OR 97801	2012
Steve Taylor	514 SE 17th Pendleton, OR 97801	2010
John Brenne	PO Box 1404 Pendleton, OR 97801	2010
Justin Pearce	301 NW Gilliam Avenue Pendleton, OR 97801	2010
Becky Marks	PO Box 494 Pendleton, OR 97801	2012
Bryan Branstetter	911 NW Carden Avenue Pendleton, OR 97801	2012
Steven Bjerke	PO Box 1537 Pendleton, OR 97801	2010
Dan Ceniga	2130 SW Quinney Avenue Pendleton, OR 97801	2012
John Boston	1911 SW Perkins Avenue Pendleton, OR 97801	2010

**AGENCY ADDRESS**

Administrative Offices  
500 SW Dorion Avenue  
Pendleton, OR 97801



**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  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Pendleton Development Commission  
Pendleton, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pendleton Development Commission (*a component unit of the City of Pendleton, Oregon*) as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and each major fund of the Pendleton Development Commission, as of June 30, 2009, the respective changes in financial position, and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

A

**INDEPENDENT AUDITOR'S REPORT (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pendleton Development Commission's basic financial statements. The Supplemental Information and Auditor's Comments and Reports, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Pendleton Development Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dickey and Tremper, LLP*

Dickey and Tremper, LLP

Certified Public Accountants and Consultants

February 25, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENTS DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the Pendleton Development Commission Urban Renewal District (Agency) a component unit of the City of Pendleton for the year ended June 30, 2009. The analysis focuses on significant financial issues, major financial activities, budget changes and variances from the budget and specific issues related to funds and the economic factors affecting the Agency.

Management's Discussion and Analysis (MD&A) focuses on current year's activities. Please read it in conjunction with the City's financial statements and the Agency's financial statements which follow this discussion and analysis.

### Financial Highlights

- FY09 was the fourth year of operations for the Agency. The facade reimbursement program continued with \$280,154 reimbursed to property owners for downtown facade restorations by June 30<sup>th</sup>. Also new this year was one elevator and one storm sewer reimbursement grant for a total of \$112,000.
- The liabilities of the Agency exceeded its assets at the close of the fiscal year by \$673,399 (net assets).
- During the fiscal year, the Agency had expenses from governmental activities totaling \$690,967 and total governmental activity revenues of \$299,084.
- The Agency was indebted \$2,000,000 from an authorized loan towards facade restoration projects and other expenses of the Agency.
- The Agency funded partial replacement of windows at the Vert for \$36,938 and have continued progress with the Court Street and River Parkway improvements for \$95,877.
- Taxes received for the third year were \$279,191. Incremental tax revenues provide the vehicle for repayment debt incurred by the Agency.

### Overview of Financial Statements

Following the Management's Discussion and Analysis, this report is organized in three sections: basic financial statements including the notes to basic financial statements; supplementary information; and audit comments and disclosures. The Agency has two governmental funds. The two funds are the General Operating Fund and the Debt Service Fund. The Agency had no proprietary funds or business-type activity. The agency-wide statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information on all of the Agency'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 Agency is improving or deteriorating.

The *statement of activities* focuses on gross and net costs of the Agency programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

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

This report presents *required supplementary information* concerning budgetary comparisons for the general funds, and the budget to GAAP reconciliation in the basic financial statements and accompanying notes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This was the third fiscal year of operation for the Pendleton Downtown Commission Urban Renewal District

### A. Analysis of Net Assets

**Table 1**  
**Pendleton Development Commission**  
**Summary of Net Assets**

	<u>Governmental</u> <u>Activities</u>		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>Change</u>
<b>Assets</b>			
Current and other assets	\$ 343,618	\$ 661,147	\$ 317,529
Capital Assets	328,496	424,375	95,879
Assets available for sale	<u>308,726</u>	<u>308,726</u>	<u>-0-</u>
<b>Total assets</b>	<b><u>\$ 980,840</u></b>	<b><u>\$1,394,248</u></b>	<b><u>\$ 413,408</u></b>
 <b>Liabilities</b>			
Long-term liabilities outstanding	\$1,200,000	\$ 2,000,000	\$ 800,000
Other liabilities	<u>62,356</u>	<u>67,647</u>	<u>5,291</u>
<b>Total liabilities</b>	<b><u>\$1,262,356</u></b>	<b><u>\$2,067,647</u></b>	<b><u>\$ 805,291</u></b>
 <b>Net Assets</b>			
Restricted for debt service	\$ 301,695	\$ 489,547	\$ 187,852
Unrestricted (deficit)	<u>(583,211)</u>	<u>(1,162,946)</u>	<u>\$(579,735)</u>
 <b>Total Net Assets</b>	<b><u>\$ (281,516)</u></b>	<b><u>\$ (673,399)</u></b>	<b><u>\$(391,883)</u></b>

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the Agency however, tax dollars are required to be used for debt service only. The concept is to borrow dollars now to increase the assessed values of the properties which in turn increase the tax base for the urban renewal agency in the future.

**B. Statement of Changes in Net Activities**

**Table 2  
Pendleton Development Commission  
Governmental Activities**

	<u>FY2007-08</u>	<u>FY2008-09</u>	<u>Change</u>
<b>Revenues</b>			
<i>Program revenues:</i>			
Charges for services	\$ 9,575	\$ 130	\$ (9,445)
Operating grants & contributions	-0-	350	350
<i>General revenues:</i>			
Property taxes	205,562	287,991	82,429
Investment earnings	<u>9,697</u>	<u>10,613</u>	<u>916</u>
<b>Total revenues</b>	<b><u>\$224,834</u></b>	<b><u>\$ 299,084</u></b>	<b><u>\$ 74,250</u></b>
<b>Expenses</b>			
General government	\$420,646	\$ 562,356	\$ 141,710
Interest on long-term debt	<u>50,852</u>	<u>128,611</u>	<u>78,029</u>
<b>Total expenses</b>	<b><u>\$471,498</u></b>	<b><u>\$ 690,967</u></b>	<b><u>\$ 219,469</u></b>
Change in net assets	(246,664)	(391,883)	(145,219)
<b>Net assets – beginning</b>	<b><u>\$ (34,852)</u></b>	<b><u>\$(281,516)</u></b>	<b><u>\$(246,664)</u></b>
<b>Net assets -- ending</b>	<b><u>\$(281,516)</u></b>	<b><u>\$(673,399)</u></b>	<b><u>(391,883)</u></b>

As noted above, the Pendleton Development Commission's overall net assets decreased by \$391,883 during FY2008-09. This decrease is due to the incurring of additional debt for façade restoration, elevator and storm sewer grants, and various Court Street and Riverfront Parkway improvement construction. The fourth year saw the Agency tax collection of \$279,191. The tax increment revenue is restricted to repayment of debt. The major project for the Agency was the facade restoration project which spent \$280,154 in repayments to owners for reimbursement of facade improvements. Debt expense included interest payments of \$128,611.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Agency's General Fund total appropriations were budgeted at \$2,351,500. The budget adopted was for \$1,950,000 for materials and services, \$175,000 for capital outlay and a \$226,500 transfer to the Debt Service Fund. The budget was not amended during the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

Major events that affected capital assets for the current fiscal year included the funding of major improvements on Court Street, Westgate Intersection and Riverfront Park. The City had two properties demolished in the proximity of the proposed River Parkway entrance improvements on SW Court and riverfront property on the north side of the Umatilla River. The Commission also helped fund the replacement of windows at the Vert Auditorium.

**Pendleton Development Commission  
Governmental Activities  
Capital Assets**

	<u>FY2007-08</u>	<u>FY2008-09</u>	<u>Change</u>
<b>Asset Category</b>			
Land	\$ 234,695	\$ 248,681	\$ 13,986
Construction in Progress	93,801	175,694	81,893
Assets Available for Resale	<u>308,726</u>	<u>308,726</u>	<u>-0-</u>
<b>Total</b>	<u>\$ 637,222</u>	<u>\$ 733,101</u>	<u>\$ 95,879</u>

**B. Debt Administration**

As of June 30, 2009, the Agency had total debt outstanding of \$2,000,000.

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

**Table 3  
Pendleton Development Commission  
Outstanding Debt**

**Governmental Activities**

	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>Change</u>
<b>Debt Category</b>			
Notes Payable	<u>\$ 1,200,000</u>	<u>\$2,000,000</u>	<u>\$ 800,000</u>
<b>Total</b>	<u>\$ 1,200,000</u>	<u>\$2,000,000</u>	<u>\$ 800,000</u>

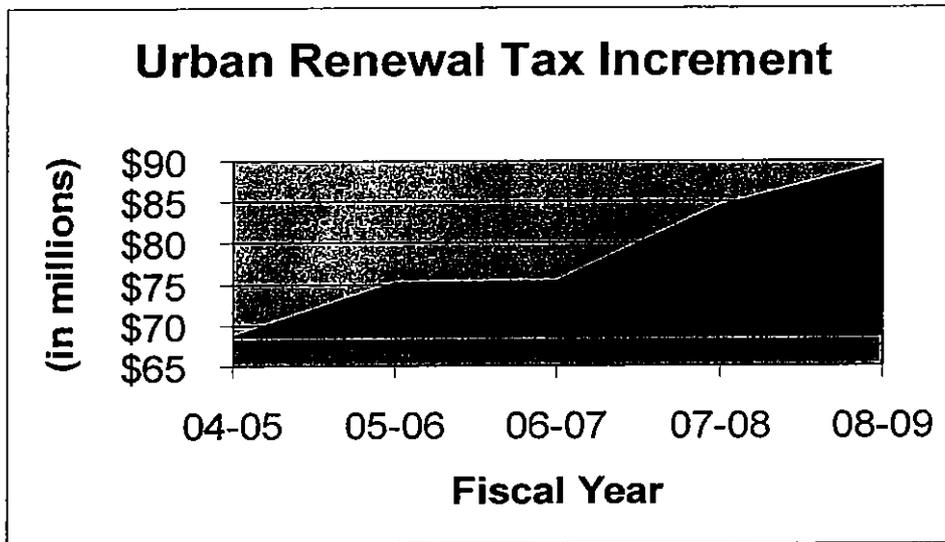
The Agency borrowed an additional \$800,000. There were two notes from one bank and those notes were combined and refinanced into one single note. Total debt as of June 30<sup>th</sup> was \$2,000,000. Tax revenues will be used to payoff debt.

Additional information on the Agency's debt can be found in the notes to the basic financial statements.

## ECONOMIC FACTORS

As an urban renewal agency, the Pendleton Development Commission receives tax increment revenues; calculated on the assessed value over the frozen base, which was set at the time the urban renewal district was formed. As the property values increase due to new development or improvements, the Agency will gain from that benefit then just the three percent tax increased allowed under Measure 50 which limited increased property tax revenues in future years to a maximum of three percent, with permitted allowances for increasing valuations based on new construction.

The following graph provides visual representation of assessed value increment of the Pendleton Development Commission's Urban Renewal Agency.



## REQUESTS FOR INFORMATION

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

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

## **BASIC FINANCIAL STATEMENTS**

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**PENDLETON DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pendleton, Oregon)**

**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 640,014
Receivables:	
Property taxes	21,133
Land	248,681
Construction in progress	175,694
Assets available for sale	<u>308,726</u>
 Total assets	 <u>1,394,248</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	12,647
Accrued interest payable	55,000
Long-term obligations:	
Due within one year	148,752
Due in more than one year	<u>1,851,248</u>
 Total liabilities	 <u>2,067,647</u>
<b>NET ASSETS</b>	
Restricted for debt service	489,547
Unrestricted (deficit)	<u>(1,162,946)</u>
 Total net assets (deficit)	 <u>\$ (673,399)</u>

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

**PENDLETON DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pendleton, Oregon)**

**STATEMENT OF ACTIVITIES**  
**For the fiscal year ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental activities:</b>						
General government	\$ 562,356	\$ 130	\$ 350	\$ -	\$ (561,876)	
Interest on long-term obligations	128,611	-	-	-	(128,611)	
<b>Total governmental activities</b>	<b><u>\$ 690,967</u></b>	<b><u>\$ 130</u></b>	<b><u>\$ 350</u></b>	<b><u>\$ -</u></b>	<b><u>(690,487)</u></b>	
General revenues:						
Property taxes levied for:						
Debt service						287,991
Interest and investment earnings						<u>10,613</u>
Total general revenues						<u>298,604</u>
Change in net assets						(391,883)
Net assets (deficit), beginning						<u>(281,516)</u>
Net assets (deficit), ending						<u><u>\$ (673,399)</u></u>

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

**PENDLETON DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pendleton, Oregon)**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

	General Fund	Urban Renewal District Debt Service Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 227,376	\$ 412,638	\$ 640,014
Receivables:			
Property taxes	-	21,133	21,133
Total assets	<u>\$ 227,376</u>	<u>\$ 433,771</u>	<u>\$ 661,147</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 12,647	\$ -	\$ 12,647
Deferred revenue	-	19,419	19,419
Total liabilities	12,647	19,419	32,066
<b>FUND BALANCE</b>			
Reserved for debt service	75,195	414,352	489,547
Unreserved	139,534	-	139,534
Total fund balance	214,729	414,352	629,081
Total liabilities and fund balance	<u>\$ 227,376</u>	<u>\$ 433,771</u>	<u>\$ 661,147</u>
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>			
Fund balance above			\$ 629,081
Long-term assets that are not available to pay for current-period expenditures are deferred in the funds.			19,419
Capital assets purchased by governmental activities are not financial resources and are not reported in the funds.			733,101
Long-term liabilities, including notes payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.			(2,055,000)
<b>Net assets (deficit) of governmental activities</b>			<u>\$ (673,399)</u>

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

**PENDLETON DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pendleton, Oregon)**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2009**

	General Fund	Urban Renewal District Debt Service Fund	Totals
<b>REVENUES</b>			
Property taxes	\$ -	\$ 279,191	\$ 279,191
Intergovernmental	350	-	350
Interest on investments	4,841	5,772	10,613
Miscellaneous	130	-	130
<b>TOTAL REVENUES</b>	<u>5,321</u>	<u>284,963</u>	<u>290,284</u>
<b>EXPENDITURES</b>			
Current:			
General government:			
Materials and services	541,974	23,500	565,474
Capital outlay	92,761	-	92,761
Debt service	-	73,611	73,611
<b>TOTAL EXPENDITURES</b>	<u>634,735</u>	<u>97,111</u>	<u>731,846</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(629,414)</u>	<u>187,852</u>	<u>(441,562)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Payment to refund debt	-	(2,000,000)	(2,000,000)
Issuance of debt	800,000	2,000,000	2,800,000
Transfers in	-	226,500	226,500
Transfers out	(226,500)	-	(226,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>573,500</u>	<u>226,500</u>	<u>800,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(55,914)	414,352	358,438
<b>FUND BALANCE, Beginning</b>	<u>270,643</u>	<u>-</u>	<u>270,643</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 214,729</u>	<u>\$ 414,352</u>	<u>\$ 629,081</u>

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

**PENDLETON DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pendleton, Oregon)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2009**

<b>Net change in fund balance - governmental fund</b>	\$ 358,438
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	8,800
Issuance of debt is a financial resource in the governmental fund, but the issuance increases long-term liabilities in the Statement of Net Assets.	(800,000)
Accrued interest payable reported in the Statement of Activities does not require the use of current financial resources, and is not reported as an expenditure in the governmental funds.	(55,000)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities capital assets held for rehabilitation and sale are capitalized until disposed.	<u>95,879</u>
<b>Change in net assets - governmental activities</b>	<u>\$ (391,883)</u>

**PENDLETON DEVELOPMENT COMMISSION**  
**(A Component Unit of the 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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 350	\$ 350
Interest on investments	20,000	20,000	4,841	(15,159)
Miscellaneous	5,000	5,000	130	(4,870)
<b>TOTAL REVENUES</b>	<u>25,000</u>	<u>25,000</u>	<u>5,321</u>	<u>(19,679)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	1,950,000	1,950,000	541,974	1,408,026
Capital outlay	175,000	175,000	92,761	82,239
<b>TOTAL EXPENDITURES</b>	<u>2,125,000</u>	<u>2,125,000</u>	<u>634,735</u>	<u>1,490,265</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>(629,414)</u>	<u>1,470,586</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,600,000	1,600,000	800,000	(800,000)
Transfers out	(226,500)	(226,500)	(226,500)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,373,500</u>	<u>1,373,500</u>	<u>573,500</u>	<u>(800,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(726,500)	(726,500)	(55,914)	670,586
<b>FUND BALANCE, Beginning</b>	<u>726,500</u>	<u>726,500</u>	<u>270,643</u>	<u>(455,857)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,729</u>	<u>\$ 214,729</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**PENDLETON DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pendleton, Oregon)

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Pendleton Development Commission (the Agency), a component unit of the City of Pendleton, Oregon, is the urban renewal agency of and controlled by the City of Pendleton (the City). The governing body is composed of the Mayor and City Council of the City of Pendleton.

**B. Inclusion of the Agency in Pendleton, Oregon, Comprehensive Annual Financial Report**

All significant activities and organizations for which the City exercises oversight responsibility have been included in the City's combined financial statements. The following criteria from Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

- Financial interdependency – the City receives financial support or provides financial benefit to the organization.
- Authoritative appointment of governing authority – Pendleton City Council is the organization's governing authority.

City management has determined that the Agency meets the criteria set forth above, and, therefore, is a blended component unit of the City. This report is issued solely to meet a State of Oregon, Department of Revenue interpretation of Oregon Revised Statutes that requires a separate audit report.

**C. Agency-wide and Fund Financial Statements**

The agency-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for the governmental funds.

#### **D. Measurement Focus, Basis of Accounting and Basis of Presentation**

The agency-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the Agency. 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 judgment, are recorded only when payment is due.

The Agency reports the following major governmental funds:

The *General Fund* is the Agency's primary operation fund. It accounts for the urban renewal projects. Revenues are from issuance of debt, and expenditures are for elimination of blighted conditions and urban developments as defined in the City's Urban Renewal Plan.

The *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.

#### **E. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **F. Cash and Cash Equivalents**

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

The Agency's bank accounts and investments are maintained in a central pool of cash and investments. The investment policy of the Agency is to invest in the Local Government Investment Pool (LGIP), U.S. Government Obligations, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments, authorized for municipal corporations. The Agency had no investments during the year.

#### **G. Receivables and Payables**

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in paragraph D above.

#### **H. Fund Equity**

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for specific uses. Generally the purpose for each is indicated by the account title on the face of the balance sheet.

#### **I. Long-Term Obligations**

In the agency-wide financial statements, long-term debt obligations are reported as liabilities in the Statement of Net Assets.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

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

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Agency established the levels of budgetary control at the materials and services, capital outlay, debt service, and all other requirement levels for all funds.

During the fiscal year ended June 30, 2009, no supplemental budgets were adopted. The Board of Directors must authorize all appropriation transfers and supplementary budgetary appropriations.

### 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 Agency at June 30, 2009. If bank deposits at year end are not entirely insured or collateralized by the Agency or by its agent in the Agency's name, the Agency must disclose the custodial credit risk that exists. The Agency'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, 2009, the carrying amount of the Agency's deposits was \$640,014 and the bank balance was \$684,695. All deposits are held in the name of the Pendleton Development Commission (blended component unit). Of the bank balance, \$300,866 was covered by federal depository insurance. The remaining \$383,829 was collateralized under ORS 295.

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

Credit risk. State statutes authorize the Agency to invest primarily in general obligations of the US 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 Agency has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The Agency is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 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 Agency has no such investments.

Interest Rate Risk. The Agency 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.

The Agency's cash and cash equivalents at June 30, 2009 are shown below:

Carrying amount of deposits	<u>\$ 640,014</u>
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**B. Receivables**

At June 30, 2009, the Agency's receivables are as follows:

Property taxes \$ 21,133

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by Umatilla County and remittance to the Agency is made at periodic intervals. The Agency levied taxes at its maximum taxing authority. After reductions for offsets and additional taxes and penalties, this resulted in a net levy of \$295,853. Following is a summary of property tax transactions for the year ended June 30, 2009:

	Balances July 1, 2008	2008-09 Levy	Adjustments Interest and (Discounts)	Collections	Balances June 30, 2009
2008-09	\$ -	\$ 296,853	\$ (7,901)	\$ (274,428)	\$ 14,524
2007-08	8,493	-	48	(3,692)	4,849
2006-07	2,268	-	66	(854)	1,480
2005-06	524	-	38	(282)	280
	<u>\$ 11,285</u>	<u>\$ 296,853</u>	<u>\$ (7,749)</u>	<u>\$ (279,256)</u>	<u>\$ 21,133</u>

**C. 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 agency-wide financial statements report *deferred revenue* only for amounts that have been received, but not earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds included \$19,419 in unavailable property taxes.

**D. Capital Assets**

The Pendleton Development Commission purchased property in the Urban Renewal District for future development and for refurbishment and sale and has construction in progress for park and infrastructure improvements, which will revert to the City of Pendleton upon completion. A summary of the capital asset activity during the year is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 234,695	\$ 13,986	\$ -	\$ 248,681
Land available for sale	308,726	-	-	308,726
Construction in progress	93,801	81,893	-	175,694
Total non-depreciable	<u>\$ 637,222</u>	<u>\$ 95,879</u>	<u>\$ -</u>	<u>\$ 733,101</u>

**E. Long – Term Obligations**

The Pendleton Development Commission established a line of credit to finance both approved projects and general operations of the Agency. The line of credit was authorized for \$600,000, and is to be repaid from property taxes. The line of credit was refinanced during the year with permanent financing.

The Pendleton Development Commission established a second line of credit to finance both approved projects and general operations of the Agency. The line of credit is authorized for \$1,400,000 and is to be repaid from property taxes. The Agency drew down the remaining \$800,000 of the line of credit during the year and refinanced the loan payable with permanent financing by year end.

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. The interest rate is set at 5.5% and the maturity date is September 2010. No funds had been requested on the credit line as of June 30, 2009. Credit may be amended to increase the amount to \$2,500,000, at which point it shall bear interest at a fixed rate to be set at the time the amount is increased and shall be based on the Federal Home Loan Bank of Seattle 12-month index, plus 4.25%, with a minimum rate of 5.5%. There is no prepayment penalty and property tax revenues are pledged to the loan.

The Pendleton Development Commission refinanced the existing 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	Interest
2010	\$ 148,752	\$ 132,000
2011	158,569	122,182
2012	169,035	111,717
2013	180,191	100,560
2014	192,084	88,668
2015-2019	1,151,369	235,591
	<u>\$ 2,000,000</u>	<u>\$ 790,718</u>

Changes in long-term obligations for the fiscal year ended June 30, 2009, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	<u>\$ 1,200,000</u>	<u>\$ 2,800,000</u>	<u>\$ (2,000,000)</u>	<u>\$ 2,000,000</u>	<u>\$ 148,752</u>

## **F. Risk Management**

The Agency 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 Agency carries commercial insurance coverage in the name of the City.

## **G. Commitments, Contingencies, and Subsequent Events**

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:

- \$371,864 towards the Court/Dorion intersection and landscaping.
- \$400,000 for construction of a new park on Court Street.
- Approximately \$350,000 for façade, storm drain, and other improvements.
- \$100,000 towards restrooms at Roy Raley Park and \$65,000 towards sidewalks and street realignment. The City has also committed \$100,000 towards the restroom project.
- \$63,351 towards utility/infrastructure improvements on SW 1<sup>st</sup> Street, \$25,000 to bury utilities, and \$5,000 for Main Street sidewalk repair.

The Pendleton Development Commission, a blended component unit, has approved three engineering contracts for park and intersection improvements. At June 30, 2009, \$175,694 of the estimated \$199,678 has been expended on design and engineering costs and the design portion of the projects was 88% complete. The construction portion of the contract has not yet been approved.

As discussed above in note III. E, the Pendleton Development Commission has a loan approval with Banner Bank for up to \$1,500,000. The Pendleton Development Commission received \$500,000 in additional loan funds subsequent to year end.

The Pendleton Development Commission approved the new Jump Start program and established a budget of up to \$150,000 to be used for property owner loans. The Commission also approved a demolition program to encourage the removal of blighted buildings and replacing them with more valuable buildings.

## **SUPPLEMENTAL INFORMATION**

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**PENDLETON DEVELOPMENT COMMISSION**  
**(A Component Unit of the 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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 327,000	\$ 327,000	\$ 279,191	\$ (47,809)
Interest on investments	-	-	5,772	5,772
<b>TOTAL REVENUES</b>	<u>327,000</u>	<u>327,000</u>	<u>284,963</u>	<u>(42,037)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	23,500	23,500	23,500	-
Debt service	<u>311,500</u>	<u>311,500</u>	<u>73,611</u>	<u>237,889</u>
<b>TOTAL EXPENDITURES</b>	<u>335,000</u>	<u>335,000</u>	<u>97,111</u>	<u>237,889</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(8,000)</u>	<u>(8,000)</u>	<u>187,852</u>	<u>195,852</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Payment to refund debt	-	-	(2,000,000)	(2,000,000) **
Issuance of debt	-	-	2,000,000	2,000,000
Transfers in	<u>226,500</u>	<u>226,500</u>	<u>226,500</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>226,500</u>	<u>226,500</u>	<u>226,500</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	218,500	218,500	414,352	195,852
<b>FUND BALANCE, Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 218,500</u>	<u>\$ 218,500</u>	<u>\$ 414,352</u>	<u>\$ 195,852</u>

\*\* Exempt from Oregon Budget Law

**AUDITOR'S COMMENTS AND REPORTS**

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## 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 following:

### **Accounting Systems and Internal Controls**

We found that the accounting records of the Agency were generally well maintained and adequate for audit purposes. The internal controls for the Agency are operating as designed and no material weakness or reportable conditions were noted.

### **Investments**

Our review of deposit and investment balances indicated that the Agency was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2009.

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

### **Indebtedness**

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

### **Budget**

We reviewed the preparation, adoption and execution of the Agency's budget for 2008-09 and the preparation and adoption of the budget for 2009-10. The Agency has complied with statutory requirements in all material respects for the current and ensuing year's budget.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The Agency established the levels of budgetary control at materials and services, capital outlay, and debt service.

### **Insurance And Fidelity Bonds**

The Agency is covered by insurance and fidelity bonds under the City's policies. We reviewed the City's insurance and fidelity bond coverage at June 30, 2009, 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, 2009, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

### **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 Agency complied with 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 accounting records.

### **Highway Funds**

The Agency does not receive Highway Funds.

### **Public Contracts And Purchasing**

We have reviewed the Agency'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 Agency's bidding procedures or quote procedures.

### **Statement of Accountability for Independently Elected Officials**

This statement is not applicable to the Pendleton Development Commission.