

**A RESOLUTION ACCEPTING THE CITY OF  
LEBANON AUDIT REPORT FOR YEAR ENDING  
JUNE 30, 2012**

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**RESOLUTION NO. 2013-1**

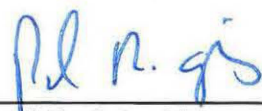
WHEREAS, ORS 297 establishes the laws requiring an annual financial audit of a municipal corporation's financial statements at least once every fiscal year by a qualified independent auditor,

WHEREAS, For the fiscal year ending June 30, 2012 the firm of Grove, Mueller & Swank certified public accountants performed the financial audit of the City of Lebanon's financial statements now therefore,

BE IT RESOLVED, that the City of Lebanon hereby accepts the audit report and management letter for the audit of the City's financial statements for the fiscal year ending June 30, 2012.

Passed by the Lebanon City Council and executed by the Mayor on this 9<sup>th</sup> day of January 2013, by a vote of 5 yeas and 0 nays.

CITY COUNCIL OF LEBANON, OREGON

  
\_\_\_\_\_  
Paul R. Aziz, Mayor

ATTEST:

  
\_\_\_\_\_  
Linda Kaser, City Clerk

***CITY OF LEBANON, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2012***

**CITY OF LEBANON, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2011**

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**MAYOR**

**Term Expires**  
**December**

Ken Toombs  
1299 Franklin Street  
Lebanon, Oregon 97355

2012

**COUNCIL MEMBERS**

Margaret Campbell  
701 N. 5<sup>th</sup> Street  
Lebanon, Oregon 97355

2012

Wayne Rieskamp  
887 West Cedar Drive  
Lebanon, Oregon 97355

2014

Floyd Fisher  
532 South Main  
Lebanon, Oregon 97355

2014

Ray Weldon  
1610 South 4th Street  
Lebanon, Oregon 97355

2012

Ron Miller  
1115 Franklin Street  
Lebanon, Oregon 97355

2012

Bob Elliott  
795 Binshadler  
Lebanon, Oregon 97355

2014

**CITY ADMINISTRATOR**

John Hitt  
925 S. Main  
Lebanon, Oregon 97355

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## **GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

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

To the Honorable Mayor, Members of the  
City Council  
City of Lebanon  
925 South Main  
Lebanon, Oregon 97355

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 Lebanon, Oregon as of and for the year ended June 30, 2012, 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'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.

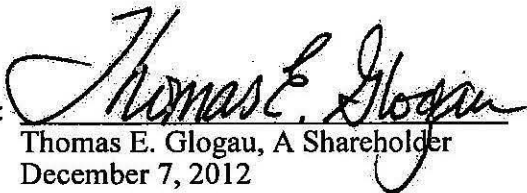
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Oregon as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 3 through 14) and budgetary comparison information (pages 44 through 46) 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 MD&A 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. The budgetary comparison information on pages 44 through 46 is the responsibility of management and was derived from and relates 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund financial statements and schedules and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules 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 other schedules have 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 them.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By:   
Thomas E. Glogau, A Shareholder  
December 7, 2012

## Management's Discussion and Analysis

Readers of the City of Lebanon's Annual Financial Report are offered this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012 by management. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the financial statements, which follow this section.

### Financial Highlights

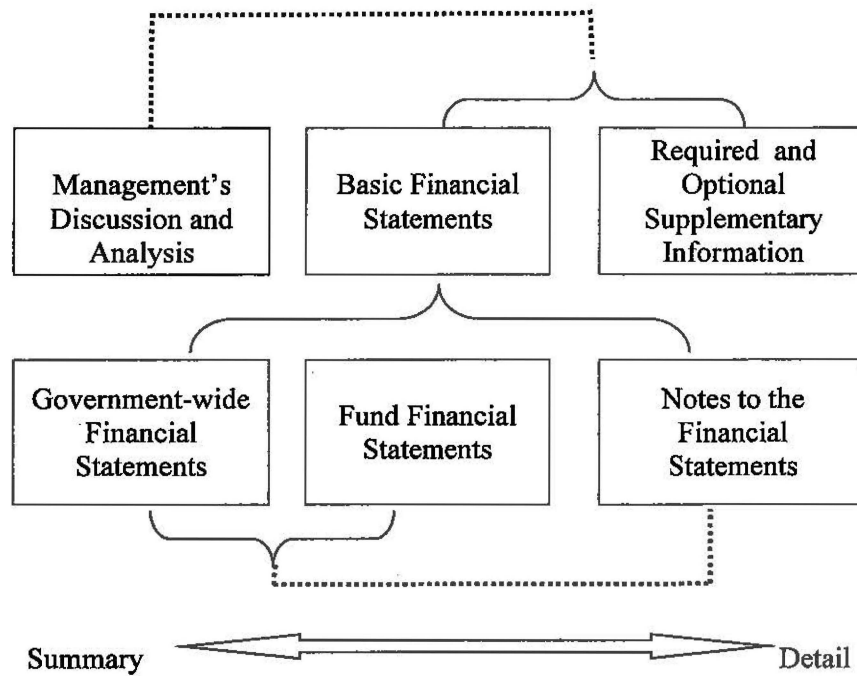
	June 30,		
	2012	2011	Change
Net assets	\$ 51,381,694	\$ 48,726,729	\$ 2,654,965
Change in net assets	2,654,965	1,293,523	1,361,442
Governmental net assets	27,302,344	27,165,783	136,561
Proprietary net assets	24,079,350	21,560,946	2,518,404
Change in governmental net assets	136,561	(6,341)	142,902
Change in business-type net assets	2,518,404	1,299,864	1,218,540

### Overview of the Financial Statements

This annual report is comprised of four segments as dictated by Generally Accepted Accounting Principles (GAAP): management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City of Lebanon.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of Lebanon's government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements explain how general government services like public safety were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Water/Sewer and Storm drain Utilities.

**Illustration A-1**  
**Required Components of**  
**City of Lebanon's Annual Financial Report**



The financial statements also include *notes*, which elaborate on some of the information in the financial statements that provide more detailed data. These financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Illustration A-2 summarizes the major features of the City's financial statements. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Illustration A-2**

**Major Features of City of Lebanon's Government-wide and Fund Financial Statements**

	Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire and public works	Activities the City operates similar to private businesses; Water/Sewer utility, Refuse, Airport, Ice Rink, Land Development, and Golf Course
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net assets *Statement of revenues, expenses and changes in net assets *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements** The government-wide financial statements are designed to provide readers with a broad overview of the City of Lebanon's finances in a manner similar to a private-sector business. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. These statements can be located on pages 15-16 of this document.

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 indicate the improvement or deterioration of the City's financial position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (called governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (called business-type activities). The governmental activities of the City include police, library, senior services, parks, general administration, public works, and community development. The business-type activities of the City include water/wastewater and storm drain utilities.

**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 two categories: governmental funds and proprietary 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 short-term inflows and outflows of expendable 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 short-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 short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lebanon maintains nine individual 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, Intergovernmental, Capital Projects, Debt Service, and NW Urban Renewal funds, all of which are considered to be major funds. Data from the other four funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 51-54 of this report.

The City adopts an annual appropriated budget for its General Fund, along with all other funds. Budgetary comparison statements have been provided for the General Fund and major special revenue funds as required supplementary information to demonstrate compliance with this budget. Budgetary comparisons for all other funds have been provided as other supplementary information.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

***Proprietary Funds*** The City of Lebanon has one enterprise fund comprised of seven departments. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water, water CIP, small water line, wastewater, wastewater CIP, railroad, and storm drainage operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund departmental financial statements provide detailed information for the departments listed above.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

***Fiduciary Funds*** Fiduciary funds are used to account for assets held by the City as an agent for other governmental units, other organizations, or individuals.

The City maintains one fiduciary fund which accounts for transactions involving employee benefits.

The fiduciary fund financial statement can be found on page 24 of this report.

**Notes to the Basic 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 and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 25-45 of this report.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison schedules for the General Fund and all major special revenue funds. This information can be found on pages 46-48 of this report.

**Supplementary Information** Supplementary information includes the combining statements referred to earlier in connection with non-major governmental funds; budgetary comparisons for funds not presented as part of RSI; and other financial schedules. This information can be found on pages 47-69 of this report.

#### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$51,381,694 at the close of FY 11-12. This represented a \$2,654,965 or 5% increase in net assets.

**Statements of Net Assets  
As of June 30,**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 16,044,586	\$ 14,156,881	\$ 3,707,327	\$ 7,477,190	\$ 19,751,913	\$ 21,634,071
Capital assets	38,461,359	41,421,157	35,831,831	30,643,070	74,293,190	72,064,227
<b>Total assets</b>	<b>54,505,945</b>	<b>55,578,038</b>	<b>39,539,158</b>	<b>38,120,260</b>	<b>94,045,103</b>	<b>93,698,298</b>
Current and other liabilities	425,551	522,052	375,665	444,301	801,216	966,353
Long-term debt	26,778,050	27,890,203	15,084,143	16,115,013	41,862,193	44,005,216
<b>Total liabilities</b>	<b>27,203,601</b>	<b>28,412,255</b>	<b>15,459,808</b>	<b>16,559,314</b>	<b>42,663,409</b>	<b>44,971,569</b>
<b>Net assets</b>						
Investment in capital assets, net of debt	13,644,687	15,495,558	21,094,263	19,734,883	34,738,950	35,230,441
Restricted	11,651,475	9,823,696	372,011	372,511	12,023,486	10,196,207
Unrestricted	2,006,182	1,846,529	2,613,076	1,453,552	4,619,258	3,300,081
<b>Total net assets</b>	<b>\$ 27,302,344</b>	<b>\$ 27,165,783</b>	<b>\$ 24,079,350</b>	<b>\$ 21,560,946</b>	<b>\$ 51,381,694</b>	<b>\$ 48,726,729</b>

The largest portion of the City's net assets (67%) reflects the City's investment in capital assets (land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City's investment in capital assets decreased \$491,491 or 1% from June 30, 2011. The City's major capital assets are investments in infrastructure – the water, and wastewater systems of treatment plants and collection/distribution facilities, and the street and sidewalk system. The City uses the 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 the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets totaling \$12,023,486 or 23% represent resources that are subject to external restrictions on how they may be used. This represents a decrease in the dollar value of the City's restricted net assets from June 30, 2011 of \$1,827,279 or 18%. The remaining balance of unrestricted net assets, \$4,619,258 may be used to meet the City's ongoing obligations to citizens and creditors.

Unrestricted net assets for governmental activities totaled \$2,006,182 or 7% of the total net assets for governmental activities. Business-type activities unrestricted net assets totaled \$2,613,076 or 11% of the total net assets for business-type activities. At the end of FY 11-12, for the government as a whole, the City of Lebanon is able to report positive balances in all three categories of net assets.

**Statements of Activities**  
**For the years ended June 30,**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<i>Revenues</i>						
Program revenues						
Fines, fees, charges for services	\$ 2,287,842	\$ 2,046,883	\$ 8,304,690	\$ 7,238,339	\$ 10,592,532	\$ 9,285,222
Operating grants and contributions	431,089	698,919	-	-	431,089	698,919
Capital grants and contributions	174,335	317,596	-	-	174,335	317,596
General revenues						
Property tax	8,519,914	7,315,737	19,755	16,521	8,539,669	7,332,258
Franchise fees	1,458,442	1,408,226	-	-	1,458,442	1,408,226
Intergovernmental	380,371	352,981	-	-	380,371	352,981
Miscellaneous	183,769	294,479	131,630	273,736	315,399	568,215
Gain on sale of assets	63,090	217,868	-	-	63,090	217,868
<b>Total revenues</b>	<b>13,498,852</b>	<b>12,652,689</b>	<b>8,456,075</b>	<b>7,528,596</b>	<b>21,954,927</b>	<b>20,181,285</b>
<i>Expenses</i>						
General government	2,492,201	594,854	-	-	2,492,201	594,854
Community services and development	8,692,710	7,981,729	-	-	8,692,710	7,981,729
Public safety	4,237,377	4,479,340	-	-	4,237,377	4,479,340
Interest on long-term debt	1,058,118	1,568,703	-	-	1,058,118	1,568,703
Water	-	-	1,030,323	1,631,653	1,030,323	1,631,653
Storm drain utility	-	-	73,141	78,525	73,141	78,525
Wastewater	-	-	1,716,092	2,552,491	1,716,092	2,552,491
Railroad	-	-	-	467	-	467
<b>Total expenses</b>	<b>16,480,406</b>	<b>14,624,626</b>	<b>2,819,556</b>	<b>4,263,136</b>	<b>19,299,962</b>	<b>18,887,762</b>
<i>Change in net assets before transfers</i>	<i>(2,981,554)</i>	<i>(1,971,937)</i>	<i>5,636,519</i>	<i>3,265,460</i>	<i>2,654,965</i>	<i>1,293,523</i>
<i>Transfers</i>	<i>3,118,115</i>	<i>1,965,596</i>	<i>(3,118,115)</i>	<i>(1,965,596)</i>	<i>-</i>	<i>-</i>
<i>Change in net assets</i>	<i>136,561</i>	<i>(6,341)</i>	<i>2,518,404</i>	<i>1,299,864</i>	<i>2,654,965</i>	<i>1,293,523</i>
<i>Beginning net assets</i>	<i>27,165,783</i>	<i>27,172,124</i>	<i>21,560,946</i>	<i>20,261,082</i>	<i>48,726,729</i>	<i>47,433,206</i>
<i>Ending net assets</i>	<i>\$ 27,302,344</i>	<i>\$ 27,165,783</i>	<i>\$ 24,079,350</i>	<i>\$ 21,560,946</i>	<i>\$ 51,381,694</i>	<i>\$ 48,726,729</i>

- Governmental activities increased the City's net assets by \$136,561 during the year. This was due mainly to increases in property taxes and fines, fees and charges for services, increases in general government and community services expenditures, and decreases in public safety expenditures and interest on long-term debt.
- Business-type activities increased the City's net assets by \$2,518,404 during the year. There was one user fee increase during the year, and decreases in water and wastewater expenditures.

**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.

**Governmental Funds** The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a city's net resources available for spending at

the end of the fiscal year.

As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$11,775,014, an increase of \$1,821,910.

The General Fund is the main operating fund for the City. Unassigned fund balance of the General Fund was \$1,036,100 at the end of FY 11-12. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The fund balance represents 13% of the total General Fund operating expenditures.

The fund balance of the General Fund decreased \$140,516 during the year. Revenues increased by 3% while total expenses increased 43%. Most of the revenue increase occurred in licenses and permits while the operating expense increase was spread across all general fund departments. This was due mainly to an internal change as to how personnel and administrative costs are charged to various funds.

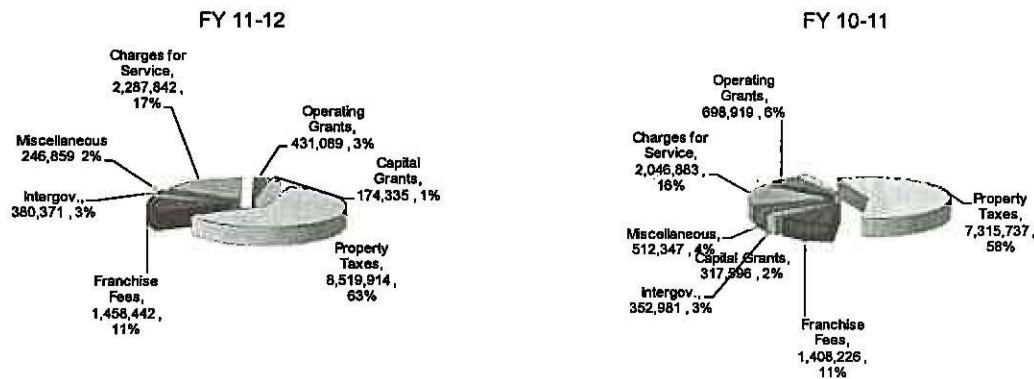
In the Intergovernmental Fund, the fund balance decreased \$54,904 during the year, due mainly to an increase in transfers out.

The NW Urban Renewal Fund balance increased \$2,346,885 from the prior year. Debt service accounted for the majority of expenditures.

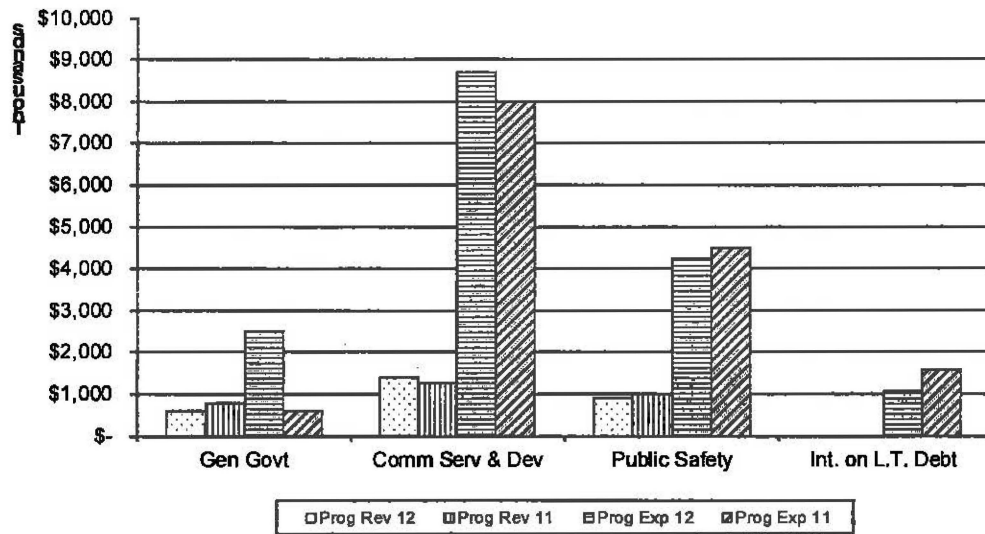
The Debt Service fund showed a \$57,148 increase for the year due mainly to a decrease in debt service expenditures.

In the Capital Projects Fund, the ending fund balance was \$520,796 lower than the prior year, due mainly to capital outlay expenditures. Projects included IT virtualization project, westside interceptor, 2012 street preservation project and equipment acquisition and replacement.

Revenue by Source - Governmental Funds



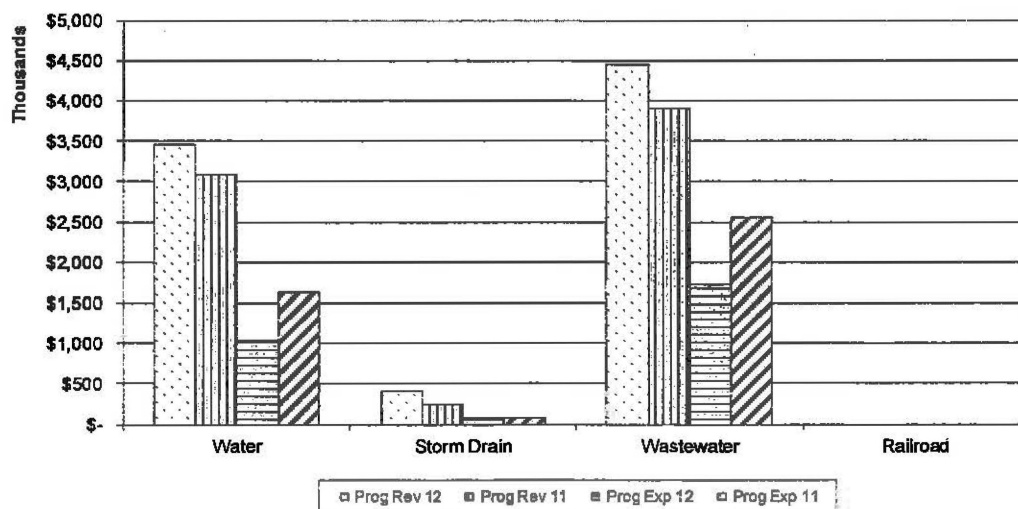
Program Revenue and Expenses - Governmental Funds



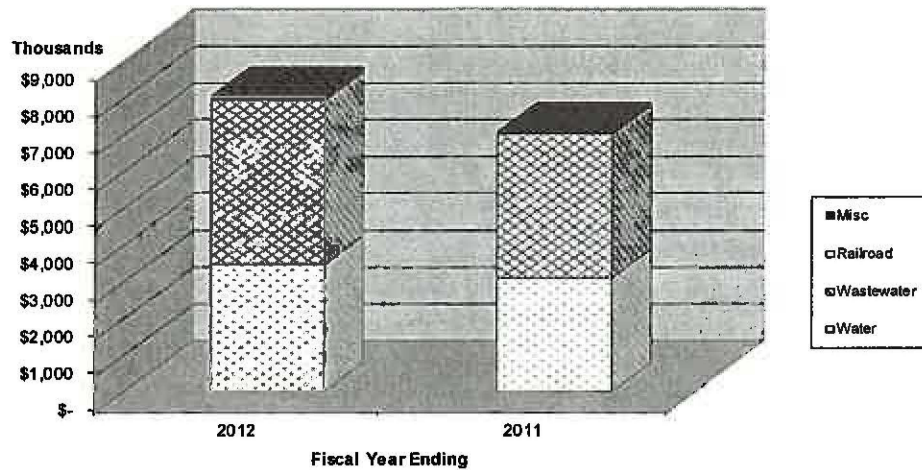
**Proprietary Funds** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary fund increased the City's net assets by \$2,518,404 during the year. Key elements of this increase are as follows:

- Water and Wastewater fees increased by 15% and 12% effective July 1, 2012. Stormwater fees were implemented effective July 1, 2011 on all properties located in the City of Lebanon. Rates are \$2.94 for single family residents, on commercial property, \$10.69 for less than ¼ acre, \$26.72 for ¼ to ½ acre and \$58.78 for property over ½ acre.

Program Revenue and Expenses - Business-type Activities



#### Revenues by Source - Business-type Activities



### General Fund Budgetary Highlights

There were small differences between the original budget and final amended budget during the year. The City Council adopted resolutions to accomplish the following:

1. Small reduction in transfers due to change in FTE allocations
2. Increase in office equipment in the administration department
3. Increase in attorney expenses due to change in contract

### Capital Asset and Debt Administration

**Capital Assets** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$74,293,190, (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, machinery and equipment, office equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 3%. This total includes a 7% decrease in governmental activities and a 12% increase in business-type activities.

Major capital asset events during FY 11-12 included the following:

- Improvements to City Library and new vehicles; mower, excavator, police and public works vehicles totaling \$330,473
- Street improvements; Academy project and Glenwood Preservation totaling \$213,269
- Infrastructure projects for water and wastewater totaling \$1,165,541

**Capital Assets**  
**As of June 30,**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,361,657	\$ 2,361,657	\$ 1,103,142	\$ 1,103,142	\$ 3,464,799	\$ 3,464,799
Buildings & improvements	18,419,585	18,404,299	8,424,953	8,424,953	26,844,538	26,829,252
Vehicles & rolling stock	2,131,949	1,985,081	1,010,549	1,010,549	3,142,498	2,995,630
Machinery & equipment	3,102,929	2,933,587	4,346,625	4,347,647	7,449,554	7,281,234
Infrastructure	63,514,615	63,301,346	41,325	41,325	63,555,940	63,342,671
Water & sewer systems	-	-	29,335,316	28,169,772	29,335,316	28,169,772
Construction in process	7,083	7,083	5,808,054	845,271	5,815,137	852,354
Accumulated depreciation	(51,076,459)	(47,571,896)	(14,238,133)	(13,299,589)	(65,314,592)	(60,871,485)
<b>Net capital assets</b>	<b>\$38,461,359</b>	<b>\$41,421,157</b>	<b>\$35,831,831</b>	<b>\$30,643,070</b>	<b>\$74,293,190</b>	<b>\$72,064,227</b>

Additional information on capital assets can be found on pages 37-38 in the notes to the financial statements.

**Long-Term Debt** The City had total debt outstanding of \$41,225,764 at the end of the year. Of this amount \$24,816,672 comprised debt backed by the full faith and credit of the government, \$14,737,568 is revenue supported, backed by the revenue of the water and wastewater utility operation, and \$1,671,524 is limited-tax debt supported by operating funds of the City.

**Outstanding Debt**  
**As of June 30,**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 17,280,000	\$ 17,930,000	\$ -	\$ -	\$ 17,280,000	\$ 17,930,000
Revenue bonds	-	-	14,737,568	15,778,187	14,737,568	15,778,187
Pension obligation bonds	1,671,524	1,699,158	-	-	1,671,524	1,699,158
General fund SPWF	1,596,637	1,658,031	-	-	1,596,637	1,658,031
NW URD SPWF	3,225,035	3,327,568	-	-	3,225,035	3,327,568
NW URD Refunding bonds	2,715,000	3,010,000	-	-	2,715,000	3,010,000
<b>Total debt outstanding</b>	<b>\$26,488,196</b>	<b>\$27,624,757</b>	<b>14,737,568</b>	<b>\$15,778,187</b>	<b>\$41,225,764</b>	<b>\$43,402,944</b>

The City's total debt decreased by \$2,177,180, or 5%, during the year. The increase was the net result of payments made on debt.

Additional information on the City of Lebanon's long-term debt can be found on pages 39-41 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Property tax revenue was projected to increase 1% in FY 12-13 based on the same rate of increase in the assessed value.
- Health insurance rates are projected to increase, per agreements City out of pocket expense is capped at \$1,337.25.
- PERS contribution rates were budgeted at 14.3% for FY 12-13 plus the 6% employer pickup.
- Utility revenue for water, stormwater and wastewater are projected to increase 12.4%, 25.8% and 17.7%, respectively, from growth in the number of customers, rate increases, and consumption. There is a 10% wastewater

rate increase, 2.6% stormwater rate increase and a 15% water rate increase planned for FY 12-13 in support of the water/wastewater CIP program and projects, approved by council.

All of these factors were considered when preparing the budget for the 2013 fiscal year.

During FY 11-12, projected unassigned fund balances in the General Fund were \$770,000. Actual unassigned fund balance increased to \$1,060,625. The City of Lebanon has appropriated \$1,060,625 of this amount for spending in FY 12-13, including contingency of \$763,358, or 10.7% of the General Fund adjusted total. The budgeted contingency as a percent of the General Fund total in FY 11-12 was 9.7%. The City Council has established a goal of building this amount to approximately 10% of the General Fund total or \$718,379.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Lebanon's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, City of Lebanon, 925 S. Main Street, Lebanon, Oregon 97355.

## ***BASIC FINANCIAL STATEMENTS***



**CITY OF LEBANON, OREGON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Cash and investments	\$ 11,508,958	\$ 2,476,959	\$ 13,985,917
Accounts receivable	561,290	981,113	1,542,403
Prepaid expenses	633	2,292	2,925
Property taxes receivable	728,289	1,659	729,948
Special assessments/loans	527,388	-	527,388
Court fines receivable	1,046,505	-	1,046,505
Prepaid pension asset	1,671,523	-	1,671,523
Deferred charges		245,304	245,304
Nondepreciable capital assets	2,368,740	6,911,196	9,279,936
Other depreciable capital assets, net	36,092,619	28,920,635	65,013,254
<i>Total Assets</i>	<i>54,505,945</i>	<i>39,539,158</i>	<i>94,045,103</i>
<b>LIABILITIES</b>			
Accounts payable	223,618	55,199	278,817
Deposits	-	208,680	208,680
Accrued interest payable	201,933	111,786	313,719
Noncurrent liabilities:			
Due within one year:			
Loan payable	174,969	276,853	451,822
Bonds payable	1,055,293	802,424	1,857,717
Accrued compensated absences	49,955	19,187	69,142
Due in more than one year:			
Loan payable	4,646,703	3,109,649	7,756,352
Bonds payable	20,611,231	10,548,642	31,159,873
Bond premium	-	247,761	247,761
Accrued compensated absences	239,899	79,627	319,526
<i>Total Liabilities</i>	<i>27,203,601</i>	<i>15,459,808</i>	<i>42,663,409</i>
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	13,644,687	21,094,263	34,738,950
Restricted for:			
Debt service	53,530	372,011	425,541
Construction	4,145,094	-	4,145,094
Community development	7,452,851	-	7,452,851
Unrestricted	2,006,182	2,613,076	4,619,258
<i>Total Net Assets</i>	<i>\$ 27,302,344</i>	<i>\$ 24,079,350</i>	<i>\$ 51,381,694</i>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

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<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government	\$ 2,492,201	\$ 412,294	\$ 6,731	\$ 174,335
Community services and development	8,692,710	1,018,635	380,753	-
Public safety	4,237,377	856,913	43,605	-
Interest on long-term debt	1,058,118	-	-	-
<b>Total Governmental Activities</b>	<b>16,480,406</b>	<b>2,287,842</b>	<b>431,089</b>	<b>174,335</b>
<b>Business-type Activities:</b>				
Water	1,030,323	3,447,945	-	-
Storm drain utility	73,141	403,867	-	-
Wastewater	1,716,092	4,452,878	-	-
<b>Total Business-type Activities</b>	<b>2,819,556</b>	<b>8,304,690</b>	<b>-</b>	<b>-</b>
<b>Total Activities</b>	<b>\$ 19,299,962</b>	<b>\$ 10,592,532</b>	<b>\$ 431,089</b>	<b>\$ 174,335</b>

**General Revenues:**

Property taxes - general purposes  
Property taxes - debt service  
Franchise taxes  
Intergovernmental  
Miscellaneous  
Gain on disposal of assets

**Total General Revenues**

**Transfers**

**Change in Net Assets**

**Net Assets, July 1, 2011**

**Net Assets, June 30, 2012**

***Net (Expenses) Revenues and  
Changes in Net Assets***

<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Totals</i></b>
\$ (1,898,841)	\$ -	\$ (1,898,841)
(7,293,322)	-	(7,293,322)
(3,336,859)	-	(3,336,859)
(1,058,118)	-	(1,058,118)
(13,587,140)	-	(13,587,140)
-	2,417,622	2,417,622
-	330,726	330,726
-	2,736,786	2,736,786
-	5,485,134	5,485,134
(13,587,140)	5,485,134	(8,102,006)
7,147,312	19,755	7,167,067
1,372,602	-	1,372,602
1,458,442	-	1,458,442
380,371	-	380,371
183,769	131,630	315,399
63,090	-	63,090
10,605,586	151,385	10,756,971
3,118,115	(3,118,115)	-
136,561	2,518,404	2,654,965
27,165,783	21,560,946	48,726,729
<u>\$ 27,302,344</u>	<u>\$ 24,079,350</u>	<u>\$ 51,381,694</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

		<i>Special Revenue</i>	
	<i>General</i>	<i>Inter- governmental</i>	<i>NW Urban Renewal</i>
<b>ASSETS</b>			
Cash and investments	\$ 1,024,361	\$ 1,127,771	\$ 5,312,307
Accounts receivable	202,452	105,733	-
Prepaid expenses	-	-	-
Property taxes receivable	325,612	-	238,354
Special assessments/loans	-	524,705	2,683
Court fines receivable	1,046,505	-	-
	<u>1,046,505</u>	<u>-</u>	<u>-</u>
<i>Total Assets</i>	<u>\$ 2,598,930</u>	<u>\$ 1,758,209</u>	<u>\$ 5,553,344</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 135,480	\$ 58,739	\$ 895
Deferred revenues	1,297,032	528,022	176,169
Due to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities</i>	<u>1,432,512</u>	<u>586,761</u>	<u>177,064</u>
<b>Fund Balances</b>			
Nonspendable	-	-	-
Restricted for:			
Capital outlay	-	-	-
Community development	-	1,084,797	5,376,280
Committed to:			
Public safety	-	-	-
Insurance reserves	24,525	86,651	-
Debt service	-	-	-
Unassigned	1,141,893	-	-
	<u>1,141,893</u>	<u>-</u>	<u>-</u>
<i>Total Fund Balances</i>	<u>1,166,418</u>	<u>1,171,448</u>	<u>5,376,280</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,598,930</u>	<u>\$ 1,758,209</u>	<u>\$ 5,553,344</u>

<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 3,896,605	\$ 226,439	\$ 11,587,483
-	250,857	2,248	561,290
-	-	633	633
132,054	-	32,269	728,289
-	-	-	527,388
-	-	-	1,046,505
<u>\$ 132,054</u>	<u>\$ 4,147,462</u>	<u>\$ 261,589</u>	<u>\$ 14,451,588</u>
\$ -	\$ 2,368	\$ 26,136	\$ 223,618
97,174	250,857	25,177	2,374,431
78,524	-	-	78,524
175,698	253,225	51,313	2,676,573
-	-	633	633
-	3,894,237	-	3,894,237
-	-	176,388	6,637,465
-	-	2,426	2,426
-	-	-	111,176
-	-	30,829	30,829
(43,644)	-	-	1,098,249
(43,644)	3,894,237	210,276	11,775,015
<u>\$ 132,054</u>	<u>\$ 4,147,462</u>	<u>\$ 261,589</u>	<u>\$ 14,451,588</u>

*The accompanying notes are an integral part of the financial statements.*



**CITY OF LEBANON, OREGON**

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

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<i>Fund Balances</i>	\$ 11,775,015
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	2,374,431
The prepaid pension asset is not available to pay for current period expenditures and is therefore not a financial resource.	1,671,523
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	
Capital asset cost	89,537,818
Accumulated depreciation	(51,076,459)
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	
Accrued interest payable	(201,933)
Loans payable	(4,821,672)
Bonds payable	(21,666,524)
Accrued compensated absences	(289,854)
<i>Net assets of governmental activities</i>	<u>\$ 27,302,345</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2012**

	<i>General</i>	<i>Inter- governmental</i>	<i>NW Urban Renewal</i>
<b>REVENUES</b>			
Taxes and assessments	\$ 3,430,616	\$ 39,553	\$ 3,448,208
Licenses and permits	1,872,231	236,727	-
Charges for services	9,121	-	-
Intergovernmental	371,632	1,308,749	-
Fines and forfeitures	428,185	-	-
Miscellaneous	154,581	146,495	30,624
<i>Total Revenues</i>	<i>6,266,366</i>	<i>1,731,524</i>	<i>3,478,832</i>
<b>EXPENDITURES</b>			
Current operating:			
General government	1,265,957	-	-
Community services and development	2,428,840	3,389,062	66,737
Public safety	4,325,771	-	-
Capital outlay	21,060	364,198	-
Debt service			
Principal	61,394	-	397,533
Interest	73,565	-	234,834
<i>Total Expenditures</i>	<i>8,176,587</i>	<i>3,753,260</i>	<i>699,104</i>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,910,221)</b>	<b>(2,021,736)</b>	<b>2,779,728</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,310,010	2,646,751	-
Transfers out	(497,602)	(679,919)	(432,843)
Proceeds from sale of capital assets	63,090	-	-
<i>Total Other Financing Sources (Uses)</i>	<i>1,875,498</i>	<i>1,966,832</i>	<i>(432,843)</i>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(34,723)</b>	<b>(54,904)</b>	<b>2,346,885</b>
<b>FUND BALANCES, Beginning of year</b>	<b>1,201,141</b>	<b>1,226,352</b>	<b>3,029,395</b>
<b>FUND BALANCES, End of year</b>	<b>\$ 1,166,418</b>	<b>\$ 1,171,448</b>	<b>\$ 5,376,280</b>

<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 1,395,540	\$ 141,749	\$ 373,914	\$ 8,829,580
-	-	-	2,108,958
-	-	-	9,121
152,111	2,049	-	1,834,541
-	-	106,458	534,643
11,572	77,850	21,852	442,974
1,559,223	221,648	502,224	13,759,817
-	-	-	1,265,957
-	119,233	12,178	6,016,050
-	2,264	123,505	4,451,540
-	853,387	-	1,238,645
677,634	-	-	1,136,561
930,233	-	-	1,238,632
1,607,867	974,884	135,683	15,347,385
(48,644)	(753,236)	366,541	(1,587,568)
-	293,840	-	5,250,601
-	(61,400)	(232,448)	(1,904,212)
-	-	-	63,090
-	232,440	(232,448)	3,409,479
(48,644)	(520,796)	134,093	1,821,911
5,000	4,415,033	76,183	9,953,104
\$ (43,644)	\$ 3,894,237	\$ 210,276	\$ 11,775,015

*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

---

*Net change in fund balances - total governmental funds* \$ 1,821,911

Amounts reported for governmental activities in the statement of activities are different  
because:

Governmental funds defer revenues that do not provide current financial resources.

However, the Statement of Activities recognizes such revenues at their net realizable value  
when earned, regardless of when received. 82,982

The amortization of the prepaid pension asset does not require the outlay of current  
financial resources and is not recorded as an expenditure in the governmental funds (27,634)

Governmental funds do not report expenditures for unpaid compensated absences, interest  
expense, or arbitrage since they do not require the use of current financial resources.  
However, the Statement of Activities reports such expenses when incurred, regardless  
of when settlement ultimately occurs.

Accrued interest payable 106,948

Accrued compensated absences (24,408)

Capital outlays are reported as expenditures in governmental funds. However, the  
Statement of Activities allocates the cost of capital outlay over their estimated useful  
lives as depreciation expense.

Capital outlay 544,765

Depreciation (3,504,563)

Proceeds from the issuance of long-term debt provide current financial resources to  
governmental funds and are reported as revenues. In the same way, repayments of  
long-term debt use current financial resources and are reported as expenditures in  
governmental funds. However, neither the receipt of debt proceeds nor the payment of  
debt principal affect the Statement of Activities, but are reported as increases and  
decreases in noncurrent liabilities in the Statement of Net Assets.

Debt principal paid 1,136,561

*Change in net assets of governmental activities.* \$ 136,562

*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2012**

---

**ASSETS**

**Current assets**

Cash and investments	\$ 2,476,959
Accounts receivable	981,113
Property taxes receivable	1,659
Prepaid expenses	2,292

*Total Current Assets* 3,462,023

**Noncurrent assets**

Deferred charges	245,304
Nondepreciable capital assets	6,911,196
Other capital assets, net of depreciation	28,920,635

*Total Assets* 39,539,158

**LIABILITIES**

**Current liabilities**

Accounts payable	55,199
Deposits	208,680
Accrued interest payable	111,786
Loan payable - current portion	276,853
Bonds payable - current portion	802,424
Compensated absences - current portion	19,187

*Total Current Liabilities* 1,474,129

**Noncurrent liabilities**

Loans payable	3,109,649
Bonds payable	10,548,642
Bond premium	247,761
Compensated absences payable	79,627

*Total Noncurrent Liabilities* 13,985,679

*Total Liabilities* 15,459,808

**NET ASSETS**

Investment in capital assets (net of related debt)	21,094,263
Restricted for debt service	372,011
Unrestricted	2,613,076

*Total Net Assets* \$ 24,079,350

*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2012**

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**OPERATING REVENUES**

Charges for services	\$ 8,324,446
Miscellaneous	114,856

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*Total Operating Revenues* 8,439,302

**OPERATING EXPENSES**

Personal services	526,646
Materials and services	1,177,439
Depreciation	939,564

---

*Total Operating Expenses* 2,643,649

---

**OPERATING INCOME** 5,795,653

**NONOPERATING REVENUES (EXPENSES)**

Interest income	16,774
Interest expense	(582,945)

---

*Total Nonoperating Revenue (Expenses)* (566,171)

---

**INCOME BEFORE TRANSFERS** 5,229,482

**TRANSFERS**

Transfers in (cash)	3,456,839
Transfers in (noncash)	5,998,270
Transfers out (cash)	(6,803,228)
Transfers out (noncash)	(5,362,959)

---

*Total Transfers* (2,711,078)

---

**CHANGE IN NET ASSETS** 2,518,404

**NET ASSETS, Beginning of year** 21,560,946

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**NET ASSETS, End of year** \$ 24,079,350

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*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2012**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 8,478,187
Cash paid to employees for services	(503,504)
Cash paid to suppliers for goods and services	(1,303,417)
<i>Net Cash Provided by Operating Activities</i>	<u>6,671,266</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Transfers in	3,456,839
Transfers out	(6,803,228)
<i>Net Cash Used in Non-Capital Financing Activities</i>	<u>(3,346,389)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	(5,493,015)
Principal paid on contracts/bonds payable	(1,040,619)
Interest paid	(596,242)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(7,129,875)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	16,774
<i>Net Change in Cash and Investments</i>	<u>(3,788,224)</u>

**CASH AND INVESTMENTS, Beginning of year** 6,265,183

**CASH AND INVESTMENTS, End of year** \$ 2,476,959

**RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING INCOME (LOSS)**

Operating income	\$ 5,795,653
Depreciation	939,564
<i>Change in assets and liabilities</i>	
Accounts receivable	(19,940)
Prepaid expenses	(2,292)
Accounts payable	(123,686)
Compensated absences payable	23,142
Deposits	58,825
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 6,671,266</u></u>
Capital asset transfers in from governmental activities	<u><u>\$ 635,310</u></u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF LEBANON, OREGON**

**STATEMENT OF FIDUCIARY NET ASSETS AND CHANGES IN NET ASSETS – AGENCY FUND**  
**YEAR ENDED JUNE 30, 2012**

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**STATEMENT OF FIDUCIARY NET ASSETS**

**ASSETS**

Cash and investments	\$ 103,582
Accounts receivable	52,856
	<hr/>
Total assets	156,438

**LIABILITIES**

Accounts payable	15,933
Accrued expenses payable	140,505
	<hr/>
Total liabilities	156,438

<b>NET ASSETS</b>	<b>\$ -</b>
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**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

<b>ADDITIONS</b>	<b>\$ 30,713</b>
<b>DEDUCTIONS</b>	<b>(30,713)</b>
	<hr/>
<b>CHANGE IN NET ASSETS</b>	<b>-</b>
<b>NET ASSETS, June 30, 2011</b>	<b>-</b>
	<hr/>
<b>NET ASSETS, June 30, 2012</b>	<b>\$ -</b>

*The accompanying notes are an integral part of the financial statements.*

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*The Financial Reporting Entity*

The City of Lebanon, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2012.

The governing boards of Cheadle Lake Urban Renewal Agency, Northwest Gateway Urban Renewal Agency and Northwest Urban Renewal Agency of the City of Lebanon consist of all of the members of the Lebanon City Council. The area served by the Agencies is either within the existing City limits of the City of Lebanon or under a delayed annexation agreement requiring annexation to the City at the option of the Lebanon City Council. Cheadle Lake Urban Renewal Agency, Northwest Gateway Urban Renewal Agency and Northwest Urban Renewal Agency are reported as blended component units of the City. These agencies issue separate financial statements. The financial statements for these component units can be obtained from the agencies at 925 Main St., Lebanon, Oregon 97355 or on the City's website at [www.ci.lebanon.or.us](http://www.ci.lebanon.or.us).

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

*Basic Financial Statements*

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

*Government-wide financial statements* display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. Fiduciary funds are excluded from the government-wide statements.

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*. When both restricted and unrestricted resources are available for use, the City's policy is to utilize the restricted resources first; unrestricted resources are then utilized as needed.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general, special revenue, capital projects, debt service), proprietary type funds and fiduciary. Major individual governmental funds, governmental and major individual proprietary funds

**CITY OF LEBANON, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basic Financial Statements (Continued)*

are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the other supplementary information.

*Basis of Presentation*

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

The reporting model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

*General Fund* - this fund accounts for the activities of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees and state and county shared revenues. Primary expenditures are for police protection, parks, planning and general government.

*Special Revenue Funds*

*Intergovernmental Fund* - this fund accounts for revenue derived from specific tax or other earmarked revenue sources, including state gas tax, grants and funds set aside to finance particular functions or activities.

*Northwest Urban Renewal Fund* - this fund accounts for revenue derived from specific tax or other earmarked revenue sources set aside to finance development in the Northwest urban renewal district.

*Debt Service Fund*

*Debt Service Fund* - The Debt Service Fund accounts for the payment of principal and interest on general obligation bonds.

*Capital Projects Fund*

*Capital Projects Fund* - the City has one capital projects fund which accounts for revenue derived from system development charges, grants and other earmarked revenue sources to be used in acquisition of capital assets or construction of major capital projects not being financed by the proprietary fund.

The City reports the following nonmajor governmental funds:

*Special Revenue Funds*

*Cheadle Lake Urban Renewal Fund* - this fund accounts for revenue derived from specific tax or other earmarked revenue sources set aside to finance development in the Cheadle Lake urban renewal district.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of Presentation (Continued)*

*Special Revenue Funds (Continued)*

*Northwest Gateway Urban Renewal Fund* - this fund accounts for revenue derived from specific tax or other earmarked revenue sources set aside to finance development in the Northwest Gateway urban renewal district.

*Bail Refund Fund* - this fund accounts for bails received from defendants awaiting a court appearance.

*Debt Service Fund*

*Bancroft Bond Fund* – This Fund accounts for the collection of assessments and debt service payments.

The City reports one major proprietary fund:

*Enterprise Fund*

The City has one enterprise fund, which is comprised of six departments. These departments account for the acquisition, operation and maintenance of the municipal sewer, water and storm drain systems.

The City reports one agency fund:

*Recorder Fund* - this fund accounts for transactions involving employee benefits.

Agency funds are used to account for assets held by the City as an agent for other governmental units, other organizations, or individuals.

*Fund Balance*

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council takes formal action that places specific constraints on how the resources may be used. The City Council can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's Annual Financial Report.

## **CITY OF LEBANON, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

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#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### *Fund Balance (Continued)*

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds. Any negative fund balances in funds other than the General Fund will also be reported as unassigned.

##### *Definitions of Governmental Fund Types*

The General Fund is used to account for all financial resources not accounted for in another fund. Principal sources of revenues are property taxes, franchise fees and state and county shared revenues. Primary expenditures are for police protection, parks, planning and general government.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Debt Service Funds are utilized to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

##### *Measurement Focus and Basis of Accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets are segregated into investment in capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

**CITY OF LEBANON, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Receivables for court fines and permits are offset by deferred revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary funds are accounted for utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred. The proprietary funds have adopted, under GASB No. 20, not to follow FASB pronouncements issued after November 30, 1989, unless specifically adopted by GASB.

Interfund transfers, interfund services provided and used, interfund reimbursements and interfund payables and receivables are all interfund activities. The effect of interfund activities and administrative charges are eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated from the government-wide statements since elimination would distort the program revenues and direct costs of the City's functions.

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.

*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 reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2012. Actual results may differ from such estimates.

*Cash and Investments*

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the State Treasurer's Investment Pool.

Investments are stated at cost, which approximates fair value. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale. The fair value adjustment is an "unrealized" gain or loss and is reported with other interest income. No investments are carried at amortized cost.

**CITY OF LEBANON, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Investments (Continued)*

It is the City's policy to report at amortized cost all short-term, highly liquid money market investments (including corporate bonds, commercial paper, bankers' acceptances, municipal bonds, US Treasury and US Agency obligations) and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase. Investments with a remaining maturity at time of purchase or more than one year are valued at fair value in accordance with GASB Statement No. 31.

For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include cash and investment pool amounts since they have the characteristics of demand deposits.

*Receivables and Deferred Revenues*

Receivables for state, county and local shared revenues, court fines and special assessment loans included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the business-type funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue on the fund financial statements.

Interest earned on assessments in the governmental fund types is accrued when due and is approximately offset by the related improvement bond interest expenditure which is also recognized when due.

*Prepaid Pension Obligation Costs*

The City issued debt in 2002 to fund a portion of the City's Public Employees Retirement System (PERS) unfunded actuarial liability. The amount that was paid to PERS was recorded as prepaid pension obligation cost in the year of debt issuance and is amortized based on the debt retirement schedule over the life of the debt issue.

*Capital Assets*

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets (Continued)*

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of fixed assets are included in operations.

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure is those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in governmental activities consists of roads, bridges, sidewalks, and traffic and lighting systems. Infrastructure reported in business-type activities consists of water, stormwater and wastewater collection systems.

As permitted by the reporting model, the City has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ended after June 30, 1980. Although, the majority of such infrastructure was placed in service before that date, it has not been included in these financial statements since they have been primarily depreciated.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis.

Buildings	50 years
Water and sewer systems	40 years
Equipment	5-40 years
Infrastructure	50 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized.

*Long-Term Debt*

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. Unmatured long-term debt related to governmental activities is recorded on the Statement of Net Assets.

**CITY OF LEBANON, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Accrued Vacation Pay*

Accumulated vested vacation pay is accrued in the enterprise funds as it is earned by employees. In governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds and the amount payable from future resources is recorded on the Statement of Net Assets. Accrued compensated absences are generally paid by all funds except the debt service funds. Sick pay, which does not vest, is recorded in all funds when leave is taken.

*Budget and Budgetary Accounting*

A budget is prepared for each fund. Appropriations are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes. Budgets are adopted at the department level in the general fund and expenditure type for other funds. The budgets for the enterprise fund are adopted on the same basis as the budgets for the governmental funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. During the fiscal year ended June 30, 2012, minor appropriation transfers were made and approved by the City Council.

**CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed as part of "cash and investments."

Cash and investments are comprised of the following at June 30, 2012:

	<i>Carrying Value</i>	<i>Fair Value</i>
<b>Cash</b>		
Cash on hand	\$ 1,800	\$ 1,800
Deposits with financial institutions	1,905,021	1,905,021
<b>Investments</b>		
Local Government Investment Pool	9,471,792	9,471,792
Securities	2,607,304	2,607,304
	<u>\$ 13,985,917</u>	<u>\$ 13,985,917</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

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**CASH AND INVESTMENTS (Continued)**

*Deposits*

The City's deposits with various financial institutions had a bank value of \$2,212,857 at June 30, 2012. The difference is due to transactions in process. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

*Custodial Risk - Deposits*

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2012, \$1,962,857 of the City's bank balances were in excess of FDIC limits and covered by the PFCP.

*Investments*

As of June 30, 2012, the City held the following investments and maturities:

<i>Investment type</i>	<i>Carrying Value</i>	<i>Average Maturity (years)</i>	<i>Percent of Investment Portfolio</i>
Local government investment pool	\$ 9,471,792	< one year	78%
Corporate bonds and notes	1,807,304	< one year	15%
Corporate bonds and notes	800,000	< 15 months	7%
	<u>\$ 12,079,096</u>		<u>100%</u>

The "average maturity in years" calculation assumes that all investments are held until maturity.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the investments above, except for the investment in the Local Government Investment Pool which is not evidenced by securities, are held in an independent third-party safekeeping institution in the City of Lebanon's name.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

**CASH AND INVESTMENTS (Continued)**

*Investments (Continued)*

The City's policy, which adheres to State of Oregon law, is to limit its investments to the following: Issuers within Oregon must be rated "A" (bonds) or A-2 / P-2 (commercial paper) or better by Standard & Poor's, Moody's Investors Service or any other nationally recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1 / P-1 (commercial paper) or better.

At June 30, 2012, the City's investments are rated as follows:

**Rating by Investors Services**

<i>Investment type</i>	<i>LGIP</i>	<i>Securities</i>	<i>Total</i>
Not rated	\$ 9,471,792	\$ -	\$ 9,471,792
Moody Aaa	-	323,639	323,639
Moody A1	-	230,497	230,497
Moody Aa3	-	253,168	253,168
Fitch A+	-	500,000	500,000
Fitch A	-	500,000	500,000
S&P AA	-	300,000	300,000
S&P A	-	500,000	500,000
	<u>\$ 9,471,792</u>	<u>\$ 2,607,304</u>	<u>\$ 12,079,096</u>

The City's policy for investing in individual issuers varies depending on the type of investments. U.S. treasury and agency securities do not have restrictions regarding concentration with any one issuer.

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and 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). At June 30, 2012, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

**Interest Rate Risk**

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting investment maturity.

**CITY OF LEBANON, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2012

**CASH AND INVESTMENTS (Continued)****Custodial Risk - Investments**

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

**RECEIVABLES**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Accounts and other	\$ 202,452	\$ 107,981	\$ 250,857	\$ -	\$ 981,113	\$ 1,542,403
Property taxes	325,612	270,623	-	132,054	1,659	729,948
Special assessments / loans	-	527,388	-	-	-	527,388
Court fines	1,046,505	-	-	-	-	1,046,505
	<u>\$ 1,574,569</u>	<u>\$ 905,992</u>	<u>\$ 250,857</u>	<u>\$ 132,054</u>	<u>\$ 982,772</u>	<u>\$ 3,846,244</u>

**Property Taxes - Collection Procedures**

Taxes are levied on July 1 and are payable in three installments due November 15, February 15, and May 15. The County bills and collects property taxes for the City.

	<u>Balances July 1, 2011</u>	<u>2011-2012 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2012</u>
<i>General and Debt Service Fund</i>						
Current	\$ -	\$ 4,967,204	\$ 1,046	\$ (164,578)	\$ (4,595,364)	\$ 208,308
Prior	449,591	-	271	(48,612)	(151,892)	249,358
	<u>\$ 449,591</u>	<u>\$ 4,967,204</u>	<u>\$ 1,317</u>	<u>\$ (213,190)</u>	<u>\$ (4,747,256)</u>	<u>\$ 457,666</u>

**CITY OF LEBANON, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

**RECEIVABLES (Continued)**

**Property Taxes - Collection Procedures (Continued)**

	<b>Balances July 1, 2011</b>	<b>2011-2012 Levy</b>	<b>Added to Rolls</b>	<b>Interest, Discounts &amp; Adjustments</b>	<b>Collections</b>	<b>Balances June 30, 2012</b>
<i>NW Urban Renewal</i>						
Current	\$ -	\$ 3,634,664	\$ 765	\$ (120,427)	\$ (3,362,577)	\$ 152,425
Prior	156,692	-	99	(15,905)	(54,957)	85,929
	<u>\$ 156,692</u>	<u>\$ 3,634,664</u>	<u>\$ 864</u>	<u>\$ (136,332)</u>	<u>\$ (3,417,534)</u>	<u>\$ 238,354</u>
<i>Cheadle Lake Urban Renewal</i>						
Current	\$ -	\$ 220,224	\$ 46	\$ (7,297)	\$ (203,738)	\$ 9,235
Prior	19,599	-	12	(2,173)	(6,474)	10,964
	<u>\$ 19,599</u>	<u>\$ 220,224</u>	<u>\$ 58</u>	<u>\$ (9,470)</u>	<u>\$ (210,212)</u>	<u>\$ 20,199</u>
<i>NW Gateway Urban Renewal</i>						
Current	\$ -	\$ 170,271	\$ 36	\$ (5,642)	\$ (157,525)	\$ 7,140
Prior	8,574	-	7	(1,044)	(2,607)	4,930
	<u>\$ 8,574</u>	<u>\$ 170,271</u>	<u>\$ 43</u>	<u>\$ (6,686)</u>	<u>\$ (160,132)</u>	<u>\$ 12,070</u>
<i>Wastewater</i>						
Current	\$ -	\$ 21,220	\$ 4	\$ (703)	\$ (19,632)	\$ 889
Prior	1,369	-	1	(150)	(450)	770
	<u>\$ 1,369</u>	<u>\$ 21,220</u>	<u>\$ 5</u>	<u>\$ (853)</u>	<u>\$ (20,082)</u>	<u>\$ 1,659</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

**CAPITAL ASSETS**

The changes in the capital assets for governmental activities for the year ended June 30, 2012 are as follows:

	<i>Balances July 1, 2011</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2012</i>
Land	\$ 2,361,657	\$ -	\$ -	\$ 2,361,657
Construction in progress	7,083	-	-	7,083
<i>Total nondepreciable assets</i>	<i>2,368,740</i>	<i>-</i>	<i>-</i>	<i>2,368,740</i>
Buildings and improvements	18,404,299	15,286	-	18,419,585
Machinery and equipment	2,933,587	169,342	-	3,102,929
Vehicles and rolling stock	1,985,081	146,868	-	2,131,949
Infrastructure	63,301,346	213,269	-	63,514,615
<i>Total depreciable assets</i>	<i>86,624,313</i>	<i>544,765</i>	<i>-</i>	<i>87,169,078</i>
Accumulated depreciation:				
Building	(1,738,617)	(858,965)	-	(2,597,582)
Machinery and equipment	(2,290,172)	206,529	-	(2,083,643)
Vehicles and rolling stock	(1,245,722)	(128,995)	-	(1,374,717)
Infrastructure	(42,297,385)	(2,723,132)	-	(45,020,517)
<i>Total accumulated depreciation</i>	<i>(47,571,896)</i>	<i>(3,504,563)</i>	<i>-</i>	<i>(51,076,459)</i>
<i>Total capital assets, net</i>	<i>\$ 41,421,157</i>	<i>\$ (2,959,798)</i>	<i>\$ -</i>	<i>\$ 38,461,359</i>

Depreciation expense was charged as follows:

General government	\$ 560,730
Community services and development	2,908,787
Public safety	35,046
<b>Total</b>	<b>\$ 3,504,563</b>

**CITY OF LEBANON, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2012****CAPITAL ASSETS (Continued)**

The summary of capital assets for the business-type activities for the year ended June 30, 2012 is as follows:

	<i>Balances July 1, 2011</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2012</i>
Land	\$ 1,103,142	\$ -	\$ -	\$ 1,103,142
Construction in progress	845,271	4,962,783		5,808,054
<i>Total nondepreciable assets</i>	<i>1,948,413</i>	<i>4,962,783</i>	<i>-</i>	<i>6,911,196</i>
Buildings	8,424,953	-	-	8,424,953
Machinery and equipment	4,347,647	-	(1,022)	4,346,625
Vehicles and rolling stock	1,010,549	-	-	1,010,549
Infrastructure	41,325	-	-	41,325
Water/sewer assets	28,169,775	1,165,541	-	29,335,316
<i>Total depreciable assets</i>	<i>41,994,249</i>	<i>1,165,541</i>	<i>(1,022)</i>	<i>43,158,768</i>
Accumulated depreciation:				
Building	(3,791,367)	(118,846)	-	(3,910,213)
Machinery and equipment	(705,579)	(54,408)	-	(759,987)
Vehicles and rolling stock	(2,448,276)	(108,849)	-	(2,557,125)
Infrastructure	(22,729)	(2,066)	-	(24,795)
Water/sewer assets	(6,331,640)	(655,395)	1,022	(6,986,013)
<i>Total accumulated depreciation</i>	<i>(13,299,591)</i>	<i>(939,564)</i>	<i>1,022</i>	<i>(14,238,133)</i>
<i>Total capital assets, net</i>	<i>\$ 30,643,071</i>	<i>\$ 5,188,760</i>	<i>\$ -</i>	<i>\$ 35,831,831</i>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

**LONG-TERM OBLIGATIONS**

Long-term debt transactions for the year were as follows:

	<i>Outstanding July 1, 2011</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2012</i>	<i>Due Within One Year</i>
<b>Governmental activities</b>					
2002 Pension Obligation bonds	\$ 1,699,158	\$ -	\$ (27,634)	\$ 1,671,524	\$ 30,293
2007 GO Refunding	17,930,000	-	(650,000)	17,280,000	725,000
NWURD SPWF	3,327,568	-	(102,533)	3,225,035	108,234
General Fund SPWF	1,658,031	-	(61,394)	1,596,637	66,735
2010 NWURD Refunding bonds	3,010,000	-	(295,000)	2,715,000	300,000
	27,624,757	-	(1,136,561)	26,488,196	1,230,262
Accrued compensated absences	265,446	24,408	-	289,854	49,955
	<u>\$ 27,890,203</u>	<u>\$ 24,408</u>	<u>\$ (1,136,561)</u>	<u>\$ 26,778,050</u>	<u>\$ 1,280,217</u>
<b>Business-type activities</b>					
2003 Wastewater Revenue Refunding	\$ 2,200,000	\$ -	\$ (210,000)	\$ 1,990,000	\$ 220,000
2004 Water Refunding	2,250,000	-	(165,000)	2,085,000	175,000
2007 Cannibal Project Financing	3,655,769	-	(269,268)	3,386,501	276,853
2009 Wastewater CIP SRF Loan	847,418	-	(36,351)	811,067	37,424
2010 Wastewater revenue bonds	6,825,000	-	(360,000)	6,465,000	370,000
	15,778,187	-	(1,040,619)	14,737,568	1,079,277
Accrued compensated absences	75,672	23,142	-	98,814	19,187
	<u>\$ 15,853,859</u>	<u>\$ 23,142</u>	<u>\$ (1,040,619)</u>	<u>\$ 14,836,382</u>	<u>\$ 1,098,464</u>

The 2002 general obligation pension bonds were issued to pay down the City's actuarial liability with PERS. The original amount of the issue was \$2,081,188 and had interest rates ranging from 2.00% to 7.36%. Annual principal and semiannual interest payments range from approximately \$148,000 to \$325,000. The final bonds mature in 2028. Loan #PERS.

The 2007 general obligation refunding bonds were issued to prepay or partially prepay three outstanding general obligation bond issues, including \$1,245,000 on the 1995 general obligation refunding bonds. The original amount of the issue was \$19,970,000 and had interest rates ranging from 4% to 5%. Annual principal and semiannual interest payments range from approximately \$1,306,000 to \$2,000,000. The final bonds mature in 2027. Loan #LEBGO2007.

**CITY OF LEBANON, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

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**LONG-TERM OBLIGATIONS (Continued)**

The 2007 NW Urban Renewal District special public works fund loan proceeds were used for urban renewal projects. The original amount of the issue was \$3,677,462 and had interest rates ranging from 4.00% to 4.375%. Annual payments range from approximately \$241,000 to \$246,000. The final loan scheduled to matures in 2031. Loan #BO5003.

The 2009 general obligation General Fund Special Public Works Fund were issued to complete various water/sewer and street projects. The original amount of the issue was \$1,779,833 and had interest rates ranging 3.00% to 5.25%. The loan is scheduled to mature in 2028. Loan #BO7002.

The 2010 NW URD refunding bonds were issued to prepay the outstanding balance of the 2000 NW Urban Renewal bonds.. The original amount of the issue was \$3,310,000 and had interest rates ranging from 2% to 3.5%. Annual principal and semiannual interest payments range from approximately \$358,006 to \$395,510. The final bonds mature in 2020. Loan #LebanonUR10.

The revenue supported 2003 wastewater revenue refunding bonds were issued to prepay a previously outstanding wastewater bond. The original amount of the issue was \$3,775,000 and had interest rates ranging from 2.00% to 4.125%. Annual principal and semiannual interest payments range from approximately \$291,000 to \$296,000. The final bonds mature in 2020. Loan #Lebwaste03.

The revenue supported 2004 water refunding bonds were issued to prepay the outstanding balance of the 1993 water bond issue. The original amount of the issue was \$3,000,000 and had interest rates ranging from 2.0% to 4.2%. Annual principal and semiannual interest payments range from approximately \$249,000 to \$259,000. The final bonds mature in 2021. Loan #Lebanon2004.

The revenue supported 2007 wastewater financing was issued to complete wastewater projects including the Cannibal system. The original amount of the issue was \$4,311,575 and had interest rate of 4.087%. Annual principal and interest payments are \$415,956. The final payment will be in 2022. Loan #Siemens.

The revenue supported 2009 State Revolving Fund (SRF) loan was issued to pay the cost of wastewater improvement projects. The original amount of the issue was \$900,000 and had interest rate of 2.93%. Semiannual principal and interest payments range from approximately \$61,061 to \$65,242. The loan is scheduled to mature in 2029. Loan #R56200.

The revenue supported 2010 Wastewater bonds were issued in part to pay off the outstanding balance of the 2000 wastewater revenue bonds, and to provide additional funds for construction of infrastructure. The original amount of the issue was \$7,010,000 and had interest rates ranging from 2.00% to 4.25%. The final bonds mature in 2031. Loan #LebanonWW10.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

**LONG-TERM OBLIGATIONS (Continued)**

The future maturities of obligations outstanding as of June 30, 2012:

*Governmental Activities*

<i><b>Fiscal Year Ending June 30,</b></i>	<i><b>Principal</b></i>	<i><b>Interest</b></i>	<i><b>Total</b></i>
2013	1,230,262	1,222,168	2,452,430
2014	1,141,399	1,182,505	2,323,904
2015	1,228,997	1,150,133	2,379,130
2016	1,316,381	1,114,349	2,430,730
2017	1,413,615	1,075,414	2,489,029
2018-2022	8,094,887	4,362,860	12,457,747
2023-2027	10,724,040	2,043,468	12,767,508
2028-2032	1,338,615	164,476	1,503,091
	<u>\$ 26,488,196</u>	<u>\$ 12,315,373</u>	<u>\$ 38,803,569</u>

*Business-type Activities*

<i><b>Fiscal Year Ending June 30,</b></i>	<i><b>Principal</b></i>	<i><b>Interest</b></i>	<i><b>Total</b></i>
2013	1,079,277	554,617	1,633,894
2014	1,112,187	518,844	1,631,031
2015	1,150,634	479,586	1,630,220
2016	1,194,639	439,780	1,634,419
2017	1,244,226	396,519	1,640,745
2018-2022	5,883,605	1,213,351	7,096,956
2023-2027	1,645,507	452,124	2,097,631
2028-2032	1,427,493	129,397	1,556,890
	<u>\$ 14,737,568</u>	<u>\$ 4,184,218</u>	<u>\$ 18,921,786</u>

## **CITY OF LEBANON, OREGON**

### **NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

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#### **PENSION PLANS**

##### *Plan Description*

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The City participates in the state and local government rate pool (SLGRP). The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. 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. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

##### *Funding Policy*

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate and a police/fire rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2012 were 11.10%, 7.22% and 9.93% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

##### *Annual Pension Cost*

The City's contributions to PERS for the years ending June 30, 2010, 2011, and 2012 were \$777,661, \$854,421 and \$783,496 respectively, which equaled the required contribution for the year.

**CITY OF LEBANON, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2012**

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**TRANSFERS**

Budgetary basis transfers for the year were as follows.

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 2,310,010	\$ 497,602
Intergovernmental	2,646,751	679,919
NW Urban Renewal	-	432,843
Cheadle Lake Urban Renewal	-	121,841
NW Gateway Urban Renewal	-	110,607
Capital Projects	293,840	61,400
Water	3,548	2,833,198
Water CIP	1,308,503	80,000
Storm Drain Utility	-	162,067
Wastewater	45,915	3,567,963
Wastewater CIP	2,098,873	160,000
	<u>\$ 8,707,440</u>	<u>\$ 8,707,440</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**INSURANCE RESERVES**

For the past several years, the City has been setting aside funds in an insurance reserve account to use for self-insurance against various risks. The deductibles on most City policies range from \$1,000 to \$5,000. However, the greatest portion of the reserve is set aside to meet the deductible on the earthquake policy, which is \$200,000. In addition, from time to time, when special expenditures are needed for safety reasons, funds from this reserve are used. The insurance reserves are classified as committed net assets on the Statement of Net Assets.

**CONTINGENCIES**

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position and cannot be reasonably estimated.

**CITY OF LEBANON, OREGON****NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2012**

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**OVEREXPENDITURES OF APPROPRIATIONS AND DEFICIT FUND BALANCES**

The City over-expended appropriations as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
General fund			
Admin and economic dev	\$ 178,287	\$ 226,929	\$ (48,642)
Human resources	284,324	291,824	(7,500)
Planning	268,114	271,744	(3,630)
Public works	1,246,772	1,256,499	(9,727)
Legislative	112,159	117,008	(4,849)
Senior services	143,863	149,774	(5,911)
Intergovernmental fund			
Motel tax	9,379	35,546	(26,167)
Engineering improv permits	19	115	(96)
Storm drainage	-	369	(369)
Byrne justice assistance grant	30,303	30,552	(249)
Capital Projects fund			
Police/court/IS/ & library	-	952	(952)
Equipment acq. & replacement	209,000	284,377	(75,377)

**SUBSEQUENT EVENTS**

The City follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 7, 2012, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

**NEW PRONOUNCEMENTS**

The City will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the pronouncements.

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34." This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government. The statement is effective for fiscal years beginning after June 15, 2012.

**CITY OF LEBANON, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**YEAR ENDED JUNE 30, 2012**

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**NEW PRONOUNCEMENTS (Continued)**

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The statement is effective for fiscal years beginning after December 15, 2011.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement is effective for fiscal years beginning after December 15, 2011.

GASB Statement No. 68 "Accounting and Reporting for Pension Plans—an amendment of GASB Statement No. 27." The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.



***REQUIRED SUPPLEMENTARY INFORMATION***



**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Basis</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes and assessments	\$ 3,631,000	\$ 3,631,000	\$ 3,430,616	\$ (200,384)
Licenses and permits	1,742,400	1,742,400	1,872,231	129,831
Charges for services	10,100	10,100	9,121	(979)
Intergovernmental	347,000	347,000	371,632	24,632
Fines and forfeitures	380,000	380,000	428,185	48,185
Miscellaneous	154,000	154,000	154,581	581
<b>Total Revenues</b>	<b>6,264,500</b>	<b>6,264,500</b>	<b>6,266,366</b>	<b>1,866</b>
<b>EXPENDITURES</b>				
Admin and economic dev	172,609	178,287	226,929	(48,642)
Human resources	284,324	284,324	291,824	(7,500)
City attorney	25,900	29,751	29,132	619
Planning	268,114	268,114	271,744	(3,630)
Public works	1,246,772	1,246,772	1,256,499	(9,727)
Parks	404,066	404,066	353,483	50,583
Finance	419,006	419,006	387,053	31,953
Legislative	112,159	112,159	117,008	(4,849)
Library	426,445	426,445	398,181	28,264
Municipal court	307,913	307,913	288,148	19,765
Police	4,080,116	4,080,116	4,051,264	28,852
Senior services	143,863	143,863	149,774	(5,911)
Nondepartmental	394,370	394,370	355,548	38,822
Contingency	643,489	626,722	-	626,722
<b>Total Expenditures</b>	<b>8,929,146</b>	<b>8,921,908</b>	<b>8,176,587</b>	<b>745,321</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(2,664,646)</b>	<b>(2,657,408)</b>	<b>(1,910,221)</b>	<b>747,187</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,317,248	2,310,010	2,310,010	-
Transfers out	(497,602)	(497,602)	(497,602)	-
Sale of assets	75,000	75,000	63,090	(11,910)
<b>Total Other Financing Sources (Uses)</b>	<b>1,894,646</b>	<b>1,887,408</b>	<b>1,875,498</b>	<b>(11,910)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(770,000)</b>	<b>(770,000)</b>	<b>(34,723)</b>	<b>735,277</b>
<b>FUND BALANCE, Beginning of year</b>	<b>770,000</b>	<b>770,000</b>	<b>1,201,141</b>	<b>431,141</b>
<b>FUND BALANCE, End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,166,418</b>	<b>\$ 1,166,418</b>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Budget	
	Original	Final	Basis	Variance
REVENUES				
Taxes and assessments	\$ 21,000	\$ 21,000	\$ 39,553	\$ 18,553
Licenses and permits	203,000	203,000	236,727	33,727
Intergovernmental	1,536,453	1,536,453	1,308,749	(227,704)
Miscellaneous	205,600	205,600	146,495	(59,105)
Total Revenues	1,966,053	1,966,053	1,731,524	(234,529)
EXPENDITURES				
City facilities repairs	96,717	96,717	-	96,717
Motel tax	9,379	9,379	35,546	(26,167)
Building inspection	176,828	176,828	168,688	8,140
Park enterprise	30,500	30,500	25,313	5,187
Parks grant	159,080	159,080	16,903	142,177
Operation and environ	1,681,414	1,681,414	1,568,764	112,650
Geographic infor svcs	255,950	255,950	163,029	92,921
Information system service	574,359	574,359	526,104	48,255
Custodial & maint services	149,172	149,172	123,912	25,260
Foot and bike	38,486	38,486	26,920	11,566
Engineering improve permits	19	19	115	(96)
Streets	628,003	628,003	619,552	8,451
Storm drainage	-	-	369	(369)
911 Taxes	75,000	75,000	-	75,000
Byrne justice assistance grant	30,303	30,303	30,552	(249)
School resource officer	111,756	111,756	67,038	44,718
Dial-A-Bus	212,184	212,184	183,047	29,137
STP streets	305,949	305,949	170,705	135,244
Donations trails	101	101	-	101
Library LSTA grant	29,872	29,872	23,119	6,753
Gills Landing	4,235	4,235	3,584	651
96 housing rehab	44,737	44,737	-	44,737
98 housing rehab	11,433	11,433	-	11,433
Contingency	111,171	89,300	-	89,300
Total Expenditures	4,736,648	4,714,777	3,753,260	961,517

	<i>Budgeted Amounts</i>		<i>Budget</i>	
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Variance</i>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (2,770,595)	\$ (2,748,724)	\$ (2,021,736)	\$ 726,988
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,765,019	2,765,019	2,646,751	(118,268)
Transfers out	(776,316)	(798,187)	(679,919)	118,268
<i>Total Other Financing Sources (Uses)</i>	<u>1,988,703</u>	<u>1,966,832</u>	<u>1,966,832</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(781,892)	(781,892)	(54,904)	726,988
<b>FUND BALANCE, Beginning of year</b>	<u>781,892</u>	<u>781,892</u>	<u>1,226,352</u>	<u>444,460</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,171,448</u>	<u>\$ 1,171,448</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - NW URBAN RENEWAL FUND  
YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Basis</b>	<b>Variance</b>
<b>REVENUES</b>				
Taxes and assessments	\$ 2,940,367	\$ 2,940,367	\$ 3,448,208	\$ 507,841
Miscellaneous	16,250	16,250	30,624	14,374
<i>Total Revenues</i>	2,956,617	2,956,617	3,478,832	522,215
<b>EXPENDITURES</b>				
Northwest URD	525,862	525,862	66,737	459,125
Wetlands mitigation	927,566	927,566	-	927,566
Project construction	159,750	159,750	-	159,750
NW URD bonds	632,367	632,367	632,367	-
NW URD bond construction	-	-	-	-
Contingency	3,397,532	3,403,872	-	3,403,872
<i>Total Expenditures</i>	5,643,077	5,649,417	699,104	4,950,313
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(2,686,460)	(2,692,800)	2,779,728	5,472,528
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(439,183)	(432,843)	(432,843)	-
<b>NET CHANGE IN FUND BALANCE</b>	(3,125,643)	(3,125,643)	2,346,885	5,472,528
<b>FUND BALANCE, Beginning of year</b>	3,125,643	3,125,643	3,029,395	(96,248)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 5,376,280	\$ 5,376,280

***OTHER SUPPLEMENTARY INFORMATION***



**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Budget</i>	
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Variance</i>
<b>REVENUES</b>				
Taxes and assessments	\$ 1,473,100	\$ 1,473,100	\$ 1,395,540	\$ (77,560)
Intergovernmental	152,070	152,070	152,111	41
Miscellaneous	2,700	2,700	11,572	8,872
<i>Total Revenues</i>	1,627,870	1,627,870	1,559,223	(68,647)
<b>EXPENDITURES</b>				
Debt service				
Principal	677,634	677,634	677,634	-
Interest	930,236	930,236	930,233	3
<i>Total Expenditures</i>	1,607,870	1,607,870	1,607,867	3
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	20,000	20,000	(48,644)	(68,644)
<b>FUND BALANCE, Beginning of year</b>	(20,000)	(20,000)	5,000	25,000
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ (43,644)	\$ (43,644)

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Budget</i>	
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Variance</i>
<b>REVENUES</b>				
Taxes and assessments	\$ 178,100	\$ 178,100	\$ 141,749	\$ (36,351)
Intergovernmental	1,772	1,772	2,049	277
Miscellaneous	1,068,850	1,068,850	77,850	(991,000)
<i>Total Revenues</i>	1,248,722	1,248,722	221,648	(1,027,074)
<b>EXPENDITURES</b>				
Grant st bridge grant	5,105	5,105	-	5,105
Police/court/IS/ & library	-	-	952	(952)
State highway signal maint	7,505	7,505	28	7,477
Equipment acq. & replacement	209,000	209,000	284,377	(75,377)
Historic resources trust	79	79	-	79
Pioneer cemetery	9,120	9,120	-	9,120
Lebanon skatepark	301,285	301,285	7,603	293,682
Police trust	13,030	13,030	2,264	10,766
Library trust	228,000	228,000	45,041	182,959
Library building trust	700,000	700,000	32,724	667,276
Sr center building trust	5,000	5,000	2,569	2,431
Senior services trust	25,700	25,700	10,787	14,913
Snedaker trust	49,000	49,000	18,099	30,901
Street cap proj	104,533	104,533	66,646	37,887
Infra deferral	55,403	55,403	-	55,403
Drainage SDC	130,010	130,010	60	129,950
Drainage SDC reimb	10,000	10,000	-	10,000
Parks SDC	372,000	372,000	1,155	370,845
Parks SDC reimb	54	54	-	54
Sewer SDC	579,611	579,611	302,459	277,152
Sewer SDC reimb	194,000	194,000	-	194,000
Streets SDC	600,010	600,010	60	599,950
Streets SDC reimb	7,000	7,000	-	7,000
Water SDC	185,010	185,010	150,060	34,950
Water SDC reimb	73,000	73,000	50,000	23,000
Contingency	1,955,136	1,977,905	-	1,977,905
<i>Total Expenditures</i>	5,818,591	5,841,360	974,884	4,866,476

	<i>Budgeted Amounts</i>		<i>Budget</i>	
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Variance</i>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (4,569,869)	\$ (4,592,638)	\$ (753,236)	\$ 3,839,402
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	293,840	293,840	293,840	-
Transfers out	(84,169)	(61,400)	(61,400)	-
<i>Total Other Financing Sources (Uses)</i>	209,671	232,440	232,440	-
<b>NET CHANGE IN FUND BALANCE</b>	(4,360,198)	(4,360,198)	(520,796)	3,839,402
<b>FUND BALANCE, Beginning of year</b>	4,360,198	4,360,198	4,415,033	54,835
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 3,894,237	\$ 3,894,237

**CITY OF LEBANON, OREGON****COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2012

	<i>Special Revenue</i>		
	<i>Cheadle Lake Urban Renewal</i>	<i>NW Gateway Urban Renewal</i>	<i>Bail Refund</i>
<b>ASSETS</b>			
Cash and investments	\$ 3,284	\$ 166,277	\$ 25,416
Accounts receivable	-	-	2,248
Prepaid expenses	-	-	-
Property taxes receivable	20,199	12,070	-
Other receivables	-	-	-
<i>Total Assets</i>	<u>\$ 23,483</u>	<u>\$ 178,347</u>	<u>\$ 27,664</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 509	\$ 389	\$ 25,238
Deferred revenues	15,013	9,531	-
<i>Total Liabilities</i>	<u>15,522</u>	<u>9,920</u>	<u>25,238</u>
<b>Fund Balances</b>			
Nonspendable	-	-	-
Restricted for:			
Community development	7,961	168,427	-
Committed to:			
Public safety	-	-	2,426
Debt service	-	-	-
<i>Total Fund Balances</i>	<u>7,961</u>	<u>168,427</u>	<u>2,426</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 23,483</u>	<u>\$ 178,347</u>	<u>\$ 27,664</u>

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**Debt Service**

<b><u>Bancroft Bond</u></b>	<b><u>Totals</u></b>
\$ 31,462	\$ 226,439
-	2,248
633	633
-	32,269
-	-
<u>\$ 32,095</u>	<u>\$ 261,589</u>
\$ -	\$ 26,136
633	25,177
<u>633</u>	<u>51,313</u>
633	633
-	176,388
-	2,426
30,829	30,829
<u>31,462</u>	<u>210,276</u>
<u>\$ 32,095</u>	<u>\$ 261,589</u>

**CITY OF LEBANON, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

	<b><i>Cheadle Lake Urban Renewal</i></b>	<b><i>NW Gateway Urban Renewal</i></b>	<b><i>Bail Refund</i></b>
<b>REVENUES</b>			
Taxes and assessments	\$ 212,600	\$ 161,314	\$ -
Fines and forfeitures	-	-	106,458
Miscellaneous	1,339	930	19,473
	<u>213,939</u>	<u>162,244</u>	<u>125,931</u>
<b>Total Revenues</b>	213,939	162,244	125,931
<b>EXPENDITURES</b>			
Current operating:			
Community services and development	9,513	2,665	-
Public safety	-	-	123,505
	<u>9,513</u>	<u>2,665</u>	<u>123,505</u>
<b>Total Expenditures</b>	9,513	2,665	123,505
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	204,426	159,579	2,426
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(121,841)	(110,607)	-
<b>NET CHANGE IN FUND BALANCES</b>	82,585	48,972	2,426
<b>FUND BALANCES (DEFICIT), Beginning of year</b>	(74,624)	119,455	-
<b>FUND BALANCES, End of year</b>	<u>\$ 7,961</u>	<u>\$ 168,427</u>	<u>\$ 2,426</u>

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<i><b>Bancroft Bond</b></i>	<i><b>Totals</b></i>
\$ -	\$ 373,914
-	106,458
110	21,852
<hr/>	
110	502,224
-	12,178
-	123,505
<hr/>	
-	135,683
<hr/>	
110	366,541
-	(232,448)
<hr/>	
110	134,093
31,352	76,183
<hr/>	
\$ 31,462	\$ 210,276
<hr/>	

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - CHEADLE LAKE URBAN RENEWAL FUND****YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Budget</u>	
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Variance</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 232,500	\$ 232,500	\$ 212,600	\$ (19,900)
Miscellaneous	-	-	1,339	1,339
<i>Total Revenues</i>	232,500	232,500	213,939	(18,561)
<b>EXPENDITURES</b>				
Materials and services	9,420	9,420	9,513	(93)
Capital outlay	18,656	18,656	-	18,656
Debt service				
Principal	230,000	230,000	-	230,000
Interest	2,500	2,500	-	2,500
Contingency	1,758	1,758	-	1,758
<i>Total Expenditures</i>	262,334	262,334	9,513	252,821
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(29,834)	(29,834)	204,426	234,260
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	232,500	232,500	-	(232,500)
Transfers out	(121,841)	(121,841)	(121,841)	-
<i>Total Other Financing Sources (Uses)</i>	110,659	110,659	(121,841)	(232,500)
<b>NET CHANGE IN FUND BALANCE</b>	80,825	80,825	82,585	1,760
<b>FUND BALANCE (DEFICIT), Beginning of year</b>	(80,825)	(80,825)	(74,624)	6,201
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 7,961	\$ 7,961

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – NW GATEWAY URBAN RENEWAL  
YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Budget</i>	
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Variance</i>
<b>REVENUES</b>				
Taxes and assessments	\$ 140,500	\$ 140,500	\$ 161,314	\$ 20,814
Miscellaneous	500	500	930	430
<i>Total Revenues</i>	141,000	141,000	162,244	21,244
<b>EXPENDITURES</b>				
Materials and services	4,211	4,211	2,665	1,546
Contingency	136,650	136,650	-	136,650
<i>Total Expenditures</i>	140,861	140,861	2,665	138,196
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	139	139	159,579	159,440
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(110,607)	(110,607)	(110,607)	-
<b>NET CHANGE IN FUND BALANCE</b>	(110,468)	(110,468)	48,972	159,440
<b>FUND BALANCE, Beginning of year</b>	110,468	110,468	119,455	8,987
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 168,427	\$ 168,427

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BANCROFT BOND FUND  
YEAR ENDED JUNE 30, 2012**

	<b><i>Budgeted Amounts</i></b>		<b><i>Budget Basis</i></b>	<b><i>Variance</i></b>
	<b><i>Original</i></b>	<b><i>Final</i></b>		
<b><i>REVENUES</i></b>				
Miscellaneous	\$ -	\$ -	\$ 110	\$ 110
<b><i>EXPENDITURES</i></b>				
Materials and services	26,000	26,000	-	26,000
Contingency	5,260	5,260	-	5,260
<i>Total Expenditures</i>	<u>31,260</u>	<u>31,260</u>	<u>-</u>	<u>31,260</u>
<b><i>REVENUES OVER (UNDER) EXPENDITURES</i></b>	(31,260)	(31,260)	110	31,370
<b><i>FUND BALANCE, Beginning of year</i></b>	<u>31,260</u>	<u>31,260</u>	<u>31,352</u>	<u>92</u>
<b><i>FUND BALANCE, End of year</i></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,462</u>	<u>\$ 31,462</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BAIL REFUND FUND  
YEAR ENDED JUNE 30, 2012**

	<i>Budgeted Amounts</i>		<i>Budget</i>	
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Variance</i>
<b>REVENUES</b>				
Fines and forfeitures	\$ 174,000	\$ 174,000	\$ 106,458	\$ (67,542)
Miscellaneous	11,000	11,000	19,473	8,473
<i>Total Revenues</i>	185,000	185,000	125,931	(59,069)
<b>EXPENDITURES</b>				
Materials and services	185,000	185,000	123,505	61,495
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	2,426	2,426
<b>FUND BALANCE, Beginning of year</b>				
	-	-	-	-
<b>FUND BALANCE (DEFICIT), End of year</b>				
	\$ -	\$ -	\$ 2,426	\$ 2,426

**CITY OF LEBANON, OREGON****SCHEDULE OF FUND NET ASSETS - ALL PROPRIETARY FUND DEPARTMENTS**

JUNE 30, 2012

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 294,360	\$ 305,339	\$ -
Accounts receivable	411,971	-	-
Property taxes receivable	-	-	-
Prepaid expenses	1,146	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Assets</i>	707,477	305,339	-
<b>Noncurrent assets</b>			
Deferred charges	-	45,144	-
Nondepreciable capital assets	622,053	257,411	-
Other capital assets, net of depreciation	4,710,497	1,690,257	44,468
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	6,040,027	2,298,151	44,468
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	9,222	-	-
Deposits	208,680	-	-
Accrued interest payable	-	19,979	-
Loan payable - current portion	-	-	-
Bonds payable - current portion	-	175,000	-
Compensated absences payable - current portion	11,452	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Liabilities</i>	229,354	194,979	-
<b>Noncurrent liabilities</b>			
Loans payable	-	-	-
Bonds payable	-	1,910,000	-
Bond premium	-	-	-
Compensated absences payable	42,258	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Noncurrent Liabilities</i>	42,258	1,910,000	-
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	5,332,550	(137,332)	44,468
Restricted for debt service	-	-	-
Unrestricted	435,865	330,504	-
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	\$ 5,768,415	\$ 193,172	\$ 44,468

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Totals</i>
\$ 242,564	\$ 761,445	\$ 873,251	\$ 2,476,959
49,071	520,071	-	981,113
-	1,659	-	1,659
-	1,146	-	2,292
291,635	1,284,321	873,251	3,462,023
-	-	200,160	245,304
-	554,241	5,477,491	6,911,196
-	18,699,756	3,775,657	28,920,635
291,635	20,538,318	10,326,559	39,539,158
8,791	11,417	25,769	55,199
-	-	-	208,680
-	-	91,807	111,786
-	-	276,853	276,853
-	-	627,424	802,424
1,065	6,670	-	19,187
9,856	18,087	1,021,853	1,474,129
-	-	3,109,649	3,109,649
-	-	8,638,642	10,548,642
-	-	247,761	247,761
4,809	32,560	-	79,627
4,809	32,560	11,996,052	13,985,679
-	19,253,997	(3,399,420)	21,094,263
-	-	372,011	372,011
276,970	1,233,674	336,063	2,613,076
\$ 276,970	\$ 20,487,671	\$ (2,691,346)	\$ 24,079,350

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
ALL PROPRIETARY FUND DEPARTMENTS  
YEAR ENDED JUNE 30, 2012**

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,447,946	\$ -	\$ -
Miscellaneous	86,261	550	-
	<u>3,534,207</u>	<u>550</u>	<u>-</u>
<i>Total Operating Revenues</i>	3,534,207	550	-
<b>OPERATING EXPENSES</b>			
Personal services	303,808	-	-
Materials and services	509,398	52,450	-
Capital outlay/depreciation	226,770	24,233	5,152
	<u>1,039,976</u>	<u>76,683</u>	<u>5,152</u>
<i>Total Operating Expenses</i>	1,039,976	76,683	5,152
<b>OPERATING INCOME (LOSS)</b>	2,494,231	(76,133)	(5,152)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	391	1,295	-
Interest expense	-	(81,678)	-
	<u>391</u>	<u>(80,383)</u>	<u>-</u>
<i>Total Nonoperating Revenue (Expenses)</i>	391	(80,383)	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (cash)	3,548	1,308,503	-
Transfers in (noncash)	29,212	914,339	-
Transfers out (cash)	(2,833,198)	(80,000)	-
Transfers out (noncash)	(611,049)	(24,152)	-
	<u>(3,411,487)</u>	<u>2,118,690</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	(3,411,487)	2,118,690	-
<b>CHANGE IN NET ASSETS</b>	(916,865)	1,962,174	(5,152)
<b>NET ASSETS (DEFICIT), Beginning of year</b>	<u>6,685,280</u>	<u>(1,769,002)</u>	<u>49,620</u>
<b>NET ASSETS (DEFICIT), End of year</b>	<u>\$ 5,768,415</u>	<u>\$ 193,172</u>	<u>\$ 44,468</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Totals</i>
\$ 403,867	\$ 4,472,633	\$ -	\$ 8,324,446
-	27,127	918	114,856
403,867	4,499,760	918	8,439,302
5,048	217,790	-	526,646
86,769	464,935	63,887	1,177,439
-	541,644	141,765	939,564
91,817	1,224,369	205,652	2,643,649
312,050	3,275,391	(204,734)	5,795,653
667	1,648	12,773	16,774
-	-	(501,267)	(582,945)
667	1,648	(488,494)	(566,171)
-	45,915	2,098,873	3,456,839
-	377,253	4,677,466	5,998,270
(162,067)	(3,567,963)	(160,000)	(6,803,228)
-	(4,237,635)	(490,123)	(5,362,959)
(162,067)	(7,382,430)	6,126,216	(2,711,078)
150,650	(4,105,391)	5,432,988	2,518,404
126,320	24,593,062	(8,124,334)	21,560,946
\$ 276,970	\$ 20,487,671	\$ (2,691,346)	\$ 24,079,350

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WATER DEPARTMENT**

YEAR ENDED JUNE 30, 2012

	<b>Budgeted Amounts</b>		<b>Budget</b>	<b>GAAP</b>
	<b>Original</b>	<b>Final</b>	<b>Basis</b>	<b>Basis</b>
<b>REVENUES</b>				
Charges for services	\$ 3,470,000	\$ 3,470,000	\$ 3,447,946	\$ 3,447,946
Interest income	2,500	2,500	391	391
Miscellaneous	166,500	166,500	86,262	86,261
<i>Total Revenues</i>	3,639,000	3,639,000	3,534,599	3,534,598
<b>EXPENSES</b>				
Personal services	321,707	321,707	292,677	303,808
Materials and services	532,738	532,738	504,575	509,398
Capital outlay/depreciation	3,300	3,300	4,824	226,770
Contingency	141,974	141,974	-	-
<i>Total Expenses</i>	999,719	999,719	802,076	1,039,976
<b>REVENUES OVER (UNDER) EXPENSES</b>	2,639,281	2,639,281	2,732,523	2,494,622
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (cash)	3,548	3,548	3,548	3,548
Transfers in (noncash)	-	-	-	29,212
Transfers out (cash)	(2,833,198)	(2,833,198)	(2,833,198)	(2,833,198)
Transfers out (noncash)	-	-	-	(611,049)
<i>Total Other Financing Sources (Uses)</i>	(2,829,650)	(2,829,650)	(2,829,650)	(3,411,487)
<b>NET CHANGE IN NET ASSETS</b>	(190,369)	(190,369)	(97,127)	(916,865)
<b>NET ASSETS, Beginning of year</b>	190,369	190,369	586,702	6,685,280
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 489,575	\$ 5,768,415

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WATER CAPITAL IMPROVEMENT DEPARTMENT****YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Budget</b>	<b>GAAP</b>
	<b>Original</b>	<b>Final</b>	<b>Basis</b>	<b>Basis</b>
<b>REVENUES</b>				
Interest income	\$ 1,300	\$ 1,300	\$ 1,295	\$ 1,295
Miscellaneous	300	300	550	550
<i>Total Revenues</i>	1,600	1,600	1,845	1,845
<b>EXPENSES</b>				
Materials and services	52,500	52,500	23,373	52,450
Capital outlay/depreciation	1,233,000	1,233,000	959,993	24,233
Debt service				
Principal	165,000	165,000	165,000	-
Interest	82,266	82,266	82,266	81,678
<i>Total Expenses</i>	1,532,766	1,532,766	1,230,632	158,361
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	(1,531,166)	(1,531,166)	(1,228,787)	(156,516)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (cash)	1,308,503	1,308,503	1,308,503	1,308,503
Transfers in (noncash)	-	-	-	914,339
Transfers out (cash)	(80,000)	(80,000)	(80,000)	(80,000)
Transfers out (noncash)	-	-	-	(24,152)
<i>Total Other Financing Sources (Uses)</i>	1,228,503	1,228,503	1,228,503	2,118,690
<b>NET CHANGE IN NET ASSETS</b>	(302,663)	(302,663)	(284)	1,962,174
<b>NET ASSETS, Beginning of year</b>	302,663	302,663	305,623	(1,769,002)
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 305,339	\$ 193,172

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
SMALL WATER LINE DEPARTMENT  
YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Budget Basis</b>	<b>GAAP Basis</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENSES</b>				
Capital outlay/depreciation	-	-	-	5,152
<b>REVENUES OVER (UNDER) EXPENSES</b>	-	-	-	(5,152)
<b>NET CHANGE IN NET ASSETS</b>	-	-	-	(5,152)
<b>NET ASSETS, Beginning of year</b>	-	-	-	49,620
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ -	\$ 44,468

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
STORM DRAIN UTILITY DEPARTMENT  
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Charges for services	\$ 310,000	\$ 310,000	\$ 403,867	\$ 403,867
Interest income	-	-	667	667
Miscellaneous	3,500	3,500	-	-
	<u>313,500</u>	<u>313,500</u>	<u>404,534</u>	<u>404,534</u>
<b>Total Revenues</b>	313,500	313,500	404,534	404,534
<b>EXPENSES</b>				
Personal services	-	-	-	5,048
Materials and services	51,673	51,673	44,969	86,769
Capital outlay/depreciation	150,000	150,000	41,800	-
Contingency	6	6	-	-
	<u>201,679</u>	<u>201,679</u>	<u>86,769</u>	<u>91,817</u>
<b>Total Expenses</b>	201,679	201,679	86,769	91,817
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	111,821	111,821	317,765	312,717
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out (cash)	(162,067)	(162,067)	(162,067)	(162,067)
	<u>(50,246)</u>	<u>(50,246)</u>	<u>155,698</u>	<u>150,650</u>
<b>NET CHANGE IN NET ASSETS</b>	(50,246)	(50,246)	155,698	150,650
<b>NET ASSETS, Beginning of year</b>	50,246	50,246	127,146	126,320
	<u>50,246</u>	<u>50,246</u>	<u>127,146</u>	<u>126,320</u>
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 282,844	\$ 276,970
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,844</u>	<u>\$ 276,970</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WASTEWATER DEPARTMENT**

YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Charges for services	\$ 4,108,000	\$ 4,108,000	\$ 4,472,081	\$ 4,472,633
Interest income	2,000	2,000	1,648	1,648
Miscellaneous	60,000	60,000	27,127	27,127
<i>Total Revenues</i>	4,170,000	4,170,000	4,500,856	4,501,408
<b>EXPENSES</b>				
Personal services	231,927	231,927	210,827	217,790
Materials and services	481,999	481,999	458,893	464,935
Capital outlay/depreciation	53,300	53,300	55,038	541,644
Contingency	151,726	151,726	-	-
<i>Total Expenses</i>	918,952	918,952	724,758	1,224,369
<b>REVENUES OVER (UNDER) EXPENSES</b>	3,251,048	3,251,048	3,776,098	3,277,039
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (cash)	45,915	45,915	45,915	45,915
Transfers in (noncash)	-	-	-	377,253
Transfers out (cash)	(3,567,963)	(3,567,963)	(3,567,963)	(3,567,963)
Transfers out (noncash)	-	-	-	(4,237,635)
<i>Total Other Financing Sources (Uses)</i>	(3,522,048)	(3,522,048)	(3,522,048)	(7,382,430)
<b>NET CHANGE IN NET ASSETS</b>	(271,000)	(271,000)	254,050	(4,105,391)
<b>NET ASSETS, Beginning of year</b>	271,000	271,000	1,017,200	24,593,062
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 1,271,250	\$ 20,487,671

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Budget</b>	<b>GAAP</b>
	<b>Original</b>	<b>Final</b>	<b>Basis</b>	<b>Basis</b>
<b>REVENUES</b>				
Interest income	\$ 2,700	\$ 2,700	\$ 12,773	\$ 12,773
Miscellaneous	-	-	918	918
<b>Total Revenues</b>	<b>2,700</b>	<b>2,700</b>	<b>13,691</b>	<b>13,691</b>
<b>EXPENSES</b>				
Materials and services	130,500	130,500	167,668	63,887
Capital outlay/depreciation	4,528,512	4,879,512	4,418,837	141,765
Debt service				
Principal	875,619	875,619	875,619	-
Interest	504,454	504,454	504,454	501,267
Contingency	77,712	77,712	-	-
<b>Total Expenses</b>	<b>6,116,797</b>	<b>6,467,797</b>	<b>5,966,578</b>	<b>706,919</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	<b>(6,114,097)</b>	<b>(6,465,097)</b>	<b>(5,952,887)</b>	<b>(693,228)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (cash)	2,098,873	2,098,873	2,098,873	2,098,873
Transfers in (noncash)	-	-	-	4,677,466
Transfers out (cash)	(160,000)	(160,000)	(160,000)	(160,000)
Transfers out (noncash)	-	-	-	(490,123)
<b>Total Other Financing Sources (Uses)</b>	<b>1,938,873</b>	<b>1,938,873</b>	<b>1,938,873</b>	<b>6,126,216</b>
<b>NET CHANGE IN NET ASSETS</b>	<b>(4,175,224)</b>	<b>(4,526,224)</b>	<b>(4,014,014)</b>	<b>5,432,988</b>
<b>NET ASSETS, Beginning of year</b>	<b>4,175,224</b>	<b>4,526,224</b>	<b>4,861,496</b>	<b>(8,124,334)</b>
<b>NET ASSETS, End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 847,482</b>	<b>\$ (2,691,346)</b>



***OTHER SCHEDULES***



**CITY OF LEBANON, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2012**

<b><i>Tax Year</i></b>	<b><i>2011-12 Levy</i></b>	<b><i>Uncollected Balances July 1, 2011</i></b>	<b><i>Added To Rolls</i></b>	<b><i>Interest, Discounts &amp; Adjustments</i></b>	<b><i>Turnovers</i></b>	<b><i>Uncollected Balances June 30, 2012</i></b>
2011-12	\$ 9,013,583	\$ -	\$ 1,897	\$ (298,647)	\$ (8,338,836)	\$ 377,997
2010-11	-	350,268	384	(35,410)	(118,929)	196,313
2009-10	-	149,404	6	(28,482)	(27,660)	93,268
2008-09	-	91,028	-	(1,318)	(44,507)	45,203
2007-08	-	29,801	-	(847)	(20,578)	8,376
2006-07	-	6,585	-	(712)	(2,802)	3,071
2005-06	-	2,479	-	(624)	(1,014)	841
Prior Years	-	6,260	-	(491)	(890)	4,880
<b>Total</b>	<b>\$ 9,013,583</b>	<b>\$ 635,825</b>	<b>\$ 2,287</b>	<b>\$ (366,531)</b>	<b>\$ (8,555,216)</b>	<b>\$ 729,949</b>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2012**

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>
<b>PRINCIPAL TRANSACTIONS</b>			
Governmental Activities			
2002 GO Pension Pool	2.00-7.360%	2002	2027-28
2007 GO Refunding	4.00-5.000%	2007	2026-27
NWURD SPWF	4.00-4.375%	2007	2031-32
General Fund SPWF	3.77%	2007	2009-10
2010 NWURD Refunding bonds	2.00-3.50%	2010	2019-20
Business-type Activities			
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	2019-20
2004 Water Refunding	2.00-4.200%	2004	2020-21
2007 Cannibal Project Financing	2.10-4.22%	2007	2021-22
2009 Wastewater CIP SRF Loan	2.93%	2009	2028-29
2010 Wastewater Revenue Bond	2.00-4.00%	2010	2030-31

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Unmatured Interest Outstanding July 1, 2011</i>
<b>INTEREST TRANSACTIONS</b>			
Governmental Activities			
2002 GO Pension Pool	2.00-7.360%	2002	\$ 2,039,347
2007 GO Refunding	4.00-5.000%	2007	8,400,512
NWURD SPWF	4.00-4.375%	2007	1,792,549
General Fund SPWF	3.77%	2007	828,620
2010 NWURD Refunding bonds	2.00-3.50%	2010	508,490
Business-type Activities			
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	449,145
2004 Water Refunding	2.00-4.200%	2004	527,204
2007 Cannibal Project Financing	2.10-4.22%	2007	948,237
2009 Wastewater CIP SRF Loan	2.93%	2009	249,065
2010 Wastewater Revenue Bond	2.93%	2010	2,596,877
			<u>\$ 18,340,046</u>

<i>Outstanding July 1, 2011</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2012</i>
\$ 1,699,158	\$ -	\$ (27,634)	\$ 1,671,524
17,930,000	-	(650,000)	17,280,000
3,327,568	-	(102,533)	3,225,035
1,658,031	-	(61,394)	1,596,637
3,010,000	-	(295,000)	2,715,000
2,200,000	-	(210,000)	1,990,000
2,250,000	-	(165,000)	2,085,000
3,655,769	-	(269,268)	3,386,501
847,418	-	(36,351)	811,067
6,825,000	-	(360,000)	6,465,000
<u>\$ 43,402,944</u>	<u>\$ -</u>	<u>\$ (2,177,180)</u>	<u>\$ 41,225,764</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Unmatured Interest June 30, 2012</i>
\$ -	\$ (140,146)	\$ 1,899,201
-	(805,600)	7,594,912
-	(140,919)	1,651,630
-	(73,565)	755,055
-	(93,915)	414,575
-	(83,329)	365,816
-	(82,266)	444,938
-	(150,425)	797,812
-	(24,565)	224,500
-	(245,725)	2,351,152
<u>\$ -</u>	<u>\$ (1,840,455)</u>	<u>\$ 16,499,591</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS**  
**JUNE 30, 2012**

<i>Fiscal Year</i>						
<i>Ending June 30,</i>	<i>2002 GO Pension Pool</i>			<i>2007 GO Refunding</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	\$ 30,293	\$ 147,487	\$ 177,780	\$ 725,000	\$ 779,600	\$ 1,504,600
2014	30,290	152,490	182,780	620,000	750,600	1,370,600
2015	31,704	161,076	192,780	690,000	725,800	1,415,800
2016	32,796	169,984	202,780	760,000	698,200	1,458,200
2017	33,687	179,093	212,780	830,000	667,800	1,497,800
2018	32,872	184,908	217,780	905,000	631,600	1,536,600
2019	33,233	194,547	227,780	1,000,000	595,400	1,595,400
2020	51,649	186,131	237,780	1,080,000	555,400	1,635,400
2021	140,000	111,068	251,068	1,175,000	506,800	1,681,800
2022	160,000	101,478	261,478	1,280,000	450,988	1,730,988
2023	185,000	90,518	275,518	1,390,000	390,187	1,780,187
2024	205,000	77,845	282,845	1,510,000	324,162	1,834,162
2025	235,000	63,802	298,802	1,635,000	252,437	1,887,437
2026	260,000	48,292	308,292	1,775,000	170,688	1,945,688
2027	210,000	30,482	240,482	1,905,000	95,250	2,000,250
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 1,671,524</u>	<u>\$ 1,899,201</u>	<u>\$ 3,570,725</u>	<u>\$ 17,280,000</u>	<u>\$ 7,594,912</u>	<u>\$ 24,874,912</u>

<i>NWURD SPWF</i>			<i>General Fund SPWF</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 108,234	\$ 136,818	\$ 245,052	\$ 66,735	\$ 71,723	\$ 138,458
108,963	132,488	241,451	67,146	69,387	136,533
114,722	128,130	242,852	72,571	67,037	139,608
120,511	123,541	244,052	73,074	64,134	137,208
126,331	118,720	245,051	78,597	61,211	139,808
132,184	113,667	245,851	79,141	58,067	137,208
133,072	108,380	241,452	84,707	54,902	139,609
138,994	103,057	242,051	85,332	51,302	136,634
144,984	97,323	242,307	91,022	47,462	138,484
151,034	91,234	242,268	91,663	43,821	135,484
157,140	84,815	241,955	97,496	39,237	136,733
168,293	78,137	246,430	103,371	34,363	137,734
174,510	70,900	245,410	109,105	30,228	139,333
180,801	63,265	244,066	115,061	24,773	139,834
187,149	55,355	242,504	121,114	18,732	139,846
198,555	47,167	245,722	127,169	12,676	139,845
205,023	38,481	243,504	133,333	6,000	139,333
216,556	29,511	246,067	-	-	-
223,155	20,367	243,522	-	-	-
234,824	10,274	245,098	-	-	-
<u>\$ 3,225,035</u>	<u>\$ 1,651,630</u>	<u>\$ 4,876,665</u>	<u>\$ 1,596,637</u>	<u>\$ 755,055</u>	<u>\$ 2,351,692</u>



**CITY OF LEBANON, OREGON****SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)**

JUNE 30, 2012

**Fiscal Year**

<b>Ending June 30,</b>	<b>2010 NW URD bonds</b>			<b>Total, Governmental</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 300,000	\$ 86,540	\$ 386,540	\$ 1,230,262	\$ 1,222,168	\$ 2,452,430
2014	315,000	77,540	392,540	1,141,399	1,182,505	2,323,904
2015	320,000	68,090	388,090	1,228,997	1,150,133	2,379,130
2016	330,000	58,490	388,490	1,316,381	1,114,349	2,430,730
2017	345,000	48,590	393,590	1,413,615	1,075,414	2,489,029
2018	355,000	36,515	391,515	1,504,197	1,024,757	2,528,954
2019	370,000	25,510	395,510	1,621,012	978,739	2,599,751
2020	380,000	13,300	393,300	1,735,975	909,190	2,645,165
2021	-	-	-	1,551,006	762,653	2,313,659
2022	-	-	-	1,682,697	687,521	2,370,218
2023	-	-	-	1,829,636	604,757	2,434,393
2024	-	-	-	1,986,664	514,507	2,501,171
2025	-	-	-	2,153,615	417,367	2,570,982
2026	-	-	-	2,330,862	307,018	2,637,880
2027	-	-	-	2,423,263	199,819	2,623,082
2028	-	-	-	325,724	59,843	385,567
2029	-	-	-	338,356	44,481	382,837
2030	-	-	-	216,556	29,511	246,067
2031	-	-	-	223,155	20,367	243,522
2032	-	-	-	234,824	10,274	245,098
	<u>\$ 2,715,000</u>	<u>\$ 414,575</u>	<u>\$ 3,129,575</u>	<u>\$ 26,488,196</u>	<u>\$ 12,315,373</u>	<u>\$ 38,803,569</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)**

JUNE 30, 2012

**Fiscal Year**

<b>Ending June 30,</b>	<b>2003 Wastewater Revenue Refunding</b>			<b>2004 Water Refunding</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 220,000	\$ 76,294	\$ 296,294	\$ 175,000	\$ 77,203	\$ 252,203
2014	225,000	68,319	293,319	180,000	71,565	251,565
2015	235,000	60,163	295,163	185,000	65,310	250,310
2016	245,000	51,627	296,627	195,000	58,470	253,470
2017	255,000	42,563	297,563	205,000	50,860	255,860
2018	260,000	32,850	292,850	210,000	42,560	252,560
2019	270,000	22,450	292,450	225,000	33,860	258,860
2020	280,000	11,550	291,550	230,000	24,760	254,760
2021	-	-	-	235,000	15,225	250,225
2022	-	-	-	245,000	5,125	250,125
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 1,990,000</u>	<u>\$ 365,816</u>	<u>\$ 2,355,816</u>	<u>\$ 2,085,000</u>	<u>\$ 444,938</u>	<u>\$ 2,529,938</u>

<i>2007 Cannibal Project Financing</i>			<i>2009 Water CIP SRF Loan</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 276,853	\$ 139,103	\$ 415,956	\$ 37,424	\$ 23,492	\$ 60,916
288,659	127,297	415,956	38,528	22,388	60,916
300,968	114,988	415,956	39,666	21,250	60,916
313,802	102,154	415,956	40,837	20,079	60,916
327,184	88,772	415,956	42,042	18,874	60,916
341,136	74,820	415,956	43,283	17,633	60,916
355,683	60,273	415,956	44,560	16,356	60,916
370,850	45,106	415,956	45,875	15,041	60,916
386,664	28,412	415,076	47,229	13,687	60,916
424,702	16,887	441,589	48,623	12,293	60,916
-	-	-	50,058	10,858	60,916
-	-	-	51,535	9,381	60,916
-	-	-	53,056	7,860	60,916
-	-	-	54,623	6,293	60,916
-	-	-	56,235	4,681	60,916
-	-	-	57,895	3,021	60,916
-	-	-	59,598	1,313	60,911
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,386,501</u>	<u>\$ 797,812</u>	<u>\$ 4,184,313</u>	<u>\$ 811,067</u>	<u>\$ 224,500</u>	<u>\$ 1,035,567</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)**

JUNE 30, 2012

**Fiscal Year**

<b>Ending June 30,</b>	<b>2010 Wastewater Revenue Bonds</b>			<b>Totals, Business-type</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 370,000	\$ 238,525	\$ 608,525	\$ 1,079,277	\$ 554,617	\$ 1,633,894
2014	380,000	229,275	609,275	1,112,187	518,844	1,631,031
2015	390,000	217,875	607,875	1,150,634	479,586	1,630,220
2016	400,000	207,450	607,450	1,194,639	439,780	1,634,419
2017	415,000	195,450	610,450	1,244,226	396,519	1,640,745
2018	435,000	178,850	613,850	1,289,419	346,713	1,636,132
2019	445,000	161,450	606,450	1,340,243	294,389	1,634,632
2020	460,000	143,650	603,650	1,386,725	240,107	1,626,832
2021	235,000	125,250	360,250	903,893	182,574	1,086,467
2022	245,000	115,263	360,263	963,325	149,568	1,112,893
2023	255,000	104,850	359,850	305,058	115,708	420,766
2024	265,000	94,013	359,013	316,535	103,394	419,929
2025	275,000	82,750	357,750	328,056	90,610	418,666
2026	285,000	71,063	356,063	339,623	77,356	416,979
2027	300,000	60,375	360,375	356,235	65,056	421,291
2028	310,000	49,125	359,125	367,895	52,146	420,041
2029	320,000	37,500	357,500	379,598	38,813	418,411
2030	335,000	25,500	360,500	335,000	25,500	360,500
2031	345,000	12,938	357,938	345,000	12,938	357,938
2032	-	-	-	-	-	-
	<u>\$ 6,465,000</u>	<u>\$ 2,351,152</u>	<u>\$ 8,816,152</u>	<u>\$ 14,737,568</u>	<u>\$ 4,184,218</u>	<u>\$ 18,921,786</u>

***COMPLIANCE SECTION***





## **GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

To the Honorable Mayor, Members of the  
City Council  
City of Lebanon  
925 South Main  
Lebanon, Oregon 97355

We have audited the basic financial statements of the City of Lebanon, Oregon as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of Lebanon, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

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. Except as discussed below, the results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State except as follows:

1. The actual ending balance for the second preceding year did not equal the actual beginning balance for the first preceding year for some funds.
2. Overexpenditures as indicated in the notes to the financial statements.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City'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 expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

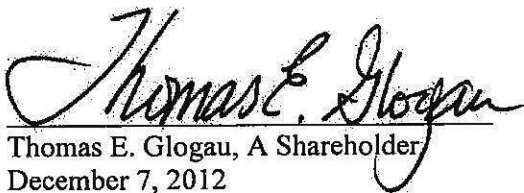
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 significant deficiency is a deficiency, or a 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. A material weakness is a deficiency, or 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did issue a separate significant deficiency letter to management dated December 7, 2012.

This report is intended solely for the information and use of the City Council and management of the City of Lebanon, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By:   
Thomas E. Glogau, A Shareholder  
December 7, 2012