

LEBANON CITY COUNCIL AGENDA

Revised 12/6/14

December 10, 2014 (6:00 p.m.)

Santiam Travel Station
750 3rd Street, Lebanon, Oregon

Mayor Paul Aziz

Council President Bob Elliott
Councilor Robert Furlow

Councilor Jason Bolen
Councilor Rebecca Grizzle

Councilor Floyd Fisher
Councilor Wayne Rieskamp

MISSION STATEMENT

The City of Lebanon is dedicated to providing exceptional services and opportunities that enhance the quality of life for present and future members of the community.

CALL TO ORDER / FLAG SALUTE

ROLL CALL

APPROVAL OF COUNCIL MINUTES: October 8, 2014 Work Session and
November 12, 2014 Work & Regular Session
Minutes

CONSENT CALENDAR: *The following item(s) are considered routine and will be enacted by one motion. There will not be a separate discussion of these items unless a Councilor so requests. In this case, the item(s) will be removed from the Consent Calendar and considered separately.*

AGENDA: Lebanon City Council Agenda – December 10, 2014

APPOINTMENTS: Bike & Pedestrian Advisory Board – Kevin Hart
Parks Committee/Tree Board – Gary Heintzman
Reappointments for Representatives of Cascades West Area
Commission on Transportation – Councilor Bob Elliott and
Engineering Services Supervisor Rob Emmons as an alternate

BOARD MINUTES: Parks Committee/Tree Board – October 21, 2014

Planning Commission – September 17, 2014

EASEMENT: Edward C. Allworth Veterans' Home – Public Easement

← Addition

LIQUOR LICENSES: Change of Ownership to TK's Bar and Grill (previously The Peacock
Bar & Grill East)

PROCLAMATION / PRESENTATION / RECOGNITION:

- CH2M HILL 2013/14 Annual Treatment Plant Report – presented by Jeff Houchin

PUBLIC COMMENTS: *The Council welcomes all respectful comments regarding the City's business. Citizens may address the Council by approaching the microphone, signing in, and stating their name and address for the record. Each citizen is provided up to 5 minutes to provide comments to the Council. The Council may take an additional two minutes to respond. The City Clerk will accept and distribute written comments at a speaker's request.*

REGULAR SESSION:

1) Audit Presentation

Presented by: Dean Baugh, Finance Manager

Approval/Denial by RESOLUTION NO. 2014-37

2) City Manager's Report

Presented by: Gary Marks, City Manager

Discussion Only

3) 2014 Certified Election Results



Addition

Presented by: Linda Kaser, City Clerk

Approval/Denial by MOTION

ITEMS FROM COUNCIL

PUBLIC COMMENTS: *An opportunity for citizens to comment on items of city business.*

ITEMS FROM PRESS: *An opportunity for the Press to ask questions pertaining to city business.*

ADJOURNMENT

NEXT SCHEDULED COUNCIL MEETING(S)

- January 14, 2014 (6 p.m.) Regular Session
- February 11, 2015 (6 p.m.) Regular Session

Approval of Minutes

LEBANON CITY COUNCIL
Water Treatment Plant Status Update
Work Session Minutes - DRAFT
October 8, 2014

Council Present: Mayor Paul Aziz and Councilors Bob Elliott, Floyd Fisher, Robert Furlow and Rebecca Grizzle

Staff Present: City Attorney Tré Kennedy, City Manager Gary Marks, City Clerk Linda Kaser, Engineering Services Manager Ron Whitlatch and Engineering Services Supervisor Rob Emmons

Contractor: Wayne Gresh, Project Engineer, Carollo Engineering.

Mayor Aziz called the work session to order at 5:12 p.m.

Engineering Services Manager Whitlatch introduced Project Manager Wayne Gresh of Carollo Engineers and explained that this work session is to provide information so that Council can make an informed decision as to whether or not staff should continue to pursue a river intake.

Background – The City has been under contract with Carollo Engineering for close to one year. It became evident in July that the City would need to look into another source for water intake, primarily due to the cost and physical stipulations that Albany has demanded. Negotiations have not moved forward; it has all been based on past capital. Also, since Albany is tied very heavy to FERC, using the canal would subject Lebanon to those same regulations.

Responding to Mayor Aziz's question, Whitlatch stated that we are currently, in a sense, subject to FERC because we pay an operation and maintenance fee. He sees this fee continually increasing as regulations get stricter. This over 100-year-old canal will also obviously need maintenance, but staff does not feel that Lebanon's usage needs to be the dollar amount Albany is requesting.

City staff entered into another contract with Carollo to do preliminary investigation/engineering for a river intake. Multiple river sites were looked at with two being evaluated as part of the study. A down payment of \$2,500 was submitted on a River Road property, which was the most viable option of the properties staff looked at. The City has 180 days to close on the sale; with another \$2,500, the City would have an additional 180 days.

Mr. Gresh stated that they put together a team of highly qualified individuals in geomorphic conditions on river ways – his firm, an environmental permitting specialist for this type of intake, and another firm who works on many water intakes. They did state a feasibility level on the study, but they were looking for fatal flaws. If a decision was made to move to a new intake, they wanted to make sure that there was a location that would work.

He presented the PowerPoint described below:

Purpose – Is it feasible to construct a new intake on the South Santiam River to serve the new water treatment plant?

Five issues assessed:

1. Overall cost (20 to 50-year cost)
2. Water rights (Schroeder Law Offices, P.C.)
3. Geomorphic assessment
4. Environmental permitting conditions
5. Facility requirements

Several sites were visited along the river. The feasibility study focused on two sites along the river bank.

Geomorphic assessment:

- Conducted by WEST Consultants, Inc.
- Assessed stability of the river
 - River channel migration
 - River bed stability
- Assessed river flow conditions
 - High flow conditions (flooding)
 - Lowest flows (intake design)

He described the extensive channel migration at Site 2 and the revetment that provides bank stability at Site 1.

In response to Councilor Furlow's question, Mr. Gresh stated that the armoring is maintained by the District that holds its rights but, in essence, the Corps of Engineers is the agency that will take care of this. The intake will not affect the armoring.

Geomorphic assessment conclusions:

- Site 2
 - River channel and bed are not stable
 - Water depth could be less than 12"
- Site 1 – the channel is stable but must consider:
 - Design water depth will be 3 to 5 feet
 - Water depth could be affected by migration of downstream bed material
 - Channel may migrate northward away from bank if downstream channel moves

Environmental permitting conditions:

- Conducted by ESA Vigil-Agrimis
- Identified the primary regulatory agencies:
 - Department of State Lands
 - Department of Fish and Wildlife
 - US Army Corps of Engineers
 - NOAA Fisheries (NMFS)
 - US Fish and Wildlife Service
- Identified the primary permits
 - Joint Section 404 Permit (combined State and Federal application but separate reviews and permits)
- Reviewed permit requirements and assessed wetlands and fish & wildlife habitat

- Wetlands assessment:
 - No wetlands exist at Site 1
 - Site 1 has tree canopy that shades the river channel
 - Site 2 has wetlands along the along the storm water drainage and bank
- Fish & Wildlife assessments
 - No State listed ESA species at either site
 - USFWS and NOAA Fisheries Species:
 - "Threatened" Chinook Salmon:
 - Spring run, rearing and migration
 - "Threatened" Steelhead:
 - Winter run, spawning and migration
- State
 - Individual Section 404 permit
 - Likely will require mitigation
 - Adjacent reaches of river or banking can be used
- Federal
 - May be able to permit under the Section 404 Nationwide 12 Utility Crossings
 - If not, project will require an individual Section 404 permit
 - Requires formal consultation with federal agencies that can add 9 months to a year
- Biological assessment required for both State and Federal permits

Facility requirements:

Mr. Gresh indicated that they believe Site 1 is feasible. The intake would be right along the river. The raw water pump station would parallel the roadway and connect to the water treatment plant. An equalization tank, or something similar, would be placed in front of the membranes to balance the flows through the plant. The raw water pumps would be located in the plant because of the relative distance to the intake.

He briefly described the types of intakes normally used for this size of flow – tee screen, inclined screen and pump station concepts. The intake would be sized for the City's full water rights of 37 cfs. The number of pumps would depend on water rights' guidance to convey full water rights to the plant. There would be standby generators at the intake and water treatment plant for reliable power.

They are confident that Site 1 is a suitable site for an intake, but they need to provide some confidence in the water depth and find out what the Federal regulations and requirements are going to be.

Next steps:

- Conduct hydraulic modeling of the river:
 - Bathymetric survey
 - Define low water depth
 - Define bed/channel migration potential
 - Identify flow streams along bank
- Identify Section 404 permit requirements:
 - Conduct individual meetings with permitting agencies
 - Conduct a meeting with all agencies
- Initiate the Biological Assessment
- Prepare conceptual design of intake and pump station:
 - Needed for the BA

- Needed to refine construction cost

In response to Councilor Furlow's question regarding a critical path to the project, Mr. Gresh stated that the permitting piece is the critical path and will take approximately 12 to 18 months to complete due to the biological assessment. If the Nationwide permit can be used, we would simply stay within those parameters.

They recommend that the City continue forward with meetings with those regulatory agencies individually to start with. They can then corporately meet with the agencies and speak about permitting criteria. Once it is known how the permits will be accepted, a timeline chart can be developed.

Whitlatch closed with a synopsis of where the City is heading. There is still a lot of work to be done but preliminary indications are that Site 1 is a viable location for a river intake. At this point, there are many hurdles but no show stoppers. He added that this does not mean that something could not change.

In terms of cost, staff and Carollo did a 50-year plant life cycle present worth analysis. The whiteboard analysis indicates that a river intake will be about half, or maybe less than half, the cost of staying on the canal. This is the driving factor, as well as the regulations and not being able to secure an agreement with Albany.

The project cost will be more than what was projected – \$8 to \$12 million – and would include property purchase, construction, design fees, permits, and attorney services for moving our water rights. The process could also take three to five years.

Mayor Aziz asked whether the cost will be spread over the four to five years. Whitlatch stated that funds from increased rates will be used towards the cost but it is not yet known what that final cost will be until design is done and mitigation has been completed. He confirmed for Mayor Aziz that the City would be in a position to say that we do not want to continue if we hit a road block in the process. The river intake will cost more up front but when life cycle of the plant is factored in, it would not be, based on what we have with Albany right now.

Mr. Gresh briefly noted some differences in the requirements between the canal and river intakes. The canal would require the FERC piece, unlike a river intake. The City would be able to submit the permits as the applicant and owner with a river intake. A biological assessment, although possibly a smaller area, of the canal would still need to be done due to wetlands along the canal. Some work restrictions would be lifted on the canal because of fish screen Albany placed at the canal headworks. State permits will likely require the same shading and mitigation work with the canal, as along the river way. It is really the Federal 404 action that is different.

Responding to Mayor Aziz's question, Mr. Gresh stated that Albany is under FERC because of the power canal part of it.

City Manager Marks requested Council input about going forward with this process.

Councilor Furlow stated that he feels the work being done is appropriate and is moving the City to decision points needed. He would like to see staff and consultants develop those critical paths as soon as possible, in addition to a go/no-go decision point. He hopes that for sufficient time before those decision milestones to evaluate all parameters to be considered.

Councilor Grizzle expressed that this Council is taking control of the City's own water position; any solution that includes Albany leaves Lebanon with relatively little control and no ownership 20 years from now. From that perspective, she thinks this is the correct path because it will save money in the long term.

Councilor Elliott stated that he is not at all comfortable with the situation Lebanon is in with Albany, who keeps throwing out more bills with no end in sight. He agrees with Councilor Grizzle about looking ahead 20 years from now.

Councilor Fisher agreed and stated that he would like to put the City back in control. Lebanon needs to know definable and known costs, versus whimsical costs.

Mayor Aziz concurred and stated that even though this is a big expense, we should continue to look at this dual path.

Mr. Gresh stated that, as a consultant looking at water treatment, if all things are equal, they start with looking at the highest quality of water and that would be the river. From a long-term standpoint, the City should consider that there is better control with the Santiam watershed.

He also stated that an Oregon statute about to go through in the next few years will require water and wastewater utilities to look at resiliency plans for the systems. How the water system will be affected by the maximum seismic earthquake event will need to be looked at. If the canal is the City's sole source of water and the banks do not hold up, Lebanon will be on record, with the resiliency plan, of knowing that. Likely, possibly 50 years from now, facilities robust enough to take care of those events could be required. So if everything was equal, looking into the far future, the river intake is a good option.

Councilor Furlow stated that the Council appreciates Mr. Gresh working openly and frankly, as he has done, with staff so that the City can take advantage of its best options. The Council would benefit from a relationship with him, as a consultant, where information that may reduce the cost or increase the quality may be shared. Mr. Gresh stated that their goal is to give the City the best information that they can.

Adjournment

Mayor Aziz adjourned the work session at 5:50 p.m.

[Minutes prepared by Linda Kaser]

Paul R. Aziz, Mayor
Bob Elliott, Council President

ATTEST:

Linda Kaser, City Clerk

LEBANON CITY COUNCIL
*Elected Officials Liability Training
Work Session Minutes – DRAFT
November 12, 2014*

Council Present: Mayor Paul Aziz and Councilors Jason Bolen, Bob Elliott, Floyd Fisher, Robert Furlow and Wayne Rieskamp

Staff Present: City Attorney Tré Kennedy, City Manager Gary Marks, City Clerk Linda Kaser and Finance Director Dean Baugh

Presenter: Steve Uerlings, Barker-Uerlings Insurance

Mayor Aziz called the work session to order at 5:32 p.m. Due to technical difficulties, the presentation began at 5:48 p.m.

The Council watched a City County Insurance Services (CIS) video about the company and the benefits public officials can expect to receive. For viewing the video, the City will receive a \$1000 discount on next year's CIS liability contribution.

CIS was formed by AOC and LOC in 1981 to address the concern by cities and counties that insurance was either unaffordable or unavailable. Since CIS is a collective of the cities and counties coming together, one city's or one county's actions will affect the financial stability or rating for all of the cities and counties.

CIS prides itself on managing risk. The board of trustees are elected and appointed officials from cities and counties who are committed to smooth rates as much as possible. They are not subject to the market fluctuations that the broad insurance industry is subject to. The CIS member-driven effort is to help educate entities on how to minimize risk and reduce losses.

Elected Officials

Elected officials make up a council or a commission, which is where the real authority lies with local government. Those officials who take up personnel matters or speak for the Council when they do not have that authority are claims waiting to happen.

As an elected official, social media can be an important tool but one should always refrain from putting their organization's business and any negative thoughts onto their social media. Elected officials are held to a higher standard and their actions are often scrutinized. They make so many decisions that claims are more likely. Best practices to manage this type of risk:

- Know all you can about the legal limits of your responsibilities and authority.
- Understand the laws about the conduct of public entity business.
- When faced with a difficult decision, particularly an HR issue, consult with CIS Pre-Loss Legal, which is free and there to support cities and counties.
- Your local insurance agent can be a valuable staff resource for the city management team. Agents are there to be the expert on your exposures and also an advocate for your entity.

CIS Resources and Services

- Risk Management – risk management assessments to reduce exposure to costly claims. In addition to helping to identify risk or problems, it also provides grant money to then address those very issues.
- Best Practice Evaluations for the community and their employees.
- Pre-Loss Services – provide legal advice on issues (employment or human resources) that could turn into claims.
- Return to Work Assistance – working with their doctor or case manager to find the most appropriate way to bring the employee back.
- Online Learning Center – includes courses on risk management and OSHA requirements
- Conference with Workshops (law enforcement, risk management).

Adjournment

Mayor Aziz adjourned the work session at 5:59 p.m.

[Minutes prepared by Linda Kaser & Donna Trippett]

Paul R. Aziz, Mayor
Bob Elliott, Council President

ATTEST:

Linda Kaser, City Clerk

LEBANON CITY COUNCIL
MINUTES – DRAFT
November 12, 2014

Council Present: Mayor Paul Aziz and Councilors Jason Bolen, Bob Elliott, Floyd Fisher, Robert Furlow and Wayne Rieskamp

Staff Present: City Attorney Tré Kennedy, City Manager Gary Marks, City Clerk Linda Kaser and Police Chief Frank Stevenson, Finance Manager Dean Baugh, Engineering Services Manager Ron Whitlatch and Community Development Manager Walt Wendolowski

CALL TO ORDER: Mayor Aziz called the Regular Session of the Lebanon City Council to order at 6:08 p.m. in the Santiam Travel Station Board Room.

ROLL CALL: Roll call was taken with Councilor Grizzle absent.

APPROVAL OF CITY COUNCIL MINUTES

Councilor Furlow moved, Councilor Rieskamp seconded, to approve the October 8, 2014 Regular Session and October 22, 2014 Noon Session Minutes as presented. The motion passed unanimously.

CONSENT CALENDAR

AGENDA: City of Lebanon Council Agenda – November 12, 2014 (Revised)
BOARD MINUTES: Bike & Pedestrian Advisory Board – September 25, 2014
Library Advisory Committee – October 14, 2014
Mayor's Youth Council – September 15, 2014

Councilor Rieskamp moved, Councilor Elliott seconded, to approve the Consent Calendar as presented. The motion passed unanimously.

PRESENTATIONS

Annual Risk Report for FY 2014/15:

Steve Uerlings, Barker-Uerlings Insurance, reviewed the Risk Management Report dated November 12, 2014.

Mayor Aziz asked for the reason behind the large rate increase this year. Mr. Uerlings stated that CIS rates are going up about 15-20% every year statewide. This is not based on history, but rather the rate filing.

Councilor Furlow asked whether this has to do with CIS' reserve. Mr. Uerlings explained that the actuaries determine those rates (by vehicle type) based on their estimate of annual total liability claims. Discounts are given based on history.

Councilor Furlow asked whether CIS uses a five-year calculation. Mr. Uerlings stated that they look at the prior three years. The City will likely not see a significant impact to the budget when the high claims of 2010/11 drop off because although the experience will be better, rates are still increasing.

Because CIS was going to increase rates, workers' comp coverage was moved to SAIF for a \$100,000 savings.

Councilor Rieskamp asked whether rates are anticipated to increase regardless. Mr. Uerlings stated that the pool is trying to keep a handle on employment and police related claims but some have been astronomical. City Attorney Kennedy stated that CIS is looking at placing a surcharge on the towns having those claims to take up a little more of the loss. Also, if entities follow the pre-loss human resources advice, they do not have to pay the \$5,000 deductible. Mr. Uerlings added that the deductible for those types of claims increases to \$50,000 if the advice is not followed.

In response to Councilor Furlow's question, Mr. Uerlings indicated that the 3% group discount rate was not significant enough to make staying with CIS for workers' comp worthwhile.

Avoided Cost Study Proposed by City of Albany:

Wes Hare, Albany City Manager, spoke about discussions over the Santiam Canal. He stated that through most of the time he has been in Albany, he was under the impression that Lebanon was going to stop using the canal. They were told this by staff and he thinks they even granted permission for some studies to be done and test wells dug on City of Albany property.

Recent negotiations between Albany and Lebanon public works staff have not made a lot of progress. He and City Manager Marks agree that their desire is to work this out in a friendly way, recognizing that there are inherent differences of interests between the two cities. Albany's original proposal was that both cities would jointly select an engineer to do the study, which would be used as a guide to an appropriate charge for water intake, but Lebanon decided to do it on their own. His counterproposal was that Albany provide additional questions and pay for any added work not included in Lebanon's consultant's original scope. They hoped it would be an expression of goodwill on their part to say that they would work with Lebanon's consultant.

Marks stated that although Lebanon's Council has embarked on the idea of the river water intake, he believes that there should be allowances made for discussion with Albany. He proposed that the Council authorize him to have this discussion with Mr. Hare and their respective teams, knowing that the Council has endorsed and strongly support the river intake. Until such time that Lebanon sees evidence that it is in the City's best interest to do something else, Lebanon would certainly continue the effort to get to the river.

Mr. Hare pointed out that regardless of which direction Lebanon goes, there is still a canal, which is an important asset and amenity, that runs through Lebanon and is owned and maintained by the City of Albany. There are stormwater and potentially flooding issues that can have a very negative effect on Lebanon, if the canal is not maintained properly. Conversely, it could have a bad effect on Albany if Lebanon does things that are not mindful of what happens downstream.

Councilor Rieskamp felt that continued dialogue and additional information to help resolve the issue is appropriate so he supports Marks' request. He added that he is disappointed with the lack of maintenance for those living along the canal. Marks agreed and stated that the study is a source for better answers.

Councilor Bolen expressed that he has a hard time supporting cooperation with the City of Albany because he does not feel that Albany has been cooperative nor negotiating in good faith. He is curious as to Albany's cost for Lebanon to draw its 3% flow. The canal costs Albany \$660,000 or more annually and Lebanon pays \$300,000-\$350,000 for maintenance of.

Mr. Hare stated that he does not believe Lebanon has ever paid \$350,000 per year for water from the canal. He thinks the highest amount received is about \$77,000 annually, which was an agreement that was worked out jointly between the two public works directors some years ago and was always regarded as an interim step with the understanding that Lebanon was not going to use the canal in the future.

Marks clarified that Mr. Hare is correct in that Lebanon has not historically paid \$350,000 per year. Albany has, for whatever reason, begun to bill Lebanon according to one section of the IGA and not the others, but there is a difference of opinion there.

Mr. Hare stated that prior to starting that billing, they tried to explain that they recognize they are in negotiations but are abiding by the historic (1/3 to 2/3 split) agreement. Albany believes they are and he believes, for the most part, that Lebanon is negotiating in good faith, but people always see their own interests more clearly. The City of Albany is currently using less water out of the canal than the City of Lebanon. There are some higher levels of demand in association with the hydro project at certain times but in general, it is a very small percentage because they have another water source.

Councilor Elliott asked whether Mr. Hare is saying that Lebanon should carry 1/3 of the maintenance cost. Mr. Hare answered that this is what the historic agreement was. Councilor Elliott asked how this compares with the exact usage. Mr. Hare stated that he does not know the number of gallons that Lebanon is currently taking out of the canal, nor does he know the exact number that they are taking out at a given time. Councilor Elliott commented that Lebanon is not the only city using the canal. Mr. Hare pointed out that there are a number of different ways that water gets used and diverted (Marks Slough, Cheadle Lake, Burkhart Creek), but there has historically been that arrangement. Councilor Elliott felt that we need to get more realistic about what is going on.

Councilor Bolen stated that the problem he has is that Albany determines what goes on with the canal because they maintain ownership but Lebanon is never consulted and there is no IGA amendment put into use with that. Lebanon gets billed for the additional cost, so Lebanon taxpayers end up footing the bill, whether they like it or not. Lebanon should not have to clean up messes from Albany's side, whether it was the hydro plant that did not pan out the way they thought it would or whether it is improvements that Albany decides to make. It almost feels like it is a strong arm tactic. Mr. Shepard has even made the comment in a public meeting that it is their canal and they can do what they want with it.

Mr. Hare stated that he thinks Mr. Shepard's remark was taken out of context and its meaning misunderstood because of that. Councilor Bolen responded that Mr. Hare should understand the frustration to Lebanon's citizens and to the Council when they hear or read those types of comments.

Mr. Hare stated that part of the problem is that they have been conducting their discussions in open session because they felt they had no alternative under the law. Most of Lebanon's discussions have been done in executive session. Mayor Aziz disagreed stating that all of Lebanon's meetings are on YouTube; not all of Albany's meetings are videotaped. There have been comments about Lebanon being flooded and targeted so this has been a problem on both sides. He was also disappointed in hearing that when Marks took a check to pay Lebanon's debt to start off on clean footing and negotiate in good faith, he was basically accused of some kind of trickery. Mr. Hare stated that he did hear their attorney raise an issue but he did not hear the accusation of trickery. Mayor Aziz stated that this really set the tone for a bad negotiation. Going forward, he would really like to see those types of statements eliminated. If Albany's Council is serious about it, he thinks Lebanon's would be too. He feels that Marks and Mr. Hare could come up with a solution.

Councilor Furlow stated that we should get as much information as possible through independent study to understand the cost for an alternate water intake, as well as ongoing canal costs. He is in favor of aggressively pursuing an alternative intake because it would be inappropriate to be held hostage in a negotiation in a cost sharing ratio that we do not have the ability to completely control, unless there is information that would suggest otherwise.

Marks stated that he hears the Council very clearly and understands that they are on record authorizing an independent means of acquiring water for our city. No changes will be made during discussions with Mr. Hare

unless the Council agrees that it is in the best interest of Lebanon.

Councilor Fisher stated that he has been on the Council for quite a while and was not aware of Lebanon's intent to stop using the canal, as mentioned by Mr. Hare. This may have been from staff interaction that probably should not have been allowed to happen without policy to back it up. Long-term harmony between Lebanon and Albany is more important than this single issue so he would like to see a tone change for the better of the whole county. He added he supports more information for everyone's betterment. Mr. Hare agreed and stated that this is one of the reasons why the avoided cost study was placed on the table.

Councilor Bolen felt that it is important that the three issues (water intake, canal maintenance and storm runoff) are treated separately. He knows that they will come together at some point but he does not want to see storm runoff and canal maintenance issues rushed into a water intake proposal because the reality is that Lebanon's water treatment plant is on hold waiting for permission from Albany.

Mr. Hare stated that if the ground rules are that canal maintenance and storm runoff will not be included, it would make for a very difficult discussion.

Marks agreed that storm runoff is a separate issue from the intake but this also needs to be discussed because there is some overlap. He explained that the 1/3-2/3 split is historically based on 8 of the 24 canal miles that run through Lebanon, but this assumes joint ownership of the canal, as opposed to the maintenance requirement.

The Mayor and Council expressed appreciation to Mr. Hare for coming to speak to the Council.

There was Council consensus to support Marks' continued negotiation efforts with the City of Albany.

Mr. Hare stated that we should celebrate the fact that as communities we do, in general, get along very well.

Lebanon Vision 2040 Kick-Off Campaign:

Marks went over the Communitywide Visioning Process – Lebanon 2040 PowerPoint presentation, which described what community visioning is and the process.

Beth Dufek, BDS Planning and Urban Design, stated that they work with a partner firm, CBE Strategic, who specifically targets difficult to reach people in the community. After their meetings last week, they learned a lot about the economy of Lebanon based on its logging history. This is an elegant community with beautiful historic and natural features. The community has a friendly Main Street character and a small town atmosphere. There is also cohesion within the community. This is a growing community and they are impressed with the amount of investment that is being made with the University and Samaritan Hospital. The community also has a friendly Main Street character.

Last week, they toured the City and spoke with staff, the steering committee and some community stakeholders, but stakeholder interviews are not completely done. Their other goal in speaking to people is to find out who else they should talk to. Another steering committee meeting will discuss what was learned in the targeted outreach. Focus and affinity groups will be formed around issues, which typically evolve around education, safety, health and may possibly include natural resources. After more targeted outreach, public community meetings will likely start in April and May where they will share what they learned and further refine their input. The hope is to have a vision ready for adoption in June or July. She asked the Mayor and Council for their thoughts:

1. What do you truly value about living in Lebanon?

Councilors Rieskamp's strongest value is that Lebanon is a small community with a lot of citizen

diversity. We came from a timber community to one that has begun to diversify in a totally different arena – economic development. We are survivors and are eager for opportunity. Councilor Elliott agreed with Councilor Rieskamp in that we are survivors.

Councilor Bolen values the sense of community and the opportunity to be involved. There are many highly motivated people who are not just active in one niche. Mayor Aziz also values the sense of community, caring and how citizens support each other.

Councilor Furlow feels that this is a small but vibrant community. Councilor Fisher agreed and stated that he likes the sense of community. There is also a vein of independence, but these two characteristics do not seem to threaten each other. He added that he likes the sense of nature that surrounds us.

2. Describe Lebanon in a single word.

Councilor Rieskamp – Friendliness
Councilors Bolen & Fisher – Home
Mayor Aziz – Community
Councilors Elliott & Furlow – Growing

3. What is your biggest fear for Lebanon?

Councilor Rieskamp – If he had a fear, it would be that we are not going to have the focus areas and the budget to make those focus areas successful.

Councilor Bolen – He would like to make sure that there is something to keep young professionals and families here in Lebanon.

Mayor Aziz – His biggest fear is jobs/economy in our community – making sure that the families that do come here have job opportunities.

Councilor Elliott – He has no fears.

Councilor Furlow – His concern is that we do not seize the possibilities.

Councilor Fisher – His fear is that our blessing will be our curse, in the sense that a community has to grow or they fall backwards.

Ms. Dufel explained that they will return for a couple of days in January. Before then, she will have communicated with the stakeholders she spoke with to follow-up with names they gave her. In the meantime, BDS will be building a Lebanon 2040 website, which will hopefully be connected to the City's Facebook page, to get the community involved and engaged. They will also be sending out a survey in late winter or early spring either via email, in utility bills, or available for pickup. Samaritan Health Services said that they would consider putting their survey in their employee newsletter or posting it.

She mentioned that Mayor Aziz said that he would be happy to facilitate a student focus group.

Responding to a citizen who was concerned that this process was not going to be public and that he was not going to be able to be involved, Mayor Aziz made clear that this is a full community vision and that everyone has an opportunity to be involved. BDS Planning and Urban Design was chosen because of their great outreach in finding those people that would normally not have a voice.

Councilor Rieskamp asked how those residents who do not shop or work here will be reached since they are disengaged from the community. Ms. Dufek stated that she will discuss some ideas with Marks or the steering community.

PUBLIC COMMENTS

Bill Sullivan, 435 Carolina Street, Lebanon, asked whether there is a grandfather clause that the City can get water

from the river without consulting Albany. Marks stated that nothing in the agreements with Albany prevents us from going to the river.

There were no further citizen comments.

REGULAR SESSION

1) Republic Services Customer Rate Increases

Republic Service representatives Julie Jackson and Kevin Hines made themselves available for questions about the refuse rate adjustment that takes effect on January 1, 2015.

Mayor Aziz asked about the composting previously discussed. Ms. Jackson stated that they previously presented a ball park rate. Through polling, people were in favor of weekly yard debris service by about a 2 to 1 margin. Mr. Hines added that they are willing to provide this service at any time but they want to ensure that the Council and customers are in favor of it.

It was agreed that Republic Services would bring this back in February to start implementing the program in March or April.

Responding to Councilor Rieskamp's question, Mr. Hines indicated that it is very difficult to seasonally provide this service because of the number of trucks/routes. They have also seen the yard debris season increasing to about 10 months long in the last 10-15 years.

Ms. Jackson confirmed that other cities (Corvallis and Philomath) have weekly yard debris pickup.

Kennedy read the title of RESOLUTION NO. 2014-36.

Councilor Elliott moved, Councilor Bolen seconded, to APPROVE RESOLUTION NO. 2014-36, REPEALING RESOLUTION NO. 2013-37 AND APPROVING REPUBLIC SERVICES (formerly Allied Waste Services) RATE INCREASES. The motion passed unanimously.

2) Proposed Chicken Permitting Process

Community Development Manager Wendolowski distributed a revised memo. Based on research from other communities, he proposed the changes:

6.16.010 Keeping—Restrictions.

Except for dogs, cats and other household pets, the following regulations shall apply regarding the keeping of animals in the City:

A. The keeping of domestic chickens shall be allowed subject to the following limitations:

- 1. General – Chickens shall only be kept upon property containing an occupied by a detached single-family dwelling or duplex.***
- 2. Maximum Number – One hen (no roosters) shall be permitted per 2000 square feet of lot or parcel area, up to a maximum of 6 hens.***
- 3. Containment – Chickens shall either be in an enclosure or fenced area. Chicken enclosures shall not be located in any area between the dwelling and the front property line.***

4. *Enclosures – An enclosure shall not be located closer than 20 feet to a neighboring dwelling and shall be kept clean, dry, free of noticeable odors, and in good repair.*

B. *The keeping of chickens in excess of the requirements in A. above; or, the keeping of animals, bees or other fowl shall be allowed through a formal permitting process established by the City, provided there is no objection by a person residing within 100-feet of the premises where the animals, bees or fowl are to be kept.*

Wendolowski clarified for Councilor Furlow that these rules would take effect 30 days from now. From an enforcement standpoint, the previously discussed front yard enclosure is pre-existing and grandfathered. Councilor Furlow and Mayor Aziz stated that they were under the impression that everyone would have to comply with the new rules. Kennedy stated that this can be done because the Council is not changing a right. Wendolowski added that he does not believe the language needs to be changed, just the enforcement.

Mayor Aziz felt that the numbers and requirements look good. It gives citizens a little more leeway, but it also includes rules.

Councilors Furlow and Rieskamp felt that the person who brought this issue up should be given notice. Wendolowski indicated that it is normally 30 days but the City has some discretion.

Regarding the phrase *"provided there is no objection by a person residing within 100 feet of the premises,"* Councilor Fisher asked whether this means a petition must be made prior or whether this can be done until there is an objection within 100 feet. Wendolowski answered that a petition is to be submitted prior.

Kennedy asked whether there are very many 12,000 square foot lots that would outright allow six hens. Wendolowski stated that these lots are found more on the fringe of City limits. Newer subdivision lots are in the 5000-6000 square foot range. There was a brief discussion about the upper limit being the tolerance of the neighbors.

Kennedy read the title of ORDINANCE BILL NO. 2014-8, ORDINANCE NO. 2856.

Councilor Rieskamp moved, Councilor Furlow seconded, to APPROVE ORDINANCE BILL NO. 2014-8, ORDINANCE NO. 2856, A BILL FOR AN ORDINANCE AMENDING CHAPTER 6.16 OF THE LEBANON MUNICIPAL CODE, CONCERNING THE KEEPING OF CHICKENS WITHIN THE CITY. The motion passed unanimously.

3) Banking RFP Proposal

Baugh requested Council approval to advertise for an RFP for banking services with the intent to award a contract for five consecutive years with options for one two-year extension.

Councilor Bolen moved, Councilor Rieskamp seconded, to approve the banking RFP proposal. The motion passed unanimously.

4) Proposed Contract Amendment for Engineering Design Services – Lebanon Water Treatment Plant (River Intake)

Engineering Services Manager Whitlatch presented and briefly went over highlights of an amendment to a contract with Carollo Engineers to continue pursuit of a river intake off of the South Santiam River. He noted that after speaking to Kennedy, it was decided to amend the existing design contract, rather than the water intake feasibility study contract.

Regarding Whitlatch's statement that this is based on a nationwide permit, as opposed to an individual permit, Councilor Rieskamp asked whether this means that those entities that normally would have a say would not be able to. Whitlatch indicated that there is still a comment period but not to the same extent.

In response to Councilors Elliott's and Rieskamp's questions, Whitlatch stated that if a settlement is reached, this would be a sunk cost but there are mechanisms in place to eliminate that as much as possible. We are going full speed ahead but very systematically so that we can stop, at any point, to avoid wasting money. This will be kept as tight as possible but we will not know the answers until we deal with the agencies and dig deeper. This is not a study; it is Lebanon moving forward to a river intake and with this amendment, the City will have 60% of the design drawings and a permit to do the project.

Marks stated that he is confident that this can be addressed in a way that allows us to move forward with our main objective, which is the river intake. There is no reason to believe that the canal is the more cost effective route because our initial figures do not support that. Without the numbers from this amendment, we would lose the ability to compare.

Councilor Rieskamp commented that even though Lebanon uses a river intake, the canal is still going to cost money. Marks stated that there will still be the maintenance responsibility for our storm drainage impact, but it is an open question beyond that because we do not own the canal so do not have ownership responsibilities. Any user impact needs to be quantified accurately. Since 19 other customers also use the canal, from an equity point, it needs to be addressed that other customers are asked to pay their part as well. Councilor Furlow felt that a cradle to grave cost analysis on all of the issues, including storm water, is needed from Carollo.

Kennedy reiterated what Councilor Bolen said earlier in that these are separate issues. While there may be some type of contribution for our storm drainage impacts to the canal, there would be a very large disagreement even on that issue because of the strong position that this impact is minimal. Whitlatch stated that we are currently under no obligation. It also does not work to tie storm drainage into negotiation for a water treatment plant, so Carollo is not looking at storm drainage. This needs to be addressed but kept separate.

Councilor Bolen stated that his instinct is that Albany is going to look for a comprehensive package, which he does not believe is something we will want to entertain. He feels that it is time and he would much rather invest taxpayer money into infrastructure that we can control from here on out and have ownership of.

Councilor Furlow expressed concerned about the approach Albany will take and that we may give up a fixed cost that Albany could potentially override at a later date. Marks stated that the answer is in a new IGA, which must be fairly seamless in its implementation regarding our ability to draw water out of the canal and how we are charged for it. After working closely with Whitlatch and his staff looking at all of the issues, Marks' position is that he very much wants to and thinks going to the river is the solution. The City of Albany has a tall order to show us something that will work better for us in the long run. He is only suggesting that he give them the opportunity.

Councilor Rieskamp commented that he would also like to see protection for those residents along the canal that are not getting satisfaction or compensation for loss of property (because of erosion) from Albany. Marks stated that a new IGA may be an opportunity to address some of these issues.

Councilor Furlow moved, Councilor Elliott seconded, to APPROVE THE AMENDMENT TO THE ORIGINAL DESIGN CONTRACT. The motion passed unanimously.

5) City Manager's Report – Marks provided updates:

Vision 2040 – Marks' month was defined mostly by Vision 2040 – interviews; preparation of the contract; and meetings with the department heads, steering committee and the Council. There was also preparation for the October 31 State of the City Address at the Chamber of Commerce lunch.

Parks Committee/Tree Board – Marks introduced the idea of a community garden and the group was very amenable to helping develop a proposal. He, along with several community supporters, will attend this month's meeting to start the planning process.

Boys & Girls Club – Marks went on a great tour of the Boys & Girls Club.

Santiam-Albany Canal – He has been working with Whitlatch and his staff on and off through the month on the canal issue.

ITEMS FROM COUNCIL

Councilor Rieskamp expressed his excitement about the visioning project. He commented that he is curious as to who the citizens feel the focus groups should be. He hopes that the Council also has some say in this. Marks stated that there are at least three more touch points with the consulting team.

Councilor Bolen thanked Whitlatch, Engineering Services Supervisor Emmons, their staff and Marks for all of their work on the water intake issue (on top of the current reading and billing issues) and how they dealt with it professionally and efficiently.

As a proud member of the Lebanon Optimist Club, Kennedy reported that there was some visible work done on the Gazebo this month and it looks beautiful.

Mayor Aziz announced that his annual Christmas light display will begin Thanksgiving evening. There will also be a Frozen-Polar Express night with special music on November 29.

PUBLIC COMMENTS – *There were none.*

ITEMS FROM PRESS – *There were none.*

ADJOURNMENT

Mayor Aziz adjourned the meeting at 8:45 p.m.

[Minutes prepared by Linda Kaser & Donna Trippett]

Minutes Approved by the Lebanon City Council on this 10th day of December 2014.

Paul R. Aziz, Mayor

ATTESTED:

Linda Kaser, City Clerk

Consent Calendar

Appointments



Administration

City Clerk/Recorder

MEMORANDUM

To: Lebanon City Council

Date: November 21, 2014

From: Linda Kaser, City Clerk/Recorder

Subject: City Council Advisory Boards/Committees Re/Appointments

Mayor Aziz will appoint the following advisory board members at the December 10, 2014 City Council Meeting.

- I. The Parks Committee/Tree Board recommends that *Gary Heintzman* be reappointed to another four-year term.
- II. Three applications were received in response to the notice of vacancy on the Bike and Pedestrian Advisory Board. After careful consideration, the Board recommends the appointment of *Kevin Hart* for a three-year term.

Council Action: *Mayoral appointments are confirmed by the Council through the Consent Calendar.*

/lgk

C: Mayor Paul R. Aziz
Gary Heintzman, Parks/Tree Board
Kevin Hart, Bike & Pedestrian Board
Chair John Dinges, Parks/Tree Board
Chair Damen Tempey, Bike & Pedestrian Board



Cascades West Area Commission on Transportation

1400 Queen Ave. SE , Suite 205A, Albany, OR 97322
(541)924-8430 • FAX (541)967-4651

DATE: December 1, 2014

TO: Mayors
County Commission, Chairs
Port District, Chairs
Confederated Tribes of Siletz Indians, Chair

FROM: Doug Hunt, CWACT Chair

RE: Nomination of members to the Cascades West Area Commission on Transportation

I have attached a sheet that has the names of all representatives and their alternates on the Cascades West Area Commission on Transportation (CWACT) and the date that their terms expire. The term of 28 members will expire on December 31, 2014. Please review the list to see when the term of the representatives from your jurisdiction expires. If their term expires, I request that you re-nominate the current representatives or nominate new representatives. We would like to have a full membership as soon as possible so please submit your nominations by mid January.

Also, in reference to the terms which will expire on December 31, 2015, if your jurisdiction's CWACT representative and/or alternate has left office, if you wish to make a change or if you wish to designate an alternate (for agencies that currently do not have an alternate), please forward your nomination. The nomination form is attached.

The primary representative for each jurisdiction must be an elected official. Alternates do not have to be elected officials. It is important to nominate people that will make a commitment to attend the meetings.

The CWACT is also a standing committee of the Oregon Cascades West Council of Governments and the OCWCOG Board will formally appoint your nominees as members of the CWACT.

If you have any questions about the CWACT, please contact Mark Volmert at 541-924-8430.

Attachment

cc: City/County Managers and Administrators
CWACT representatives

CWACT Members with Terms Expiring 12/31/2015

Last Name	First Name	Representing	Category	Term Expires
Modrell	Linda	Benton County	Primary	12/31/2015
Dixon	Jay	Benton County	Alternate	12/31/2015
Olsen	Dick	City of Albany	Primary	12/31/2015
Irish	Ron	City of Albany	Alternate	12/31/2015
Sorte	Bruce	City of Corvallis	Primary	12/31/2015
Steckel	Mary	City of Corvallis	Alternate	12/31/2015
Shiple	Donald	City of Harrisburg	Primary	12/31/2015
Latta	Brian	City of Harrisburg	Alternate	12/31/2015
Lane	Darrin	City of Millersburg	Primary	12/31/2015
Cowan	Scott	City of Millersburg	Alternate	12/31/2015
Canter	Paul	City of Monroe	Primary	12/31/2015
Minard	Jim	City of Monroe	Alternate	12/31/2015
Sawyer	Dean	City of Newport	Primary	12/31/2015
Busby	Ralph	City of Newport	Alternate	12/31/2015
Dunaway	Jack	City of Toledo	Primary	12/31/2015
TBD		City of Toledo	Alternate	12/31/2015
Button	David	City of Siletz	Primary	12/31/2015
Eshleman	Dave	City of Siletz	Alternate	12/31/2015
Kentta	Robert	Conf. Tribes of Siletz Indians	Primary	12/31/2015
Barlow-Lind	Pam	Conf. Tribes of Siletz Indians	Alternate	12/31/2015
Nyquist	Roger	Linn County	Primary	12/31/2015
Lindsey	John	Linn County	Alternate	12/31/2015
Friedt	Stephan	Benton County – Private Sector	Primary	12/31/2015
Johnston	Doris	Linn County – Private Sector	Primary	12/31/2015
Steele	Janet	Linn County – Private Sector	Primary	12/31/2015

CWACT Members with Terms Expiring 12/31/2014

Last Name	First Name	Representing	Category	Term Expires
Chuck	Walter	Port of Newport	Primary	12/31/2014
Jincks	David	Port of Newport	Alternate	12/31/2014
Currier	Bill	City of Adair Village	Primary	12/31/2014
Foster	Drew	City of Adair Village	Alternate	12/31/2014
Kriz	Michael	Port of Toledo	Primary	12/31/2014
Shoemake	Bud	Port of Toledo	Alternate	12/31/2014
Hunt	Doug	Lincoln County	Primary	12/31/2014
Thompson	Terry	Lincoln County	Alternate	12/31/2014
Dimmick	Lynne	City of Yachats	Primary	12/31/2014
Scott	Dustin	City of Waterloo	Primary	12/31/2014
Brown	Linda	City of Waldport	Primary	12/31/2014
Cutter	Dann	City of Waldport	Alternate	12/31/2014
McLennan	Seaton	City of Tangent	Primary	12/31/2014
Wagner	Jim	City of Tangent	Alternate	12/31/2014
Gourley	Jim	City of Sweet Home	Primary	12/31/2014
McKee	Scott	City of Sweet Home	Alternate	12/31/2014
Wilson	Earl	City of Scio	Primary	12/31/2014
Sloan	Rocky	City of Philomath	Primary	12/31/2014
Ryan	Wes	City of Lincoln City	Primary	12/31/2014
Anderson	Dick	City of Lincoln City	Alternate	12/31/2014
Elliott	Bob	City of Lebanon	Primary	12/31/2014
Emmons	Rob	City of Lebanon	Alternate	12/31/2014
Doerfler	Wade	City of Halsey	Primary	12/31/2014
Tharp	J.R.	City of Halsey	Alternate	12/31/2014
Gambino	Robert	City of Depoe Bay	Primary	12/31/2014
Berry	Brent	City of Depoe Bay	Alternate	12/31/2014
Gray	Cody	Lincoln County – Private Sector	Primary	12/31/2014
Bain	Bill	Lincoln County – Private Sector	Primary	12/31/2014

Board & Committee
Meeting Minutes

City of Lebanon
Parks Committee/Tree Board
Minutes
October 21, 2014

Meeting Called to Order 5:29 PM

In Attendance: John Dinges, Gary Heintzman, Greg Nervino, Ron Passmore
Sally Skaggs, Rod Sell

City Representatives: Bob Elliott City Councilman, Gary Marks City
Administrator

Additions or Changes to Agenda

There were no minutes presented for review

Public Comments: None

Committee Reports

BLT: Rod presented a summation of proposed projects for 2015. Also presented an update on 2015 BLT events.

There was a discussion about the Cheadle Lake Weirich Road connector Trail. It was reported that it is scheduled for paving in the spring.

Lebanon Skate Park: It was reported that they are close to funding and constructing Phase II.

Bike & Pedestrian Committee: They have asked for support to move forward with garnering State approval for identification as a scenic byway. Santiam Spokes also has made a request to change the route to include River Park.

*correction:
bikeway*

Lebanon Community Foundation: Ron reported that they are winding down activity in Cheadle Park for the winter months. While the vehicle gate will be locked more, the trail access will remain open 24/7. They received a \$ 2,500 grant from Pacific Power & Light as seed money for the public restroom project.

A general discussion was held about the need to regulate groups various markings for runs in the community. Cheadle Park, The Lake Trail and other areas are heavily impacted with paint and various other forms of markings.

Motion was made by Gary Heintzman seconded by Greg Nervino to request staff to develop a trail marking and signage policy for road and trail routes within the city. Motion passed unanimously.

Approved minutes 11/18/14

City Administrator Gary Marks presented a proposal for a community garden. Porter Park was suggested as a potential park for the garden. After discussion on Porter and other potential sites, the board reached a consensus to continue development of the idea.

Future Direction of Parks Committee/Tree Board: John mentioned that we haven't had an issue before the board for some time. Rod expressed that we really need to update the Master Parks Plan.

Gary gave a report on the new Gazebo project and stated the roof would be going on soon.

Nomination for officers for the Parks/Tree Board Committee will be held on November 18, 2015 at our next meeting. Staff will verify current terms of service and who on the board if any need to be renewed.

Meeting Adjourned 6:38 PM

Respectfully Submitted,

Ron Passmore, Secretary



City of Lebanon
Planning Commission
Meeting Minutes
September 17, 2014

Members Present: Chairman, Jeremy Salvage, Vice-Chair Don Robertson, Commissioners Brian Daniels, Brenda Hall and Walt Rebmann.

Staff Present: Community Development Manager Walt Wendolowski, AICP and City Attorney, Tre' Kennedy

1. FLAG SALUTE / CALL TO ORDER

Chairman Salvage called the meeting of the Lebanon Planning Commission to order at 6:00 pm in the Santiam Travel Station Board Room at 750 3rd Street.

2. ROLL CALL

Roll call was taken; Commissioner Jared Cornell was excused and Commissioner John Brown was absent; a quorum was declared.

3. APPROVAL OF MEETING MINUTES

The Planning Commission approved the August 20, 2014 minutes as submitted.

4. CITIZEN COMMENTS - None

5. PUBLIC HEARING

Planning File 14-07-51 – Lebanon Habitat for Humanity; Partition, Administrative Review, Variance

Chairman Salvage opened the hearing. City Attorney Tre' Kennedy announced that the quasi-judicial hearing. Without the applicant or an audience present, the procedures were entered into the record and acknowledged by the Commission. Chairman Salvage asked if there were any ex parte contacts, conflicts or bias. None were declared and Salvage directed staff to proceed.

Wendolowski presented the staff report. He stated the property is located on the west side of South 2nd Street, with access to E Street. The vacant 8,756 square foot acre parcel is zoned RH and served by public facilities.

The applicant wishes to divide the property into two parcels of 5,000 and 3,756 square feet. A detached home will be located on the larger parcel with a zero-lot line home planned for the parcel next to 2nd Street. The zero-lot home will set the rear yard set to zero-feet. This is contrary to Code requirements, which requires the zero-lot line to be a side yard. This modification requires approval of a variance.

Wendolowski noted only Engineering Services commented and recommended requiring a 10-foot easement on the west side of the dividing line for a maintenance access. This is required by Code.

Regarding the partition, Wendolowski noted the parcels meet the minimum requirements for their intended use; comply with access requirements, and can be served by public facilities. In addition, the proposed zero-lot line home complies with all setback and development requirements, except for the use of rear yard for the zero-lot setback, thereby requiring a variance. Regarding the variance, Wendolowski briefly summarized the material contained in the staff report:

- The proposal conforms to the development requirements with the exception of using the rear yard. Approval does not create a use not allowed in the zone.
- While not a corner lot, it retains access to two public streets. This circumstance negates the use of a side-yard for a zero-lot line.
- The subject property can accommodate two dwelling units. The variance allows the developer to create separate parcels.
- The variance only affects the location of the yard and does not affect physical or natural systems or create a greater impact on City infrastructure.
- This is not a self-imposed hardship.
- The variance changes the yard location; there is no “degree” to the change.

Based on these factors, it was recommended the Commission approve the application, subject to the findings and conditions noted in the Staff Report. After the report, Wendolowski responded to Planning Commission questions, clarifying the details of the application and findings.

There was no applicant testimony, nor proponent or opponent testimony. Chairman Salvage closed the public testimony and asked if there were any further questions by the Commission. There was a brief discussion on findings and building permit impacts. Having no further discussion, Salvage asked for a motion.

Commissioner Daniels moved, and Commissioner Rebmann seconded, that the Planning Commission approve Planning File 14-07-51.

The motion passed unanimously.

6. COMMISSION BUSINESS & COMMENTS

Wendolowski provided a short update on current activities noting the next meeting will review electronic message signs. Robertson asked on the status of Weyerhaeuser property with a brief update provided. In light of the variance, Salvage asked whether the Code needed amending. Wendolowski noted the site’s uniqueness but this may be an option if additional variance applications are heard.

7. ADJOURNMENT:

There being no further business, the meeting was adjourned at 6:22 pm.

[Meeting minutes prepared by Walt Wendolowski, AICP]

Rights-of-Way &
Easements



MEMORANDUM

Engineering Division

To: Ron Whitlatch, PE
City Engineer/Engineering Services Mgr.

Date: December 4, 2014

From: Ed Patton, PE, PLS *E.P.*
Senior Engineer Dev. & Gen. Svcs.

CC: Linda Kaser, CMC
City Clerk

Subject: Edward C. Allworth Veterans' Home – Public Easements

The easement is attached for signature at the next available City Council meeting.

The public easements are in support of the land use case #12-08-45 which required public infrastructure extensions. The primary use of the easements is site access for maintenance of the public water lines, fire hydrants and service meters. The easement also includes an area along the west side of 5th Street for the multi-use path constructed during the project.

Grantor: Oregon Department of Veterans Affairs
700 Summer Street NE, Salem, Oregon 97301
Grantee: City of Lebanon
925 Main Street, Lebanon, Oregon 97355
After Recording Return to: City of Lebanon
925 Main Street, Lebanon, Oregon 97355

EASEMENT FOR PUBLIC ACCESS AND UTILITIES

THIS AGREEMENT, made and entered into this 14 day of OCTOBER, 2014 by and between THE OREGON DEPARTMENT OF VETERANS AFFAIRS, AN AGENCY OF THE STATE OF OREGON, herein called Grantors, and the CITY OF LEBANON (925 Main Street, Lebanon, Oregon), a Municipal corporation, herein called "City."

WITNESSETH:

That for and in consideration of the total compensation to be paid by the City, the Grantor does bargain, sell, convey and transfer unto the City of Lebanon, a perpetual and permanent easement and right-of-way, including the right to enter upon the real property hereinafter described, construct sidewalk, and to maintain and repair public utilities for the purpose of conveying public utilities services over, across, through and under the lands hereinafter described, together with the right to excavate and refill ditches and/or trenches for the location of the said public utilities and the further right to remove trees, bushes, under-growth and other obstructions interfering with the location and maintenance of the said public utilities.

This agreement is subject to the following terms and conditions:

1. The right-of-way hereby granted is described as follows:
SEE "EXHIBIT A" ATTACHED FOR DESCRIPTION
SEE "EXHIBIT B" ATTACHED FOR ILLUSTRATION
2. The permanent easement described herein grants to the City and to its successors, assigns, authorized agents or contractors, the perpetual right to enter upon said easement at any time that it may see fit for construction, maintenance, evaluation and/or repair purposes.
3. The easement granted is in consideration of \$1.00, the receipt of which is hereby acknowledged, and in further consideration of the public improvements to be placed upon said property and the benefits Grantor may obtain therefrom. Nothing herein shall reduce or limit grantor's obligation to pay any costs or assessments which may result from the improvements.
4. The Grantor does hereby covenant with the City that Grantor is lawfully seized and possessed of the real property above described, has a good and lawful right to convey it or any part thereof, and will forever warrant and defend the title thereto against the lawful claims of all persons whomsoever.
5. Upon performing any maintenance, the City will make reasonable efforts to return the site to its original condition.
6. No permanent structure shall be constructed on this easement.

IN WITNESS WHEREOF, we have set our hands hereto this 14th day of October, 2014.

STATE OF OREGON)
County of Linn)ss.
City of Lebanon)

John Osborne
John Osborne
Project Manager

IN WITNESS WHEREOF, we have set our hands hereto this _____ day of _____, 2014.

STATE OF OREGON)
County of Linn)ss.
City of Lebanon)

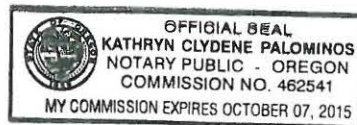
By: _____
Paul Aziz, Mayor
Bob Elliott, Council President

By: _____
Linda Kaser, City Clerk/Recorder

GRANTOR(S)
On the 14th day of October, 2014, personally appeared the within named John Osborne who acknowledged the foregoing instrument to be a voluntary act and deed.

BEFORE ME: *Kathryn Clydene Palominos*
NOTARY PUBLIC FOR OREGON

Commission Expires: 10-7-2015



GRANTEES
On the _____ day of _____, 2014, personally appeared _____ and LINDA KASER, who each being duly sworn, did say that the former is the Mayor/Council President and the latter is the Recorder for the City of Lebanon, a Municipal Corporation, and that the seal affixed to the foregoing instrument was signed and sealed in behalf of said corporation by authority of its City Council, which accepted this easement on the _____ day of _____, 2014, and each of them acknowledged said instrument to be its voluntary act and deed.

BEFORE ME: _____
NOTARY PUBLIC FOR OREGON

Commission expires: _____

EXHIBIT A

An area of land in Parcel 1 of Linn County Partition Plat No. 2013-06 in the SE 1/4 of Section 3 in Township 12 South of Range 3 West in the Willamette Meridian, City of Lebanon, Linn County, Oregon more particularly described as follows:

A strip of land 24.00 feet in even width and lying 12.00 feet on either side of the following described centerline:

Beginning at a point on the south right of way of Reeves Parkway and bearing South 89°52'18" East 44.00 feet from the Northwest corner of said Parcel 1; thence South 00°06'13" East 477.43 feet; thence along the arc of a 42.00 foot radius curve to the left for 28.81 feet (chord bears South 19°45'18" East 28.25 feet); thence along the arc of a 42.00 foot radius curve to the right for 28.81 feet (chord bears South 19°45'18" East 28.25 feet); thence South 00°06'13" East 91.70 feet; thence along the arc of a 42.00 foot radius curve to the right for 18.33 feet (chord bears South 12°23'58" West 18.19 feet); thence along the arc of a 42.00 foot radius curve to the left for 18.25 feet (chord bears South 12°27'10" West 18.11 feet); thence South 00°00'13" East 162.58 feet; thence along the arc of a 42.00 foot radius curve to the left for 65.97 feet (chord bears South 44°59'47" East 59.40 feet); thence South 89°59'48" East 198.67 feet; thence along the arc of a 42.00 foot radius curve to the left for 28.81 feet (chord bears North 70°21'08" East 28.25 feet); thence along the arc of a 42.00 foot radius curve to the right for 28.81 feet (chord bears North 70°21'08" East 28.25 feet); thence South 89°59'48" East 83.85 feet; thence along the arc of a 42.00 foot radius curve to the right for 28.81 feet (chord bears South 70°20'44" East 28.25 feet); thence along the arc of a 42.00 foot radius curve to the left for 28.81 feet (chord bears South 70°20'44" East 28.25 feet); thence South 89°59'48" East 386.83 feet to a point on the west right of way of Patriots Place and being the terminus point of this centerline.

Together with the following # 2;

Beginning at a point on the east side of the above described 24.00 foot wide strip of land which bears South 23°15'51" East 142.41 feet from the Northwest corner of said Parcel 1; thence North 89°59'31" East 11.73 feet; thence South 00°00'29" East 15.00 feet; thence South 89°59'31" West 11.73 feet to the said east side of the above described 24.00 foot wide strip of land.

Together with the following #3;

Beginning at a point on the east side of the above described 24.00 foot wide strip of land which bears South 15°26'40" East 211.68 feet from the Northwest corner of said Parcel 1; thence North 89°54'53" East 5.22 feet; thence South 00°05'07" East 15.00 feet; thence South 89°54'53" West 5.22 feet to the said east side of the above described 24.00 foot wide strip of land.

Together with the following #4;

Beginning at a point on the east side of the above described 24.00 foot wide strip of land which bears South 09°59'30" East 326.18 feet from the Northwest corner of said Parcel 1; thence North 89°59'31" East 25.29 feet; thence South 00°00'29" East 15.00 feet; thence South 89°59'31" West 25.29 feet to the said east side of the above described 24.00 foot wide strip of land.

Together with the following #5;

Beginning at a point on the east side of the above described 24.00 foot wide strip of land which bears South 07°05'42" East 460.08 feet from the Northwest corner of said Parcel 1; thence North 89°59'40" East 5.23 feet; thence South 00°00'20" West 9.72 feet; thence North 89°59'31" East 6.56 feet; thence South 00°00'29" East 15.00 feet; thence South 89°59'31" West 11.51 feet to the said east side of the above described 24.00 foot wide strip of land.

Together with the following #6;

Beginning at a point on the east side of the above described 24.00 foot wide strip of land which bears South 07°01'02" East 623.07 feet from the Northwest corner of said Parcel 1; thence South 89°59'48"

East 4.57 feet; thence South 00°00'12" East 15.00 feet; thence North 89°59'48" West 5.68 feet to the said east side of the above described 24.00 foot wide strip of land.

Together with the following #7;

Beginning at a point on the north side of the above described 24.00 foot wide strip of land which bears South 10°25'44" East 864.72 feet from the Northwest corner of said Parcel 1; thence North 00°00'25" West 24.24 feet; thence North 89°59'35" East 15.00 feet; thence South 00°00'25" East 24.24 feet to the said north side of the above described 24.00 foot wide strip of land.

Together with the following #8;

Beginning at a point on the south line of said Parcel 1 which bears South 89°59'48" East 307.30 feet from the Southwest corner of said Parcel 1; thence North 89°59'48" West 15.00 feet; thence North 00°00'29" West 29.00 feet to the south line of the above described 24.00 foot wide strip of land; thence easterly along the south line of the above described 24.00 foot wide strip of land 15.03 feet to a point bearing North 00°00'29" West from the point of beginning; thence South 00°00'29" East 30.34 feet to the point of beginning.

Together with the following #9;

Beginning at a point on the south line of said Parcel 1 which bears South 89°59'48" East 596.90 feet from the Southwest corner of said Parcel 1; thence North 00°00'27" West 76.79 feet; thence North 89°59'33" East 15.00 feet; thence South 00°00'27" East 76.79 feet to the south line of said Parcel 1; thence North 89°59'48" West 15.00 feet to the point of beginning.

Together with the following #10;

Beginning at a point on the south line of said Parcel 1 which bears South 89°59'48" East 620.35 feet from the Southwest corner of said Parcel 1; thence North 00°00'12" East 60.41 feet; thence South 89°59'48" East 15.00 feet; thence South 00°00'12" West 60.41 feet to the south line of said Parcel 1; thence North 89°59'48" West 15.00 feet to the point of beginning.

Together with the following;

A strip of land 5.00 feet on either side of the following described centerline:

Beginning at a point on the west right of way of Patriots Place which bears North 06°59'28" West 27.21 feet from the Southeast corner of said Parcel 1; thence North 89°59'48" West 800.67 feet; thence North 44°59'48" West 47.40 feet; thence North 00°00'12" East 266.00 feet to the terminus point.

Together with the following;

Beginning at a point which bears North 06°59'28" West 27.21 feet and North 89°59'48" West 459.50 feet from the Southeast corner of said Parcel 1; thence North 00°00'12" East 18.00 feet; thence North 89°59'48" West 58.00 feet; thence South 00°00'12" West 18.00 feet; thence South 89°59'48" East 58.00 feet to the point of beginning.

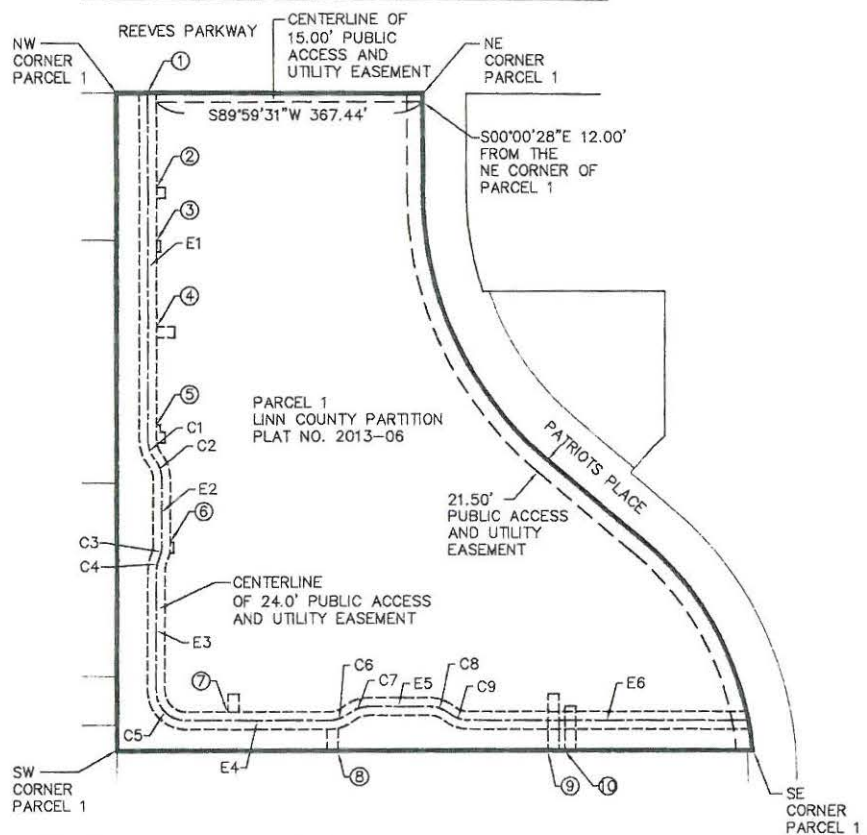
Together with the following:

A strip of land 7.50 feet on either side of the following described centerline:

Beginning at a point on the west right of way of Patriots Place which bears South 00°00'28" East 12.00 feet from the Northeast corner of said Parcel 1; thence South 89°59'31" West 367.44 feet to a terminus point on the east side of the above described 24.00 feet wide strip of land.

Together with the following:

A strip of land being the easterly 21.50 feet of even width of said Parcel 1 of Linn County Partition Plat No. 2013-06.



POINT OF REFERENCE FROM NW CORNER OF PARCEL 1

- ① S89°52'18"E 44.00'
- ② S23°15'51"E 142.41'
- ③ S15°26'40"E 211.68'
- ④ S9°59'30"E 326.18'
- ⑤ S7°5'42"E 460.08'
- ⑥ S7°1'2"E 623.07'
- ⑦ S10°25'44"E 864.72'

POINT OF REFERENCE FROM SW CORNER OF PARCEL 1

- ⑧ S89°59'48"E 307.30'
- ⑨ S89°59'48"E 596.90'
- ⑩ S89°59'48"E 620.35'

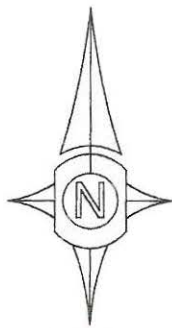
LINE CALLS FOR 24.0' PUBLIC ACCESS AND UTILITY EASEMENT ARE ALONG THE CENTERLINE. EASEMENT LIMITS ARE 12.0' ON EITHER SIDE OF THE CENTERLINE AS SHOWN AND LABELLED.

EASEMENT LINE CALL TABLE

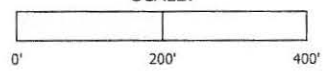
- E1 S00°06'13"E 477.43'
- E2 S00°06'13"E 91.70'
- E3 S00°00'13"E 162.58'
- E4 S89°59'48"E 198.67'
- E5 S89°59'48"E 83.85'
- E6 S89°59'48"E 386.83'

EASEMENT CURVE CALL TABLE (R,D,L,B,C)

- C1 42.00' 39°18'10" 28.81' S19°45'18"E 28.25'
- C2 42.00' 39°18'10" 28.81' S19°45'18"E 28.25'
- C3 42.00' 25°00'23" 18.33' S12°23'58"W 18.19'
- C4 42.00' 24°53'59" 18.25' S12°27'10"W 18.11'
- C5 42.00' 90°00'00" 65.97' S44°59'47"E 59.40'
- C6 42.00' 39°18'10" 28.81' N70°21'08"E 28.25'
- C7 42.00' 39°18'10" 28.81' N70°21'08"E 28.25'
- C8 42.00' 39°18'06" 28.81' S70°20'44"E 28.25'
- C9 42.00' 39°18'06" 28.81' S70°20'44"E 28.25'



SCALE:



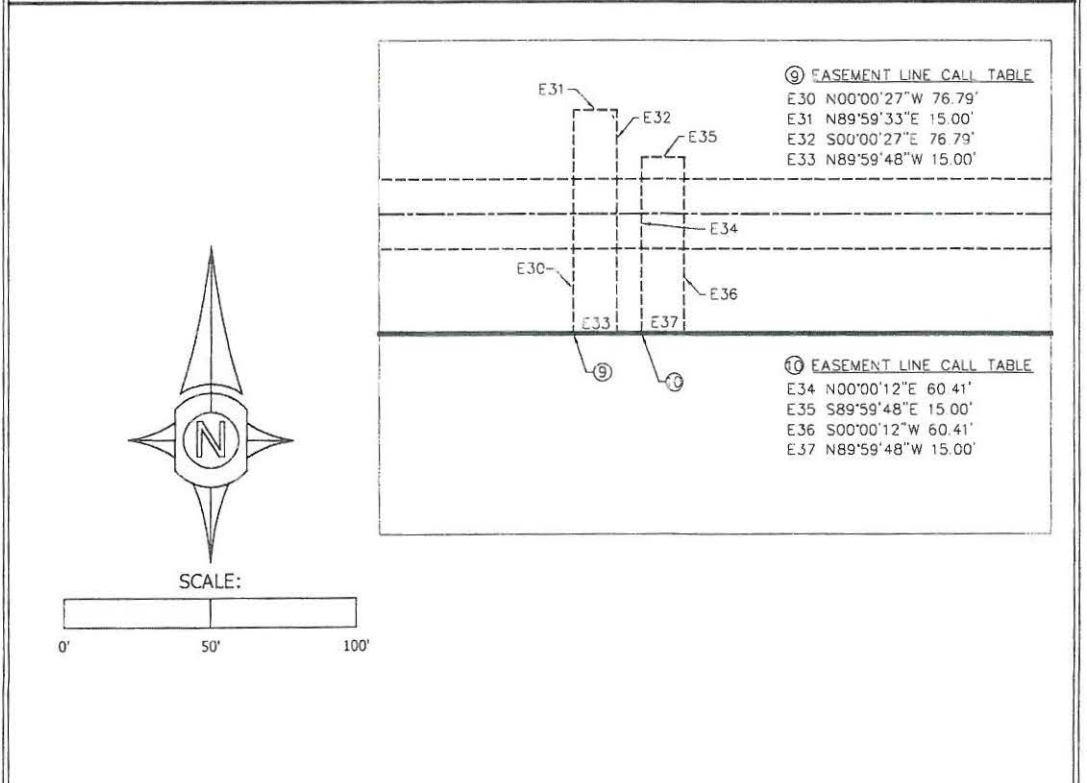
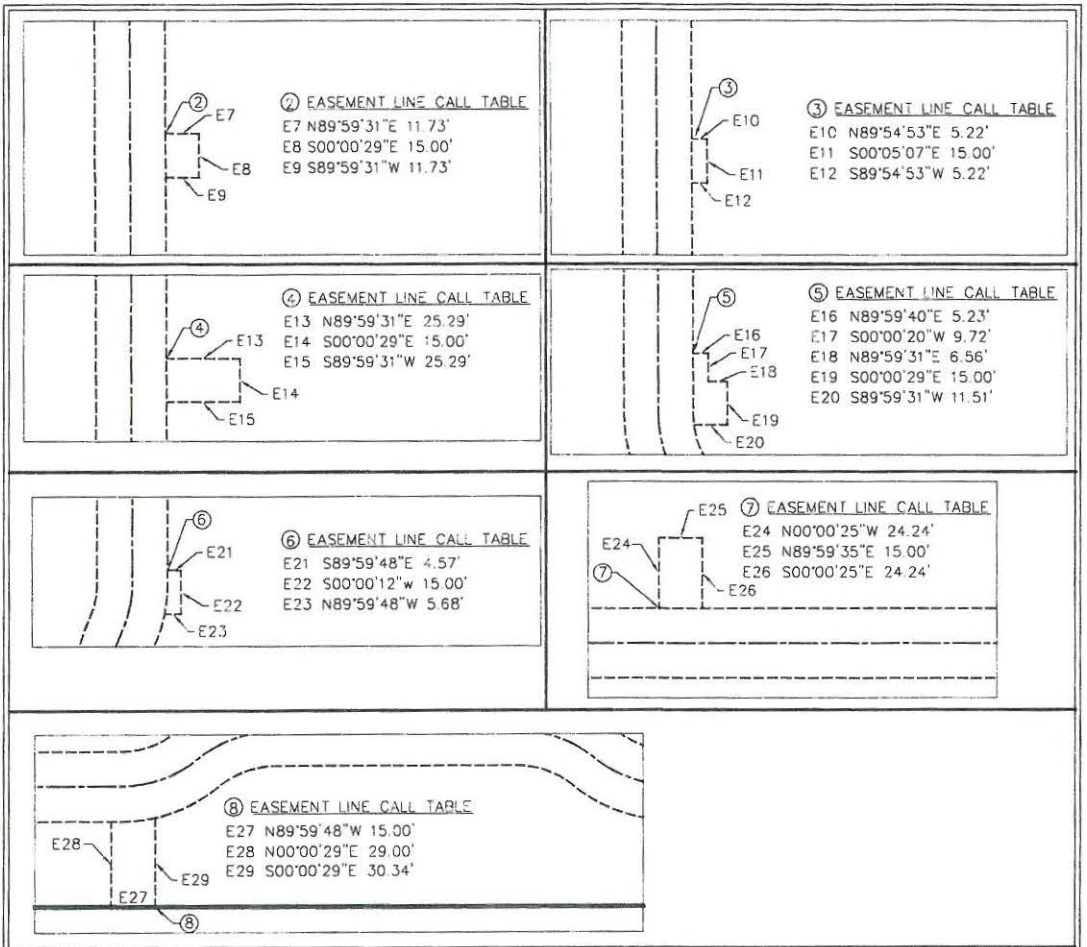
Date: 9-17-2013
 Project: 13-060
 TITLE: PUBLIC ACCESS AND UTILITY EASEMENT
 Drawn By: BSH
 Checked By: HAY

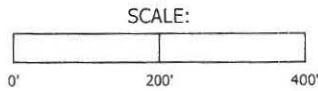
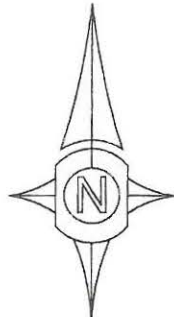
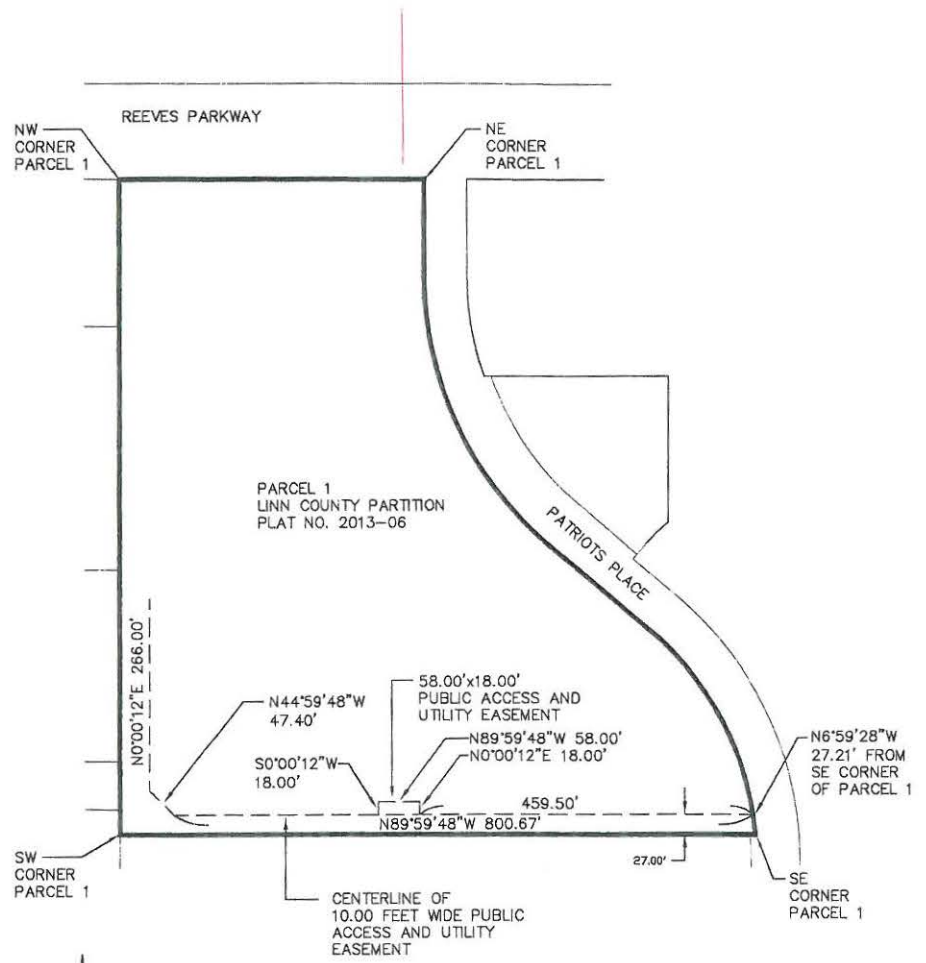
EXHIBIT B
PUBLIC ACCESS AND UTILITY EASEMENT
LEBANON, OREGON

UDELL ENGINEERING AND LAND SURVEYING, LLC
 63 EAST ASH ST.
 LEBANON, OREGON, 97355
 541-451-5125



Sheet 1 of 3
 SCALE: AS NOTED

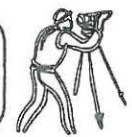




Date: 04-03-2013
 Project: 13-060
 CD: easements
 Drawn by: gsw
 Checked by: gsw

EXHIBIT B
PUBLIC ACCESS
AND UTILITY EASEMENT
LEBANON, OREGON

UDELL ENGINEERING
AND
LAND SURVEYING, LLC
 63 EAST ASH ST.
 LEBANON, OREGON, 97355
 541-451-5125



SHEET 3
 OF 3
 SCALE: AS NOTED

Liquor License(s)



Administration

City Clerk/Recorder

To: Mayor Aziz and City Council

Date: November 22, 2014

From: Linda Kaser, City Clerk

Subject: Liquor License Application (New Ownership – 76 & 86 Sherman Street)

TK's Bar and Grill (formerly Peacock Bar & Grill) located at 76 & 86 Sherman Street in Lebanon applied for a Change in Ownership for Full On-Premises Sales liquor license. The OLCC Application is attached for Council's review and consideration.

The Lebanon Fire Marshal, Police Chief, Building Official and Community Development Manager have reviewed the application and found no evidence to support a denial of this liquor license application.

Council Action:

Staff recommends that Council authorize a favorable recommendation to OLCC under the City Council Consent Calendar.

/lgk



OREGON LIQUOR CONTROL COMMISSION LIQUOR LICENSE APPLICATION

Application is being made for:

LICENSE TYPES

- Full On-Premises Sales (\$402.60/yr)
 - Commercial Establishment
 - Caterer
 - Passenger Carrier
 - Other Public Location
 - Private Club
 - Limited On-Premises Sales (\$202.60/yr)
 - Off-Premises Sales (\$100/yr)
 - with Fuel Pumps
 - Brewery Public House (\$252.60)
 - Winery (\$250/yr)
 - Other: _____

ACTIONS

- Change Ownership
- New Outlet
- Greater Privilege
- Additional Privilege
- Other C/IN

90-DAY AUTHORITY

Check here if you are applying for a change of ownership at a business that has a current liquor license, or if you are applying for an Off-Premises Sales license and are requesting a 90-Day Temporary Authority

APPLYING AS:

- Limited Partnership
- Corporation
- Limited Liability Company
- Individuals

CITY AND COUNTY USE ONLY

Date application received: 11-19-14

The City Council or County Commission:

LEBANON

(name of city or county)

recommends that this license be:

- Granted
- Denied

By: _____
(signature) (date)

Name: LINDA KASER

Title: CITY CLERK

OLCC USE ONLY

Application Rec'd by: [Signature]

Date: 11-17-14

90-day authority: Yes No

1. Entity or Individuals applying for the license: [See SECTION 1 of the Guide]

① Kurt D Martin (KDM-244) ③ _____

② _____ ④ _____

2. Trade Name (dba): TK's Bar and Grill

3. Business Location: 710^{SE} Sherman Lebanon Ore
(number, street, rural route) (city) (county) (state) (ZIP code)

4. Business Mailing Address: 1037 SW 49th Ave Albany Ore 97321
(PO box, number, street, rural route) (city) (state) (ZIP code)

5. Business Numbers: 541-451-2027
(phone) (fax)

6. Is the business at this location currently licensed by OLCC? Yes No

7. If yes to whom: Mamazi, LLC Type of License: full services FCom

8. Former Business Name: The Peacock Bar and Grill, East

9. Will you have a manager? Yes No Name: Kurt D Martin
(manager must fill out an Individual History form)

10. What is the local governing body where your business is located? City of Lebanon
(name of city or county)

11. Contact person for this application: Kurt D Martin 541-936-0596
(name) (phone number(s))
1037 SW 49th Ave Albany Ore 97321 KurtdMartin@YAlb.com
(address) (fax number) (e-mail address)

I understand that if my answers are not true and complete, the OLCC may deny my license application.

Applicant(s) Signature(s) and Date:

① [Signature] Date 11-17-14 ③ _____ Date _____

② _____ Date _____ ④ _____ Date _____



OREGON LIQUOR CONTROL COMMISSION
INDIVIDUAL HISTORY

1. Trade Name TK'S Bar and Grill 2. City Lebanon
 3. Name Martin Kurt D
 (Last) (First) (Middle)
 4. Other names used (maiden, other) _____
 5. *SSN: _____ 6. Place of Birth _____ 7. DOB _____ 8. Sex M F
 (State or Country) (mm) (dd) (yyyy)

*SOCIAL SECURITY NUMBER DISCLOSURE: As part of your application for an initial or renewal license, Federal and State laws require you to provide your Social Security Number (SSN) to the Oregon Liquor Control Commission (OLCC) for child support enforcement purposes (42 USC § 666(a)(13) & ORS 25.785). If you are an applicant or licensee and fail to provide your SSN, the OLCC may refuse to process your application. Your SSN will be used only for child support enforcement purposes unless you sign below.

Based on our authority under ORS 471.311 and OAR 845-005-0312(6), we are requesting your voluntary consent to use your SSN for the following administrative purposes only: to match your license application to your Alcohol Server Education records (where applicable), and to ensure your identity for criminal records checks. OLCC will not deny you any rights, benefits or privileges otherwise provided by law if you do not consent to use of your SSN for these administrative purposes (5 USC § 552(a)). If you consent to these uses, please sign here:

Applicant Signature: Kurt Martin member

9. Driver License or State ID # _____ 10. State _____
 11. Residence Address _____
 (number and street) (city) (state) (zip code)
 12. Mailing Address (if different) _____
 (number and street) (city) (state) (zip code)
 13. Contact Phone: _____ 14. E-Mail address (optional) _____

15. Do you have a spouse or domestic partner? Yes No
 If yes, list his/her full name: Tina Martin

16. If yes to #15, will this person work at or be involved in the operation or management of the business?
 Yes No

17. List all states, other than Oregon, where you have lived during the past ten years:
None

18. In the past 12 years, have you been **convicted** ("convicted" includes paying a fine) in Oregon or any other state of driving a car with a suspended driver's license or driving a car with no insurance?
 Yes No Unsure If yes, list the date(s), or approximate dates, and type(s) of convictions.
 If unsure, explain. You may include the information on a separate sheet.

19. In the past 12 years, have you been **convicted** ("convicted" includes paying a fine) in Oregon or any other state of a misdemeanor or a felony? Yes No Unsure
 If yes, list the date(s), or approximate dates, and type(s) of convictions. If unsure, explain. You may include the information on a separate sheet.

20. Trade Name TK's Bar and Grill 21. City Lebanon

22. Do you have any arrests or citations that have not been resolved? Yes No Unsure
If yes or unsure, explain here or include the information on a separate sheet.

23. Have you ever been in a drug or alcohol diversion program in Oregon or any other state? (A diversion program is where you are required, usually by the court or another government agency, to complete certain requirements in place of being convicted of a drug or alcohol-related offense.) Yes No Unsure
If yes, list the date(s), or approximate dates. If unsure, explain. You may include the information on a separate sheet.

24. Do you, or any legal entity that you are a part of, currently hold or have previously held a liquor license in Oregon or another US state? (Note: a service permit is not a liquor license.) Yes No Unsure
If yes, list the name(s) of the business, the city (or cities) and state (or states) where located, and the date(s) of the license(s). If unsure, explain. You may include the information on a separate sheet.

25. Have you, or any legal entity that you are a part of, ever had an application for a license, permit, or certificate denied or cancelled by the OLCC or any other governmental agency in the US?
 Yes No Unsure If yes, list the date(s), or approximate dates. If unsure, explain. You may include the information on a separate sheet.

Questions 26 and 27 apply if you, or any legal entity that you are part of, are applying for a Full On-Premises, Limited On-Premises, Off-Premises, or Brewery-Public House license. If you are not applying for one of those licenses, mark "N/A" on Questions 26 & 27.

26. Do you have any ownership interest in any other business that makes, wholesales, or distributes alcohol? N/A Yes No Unsure If yes, list the date(s), or approximate dates. If unsure, explain. You may include the information on a separate sheet.

27. Does, or will, a maker, wholesaler, or distributor of alcohol have any ownership interest in your business?
 N/A Yes No Unsure If yes or unsure, explain:

Question 28 applies if you, or any legal entity that you are part of, are applying for a Brewery, Brewery-Public House, Distillery, Grower Sales Privilege, Warehouse, Wholesale Malt Beverage & Wine, or Winery license. If you are not applying for one of those licenses, mark "N/A" on Question 28.

28. Do you, or any legal entity that you are part of, have any ownership interest in any other business that sells alcohol at retail in Oregon? N/A Yes No Unsure If yes or unsure, explain:

You must sign your own form (you can't have your attorney or a person with power of attorney sign your form).

I affirm that my answers are true and complete. I understand the OLCC will use the above information to check my records, including but not limited to, criminal history. I understand that if my answers are not true and complete, the OLCC may deny my license application.

Applicant Signature: KADMA Member Date: 11-17-14

OREGON LIQUOR CONTROL COMMISSION
LIMITED LIABILITY COMPANY QUESTIONNAIRE



Please Print or Type

LLC Name: KOM+2 LLC Year Filed: 2014
Trade Name (dba): TK's Bar and Grill
Business Location Address: 76th Sherman Street
City: beaverton ZIP Code: 97321

List Members of LLC:

Percentage of Membership Interest:

1. Kurt D Martin - member
(managing member)
2. _____
(members)
3. _____
4. _____
5. _____
6. _____

100 %

(Note: If any LLC member is another legal entity, that entity must also complete an LLC, Limited Partnership or Corporation Questionnaire. If the LLC has officers, please list them on a separate sheet of paper with their titles.)

Server Education Designee: Kurt D Martin DOB: 9-1-59

I understand that if my answers are not true and complete, the OLCC may deny my license application.

Signature: [Signature] member Date: 11-17-14
(name) (title)



OREGON LIQUOR CONTROL COMMISSION
INDIVIDUAL HISTORY

1. Trade Name TK's BAR and Grill 2. City Lebanon Or
 3. Name Martin Tina M.
 (Last) (First) (Middle)
 4. Other names used (maiden, other) _____
 5. *SSN: _____ 6. Place of Birth _____ 7. DOB _____ 8. Sex M F
 (State or Country) (mm) (dd) (yyyy)

*SOCIAL SECURITY NUMBER DISCLOSURE: As part of your application for an initial or renewal license, Federal and State laws require you to provide your Social Security Number (SSN) to the Oregon Liquor Control Commission (OLCC) for child support enforcement purposes (42 USC § 666(a)(13) & ORS 25.785). If you are an applicant or licensee and fail to provide your SSN, the OLCC may refuse to process your application. Your SSN will be used only for child support enforcement purposes unless you sign below.

Based on our authority under ORS 471.311 and OAR 845-005-0312(6), we are requesting your voluntary consent to use your SSN for the following administrative purposes only: to match your license application to your Alcohol Server Education records (where applicable), and to ensure your identity for criminal records checks. OLCC will not deny you any rights, benefits or privileges otherwise provided by law if you do not consent to use of your SSN for these administrative purposes (5 USC§ 552(a). If you consent to these uses, please sign here:

Applicant Signature: _____

9. Driver License or State ID # _____ 10. State _____
 11. Residence Address _____
 (number and street) (city) (state) (zip code)
 12. Mailing Address (if different) _____
 (number and street) (city) (state) (zip code)
 13. Contact Phor. _____ 14. E-Mail address (optional) _____

15. Do you have a spouse or domestic partner? Yes No
 If yes, list his/her full name: _____

16. If yes to #15, will this person work at or be involved in the operation or management of the business?
 Yes No

17. List all states, other than Oregon, where you have lived during the past ten years:

18. In the past 12 years, have you been **convicted** ("convicted" includes paying a fine) in Oregon or any other state of driving a car with a suspended driver's license or driving a car with no insurance?
 Yes No Unsure If yes, list the date(s), or approximate dates, and type(s) of convictions.
 If unsure, explain. You may include the information on a separate sheet.

19. In the past 12 years, have you been **convicted** ("convicted" includes paying a fine) in Oregon or any other state of a misdemeanor or a felony? Yes No Unsure
 If yes, list the date(s), or approximate dates, and type(s) of convictions. If unsure, explain. You may include the information on a separate sheet.

20. Trade Name TK's Bar and Grill 21. City Sebanon

22. Do you have any arrests or citations that have not been resolved? Yes No Unsure
If yes or unsure, explain here or include the information on a separate sheet.

23. Have you ever been in a drug or alcohol diversion program in Oregon or any other state? (A diversion program is where you are required, usually by the court or another government agency, to complete certain requirements in place of being convicted of a drug or alcohol-related offense.) Yes No Unsure
If yes, list the date(s), or approximate dates. If unsure, explain. You may include the information on a separate sheet.

24. Do you, or any legal entity that you are a part of, currently hold or have previously held a liquor license in Oregon or another US state? (Note: a service permit is not a liquor license.) Yes No Unsure
If yes, list the name(s) of the business, the city (or cities) and state (or states) where located, and the date(s) of the license(s). If unsure, explain. You may include the information on a separate sheet.

25. Have you, or any legal entity that you are a part of, ever had an application for a license, permit, or certificate denied or cancelled by the OLCC or any other governmental agency in the US?
 Yes No Unsure If yes, list the date(s), or approximate dates. If unsure, explain. You may include the information on a separate sheet.

Questions 26 and 27 apply if you, or any legal entity that you are part of, are applying for a Full On-Premises, Limited On-Premises, Off-Premises, or Brewery-Public House license. If you are not applying for one of those licenses, mark "N/A" on Questions 26 & 27.

26. Do you have any ownership interest in any other business that makes, wholesales, or distributes alcohol? N/A Yes No Unsure If yes, list the date(s), or approximate dates. If unsure, explain. You may include the information on a separate sheet.

27. Does, or will, a maker, wholesaler, or distributor of alcohol have any ownership interest in your business?
 N/A Yes No Unsure If yes or unsure, explain:

Question 28 applies if you, or any legal entity that you are part of, are applying for a Brewery, Brewery-Public House, Distillery, Grower Sales Privilege, Warehouse, Wholesale Malt Beverage & Wine, or Winery license. If you are not applying for one of those licenses, mark "N/A" on Question 28.

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You must sign your own form (you can't have your attorney or a person with power of attorney sign your form).

I affirm that my answers are true and complete. I understand the OLCC will use the above information to check my records, including but not limited to, criminal history. I understand that if my answers are not true and complete, the OLCC may deny my license application.

Applicant Signature: [Signature] Date: 11-17-14



OREGON LIQUOR CONTROL COMMISSION
BUSINESS INFORMATION

Please Print or Type

KDMS-2 LCC *pen*

Applicant Name: Kurt D Martin Phone: 541-986-0596

Trade Name (dba): TK's Bar and Grill

Business Location Address: 76th Sherman Street

City: Lebanon ZIP Code: 97321

DAYS AND HOURS OF OPERATION

Business Hours:

Sunday	<u>7:00 AM</u> to <u>2:30 AM</u>
Monday	_____ to _____
Tuesday	_____ to _____
Wednesday	_____ to _____
Thursday	_____ to _____
Friday	_____ to _____
Saturday	<u>7:00 AM</u> to <u>2:30 AM</u>

Outdoor Area Hours:

Sunday	_____ to _____
Monday	_____ to _____
Tuesday	_____ to _____
Wednesday	_____ to _____
Thursday	_____ to _____
Friday	_____ to _____
Saturday	_____ to _____

The outdoor area is used for:

- Food service Hours: _____ to _____
- Alcohol service Hours: _____ to _____
- Enclosed, how _____

The exterior area is adequately viewed and/or supervised by Service Permittees.

(Investigator's Initials)

Seasonal Variations: Yes No If yes, explain: _____

ENTERTAINMENT

Check all that apply:

- Live Music
- Recorded Music
- DJ Music
- Dancing
- Nude Entertainers
- Karaoke
- Coin-operated Games
- Video Lottery Machines
- Social Gaming
- Pool Tables
- Other: _____

DAYS & HOURS OF LIVE OR DJ MUSIC

Sunday	<u>NA</u> to <u>NA</u>
Monday	<u>NA</u> to _____
Tuesday	<u>NA</u> to _____
Wednesday	<u>NA</u> to _____
Thursday	<u>NA</u> to _____
Friday	<u>8:00 PM</u> to <u>2:00 AM</u>
Saturday	<u>8:00 PM</u> to <u>2:00 AM</u>

SEATING COUNT

Restaurant: 64 Outdoor: _____
 Lounge: 48 Other (explain): 6 lottery
 Banquet: _____ Total Seating: 118

OLCC USE ONLY

Investigator Verified Seating: ____ (Y) ____ (N)

Investigator Initials: _____

Date: _____

I understand if my answers are not true and complete, the OLCC may deny my license application.

Applicant Signature: K D Martin member Date: 11-17-14

1-800-452-OLCC (6522)

www.oregon.gov/olcc

(rev. 12/07)

Proclamation/Presentation/
Recognition



Introduction

CH2M Hill is pleased to present the Annual Client Report for 2013-14 to our client, the City of Lebanon (the City). The completion of our work in 2013-14 marks another year of quality service we've provided to the citizens of Lebanon. This report highlights some of the last year's accomplishments.



Management Systems

CH2M Hill's delivery of service revolves around management systems that ensure our team is meeting the requirements defined in the Services Agreement. The exhibit below outlines these management systems.

CH2M Hill Management Systems	
Capital Improvement Planning	Recommendation and implementation (as requested/funded) of system improvements
Chemical Management	Establishment of chemical usage and management plan
Communication Management Systems	Documentation provided according to client's format and schedule
Community Involvement	Activities to demonstrate good corporate citizenship in our community
Compliance and Regulatory Interface	Regulatory compliance planning, coordinating with agencies and tracking of compliance
Computerized Maintenance Management System (CMMS)	Software system used to track costs as well as preventive and corrective maintenance activities
Computerized Operations Data System	Software system used to track process control data for water and wastewater treatment processes
Emergency Preparedness and Response	Coordination with local agencies and preparedness for emergencies
Associate Training and Development	Program for training and development of O&M personnel
Energy Management	Establishment of energy conservation plan
Facility Appearance Plan	Standards applied to facility, grounds and personal appearance

Everyday Excellence	Associate training to ensure highest quality, customer focused services
Procurement Procedures	Negotiation of best value for goods and services, procured locally or through alternate suppliers
Project Evaluation	Corporate review of facilities and systems to ensure conformance with highest industry and CH2M Hill standard practices
Quality as a Business Strategy	Management and leadership system to guide and focus service delivery
Quality Assurance/Quality Control	Assurance of data quality and reliability for water and wastewater treatment processes
Safety and Security	Site and facility security and adherence to associate safety standards
Standard Operating Procedures	Documented standard approaches for treatment process operation and onsite activities
Warranty Protection	Tracking and support for new equipment warranties

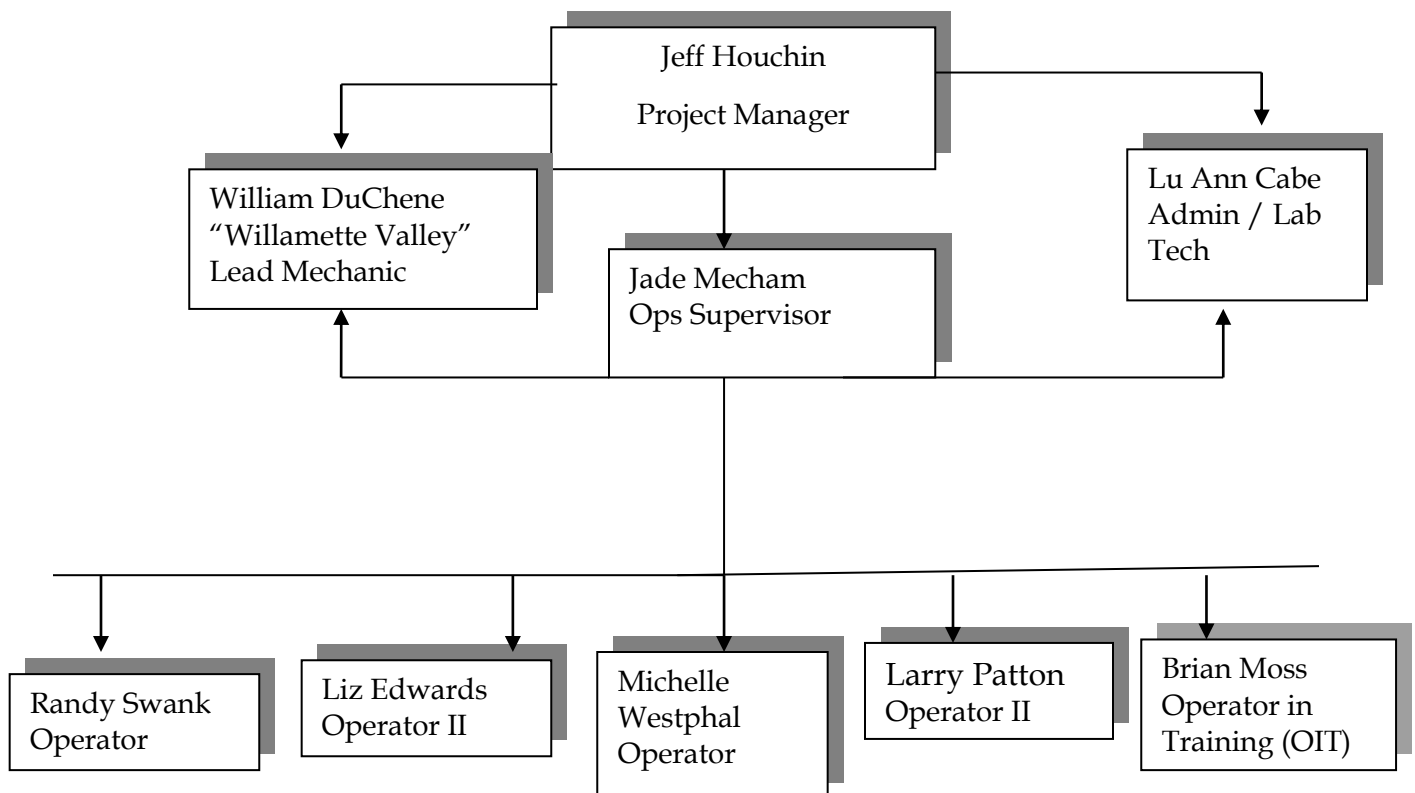
Staffing

CH2M Hill provides many hours of training for job, safety and quality control aspects of operations and management. CH2M Hill also supports associates efforts to obtain and hold State of Oregon certifications for water and wastewater related operations as required by State law. This includes paying for training, travel and other related costs. This helps ensure improved associate retention and improves recruitment efforts in what has become a highly competitive job market.

Cross training continues to be a top priority. In addition to onsite training, all staff participates in numerous other trainings, both onsite and offsite. This training ensures that operations continue uninterrupted during vacations and/or illnesses.

CH2M Hill continues rewarding individual and team accomplishments through the Rewards and Recognition Program.

Our current staffing Plan is 8 FTE's with some assistance to other projects and help from Willamette Valley Mechanic on electrical issues and larger repair items see detailed below:



Associates are supported by CH2M Hill's Technical Services Group and Regional Operations and Maintenance Specialists. This support includes:

- Consulting Services. Process troubleshooting, facility startups, performance testing and system improvement recommendations
- IT Solutions and Services. Computer hardware, software and network solutions and upgrades
- Asset Services. Condition assessments using proprietary software; determining facility asset operating longevity, life cycle cost and risk; and estimating repair and replacement costs and capital replacement costs
- Optimization Services. Optimization that lowers variable costs, benchmarking against database of more than 100 facilities, and providing a web-enabled portal for data access and analysis.
- Contracted lower chemical costs. By working with vendors, we are able to negotiate lower chemical costs for our projects.
- Willamette Valley Lead Mechanic/Electrician to assist with all major repairs and electrical projects at NW projects.

Safety Management Program

Safety is a fundamental approach to how we conduct business. We are recognized leaders in the field of safety, and we apply this experience and knowledge for the benefit of the City, our associates, our subcontractors and the community. We always intend to provide our associates with a safe and healthful work environment and to comply fully with all applicable federal, state and local regulations regarding safe practices.

A proactive approach to identifying and addressing potential hazards is critical to the success of our Safety Management Program. All associates are trained to look for and to report unsafe conditions and acts. The Project Safety Team completes a monthly inspection and documents any unsafe condition or act and CH2M Hill specialists perform a quarterly walkthrough of all facilities. Any hazards we identify as a result of these efforts, either formal or informal, are mitigated immediately. We use our CMMS program to issue and track work orders for hazards requiring repairs; in the interim, these areas are blocked off by temporary means such as cones or tape. We make associates aware of hazards in our weekly tailgate sessions.

Operations and Maintenance

Wastewater Operations

In spring of 1999, construction began on an interceptor pipeline to allow additional development to the north and west of the City. A new Influent pump station has been built behind the existing Influent pump station, which will handle the predicted future flows as the City expands. Flows enter the plant through a 54" sewer main, which connects to the 24" and 27" sewer mains.

There are four lift stations in Lebanon that pump wastewater to the wastewater treatment plant. Flow enters the plant through 10" and 20" sewer mains. This influent flow is pumped through two manually cleaned bar screens and an automatically cleaned bar screen. All screenings are put through the wash press. Rotary screens operate when the flow is greater than 6 MGD.

The influent flow is introduced to Return Activate Sludge (RAS) flow and then enters the Aeration Basin. Air is supplied through six surface mounted mechanical aerators. Upon leaving the aeration basins, flow enters the secondary Clarifiers for settling. The option of a settling chemical can be added at the outlet of the aeration basin(s) when flows are high to aid in settling. The settled solids are pumped back to the aeration basins to repopulate the basins, improve clarifier efficiencies or are wasted out to the digester. Sludge that is not returned to the aeration basin is wasted to the gravity belt and sent on to the Digestion Process.

Secondary clarifier effluent flows by gravity through a parshall flume to the effluent pumping station where Sodium Hypochlorite is injected and pumped through chlorine contact channels, which disinfects the effluent. The disinfected effluent flow from the chlorine contact channels is then injected with Sodium Bisulfite, which removes the chlorine residual from the effluent flow, which then flows by gravity to the South Santiam River.

There is a digester available for digestion; this digester is used for primary digestion. The aerobic digester uses dissolved oxygen, supplied by a blower through fine bubble diffusers, to stabilize the thickened waste sludge into biosolids. Biosolids are pumped from the digester to the biosolids hauling truck. Biosolids are hauled to an area farm for land application as a soil additive and fertilizer.

In 2008-09, a Dechlorination building/system (Sodium Bisulfite) was built and operational; the Cannibal System was installed and operated; modifications to the Aeration Basin were completed; the Outfall piping to the river was modified and the Outfall at the Santiam River was revamped.

In the summer of 2011, construction began on a new secondary clarifier. This clarifier is 130' in diameter, and 16' deep at the wall. The #4 clarifier will increase the peak wet weather flow of the plant to 18 MGD. Final completion of the clarifier was in the summer of 2012.

The plant is designed to treat and is currently treating the following influent parameters:

2013-14

	<u>Design</u>	<u>Averages</u>
Average Dry Weather Flow	3.0 MGD	2.735 MGD
Average Wet Weather Flow	7.2 MGD	5.659 MGD
Peak Wet Weather Flow	14.5 MGD	14.828 MGD
Influent TBOD pounds per day	3,300	3021
Influent TSS pounds per day	2,550	4008
Average Annual Flow		4.197 MGD

Operations:

The year July 1, 2013 through June 30, 2014 continued the trend of ongoing change and innovation for the Lebanon Wastewater Treatment Plant.

The following is a list of significant events and improvements.

- CH2M HILL Lebanon participated with the CH2M HILL engineers from Corvallis and the Lebanon city engineers in design of a new effluent pumping station.
- Jeff Houchin (Project Manager II) transferred to Lebanon, from Sandy, as the new Project Manager as Brian Helliwell was promoted to Regional Business Manager.
- Completed entry way to control building. Put a new ramp and planter box in front of building and put new landscaping in.
- We emptied and cleaned the aerobic digester. We also fixed bad diffuser heads in the aerobic digester.
- Due to a short hauling season last year due to rain we used the drying beds extensively to aid in reducing solids being held in the plant. We sent 143,601 gallons of digested sludge to the drying beds.
- Worked with CH2MHILL engineers to design a header pipe that would allow us to use a filter pump as an effluent pump since construction on new pump station is delayed.
- In February the treatment plant ran for more than twenty four hours on backup emergency generator power with an operator on site until line power was restored
- Lost line #2 telephone service due to a damaged telephone line. Auto-dialer would not work, we manned the treatment plant until next day when Century Link repaired the line.

Maintenance:

The following is a list of the more important maintenance items done during this time period:

- Worked with CH2MHILL engineers to design a header pipe that would allow us to use a filter pump as an effluent pump since construction on new pump station is delayed.
- We added external reset switches on the compactor panel so an electrician would no longer have to be called to reset panel.
- Completed all IR (infra-red) work on MCC's for both facilities.
- We installed and poured a new cement base structure for the #1 effluent pump the old cement was cracked and broken in several places.
- Fabricated and installed safety guards on various pieces of equipment, handrails at multiple locations, and covers over gaps and trip hazards throughout the facility in order to meet OSHA requirements.
- New auto-dialer was installed at Park St lift station.
- Replaced sodium hypochlorite pump.
- Replaced gravity belt hydraulic ram cylinder.
- Replaced defective drying oven in laboratory.
- New wireless system was installed at Park St lift station.
- New wireless connection was installed in security system between influent and filter buildings.

During this time frame, 2746 preventive maintenance tasks (PM's) were completed along with 172 Corrective Maintenance Work Orders (CMWO's). There were also 34 unscheduled work orders completed.



Biosolids:

For the year July 1, 2013 through June 30, 2014, the Lebanon Wastewater Treatment Plant hauled to various approved sites, the following items:

- 1,920,000 gallons of biosolids hauled from February 6 to October 12, 2013 and March 3 to May 11, 2014
- the equivalent of 400 loads to 316.47 acres

There were no Biosolids hauled from October 13, 2013 to March 2, 2014 and May 12 to June 30, 2014.

Water Treatment

The Lebanon Water Treatment Plant operates under Safe Drinking Water Act (SDWA) regulations. These regulations are federally mandated for all water treatment plants. Testing includes monthly, quarterly, and annual sampling for specific parameters. A list of all requirements would go beyond the scope of this report. However, the finished water produced at the plant continually meets or exceeds these regulations. We perform anywhere between 6,000 and 7,000 water quality tests per year along with continuous online analyzers.

Source water is drawn from the Albany/Lebanon Canal, which originate at the South Santiam River. Canal water flows through a debris screen, then a rack, to four raw water pumps. Chemicals are added in the raw water wet well to begin the coagulation process.

Coagulation and flocculation occur in the Accelerator, which removes most of the turbidity in the raw water. The Accelerator effluent gravity flows into the multimedia filters through a 24" line

Each of the three filters is a multimedia gravity flow unit and is able to treat about 1.5 million gallons per day. A fourth filter is available for emergency use only, as there are structural concerns. Water is filtered until a time limit is reached or the filter's head loss gauge increases enough to require backwashing (indicate filter is plugging). Filter backwash water is settled in two settling ponds prior to discharging into the Albany/Lebanon Canal.

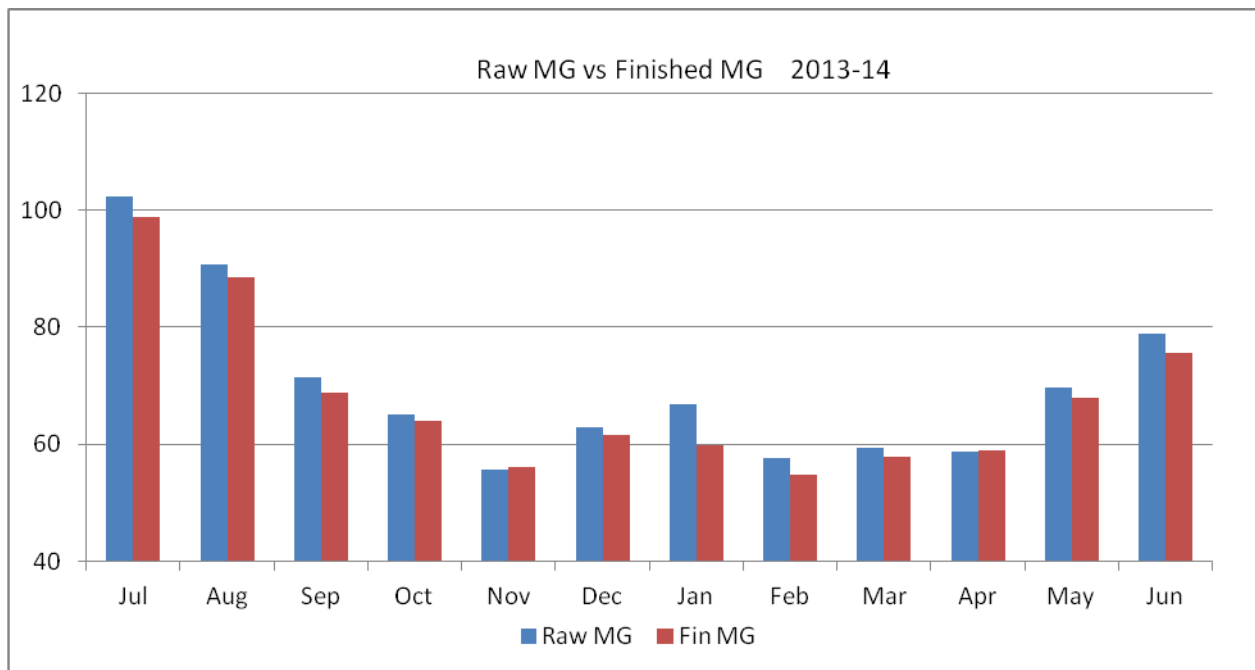
Caustic Soda is injected into the outfall of the clear well to control the finished water pH. This helps to control distribution corrosion. Soda Ash can also be injected in the raw water to help with flocculation if needed.

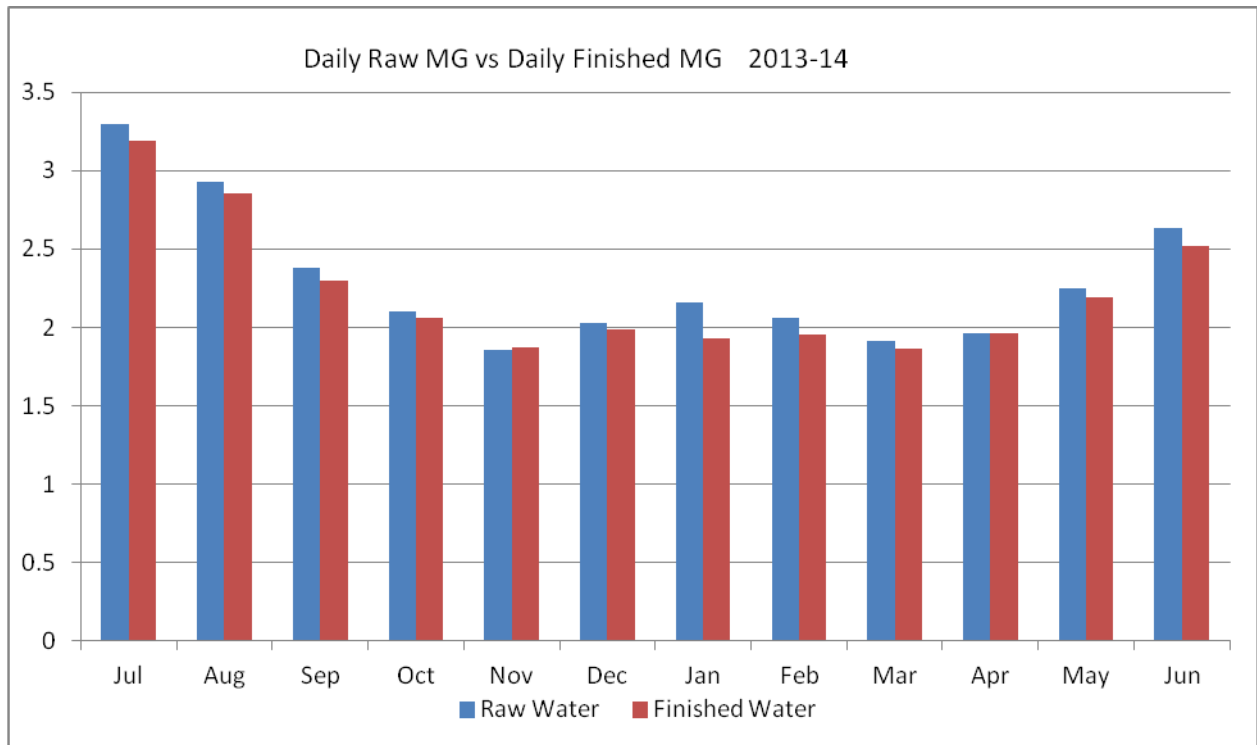
Sodium Hypochlorite is added to the filtered water as it enters the clear well. The clear well is baffled so that the plant can meet the chlorine residual contact time (C x T) requirements.

Finished water then is pumped into the distribution system, which supplies the City of Lebanon and fills the reservoirs at the same time. There are two, 2 million-gallon reservoirs. One is located on the south side of town and the other is on the east side of town. Construction has begun on a new 4 million gallon Reservoir located on the south side of town adjacent to the older 2 million-gallon reservoir.

Design Criteria

	<u>Max. Rated Flow</u>	<u>2013-14 Average</u>	<u>2013-14 Peak Day</u>
Raw Water		2.30 MGD	2.93 MGD
Finished Water	4.0 MGD	2.24 MGD	3.20 MGD





Operations and Maintenance

The period of July 1, 2013 through June 30, 2014 continued the trend of continuing change and innovation for the Lebanon Water Treatment Plant.

The following is a list of significant events and improvements:

- South reservoir was out of service several days during the month of September.
- Completed condition assessment on all equipment in facility.
- Performed backwash “rate of rise” on filter one and rate is what is considered optimum.
- December & January abnormal freezing conditions caused several issues
 - Had issues with air lines outside freezing due weather conditions. Staff thawed with propane torches.
 - Rotating Intake screen froze and sheered bolts and stopped turning. Shaft was drilled out more so set screws could be set deeper.
 - Caustic Soda system froze. Staff set up a temporary enclosure around pumps with a heater to prevent freezing.
 - Caustic Soda Carrier water froze and broke at a backflow prevention device. Staff used two secondary backflow prevention devices to get Caustic Soda system repaired.
 - Finished Water pump 1 and 2 VFD’s were sprayed with water when the eye wash station broke. The VFD’s shorted and blew electronics and was not repairable. Staff used pumps 3 and 4. New VFD’s were ordered and installed by CH2M electrician. Had to reprogram communication and SCADA.
 - Fluoride Eye wash station froze and broke. Staff is repairing.
 - Main gate failed to open and close fully and was repaired by outside contractor.
 - Water valve for fire hose at Raw Water building broke due to freezing
- Gave a tour to a Lebanon High School class.
- Drained and cleaned Accelerator.
- Ran plant in bypass configuration while Accelerator was being repaired, due to significant mechanical issues with the mixer and metal baffling. Had no water quality issues during this period. Plant back to normal operation within 24 hours.
- Cleaned both back wash ponds.

Maintenance

- Replaced shorted Accelerator mixer motor.
- North reservoir was taken out of service for contractor to install new valve, and was out of service for four days with no system issues
- Replaced coupler on finish water pump one
- North reservoir was out of service for a few days due to a defective gear mechanism.
- Replaced finish water pump #2 along with new coupler and seals.
- Performed annual IR and vibration survey.
- Installed a new Cl-17 chlorine analyzer to replace the old Cl-17 that was unreliable due to failing electronics.

Maintenance and CMMS

CH2M Hill emphasizes proper equipment and facility maintenance as part of our management approach. Our maintenance program begins with a thorough audit and analysis of equipment condition, warranty status and repair records. We use data that we gather from the analysis to populate our CMMS and to establish baselines for ongoing maintenance services site wide. The CMMS serves as the key tool for guiding and tracking all onsite maintenance activities.

CH2M Hill uses the information gathered through the CMMS to inform the City when a replacement costs versus a major corrective repair should be considered.

Maintenance Services and Activities

CH2M Hill classifies maintenance activities at the sites we manage into three (3) major categories:

Preventive Maintenance:

Preventive maintenance (PM) is defined as those routine and/or repetitive activities required or recommended by manufacturers and/or internal standards to maximize the service life and reliability of the equipment, vehicle, facility or any component thereof. Proper PM is critical first line of defense against deterioration and failure.

Predictive Maintenance

Under CH2M Hill's predictive maintenance (PM) program, major electrical equipment is scheduled for testing using infrared thermography equipment annually to confirm that components are in working order with no loose or faulty connections. Readings are recorded in the CMMS. Additional PM activities include more detailed equipment condition assessments and vibration monitoring.

Corrective Maintenance

Corrective Maintenance (CM) encompasses activities required for operational continuity, safety and performance. The status of CM work orders is maintained using the CMMS and work is scheduled within groups of equipment to save time and reduce labor costs.

CH2M Hill evaluates CMMS information to benchmark maintenance performance and to supplement benchmarking with our proprietary Maintenance Matrix tool. This unique tool tracks and compares monthly maintenance performance to other CH2M Hill managed sites.

Environmental Laboratory Services

The environmental laboratory provides the sampling and analysis required for wastewater and water process control and environmental compliance reporting to Oregon Department of Environmental Quality (DEQ) and the U.S. Environmental Protection Agency (U.S. EPA) in accordance with all state and federal laws. Our award winning quality control and quality assurance program, coupled with our internal audit process, ensures perfect compliance and perfect reporting of non-compliance.

Community Involvement

Community involvement is an essential part of the way CH2M Hill does business. Our associates take pride in giving back to the community where they live and work. The CH2M Hill associates determine which projects they want to be involved in, and seek input from the City to see if there are any special projects where the CH2M Hill team can help.

Specific examples of community involvement activities include:

- Lions Club booth assistance at the Strawberry Festival, set up and takedown of booth, as well as working during the busy times of the Festival
- Providing tours of the wastewater and water treatment plants
- Supporting vocational rehabilitation programs for retraining of injured workers into a new field. Several trainees have passed through and gained employment at the end of their training schedule
- Providing assistance to the Linn Benton Community College students in regards to the actual workings of a wastewater or water treatment plant

Summary

CH2M Hill is committed to the City of Lebanon and its citizens by providing the best service at the lowest reasonable price. Our priority is being proactive to reduce equipment downtime by concentrating on predictive and preventive maintenance measures, addressing problems before they occur and responding to our customer needs in a quick and effective manner.

Agenda Item 1



MEMORANDUM

Finance Department

To:	Mayor Aziz and City Council	Date:	12/3/14
From:	Dean Baugh, Finance Director		
Subject:	Lebanon Audit Report for Year Ending June 30, 2014		

The FY ending 6/30/14 Audit report prepared by the firm of Accuity LLC, was delivered to the City Council for their review on December 8, 2014.

Staff Recommendation: Staff recommends City Council approval of the attached Resolution to accept the City of Lebanon audit report and management letter for the audit of the City's financial statements for the year ending June 30, 2014.

Finance Department

**A RESOLUTION ACCEPTING THE CITY OF
LEBANON AUDIT REPORT FOR YEAR ENDING
JUNE 30, 2014**

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RESOLUTION NO. 2014-37

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; and

WHEREAS, For the fiscal year ending June 30, 2014 the firm of Accuity LLC certified public accountants performed the financial audit of the City of Lebanon's financial statements.

NOW, THEREFORE, BE IT RESOLVED:

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, 2014.

Passed by the Lebanon City Council and executed by the Mayor on this on this 10th day of December, 2014 by a vote of ____yeas and ____nays.

CITY OF LEBANON, OREGON

Paul R. Aziz, Mayor
Bob Elliott, Council President

ATTESTED BY:

Linda Kaser, City Clerk



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

City Council
City of Lebanon
Lebanon, Oregon 97355

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon for the year ended June 30, 2014 and issued our report thereon dated **Date Rep Letter Signed**. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 10, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Qualitative Aspects of the City's Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lebanon are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of depreciable lives and salvage values of capital assets, which are based on expected useful lives of the assets and current market conditions. We evaluated the key factors and assumptions used to develop the depreciable lives and salvage values and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Lebanon's financial statements relate to long-term liabilities and retirement benefits.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The completion of our audit was delayed because of identified misstatements within the data received from management.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management. The attached schedule also summarizes uncorrected misstatements of the financial statements, whose effects, as determined by management, are immaterial, both individually and in the aggregate to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the attached letter dated **Date Rep Letter Signed**.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the city council and management of the City of Lebanon, and is not intended to be, and should not be used by anyone other than these specified parties.


Accuity, LLC

Date Rep Letter Signed, 2014

DRAFT

City of Lebanon
Summary of Proposed Audit Adjustments
June 30, 2014

Description	Assets	Liabilities	Revenues	Expenses	Equity
To correct deferred revenue balances	\$ -	\$ 23,173	\$ 23,173	\$ -	\$ -

DRAFT



CITY OF LEBANON

It's easier from here.

CITY OF LEBANON
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2014

DRAFT



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

330 Washington Street SW | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

CITY OF LEBANON
Linn County, Oregon

CITY OFFICIALS

June 30, 2014

MAYOR

Paul Aziz
312 E. Sherman Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Barry Scott
1620 W. Airway Road
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97355

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97355

Jason Bolen
3426 Duck Place
Lebanon, Oregon 97355

Rebecca Grizzle
333 E. Ash Street
Lebanon, Oregon 97355

CITY MANAGER

Jon Nelson, Interim

Gary Marks (*Hired as of 3/17/14*)

CITY OF LEBANON
Linn County, Oregon

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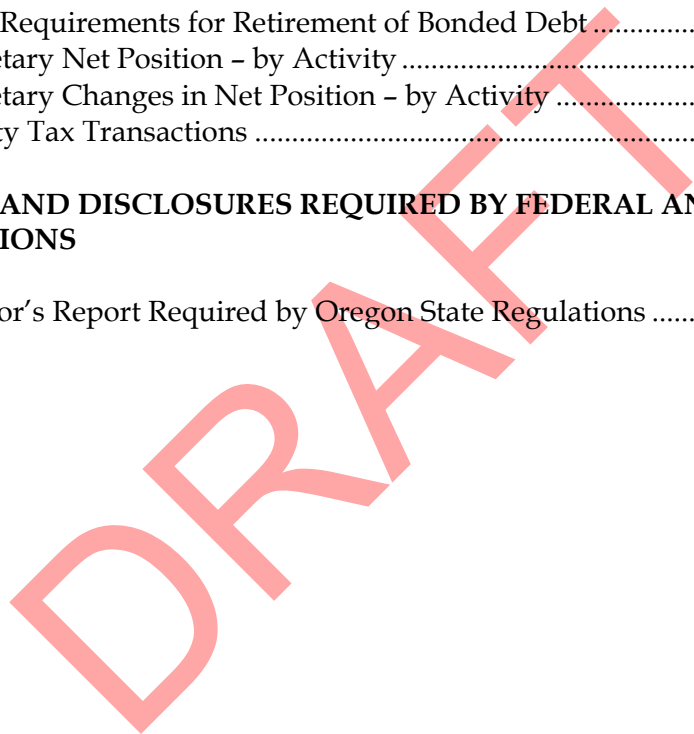
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FINANCIAL SECTION

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Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Paul Aziz, Mayor
And Members of the City Council
City of Lebanon
Lebanon, Oregon 97355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Lebanon, Linn County, Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud of error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Lebanon, Linn County, Oregon as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 54 through 60 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 management's discussion and analysis 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The individual fund schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic 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 basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated **Date Rep Letter Signed**, 2014 on our tests of the City’s compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon
Date Rep Letter Signed, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the City of Lebanon, Linn County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, total net position of the City of Lebanon amounted to \$44,799,068. Of this amount, \$27,614,924 was invested in capital assets, net of related debt. The remaining balance included \$9,449,690 restricted for various purposes and \$7,734,454 of unrestricted net position.
- The City's total net position decreased by \$5,835,605 during the current fiscal year.
- Overall expenditures were \$29,427,627, which exceeded total revenues of \$23,592,022 by \$5,835,605.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Lebanon's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, and community planning and development.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The business-type activities of the City include water, sewer and storm drainage services. The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the City of Lebanon can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, Special Assessment, Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, North Gateway Urban Renewal District, Debt Service, and Capital Projects Funds, all of which are considered to be major governmental funds.

The City of Lebanon adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains one enterprise fund.

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, sewer and storm drain utility operations.

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

□ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is the same as that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General, Special Revenue, Special Assessment, Northwest Urban Renewal, Cheadle Lake Urban Renewal, and North Gateway Urban Renewal Funds. This required supplementary information can be found on pages 54 through 60 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 61 through 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$44,799,068, at the close of the most recent fiscal year. This was a decrease in net assets of 12%.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net position

At the end of the current fiscal year, the City was able to report positive balances in all categories of net position. The City's net position decreased by \$5,835,605 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 2,395,906	\$ 1,665,363	\$ 4,108,828	\$ 4,212,367	\$ 6,504,734	\$ 5,877,730
Restricted assets	10,196,486	10,722,549	-	-	10,196,486	10,722,549
Noncurrent assets	2,539,738	2,475,009	362,749	381,416	2,902,487	2,856,425
Net capital assets	34,800,641	35,909,457	42,662,018	37,433,543	77,462,659	73,343,000
Total assets	49,932,771	50,772,378	47,133,595	42,027,326	97,066,366	92,799,704
Liabilities						
Current liabilities	3,616,021	2,436,593	1,049,491	1,381,039	4,665,512	3,817,632
Noncurrent liabilities	38,665,719	25,370,196	8,936,067	12,977,203	47,601,786	38,347,399
Total liabilities	42,281,740	27,806,789	9,985,558	14,358,242	52,267,298	42,165,031
Net position						
Net investment in capital assets	(5,561,848)	9,734,594	33,176,772	23,544,414	27,614,924	33,279,008
Restricted	9,077,679	10,117,153	372,011	372,011	9,449,690	10,489,164
Unrestricted	4,135,200	3,113,842	3,599,254	3,752,659	7,734,454	6,866,501
Total net position	\$ 7,651,031	\$ 22,965,589	\$ 37,148,037	\$ 27,669,084	\$ 44,799,068	\$ 50,634,673

City's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$ 833,670	\$ 1,291,877	\$ 9,428,022	\$ 9,594,106	\$ 10,261,692	\$ 10,885,983
Operating grants and contributions	291,697	342,783	-	-	291,697	342,783
Capital grants and contributions	-	-	-	-	-	-
Total program revenues	<u>1,125,367</u>	<u>1,634,660</u>	<u>9,428,022</u>	<u>9,594,106</u>	<u>10,553,389</u>	<u>11,228,766</u>
General revenues						
Property taxes - general	5,968,262	4,841,894	-	-	5,968,262	4,841,894
Property taxes - debt service	2,348,076	2,938,540	-	-	2,348,076	2,938,540
Franchise taxes	2,000,707	1,898,832	-	-	2,000,707	1,898,832
Motor fuel taxes	895,783	854,197	-	-	895,783	854,197
Alcohol/cigarette taxes	240,676	230,329	-	-	240,676	230,329
Transient room taxes	53,412	30,162	-	-	53,412	30,162
Intergovernmental	168,922	164,930	-	-	168,922	164,930
Unrestricted grants and contributions	81,801	61,605	-	-	81,801	61,605
Investment income	151,205	93,658	15,447	4,813	166,652	98,471
Gain on disposal of assets	-	62,516	-	-	-	62,516
Miscellaneous revenue	<u>1,007,001</u>	<u>669,851</u>	<u>107,341</u>	<u>130,525</u>	<u>1,114,342</u>	<u>800,376</u>
Total general revenues	<u>12,915,845</u>	<u>11,846,514</u>	<u>122,788</u>	<u>135,338</u>	<u>13,038,633</u>	<u>11,981,852</u>
Total revenues	<u>14,041,212</u>	<u>13,481,174</u>	<u>9,550,810</u>	<u>9,729,444</u>	<u>23,592,022</u>	<u>23,210,618</u>
Program expenses						
General Government	16,402,902	10,779,207	-	-	16,402,902	10,779,207
Public Safety	4,492,848	4,507,518	-	-	4,492,848	4,507,518
Highways and streets	735,708	711,593	-	-	735,708	711,593
Culture and recreation	1,562,044	1,629,143	-	-	1,562,044	1,629,143
Community planning and dev.	1,604,091	486,140	-	-	1,604,091	486,140
Interest on long-term debt	974,686	1,070,600	-	-	974,686	1,070,600
Water	-	-	1,424,620	1,555,413	1,424,620	1,555,413
Wastewater	-	-	2,056,295	2,439,795	2,056,295	2,439,795
Storm Drainage	-	-	174,433	150,987	174,433	150,987
Total program expenses	<u>25,772,279</u>	<u>19,184,201</u>	<u>3,655,348</u>	<u>4,146,195</u>	<u>29,427,627</u>	<u>23,330,396</u>
Transfers	<u>(3,583,491)</u>	<u>2,750,955</u>	<u>3,583,491</u>	<u>(2,750,955)</u>	<u>-</u>	<u>-</u>
Change in net position	(15,314,558)	(2,952,072)	9,478,953	2,832,294	(5,835,605)	(119,778)
Net position -						
beginning of year, as restated	<u>22,965,589</u>	<u>25,917,661</u>	<u>27,669,084</u>	<u>24,836,790</u>	<u>50,634,673</u>	<u>50,754,451</u>
Net position - end of year	<u>\$ 7,651,031</u>	<u>\$ 22,965,589</u>	<u>\$ 37,148,037</u>	<u>\$ 27,669,084</u>	<u>\$ 44,799,068</u>	<u>\$ 50,634,673</u>

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE CITY'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 near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$10,010,008, a decrease of \$666,967 from the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund amounted to \$988,969, an increase of \$238,811 over the prior year.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary fund amounted to \$37,148,037 at year-end. Of this amount, \$33,176,772 was invested in capital assets net of related debt, \$372,011 restricted for debt service, and the remaining balance of \$3,599,254 was unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts; one approved supplemental budget and two approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Lebanon's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$34,800,641 and \$42,662,018 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, equipment, and vehicles. Total depreciation expense related to the City's investment in capital assets for its governmental and business-type activities amounted to \$1,170,014 and \$1,143,729, respectively.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Major capital assets activities during the year included completion of the following projects:

- Street sweeper purchase
- 5th water line replacement
- Hobbs and Arlene sewer improvements
- Maple Street sewer improvements

Additional information on the City's capital assets can be found in Note III-D on pages 37 through 40 of this report.

Long-Term Liabilities

At the end of the current fiscal year, the City had total debt outstanding of \$49,847,735. This amount is comprised of debt backed by general obligation bonds, revenue bonds, notes and loans payable. The City's total debt increased by \$9,783,744 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-G on pages 41 through 47 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of the following circumstances that could affect its future financial health:

- PERS rate increases are expected. Rates for the 7/1/15 - 6/30/17 period were announced. Tier 1 & 2 14.53% up 3.3%, OPSRP general 7.26% no change, and OPSRP police 11.37% up 1.37%.
- Property tax revenue increased over last year. It is hoped for and anticipated that with economic growth this trend will continue.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,281,123	\$ 2,749,603	\$ 4,030,726
Receivables, net - current portion	633,919	1,356,933	1,990,852
Property taxes receivable	403,342	-	403,342
Special assessments receivable	22,335	-	22,335
Prepaid expenses	55,187	2,292	57,479
Total current assets	<u>2,395,906</u>	<u>4,108,828</u>	<u>6,504,734</u>
Restricted assets			
Cash and investments	9,354,786	-	9,354,786
Receivables, net	110,482	-	110,482
Special assessments receivable	265,943	-	265,943
Property taxes receivable	465,275	-	465,275
Total restricted assets	<u>10,196,486</u>	<u>-</u>	<u>10,196,486</u>
Internal balances	-	154,777	154,777
Receivables, net - less current portion	991,682	-	991,682
Deferred charges - bond issuance costs	-	207,972	207,972
Net pension asset	1,548,056	-	1,548,056
Capital assets, net of accumulated depreciation	34,800,641	42,662,018	77,462,659
Total assets	<u>49,932,771</u>	<u>47,133,595</u>	<u>97,066,366</u>
LIABILITIES			
Current liabilities			
Accounts payable	366,158	104,577	470,735
Payroll liabilities	613,816	-	613,816
Internal balances	154,777	-	154,777
Accrued interest payable	291,706	78,010	369,716
Compensated absences payable, current portion	53,476	9,891	63,367
Deposits payable	1,694	279,890	281,584
Long-term liabilities, current portion	2,134,394	577,123	2,711,517
Total current liabilities	<u>3,616,021</u>	<u>1,049,491</u>	<u>4,665,512</u>
Noncurrent liabilities			
Long-term liabilities, less current portion	38,228,095	8,908,123	47,136,218
Compensated absences payable, less current portion	437,624	27,944	465,568
Total noncurrent liabilities	<u>38,665,719</u>	<u>8,936,067</u>	<u>47,601,786</u>
Total liabilities	<u>42,281,740</u>	<u>9,985,558</u>	<u>52,267,298</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2014

(Continued)

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	\$ (5,561,848)	\$ 33,176,772	\$ 27,614,924
Restricted for:			
Debt service	359,738	372,011	731,749
Capital improvements	5,797,117	-	5,797,117
Urban renewal	1,666,685	-	1,666,685
Grant projects	1,254,139	-	1,254,139
Unrestricted	4,135,200	3,599,254	7,734,454
Total net position	\$ 7,651,031	\$ 37,148,037	\$ 44,799,068

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The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General Government	\$ 16,402,902	\$ 278,853	\$ 206,787	\$ -	\$ (15,917,262)	\$ -	\$ (15,917,262)
Public Safety	4,492,848	485,259	-	-	(4,007,589)	-	(4,007,589)
Highways and streets	735,708	-	6,400	-	(729,308)	-	(729,308)
Culture and recreation	1,562,044	69,558	78,510	-	(1,413,976)	-	(1,413,976)
Community planning and development	1,604,091	-	-	-	(1,604,091)	-	(1,604,091)
Interest on long-term debt	974,686	-	-	-	(974,686)	-	(974,686)
Total governmental activities	<u>\$ 25,772,279</u>	<u>\$ 833,670</u>	<u>\$ 291,697</u>	<u>\$ -</u>	<u>(24,646,912)</u>	<u>-</u>	<u>(24,646,912)</u>
Business-type activities							
Water	\$ 1,424,620	\$ 4,265,930	\$ -	\$ -	-	2,841,310	2,841,310
Wastewater	2,056,295	4,752,859	-	-	-	2,696,564	2,696,564
Storm Drainage	174,433	409,233	-	-	-	234,800	234,800
Total business-type activities	<u>\$ 3,655,348</u>	<u>\$ 9,428,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>5,772,674</u>	<u>5,772,674</u>
General revenues							
Property taxes levied for general purposes					5,968,262	-	5,968,262
Property taxes levied for debt service					2,348,076	-	2,348,076
Franchise taxes					2,000,707	-	2,000,707
Motor fuel taxes					895,783	-	895,783
Alcohol/cigarette taxes					240,676	-	240,676
Transient room taxes					53,412	-	53,412
Intergovernmental					168,922	-	168,922
Unrestricted grants and contributions					81,801	-	81,801
Investment income					151,205	15,447	166,652
Miscellaneous revenue					1,007,001	107,341	1,114,342
Total general revenues					<u>12,915,845</u>	<u>122,788</u>	<u>13,038,633</u>
Transfers					(3,583,491)	3,583,491	-
Change in net position					(15,314,558)	9,478,953	(5,835,605)
Net position - beginning, as restated					22,965,589	27,669,084	50,634,673
Net position - ending					<u>\$ 7,651,031</u>	<u>\$ 37,148,037</u>	<u>\$ 44,799,068</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Special Assessment Fund</u>	<u>Northwest Urban Renewal District</u>
ASSETS				
Cash and investments	\$ 1,281,123	\$ 1,136,518	\$ -	\$ 3,198,965
Accounts receivable	213,919	110,482	-	-
Property taxes receivable	403,342	-	-	252,434
Loans receivable	22,335	3,078	-	1,744
Court fines receivable	1,411,682	-	-	-
Interfund receivable	-	134,099	-	-
Prepaid and other expenses	54,637	2,319	550	-
Total assets	<u>\$ 3,387,038</u>	<u>\$ 1,386,496</u>	<u>\$ 550</u>	<u>\$ 3,453,143</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 18,092	\$ 43,522	\$ -	\$ 298,253
Interfund payable	-	-	-	213,906
Payroll liabilities	617,829	-	-	-
Total liabilities	<u>635,921</u>	<u>43,522</u>	<u>-</u>	<u>512,159</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	411,219	3,078	550	224,308
Unavailable revenue - court fines	1,350,929	-	-	-
Total deferred inflows of resources	<u>1,762,148</u>	<u>3,078</u>	<u>550</u>	<u>224,308</u>
Fund balances				
Restricted for:				
Grant projects	-	1,254,139	-	-
Capital improvements	-	-	-	-
Urban renewal	-	-	-	2,716,676
Debt service	-	-	-	-
Committed for insurance costs	24,931	85,757	-	-
Assigned for petty cash	1,800	-	-	-
Unassigned	962,238	-	-	-
Total fund balances (deficit)	<u>988,969</u>	<u>1,339,896</u>	<u>-</u>	<u>2,716,676</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,387,038</u>	<u>\$ 1,386,496</u>	<u>\$ 550</u>	<u>\$ 3,453,143</u>

The accompanying notes are an integral part of these financial statements.

<u>Cheadle Lake Urban Renewal District</u>	<u>North Gateway Urban Renewal District</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 298,483	\$ 34,970	\$ 197,282	\$ 4,488,568	\$ 10,635,909
-	-	-	-	324,401
28,209	22,174	162,456	-	868,615
-	-	-	261,123	288,280
-	-	-	-	1,411,682
-	-	-	1,314,839	1,448,938
-	-	-	-	57,506
<u>\$ 326,692</u>	<u>\$ 57,144</u>	<u>\$ 359,738</u>	<u>\$ 6,064,530</u>	<u>\$ 15,035,331</u>
\$ -	\$ -	\$ -	\$ 6,290	\$ 366,157
299,678	1,090,131	-	-	1,603,715
-	-	-	-	617,829
<u>299,678</u>	<u>1,090,131</u>	<u>-</u>	<u>6,290</u>	<u>2,587,701</u>
24,689	19,329	142,397	261,123	1,086,693
-	-	-	-	1,350,929
<u>24,689</u>	<u>19,329</u>	<u>142,397</u>	<u>261,123</u>	<u>2,437,622</u>
-	-	-	-	1,254,139
-	-	-	5,797,117	5,797,117
2,325	(1,052,316)	-	-	1,666,685
-	-	217,341	-	217,341
-	-	-	-	110,688
-	-	-	-	1,800
-	-	-	-	962,238
<u>2,325</u>	<u>(1,052,316)</u>	<u>217,341</u>	<u>5,797,117</u>	<u>10,010,008</u>
<u>\$ 326,692</u>	<u>\$ 57,144</u>	<u>\$ 359,738</u>	<u>\$ 6,064,530</u>	<u>\$ 15,035,331</u>

CITY OF LEBANON
Linn County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Total fund balances		\$ 10,010,008
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	90,974,245	
Accumulated depreciation	<u>(56,173,604)</u>	34,800,641
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		1,086,693
Court fines and fees are recognized as revenue in the net position of governmental activities when the fines are assessed; however, in the governmental fund statements, they are recognized when available to be used for current year operations		1,350,928
The net pension asset is not available to pay current period expenditures and is therefore deferred in the governmental funds		1,548,056
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(291,706)	
Compensated absences payable	(491,100)	
Bonds payable, including premiums and issuance costs	(34,638,643)	
Notes payable	<u>(5,723,846)</u>	<u>(41,145,295)</u>
Net position of governmental activities		\$ <u>7,651,031</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Special Assessment Fund	Northwest Urban Renewal District
REVENUES				
Property taxes	\$ 3,764,808	\$ -	\$ -	\$ 2,449,499
Liquor taxes	219,583	-	-	-
Cigarette taxes	21,093	-	-	-
Franchise taxes	1,999,505	1,202	-	-
Transient room taxes	-	53,706	-	-
Fees and charges	-	348,741	-	-
Intergovernmental	-	925,376	-	-
State revenue sharing	168,628	-	-	-
Licenses and permits	6,303	-	-	-
Forfeiture revenue	295,160	29,280	-	-
Fines	133,164	-	-	-
Grants and contributions	-	272,784	-	-
Investment earnings	36,612	5,248	-	43,234
Miscellaneous	252,706	113,296	-	31,653
Total revenues	<u>6,897,562</u>	<u>1,749,633</u>	<u>-</u>	<u>2,524,386</u>
EXPENDITURES				
Current				
General government	1,561,109	2,280,426	-	207,444
Public Safety	4,385,541	27,668	-	-
Highways and streets	-	648,390	-	-
Culture and recreation	1,116,096	338,437	-	-
Community planning	1,330,714	115,195	-	-
Debt service	136,533	-	-	633,991
Capital outlay	9,882	438,208	-	13,950,155
Total expenditures	<u>8,539,875</u>	<u>3,848,324</u>	<u>-</u>	<u>14,791,590</u>
Excess (deficiency) of revenues over expenditures	<u>(1,642,313)</u>	<u>(2,098,691)</u>	<u>-</u>	<u>(12,267,204)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Transfers in	2,584,600	2,744,412	-	12,066,629
Transfers out	(703,476)	(768,960)	(31,462)	(1,213,011)
Total other financing sources (uses)	<u>1,881,124</u>	<u>1,975,452</u>	<u>(31,462)</u>	<u>10,853,618</u>
Net change in fund balances	238,811	(123,239)	(31,462)	(1,413,586)
Fund balances (deficit) - beginning, as restated	<u>750,158</u>	<u>1,463,135</u>	<u>31,462</u>	<u>4,130,262</u>
Fund balances (deficit) - ending	<u>\$ 988,969</u>	<u>\$ 1,339,896</u>	<u>\$ -</u>	<u>\$ 2,716,676</u>

The accompanying notes are an integral part of these financial statements.

Cheadle Lake Urban Renewal District	North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 280,619	\$ 253,245	\$ 1,425,905	\$ -	\$ 8,174,076
-	-	-	-	219,583
-	-	-	-	21,093
-	-	-	-	2,000,707
-	-	-	-	53,706
-	-	-	479,839	828,580
-	-	-	-	925,376
-	-	-	-	168,628
-	-	-	-	6,303
-	-	-	-	324,440
-	-	-	-	133,164
-	-	-	71,121	343,905
3,121	1,762	39,750	21,453	151,180
7,078	-	-	18,450	423,183
<u>290,818</u>	<u>255,007</u>	<u>1,465,655</u>	<u>590,863</u>	<u>13,773,924</u>
-	75,414	-	-	4,124,393
-	-	-	11,666	4,424,875
-	-	-	-	648,390
270	-	-	55,426	1,510,229
-	-	-	-	1,445,909
-	96,470	2,668,525	-	3,535,519
1,437	-	-	466,636	14,866,318
<u>1,707</u>	<u>171,884</u>	<u>2,668,525</u>	<u>533,728</u>	<u>30,555,633</u>
<u>289,111</u>	<u>83,123</u>	<u>(1,202,870)</u>	<u>57,135</u>	<u>(16,781,709)</u>
-	-	15,693,252	-	15,693,252
-	-	(3,626,623)	-	(3,626,623)
-	-	1,298,174	386,912	19,080,727
<u>(105,510)</u>	<u>(99,308)</u>	<u>(12,066,629)</u>	<u>(44,258)</u>	<u>(15,032,614)</u>
<u>(105,510)</u>	<u>(99,308)</u>	<u>1,298,174</u>	<u>342,654</u>	<u>16,114,742</u>
183,601	(16,185)	95,304	399,789	(666,967)
<u>(181,276)</u>	<u>(1,036,131)</u>	<u>122,037</u>	<u>5,397,328</u>	<u>10,676,975</u>
<u>\$ 2,325</u>	<u>\$ (1,052,316)</u>	<u>\$ 217,341</u>	<u>\$ 5,797,117</u>	<u>\$ 10,010,008</u>

CITY OF LEBANON
Linn County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances		\$ (666,967)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.		
Expenditures for capital assets	366,268	
Depreciation expense recorded in current year	<u>(1,475,084)</u>	(1,108,816)
Governmental funds report current period PERS lump sum payments to finance an estimated unfunded actuarial liability as an expenditure; however, in the statement of activities, this payment is capitalized and amortized over the life of the unfunded liability		
		(63,570)
Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Debt principal paid	2,001,573	
Premium on long-term debt proceeds	(458,252)	
Long-term debt proceeds	<u>(15,235,000)</u>	(13,691,679)
Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
Compensated absences	(68,392)	
Amortization of debt premium	<u>30,550</u>	(37,842)
Property taxes and court fines that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied, and court fines are recognized when assessed.		
		<u>254,316</u>
Change in net position		<u><u>\$ (15,314,558)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2014

	Business-Type Activities
	Enterprise Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,749,603
Accounts receivable	1,356,933
Internal balances	154,777
Prepaid expenses	<u>2,292</u>
Total current assets	4,263,605
Deferred charges - debt issuance costs	207,972
Capital assets, net of accumulated depreciation	<u>42,662,018</u>
Total assets	<u>47,133,595</u>
LIABILITIES	
Current liabilities	
Accounts payable	104,577
Accrued interest	78,010
Compensated absences, current portion	9,891
Deposit liability	279,890
Long-term liabilities, current portion	<u>577,123</u>
Total current liabilities	<u>1,049,491</u>
Noncurrent liabilities	
Compensated absences, less current portion	27,944
Long-term liabilities, less current portion	<u>8,908,123</u>
Total noncurrent liabilities	<u>8,936,067</u>
Total liabilities	<u>9,985,558</u>
NET POSITION	
Net investment in capital assets	33,176,772
Restricted for debt service	372,011
Unrestricted	<u>3,599,254</u>
Total net position	<u>\$ 37,148,037</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2014

	Business-Type Activities
	Enterprise Fund
Operating revenues	
Charges for services	
Water charges	\$ 4,265,930
Wastewater charges	4,752,859
Storm drain charges	409,233
Miscellaneous	107,341
Total operating revenues	9,535,363
Operating expenses	
Water utility	697,415
Water utility capital improvement program	538,066
Storm drain utility	51,339
Wastewater utility	667,014
Wastewater utility capital improvement program	127,757
Depreciation	1,141,626
Total operating expenses	3,223,217
Operating income (loss)	6,312,146
Nonoperating revenues (expenses)	
Investment earnings	15,447
Interest expense	(432,131)
Total nonoperating revenue (expenses)	(416,684)
Income (loss) before contributions and transfers	5,895,462
Transfers in	3,583,491
Change in net position	9,478,953
Net position - beginning, as restated	27,669,084
Net position - ending	\$ 37,148,037

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2014

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 9,288,455
Payments to employees	(571,340)
Payments to suppliers	(1,473,779)
Other receipts	<u>107,341</u>
Net cash provided (used) by operating activities	<u>7,350,677</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	<u>83,491</u>
Net cash provided (used) by noncapital financing activities	<u>83,491</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(2,870,101)
Principal paid on long term debt	(4,390,489)
Interest paid	<u>(432,131)</u>
Net cash provided (used) by noncapital financing activities	<u>(7,692,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>15,447</u>
Net cash provided (used) by noncapital financing activities	<u>15,447</u>
Net increase (decrease) in cash and cash equivalents	(243,106)
Cash and investments - beginning	<u>2,992,709</u>
Cash and investments - ending	<u>\$ 2,749,603</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2014

(Continued)

	Business-Type Activities
	Enterprise Fund
Reconciliation of operating income to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ 6,312,146
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities:	
Depreciation expense	1,141,626
Amortization of deferred charges	18,665
Amortization of bond premium	(13,392)
Changes in assets and liabilities	
(Increase) decrease in:	
Receivables	(139,567)
Increase (decrease)	
Accounts payable	56,299
Accrued interest	(28,398)
Deposit liability	31,460
Compensated absences	(28,162)
Net cash provided (used) by operating activities	\$ 7,350,677
Noncash investing, capital, and financing activities	
Debt principal paid on behalf of enterprise fund	\$ 3,500,000

The accompanying notes are an integral part of these financial statements.

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	<u>Agency Fund</u> Bail Fund
ASSETS	
Cash and cash equivalents	\$ 8,501
Accounts receivable	<u>4,373</u>
Total assets	<u>\$ 12,874</u>
LIABILITIES	
Due to other agencies	7,059
Bail payable	<u>5,815</u>
Total liabilities	<u>\$ 12,874</u>

DRAFT

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

DRAFT

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lebanon have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. 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 the city manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

1. Blended component units - Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, North Gateway Urban Renewal District

The aforementioned urban renewal districts serve areas either within the existing city limits of the City of Lebanon or under delayed annexation agreements requiring annexation to the City at the option of the Lebanon City Council. Board members for each agency consist of all of the members of the Lebanon City Council. Each component unit issues separate financial statements. The financial statements can be obtained from the agencies at 925 Main Street, Lebanon, Oregon 97355 or at the City's website at www.ci.lebanon.or.us.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Special Revenue Funds

Special Revenue Fund - The Special Revenue Fund accounts for revenues with specific purpose restrictions including state highway tax, and grants. The primary sources of revenue are state highway tax revenues and grants.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Special Revenue Funds

Special Assessment Fund - The Special Assessment Fund accounts for public improvement projects for which reimbursement of costs is expected. These public improvement projects originate at the public's request and usually involve forming a Local Improvement District (LID).

Northwest Urban Renewal District - In 1989, the City established the Northwest Urban Renewal District. The purpose of the District is to provide for the development of infrastructure to serve industrially zoned property within the District boundaries. The area is located west of Highway 20 and north of Highway 34. The primary source of revenue is property taxes.

Cheadle Lake Urban Renewal District - In 2000, the City established the Cheadle Lake Urban Renewal District. The purpose of the District is to provide for development of infrastructure to serve a blighted area of Lebanon generally located north of Cheadle Lake. The primary source of revenue is property taxes.

North Gateway Urban Renewal District - The North Gateway Urban Renewal District was approved in September 2008. The District was established to serve the area where a new medical campus was to be developed. The primary source of revenue is property taxes.

Debt Service Fund - The Debt Service Fund accounts for the repayment of the City's long-term general obligation and pension obligation debt. The primary sources of revenue are property taxes and pension charges to City funds. The primary use of funds is principal and interest due on long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to account for the revenues and expenditures associated with the purchase, construction, and major repair of governmental capital assets. The primary sources of revenue are system development charges, donations and grants.

The City reports the following major proprietary fund:

Enterprise Fund - The Enterprise Fund is used to account for the operations of the City's water, sewer and storm drain utility services. The primary source of revenue is user charges.

The City reports the following fiduciary fund:

Trust & Agency Fund - The Trust & Agency Fund is used for holding funds in trust that are received from clients of the Municipal Court.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The City reports deferred inflows of resources on the balance sheet of the governmental funds. Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the City has a legal claim to the resources, the amounts for deferred inflows of resources are removed from the balance sheet and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with remaining maturities of one year or less at the date of acquisition.

State statutes authorize the City to invest in legally issued obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Loans Receivable

Loans receivable represent assessment for property improvements. Assessment are recognized at the time the property owners are assessed, interest is accrued when due. Management has determined that no allowance is necessary.

4. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing and receivable/payable arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds."

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

5. Accounts Receivable

Receivables are recorded as revenue when earned. Accounts receivable are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is calculated by management based on prior collection experience.

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Depreciation of capital assets is computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-40
Water and sewer systems	40
Licensed vehicles	5-10
Infrastructure	50
Buildings	50

7. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported as liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

10. Retirement Plans

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

The City provides tax-deferred annuity contracts established under Section 457 of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

11. Fund Balance Classifications

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, and enterprise funds. All funds are budgeted on the modified accrual basis of accounting.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the department/function level. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there was one supplemental budget. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts, one supplemental budget and two approved appropriation changes.

B. Deficit Fund Balance

At June 30, 2014, the N. Gateway Urban Renewal District had a deficit fund balance of \$1,052,316 due to interfund payables. The deficit will be corrected as property tax revenue is received.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Lebanon maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City's policy, which adheres to state 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 or Moody's Investors Service or any other national 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, 2014, the City's investments were rated as follows:

Credit Quality Rating	Federal Agency Obligations	Municipal Bonds	Corporate Bonds	LGIP	Total
Unrated	\$ 341,000	\$ -	\$ -	\$ 7,039,120	\$ 7,380,120
Moody Aa1	-	300,000	200,000	-	500,000
Moody Aa2	-	-	1,300,000	-	1,300,000
Moody Aa3	-	-	550,000	-	550,000
Moody A1	-	-	1,204,000	-	1,204,000
Moody Aaa	550,000	-	-	-	550,000
S&P A	-	-	300,000	-	300,000
S&P AA+	1,150,000	-	-	-	1,150,000
S&P AA-	-	125,000	-	-	125,000
Total investments	\$ 2,041,000	\$ 425,000	\$ 3,554,000	\$ 7,039,120	\$ 13,059,120

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2014, the City had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value
Oregon Local Government Investment Pool	54%	-	\$ 7,039,120
Federal Agency Obligations	14%	> 3 years	1,791,000
Federal Agency Obligations	2%	1 - 3 years	250,000
Municipal Bonds	3%	1 - 3 years	425,000
Corporate Bonds	27%	1 - 3 years	<u>3,554,000</u>
Total investments			<u>\$ 13,059,120</u>

Interest Rate Risk

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

Concentration of Credit Risk

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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered 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.

The City holds accounts at Wells Fargo, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2014, the City had deposits of \$250,000 insured by the FDIC and \$320,601 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2014 were as follows:

Cash on hand	\$ 1,800
Checking account	324,592
Total investments	<u>13,059,120</u>
 Total deposits and investments	 <u>\$ 13,385,512</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Deposits and Investments (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	<u>\$ 1,281,123</u>
Business-type activities - unrestricted	
Enterprise Fund	<u>2,749,603</u>
Total unrestricted cash and investments	<u>4,030,726</u>
Governmental activities - restricted	
Special Revenue Fund	1,136,518
Special Assessment Fund	-
Northwest Urban Renewal District	3,198,965
Cheadle Lake Urban Renewal District	298,483
North Gateway Urban Renewal District	34,970
Debt Service Fund	197,282
Capital Projects Fund	<u>4,488,568</u>
Total governmental-activities - restricted	<u>9,354,786</u>
Total cash and investments	<u><u>\$ 13,385,512</u></u>

C. Restricted Assets

Restricted assets are held for debt service, grant projects, urban renewal, and capital improvements.

Restricted assets at June 30, 2014 were as follows:

	Governmental Activities
Restricted assets	
Cash and investments	\$ 9,354,786
Receivables, net	110,482
Special assessments (loans) receivable	265,943
Property taxes receivable	<u>465,275</u>
Total restricted assets	<u><u>\$ 10,196,486</u></u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Accounts Receivable

Accounts receivable at June 30, 2014, including the applicable allowances for uncollectible accounts, were as follows:

	Governmental Activities	Business-Type Activities
Short-term receivables		
Franchise fees	\$ 219,984	\$ -
Court fines	420,000	-
Intergovernmental	67,568	-
Grants	25,722	-
Utilities	-	1,356,933
Other	11,127	-
Total short-term receivables (including \$633,919 of unrestricted receivables, and \$110,482 of restricted receivables)	744,401	1,356,933
Long-term receivables		
Court fines	1,065,981	-
Less allowance for uncollectibles	(74,299)	-
Total long-term receivables	991,682	-
Total receivables	\$ 1,736,083	\$ 1,356,933

E. Capital Assets

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 2,361,657	\$ -	\$ 2,361,657
Construction in progress	68,281	-	68,281
Buildings	18,419,585	(3,392,032)	15,027,553
Vehicles	2,131,949	(1,646,176)	485,773
Machinery and equipment	3,701,059	(2,466,016)	1,235,043
Infrastructure	64,291,714	(48,669,380)	15,622,334
Total governmental capital assets	\$ 90,974,245	\$ (56,173,604)	\$ 34,800,641

(Continued)

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
(Continued)			
Business-type activities			
Land	\$ 1,158,402	\$ -	\$ 1,158,402
Construction in progress	6,953,431	-	6,953,431
Buildings	8,424,953	(4,147,365)	4,277,588
Vehicles	1,010,549	(866,947)	143,602
Machinery and equipment	4,352,202	(2,711,868)	1,640,334
Infrastructure	533,272	(60,776)	472,496
Water/sewer assets	36,685,599	(8,669,434)	28,016,165
Total business-type capital assets	\$ 59,118,408	\$ (16,456,390)	\$ 42,662,018

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,361,657	\$ -	\$ -	\$ 2,361,657
Construction in progress	7,083	61,198	-	68,281
Total capital assets not being depreciated	2,368,740	61,198	-	2,429,938
Capital assets being depreciated				
Buildings	18,419,585	-	-	18,419,585
Vehicles	2,131,949	-	-	2,131,949
Machinery and equipment	3,443,743	257,316	-	3,701,059
Infrastructure	64,243,960	47,754	-	64,291,714
Total capital assets being depreciated	88,239,237	305,070	-	88,544,307

(Continued)

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities (Continued)				
Less accumulated depreciation for				
Buildings	(2,894,807)	(497,225)	-	(3,392,032)
Vehicles	(1,511,288)	(134,888)	-	(1,646,176)
Machinery and equipment	(2,266,115)	(199,901)	-	(2,466,016)
Infrastructure	(48,026,310)	(643,070)	-	(48,669,380)
Total accumulated depreciation	<u>(54,698,520)</u>	<u>(1,475,084)</u>	<u>-</u>	<u>(56,173,604)</u>
Total capital assets being depreciated, net	<u>33,540,717</u>	<u>(1,170,014)</u>	<u>-</u>	<u>32,370,703</u>
Governmental activities capital assets, net	<u>\$ 35,909,457</u>	<u>\$ (1,108,816)</u>	<u>\$ -</u>	<u>\$ 34,800,641</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,158,402	\$ -	\$ -	\$ 1,158,402
Construction in progress	<u>2,440,551</u>	<u>4,512,880</u>	<u>-</u>	<u>6,953,431</u>
Total capital assets not being depreciated	<u>3,598,953</u>	<u>4,512,880</u>	<u>-</u>	<u>8,111,833</u>
Capital assets being depreciated				
Buildings	8,424,953	-	-	8,424,953
Vehicles	1,010,549	-	-	1,010,549
Machinery and equipment	4,346,625	5,577	-	4,352,202
Infrastructure	416,459	116,813	-	533,272
Water/sewer assets	<u>34,948,665</u>	<u>1,736,934</u>	<u>-</u>	<u>36,685,599</u>
Total capital assets being depreciated	<u>49,147,251</u>	<u>1,859,324</u>	<u>-</u>	<u>51,006,575</u>
Less accumulated depreciation for				
Buildings	(4,029,060)	(118,305)	-	(4,147,365)
Vehicles	(814,396)	(52,551)	-	(866,947)
Machinery and equipment	(2,635,451)	(76,417)	-	(2,711,868)
Infrastructure	(50,037)	(10,739)	-	(60,776)
Water/sewer assets	<u>(7,783,717)</u>	<u>(885,717)</u>	<u>-</u>	<u>(8,669,434)</u>
Total accumulated depreciation	<u>(15,312,661)</u>	<u>(1,143,729)</u>	<u>-</u>	<u>(16,456,390)</u>
Total capital assets being depreciated, net	<u>33,834,590</u>	<u>715,595</u>	<u>-</u>	<u>34,550,185</u>
Business-type activities capital assets, net	<u>\$ 37,433,543</u>	<u>\$ 715,595</u>	<u>\$ -</u>	<u>\$ 42,662,018</u>
Total capital assets, net	<u>\$ 73,343,000</u>	<u>\$ (393,221)</u>	<u>\$ -</u>	<u>\$ 77,462,659</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities	
General government	<u>\$ 1,475,084</u>
Business-type activities	
Water	\$ 288,801
Sewer	852,829
Storm drain	<u>2,099</u>
Total business-type activities	<u>\$ 1,143,729</u>

E. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfer in:				
	General Fund	Special Revenue	Debt Service	Capital Projects	Total
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 432,229	\$ 140,747	\$ 130,500	\$ 703,476
Special Revenue Fund	444,327	-	16,140	117,450	577,917
Special Assessment Fund	-	-	-	31,462	31,462
Northwest Urban Renewal District	384,394	35,853	792,764	-	1,213,011
Cheadle Lake Urban Renewal District	94,802	10,708	-	-	105,510
North Gateway Urban Renewal District	84,868	14,440	-	-	99,308
Capital Projects Fund	<u>30,005</u>	<u>14,253</u>	<u>-</u>	<u>-</u>	<u>44,258</u>
Total governmental activities	<u>\$ 1,038,396</u>	<u>\$ 507,483</u>	<u>\$ 949,651</u>	<u>\$ 279,412</u>	<u>\$ 2,774,942</u>
Business-type activities					
Enterprise Fund	<u>\$ 1,546,204</u>	<u>\$ 2,019,696</u>	<u>\$ 348,523</u>	<u>\$ 107,500</u>	<u>\$ 4,021,923</u>

Interfund transfers in balance with interfund transfers out.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Intefund Balances

At June 30, 2014, interfund balances consisted of the following:

	Payable Fund		Total
	NW Urban Renewal	N. Gateway Urban Renewal	
Receivable Fund:			
Governmental activities			
Special Revenue Fund	\$ -	\$ 134,099	\$ 134,099
Capital Projects Fund	59,129	956,032	1,015,161
Total governmental activities	<u>59,129</u>	<u>1,090,131</u>	<u>1,149,260</u>
Business-type activities			
Enterprise Fund	154,777	-	154,777
Total	<u>\$ 213,906</u>	<u>\$ 1,090,131</u>	<u>\$ 1,304,037</u>

Interfund balances represent charges for system development charges.

G. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ 422,708</u>	<u>\$ 68,392</u>	<u>\$ -</u>	<u>\$ 491,100</u>
Business-type activities				
Compensated absences	<u>\$ 65,997</u>	<u>\$ -</u>	<u>\$ 28,162</u>	<u>\$ 37,835</u>

The General and Enterprise Funds have traditionally been used to liquidate compensated absence liabilities.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

H. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
<u>Bonds</u>							
General Obligation Bonds							
2007 Refunding	4-5%	\$ 19,970,000	\$ 16,555,000	\$ -	\$ 620,000	\$ 15,935,000	\$ 690,000
NW Urban Renewal District							
2010 Refunding	2-3.5%	3,310,000	2,415,000	-	315,000	2,100,000	320,000
2013 Full Faith & Credit	2-4%	15,235,000	-	15,235,000	670,000	14,565,000	805,000
2002 Pension Obligation Bonds	2-7.36%	2,081,188	1,641,231	-	30,290	1,610,941	31,704
Bond premiums	-	458,252	-	458,252	30,550	427,702	-
Total bonds		41,054,440	20,611,231	15,693,252	1,665,840	34,638,643	1,846,704
<u>Notes Payable</u>							
N. Gateway Urban Renewal District							
Samaritan Health Services	6%	1,025,239	916,929	-	84,624	832,305	34,450
Oregon Department of Veteran's Affairs	6%	140,947	140,947	-	75,000	65,947	65,947
Cheadle Lake Urban Renewal District							
McKinney Apartments	12%	355,000	355,000	-	-	355,000	-
General Fund							
Special Public Works Fund	3-5.25%	1,779,833	1,529,902	-	67,146	1,462,756	72,571
NW Urban Renewal District							
Special Public Works Fund	4-4.375%	3,677,462	3,116,801	-	108,963	3,007,838	114,722
Total notes		6,978,481	6,059,579	-	335,733	5,723,846	287,690
Total governmental activities		\$ 48,032,921	\$ 26,670,810	\$ 15,693,252	\$ 2,001,573	\$ 40,362,489	\$ 2,134,394

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

1. Changes in Long-Term Liabilities (Continued)

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Revenue Bonds							
2003 Wastewater Refunding	2-4.125%	\$ 3,775,000	\$ 1,770,000	\$ -	\$ 1,770,000	\$ -	\$ -
2010 Wastewater Refunding	2-3.75%	7,010,000	6,095,000	-	380,000	5,715,000	390,000
2004 Water Refunding	2-4.2%	2,910,000	1,910,000	-	1,910,000	-	-
Bond premiums	-	267,850	234,369	-	13,393	220,976	-
Total bonds		13,962,850	10,009,369	-	4,073,393	5,935,976	390,000
2007 Cannibal Project note	4%	4,311,575	3,106,116	-	291,961	2,814,155	147,457
2009 Wastewater DEQ loan	2.93%	900,000	773,643	-	38,528	735,115	39,666
Total business-type activities		\$ 19,174,425	\$ 13,889,128	\$ -	\$ 4,403,882	\$ 9,485,246	\$ 577,123

2. Governmental Activity 2007 General Obligation Refunding Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from ad valorem debt service levy proceeds. The 2007 Refunding Bonds were issued to prepay or partially prepay three outstanding general obligation bond issues. The bonds are payable on June 1 and December 1 of each year. Interest is variable over a fixed schedule, set out at the issuance date. The City's outstanding general obligation bonds represent funding primarily for capital projects. The Debt Service Fund has been used to liquidate the general obligation debt. Loan #LEBGO2007, final maturity in 2027, interest 4%-5%, original issue amount \$19,970,000.

3. Governmental Activity NW Urban Renewal District 2010 General Obligation Refunding Bonds

On November 2, 2010, the City issued general obligation bonds of \$3,310,000 (par value) with interest rates of 2% to 3.5% to advance refund the portion of the Series 2000 general obligation bonds maturing December 1, 2010, with interest rates of 5.75% to 6%, and a par value of \$3,420,000. All defeased bonds have been paid in full. As a result of the advance refunding, the City reduced its total debt service requirements by \$658,966, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$431,283. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The NW Urban Renewal District Fund has been used to liquidate the debt. Loan #LebanonUR10, final maturity 2020.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

4. Governmental Activity Pension Obligation Bonds

The City issued the 2002 pension obligation bonds for the purpose of funding the City's portion of the PERS Unfunded Actuarial Liability (UAL). Interest is fixed and ranges between 2% and 7.36%. Interest rates increase in accordance with the original bond agreements. Interest is due semiannually on June 1 and December 1. The Debt Service Fund has been used to liquidate the debt. Loan #PERS, final maturity 2028, original issue amount \$2,081,188.

5. Governmental Activity Note Payable - Samaritan Health Services

The City signed the note payable in 2009 to finance the purchase of infrastructure additions in the North Gateway Urban Renewal District. The note calls for annual payments on February 14. The North Gateway Urban Renewal District Fund has been used to liquidate the note payable. Final maturity 2030, interest at 6%, original issue amount \$1,025,239.

6. Governmental Activity Note Payable - General Fund Special Public Works

The City signed the note payable in 2009 to complete various capital projects. The note calls for annual payments on December 1. The General Fund has been used to liquidate the note payable. Loan #B07002, final maturity 2028, interest 3%-5.25%, original issue amount \$1,779,833.

7. Governmental Activity Note Payable - NW Urban Renewal District Special Public Works Fund

The City signed the note payable on May 1, 2007. The funds were used for urban renewal projects. Interest rates increase in accordance with the original debt agreements. Interest is due annually on December 1. The NW Urban Renewal District Fund has been used to liquidate the note payable. Loan #B05003, final maturity 2031, interest 4%-4.375%, original issue amount \$3,677,462.

8. Governmental Activity 2013 Full Faith & Credit Bonds Payable

On July 31, 2013, the City issued full faith and credit bonds of \$15,235,000 (par value) with interest rates of 2% to 4% to pay contractual obligations related to urban renewal projects, and to advance refund the 2003 wastewater bonds maturing August 30, 2013, with interest rates of 3.625% to 4.125%, and a par value of \$1,770,000. The 2013 bonds were also used to advance refund the 2004 special water revenue refunding bonds maturing October 1, 2013, with interest rates of 3.6% to 4.2%, and a part value of \$1,730,000. All defeased bonds have been paid in full.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

8. Governmental Activity 2013 Full Faith & Credit Bonds Payable (Continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$218,573, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$215,086. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 30 and December 31 of each year. The Debt Service Fund Fund has been used to liquidate the debt. Loan #LebanonFFC2013, final maturity 2028.

9. Governmental Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		Total
	Principal	Interest	
2015	\$ 1,846,704	\$ 1,477,006	\$ 3,323,710
2016	1,977,796	1,432,614	3,410,410
2017	2,078,687	1,375,773	3,454,460
2018	2,192,872	1,307,214	3,500,086
2019	2,353,233	1,233,647	3,586,880
2020-2024	12,971,649	4,308,928	17,280,577
2025-2028	10,790,000	1,143,720	11,933,720
Total	<u>\$ 34,210,941</u>	<u>\$ 12,278,902</u>	<u>\$ 46,489,843</u>

10. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		Total
	Principal	Interest	
2015	\$ 287,690	\$ 248,233	\$ 535,923
2016	265,602	238,674	504,276
2017	279,136	228,739	507,875
2018	287,856	218,219	506,075
2019	296,772	207,305	504,077
2020-2024	1,666,713	848,449	2,515,162
2025-2029	1,935,102	457,375	2,392,477
2030-2032	704,975	64,776	769,751
Total	<u>\$ 5,723,846</u>	<u>\$ 2,511,770</u>	<u>\$ 8,235,616</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

11. Business-Type Activity 2003 Wastewater Revenue Refunding Bonds

On October 3, 2003, the City issued revenue refunding bonds of \$3,775,000 (par value) with interest rates of 2% to 4.125% to advance refund the portion of the Series 2000 revenue bonds maturing December 1, 2003 and June 1, 2004, with a par value of \$3,840,000. All defeased bonds have been paid in full. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The Enterprise Fund has been used to liquidate the debt. The bonds were defeased by the 2013 full faith and credit bonds, and paid in full on August 30, 2013. Loan #Lebwaste03.

12. Business-Type Activity 2010 Wastewater Revenue Refunding Bonds

On October 13, 2010, the City issued wastewater revenue refunding bonds of \$7,010,000 (par value) with interest rates of 2% to 3.75% to advance refund the portion of the Series 2000 wastewater revenue bonds maturing November 12, 2010, with interest rates of 5.25% to 5.7%, and a par value of \$2,140,000. All defeased bonds have been paid in full. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on March 1 and September 1 of each year. The Enterprise Fund has been used to liquidate the debt. Loan #LebanonWW10, final maturity 2031.

13. Business-Type Activity 2004 Water Revenue Refunding Bonds

On January 22, 2004, the City issued water revenue refunding bonds of \$2,910,000 (par value) with interest rates of 2% to 4.2% to refund the 1993 special lease obligation. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on April 1 and October 1 of each year. The Enterprise Fund has been used to liquidate the debt. The bonds were defeased by the 2013 full faith and credit bonds, and paid in full on August 30, 2013. Loan #Lebanon2004.

14. Business-Type Activity Note Payable - Cannibal Project

The note payable was signed in 2007 to finance wastewater system projects. The note calls for semiannual payments on June 27 and December 27. The Enterprise Fund has been used to liquidate the debt. Loan #Siemens, final maturity 2022, interest 4.087%, original issue amount \$4,311,575. For fiscal year 2014, ended June 30, 2014, based on the Financing Agreement dated December 27, 2007, between the City of Lebanon, OR and Siemens Financial Services, Inc. net revenue was \$4,753,223 and annual debt service was \$1,423,053. The ratio of net revenue to annual debt service for fiscal year 2014 is 3.34, and is therefore in compliance with the provisions of section 12.5 of the Financing Agreement.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

15. Business-Type Activity Loan Payable - DEQ

The loan payable was signed in 2009 to pay the cost of wastewater improvement projects. The loan is backed by utility revenues. The loan calls for semiannual payments on April 1 and October 1. The Enterprise Fund has been used to liquidate the debt. Loan #R56200, final maturity 2029, interest 2.93%, original issue amount \$900,000.

16. Business-Type Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 390,000	\$ 217,876	\$ 607,876
2016	400,000	207,450	607,450
2017	415,000	195,450	610,450
2018	435,000	178,850	613,850
2019	445,000	161,450	606,450
2020-2024	1,460,000	583,024	2,043,024
2025-2029	1,490,000	300,814	1,790,814
2030-2031	680,000	38,438	718,438
Total	<u>\$ 5,715,000</u>	<u>\$ 1,883,352</u>	<u>\$ 7,598,352</u>

17. Business-Type Activity Future Maturities of Note Payable

Year Ending June 30	Cannibal Project Note		
	Principal	Interest	Total
2015	\$ 147,457	\$ 60,521	\$ 207,978
2016	150,471	57,507	207,978
2017	153,545	54,433	207,978
2018	156,683	51,295	207,978
2019	159,885	48,093	207,978
2020-2024	849,789	190,101	1,039,890
2025-2029	940,239	99,651	1,039,890
2030-2031	256,086	12,413	268,499
Total	<u>\$ 2,814,155</u>	<u>\$ 574,014</u>	<u>\$ 3,388,169</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

18. Business-Type Activity Future Maturities of Loan Payable

Year Ending June 30	DEQ Loan		
	Principal	Interest	Total
2015	\$ 39,666	\$ 21,250	\$ 60,916
2016	40,837	20,079	60,916
2017	42,042	18,874	60,916
2018	43,283	17,633	60,916
2019	44,560	16,356	60,916
2020-2024	243,320	61,260	304,580
2025-2029	281,407	23,168	304,575
Total	<u>\$ 735,115</u>	<u>\$ 178,620</u>	<u>\$ 913,735</u>

19. Legal Debt Limit

The City's legal annual debt service limit related to general obligation bonds (as defined by Oregon Revised Statute 478.410) as of June 30, 2014 was approximately \$35,379,912. The City's legal debt service limit is 3% of the real market value of property within the City.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Commitments

The City has entered into an agreement with Samaritan Health Services under which the City will repay amounts invested by Samaritan Health Services to improve or add infrastructure within the North Gateway Urban Renewal District. The total costs allowed to be repaid under the agreement are \$5,105,900. Improvements must be in place no later than 2029. Amounts invested by Samaritan Health Services are added to an existing loan agreement as described in Note III-G. As of June 30, 2014, \$1,025,239 had been invested under the agreement.

At June 30, 2014, the City had outstanding construction contracts for various capital improvement projects. The remaining contract commitments were \$2,914,743.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

C. Retirement Plans

1. Oregon Public Employees Retirement System

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 Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the pension program and the defined benefit portion of the plan. OPSRP applies to qualifying City employees hired after August 29, 2003. 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 (ORS) 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. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Funding Policy

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 for the qualifying employees under the OPSRP plan. The OPERF, OPSRP, and OPSRP Fire and Police rates in effect for the year ended June 30, 2014 were 10.62%, 6.78%, and 9.51%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The City has elected to pay the required employee contribution of 6% of covered payroll, which is invested in the OPSRP Individual Account Program.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

C. Retirement Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual Pension Cost

The City's contributions to PERS for the years ending June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. In 2002, the City issued a pension obligation bond, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. (See Note III-G.)

Annual pension expenses/expenditures are summarized as follows:

Fiscal Year Ended June 30	Required Contribution to Oregon PERS	Annual Debt Service	Total Annual Pension Cost (APC)	Percentage of APC Contributed
2012	\$ 783,496	\$ 124,904	\$ 908,400	100%
2013	\$ 962,330	\$ 127,563	\$ 1,089,893	100%
2014	\$ 767,617	\$ 167,270	\$ 934,887	100%

2. Deferred Compensation Plan

The City has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the City for amounts earned by them, not to be paid until a future date when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under Internal Revenue Code (IRC) Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the City has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457. The City has no liability for any losses that may be incurred under the plan.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.59% of covered OPERF payroll and 0.49% of covered OPSRP payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

1. Retirement Health Insurance Account (RHIA) (Continued)

Funding Policy (Continued)

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The City's contributions to RHIA for the years ended June 30, 2012, 2013, and 2014 were \$25,801, \$24,282, and \$22,901, respectively, which equaled the required contributions each year.

E. Bargaining Unit

At June 30, 2014, the City had a total of approximately 82.893 FTE employees. Of this total, approximately 75% are represented by unions. The union agreement with AFSCME was ratified on March 20, 2013 and extends through June 30, 2016. The union agreement with Teamsters was ratified on July 16, 2014 and extends through June 30, 2017.

F. Contingent Liability

The City is currently in a dispute with the City of Albany over fees due related to maintenance of the Santiam-Albany Canal. The agencies are working cooperatively to come to a resolution at this point and no amounts have been recorded into the financial statements related to the dispute.

G. Restatements

Beginning net position of the City was restated as follows:

	Governmental Activities	Business-Type Activities
Net position - beginning, as originally reported	\$ 23,616,313	\$ 27,514,307
Recording of internal balances relating to system development	(154,777)	154,777
Recording of ODVA Loan not booked in prior year	(140,947)	-
Recording of McKinney Loan not booked in prior year	(355,000)	-
Net position - beginning, as restated	\$ 22,965,589	\$ 27,669,084

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

G. Restatements (Continued)

Beginning fund balance has been restated as follows:

	Special Revenue Fund	NW Urban Renewal Fund	Cheadle Lake Urban Renewal	N. Gateway Urban Renewal	Capital Projects
Fund balance - beginning, as originally reported	\$ 1,329,036	\$ 4,344,168	\$ 118,402	\$ 54,000	\$ 4,082,488
Correction of deferred revenue misstatement	-	-	-	-	-
Correction of internal balances	<u>134,099</u>	<u>(213,906)</u>	<u>(299,678)</u>	<u>(1,090,131)</u>	<u>1,314,840</u>
Fund balance (deficit) - beginning, as restated	<u>\$ 1,463,135</u>	<u>\$ 4,130,262</u>	<u>\$ (181,276)</u>	<u>\$ (1,036,131)</u>	<u>\$ 5,397,328</u>

Budget basis fund net position has been restated as follows:

	Enterprise Fund
Fund net position - beginning, as originally reported	\$ 3,915,662
Correction of internal balances	<u>154,777</u>
Fund net position - beginning, as restated	<u>\$ 4,070,439</u>

H. New Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the City beginning with its fiscal year ending June 30, 2015. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

I. Subsequent Events

Management has evaluated subsequent events through **Date Rep Letter Signed**, 2014, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	GAAP Basis	
REVENUES						
Property taxes	\$ 4,123,126	\$ 3,943,261	\$ (148,107)	\$ 3,795,154	\$ -	\$ 3,795,154
Licenses and permits	1,991,700	1,991,700	14,108	2,005,808	-	2,005,808
Fines and forfeits	546,000	546,000	(117,676)	428,324	-	428,324
Intergovernmental	389,330	389,330	19,974	409,304	-	409,304
Charges for services	5,050	5,050	(1,456)	3,594	-	3,594
Miscellaneous	143,400	143,400	111,978	255,378	-	255,378
Total revenues	<u>7,198,606</u>	<u>7,018,741</u>	<u>(121,179)</u>	<u>6,897,562</u>	<u>-</u>	<u>6,897,562</u>
EXPENDITURES						
Current						
Administration and economic dev.	322,100	402,100	(64,917)	337,183	(6,930)	330,253
Human resources	76,544	54,044	(27,511)	26,533	(16,144)	10,389
City attorney	168,000	168,000	(38,309)	129,691	-	129,691
Planning	211,436	211,436	(18,760)	192,676	(7,013)	185,663
Engineering	1,177,068	1,177,068	(32,017)	1,145,051	-	1,145,051
Parks	507,398	507,398	(43,174)	464,224	(36,554)	427,670
Finance	584,555	584,555	(41,830)	542,725	(16,133)	526,592
Legislative	228,782	228,782	(16,734)	212,048	(4,178)	207,870
Library	611,849	611,849	(28,649)	583,200	(86,811)	496,389
Municipal court	286,945	286,945	(13,095)	273,850	(27,237)	246,613
Police	4,884,598	4,827,098	(418,158)	4,408,940	(270,012)	4,138,928
Senior and disabled services	238,815	238,815	(2,187)	236,628	(44,591)	192,037
Non-departmental	1,435,116	1,255,251	(564,649)	690,602	(334,288)	356,314
Capital outlay	-	-	-	-	9,882	9,882
Debt service	-	-	-	-	136,533	136,533
Total expenditures	<u>10,733,206</u>	<u>10,553,341</u>	<u>(1,309,990)</u>	<u>9,243,351</u>	<u>(703,476)</u>	<u>8,539,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,534,600)</u>	<u>(3,534,600)</u>	<u>1,188,811</u>	<u>(2,345,789)</u>	<u>703,476</u>	<u>(1,642,313)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,584,600	2,584,600	-	2,584,600	-	2,584,600
Transfers out	-	-	-	-	(703,476)	(703,476)
Total other financing sources (uses)	<u>2,584,600</u>	<u>2,584,600</u>	<u>-</u>	<u>2,584,600</u>	<u>(703,476)</u>	<u>1,881,124</u>
Net change in fund balance	(950,000)	(950,000)	1,188,811	238,811	-	238,811
Fund balance - beginning, as restated	<u>950,000</u>	<u>950,000</u>	<u>(199,842)</u>	<u>750,158</u>	<u>-</u>	<u>750,158</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 988,969</u>	<u>\$ 988,969</u>	<u>\$ -</u>	<u>\$ 988,969</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Taxes and assessments	\$ 40,700	\$ 40,700	\$ 13,336	\$ 54,036	\$ -	\$ 54,036
Licenses and permits	156,300	156,300	123,755	280,055	-	280,055
Intergovernmental	1,970,115	2,037,673	(836,510)	1,201,163	-	1,201,163
Charges for services	113,000	13,000	2,750	15,750	-	15,750
Miscellaneous	161,950	171,950	26,679	198,629	-	198,629
Total revenues	2,442,065	2,419,623	(669,990)	1,749,633	-	1,749,633
EXPENDITURES						
Current						
City facilities repair	40,219	40,219	(22,823)	17,396	-	17,396
Motel tax	40,000	40,000	(600)	39,400	(3,940)	35,460
Building inspection	260,500	290,500	(19,008)	271,492	(156,297)	115,195
Gazebo donations	40,000	40,000	(33,600)	6,400	-	6,400
Park enterprise	49,413	49,413	(4,660)	44,753	(2,399)	42,354
Parks grant	375,000	375,000	(331,267)	43,733	(43,733)	-
Operations and environmental	1,965,800	1,965,800	(184,902)	1,780,898	(245,335)	1,535,563
Geographic information services	164,600	164,600	(66,906)	97,694	(85,437)	12,257
Information systems service	800,957	800,957	(93,750)	707,207	(142,373)	564,834
Custodial and maintenance services	197,269	197,269	(33,153)	164,116	(14,095)	150,021
Foot and Bike path	28,009	28,009	(27,934)	75	(75)	-
Engineering improvements permits	94,500	94,500	(77,360)	17,140	(17,140)	-
Streets	1,152,248	1,152,248	(51,110)	1,101,138	(459,148)	641,990
Police reserves	-	10,000	(9,645)	355	-	355
School resource officer	36,994	36,994	(9,326)	27,668	-	27,668
Dial-A-Bus	267,171	267,171	(26,324)	240,847	(37,196)	203,651
STP streets	490,311	490,311	(490,311)	-	-	-
Youth court	5,000	5,000	(5,000)	-	-	-
LSTA library grant	-	67,558	(19,640)	47,918	-	47,918
Gills landing	14,100	14,100	(5,046)	9,054	-	9,054
Capital outlay	-	-	-	-	438,208	438,208
Total expenditures	6,022,091	6,129,649	(1,512,365)	4,617,284	(768,960)	3,848,324

(Continued)

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2014

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(3,580,026)	(3,710,026)	842,375	(2,867,651)	768,960	(2,098,691)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,802,324	2,802,324	(57,912)	2,744,412	-	2,744,412
Transfers out	-	-	-	-	(768,960)	(768,960)
Total other financing sources (uses)	<u>2,802,324</u>	<u>2,802,324</u>	<u>(57,912)</u>	<u>2,744,412</u>	<u>(768,960)</u>	<u>1,975,452</u>
Net change in fund balance	(777,702)	(907,702)	784,463	(123,239)	-	(123,239)
Fund balance - beginning, as restated	<u>777,702</u>	<u>907,702</u>	<u>555,433</u>	<u>1,463,135</u>	<u>-</u>	<u>1,463,135</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,339,896</u>	<u>\$ 1,339,896</u>	<u>\$ -</u>	<u>\$ 1,339,896</u>

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CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL ASSESSMENT FUND

For the Year Ended June 30, 2014

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital Outlay					
Public improvements	31,462	-	31,462	31,462	-
Excess (deficiency) of revenues over (under) expenditures	(31,462)	-	(31,462)	(31,462)	-
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(31,462)	(31,462)
Net change in fund balance	(31,462)	-	(31,462)	-	(31,462)
Fund balance - beginning	31,462	-	31,462	-	31,462
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

NORTHWEST URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 2,800,622	\$ 2,800,622	\$ (332,423)	\$ 2,468,199	\$ -	\$ 2,468,199
Miscellaneous	1,000	1,000	55,187	56,187	-	56,187
Total revenues	2,801,622	2,801,622	(277,236)	2,524,386	-	2,524,386
EXPENDITURES						
Current						
NW Lebanon urban renewal district	15,861,000	16,880,393	(1,509,783)	15,370,610	(15,163,166)	207,444
NW Lebanon urban renewal bonds	2,400,622	1,447,858	(813,867)	633,991	(633,991)	-
Capital outlay	-	-	-	-	13,950,155	13,950,155
Debt service	-	-	-	-	633,991	633,991
Total expenditures	18,261,622	18,328,251	(2,323,650)	16,004,601	(1,213,011)	14,791,590
Excess (deficiency) of revenues over (under) expenditures	(15,460,000)	(15,526,629)	2,046,414	(13,480,215)	1,213,011	(12,267,204)
OTHER FINANCING SOURCES (USES)						
Bond sale proceeds	12,000,000	-	-	-	-	-
Transfers in	-	12,066,629	-	12,066,629	-	12,066,629
Transfers out	-	-	-	-	(1,213,011)	(1,213,011)
Total other financing sources (uses)	12,000,000	12,066,629	-	12,066,629	(1,213,011)	10,853,618
Net change in fund balance	(3,460,000)	(3,460,000)	2,046,414	(1,413,586)	-	(1,413,586)
Fund balance - beginning, as restated	3,460,000	3,460,000	670,262	4,130,262	-	4,130,262
Fund balance - ending	\$ -	\$ -	\$ 2,716,676	\$ 2,716,676	\$ -	\$ 2,716,676

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CHEADLE LAKE URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2014

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Property taxes	\$ 253,500	\$ 29,061	\$ 282,561	\$ -	\$ 282,561
Miscellaneous	-	8,257	8,257	-	8,257
Total revenues	253,500	37,318	290,818	-	290,818
EXPENDITURES					
Current					
Cheadle Lake urban renewal district	348,500	(241,283)	107,217	(105,510)	1,707
Cheadle Lake urban renewal district debt	-	-	-	-	-
Total expenditures	348,500	(241,283)	107,217	(105,510)	1,707
Excess (deficiency) of revenues over (under) expenditures	(95,000)	278,601	183,601	105,510	289,111
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(105,510)	(105,510)
Net change in fund balance	(95,000)	278,601	183,601	-	183,601
Fund balance (deficit) - beginning, as restated	95,000	(276,276)	(181,276)	-	(181,276)
Fund balance - ending	\$ -	\$ 2,325	\$ 2,325	\$ -	\$ 2,325

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

NORTH GATEWAY URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 197,235	\$ 232,235	\$ 22,244	\$ 254,479	\$ -	\$ 254,479
Miscellaneous	-	-	528	528	-	528
Total revenues	197,235	232,235	22,772	255,007	-	255,007
EXPENDITURES						
North gateway urban renewal district	234,235	286,235	(15,043)	271,192	(195,778)	75,414
Debt service	-	-	-	-	96,470	96,470
Total expenditures	234,235	286,235	(15,043)	271,192	(99,308)	171,884
Excess (deficiency) of revenues over (under) expenditures	(37,000)	(54,000)	37,815	(16,185)	99,308	83,123
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	(99,308)	(99,308)
Net change in fund balance	(37,000)	(54,000)	37,815	(16,185)	-	(16,185)
Fund balance (deficit) - beginning, as restated	37,000	54,000	(1,090,131)	(1,036,131)	-	(1,036,131)
Fund balance (deficit) - ending	\$ -	\$ -	\$ (1,052,316)	\$ (1,052,316)	\$ -	\$ (1,052,316)

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

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CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 1,369,800	\$ 1,369,800	\$ 67,411	\$ 1,437,211	\$ -	\$ 1,437,211
Miscellaneous	850	850	27,594	28,444	-	28,444
Total revenues	1,370,650	1,370,650	95,005	1,465,655	-	1,465,655
EXPENDITURES						
G.O. bonds 2007	1,410,600	1,410,600	(40,000)	1,370,600	(1,370,600)	-
2013 bond financing	-	1,130,657	15,693,250	16,823,907	(16,823,907)	-
Pension bond series 2002	167,567	167,567	(297)	167,270	(167,270)	-
Debt service	-	-	-	-	2,668,525	2,668,525
Total expenditures	1,578,167	2,708,824	15,652,953	18,361,777	(15,693,252)	2,668,525
Excess (deficiency) of revenues over (under) expenditures	(207,517)	(1,338,174)	(15,557,948)	(16,896,122)	15,693,252	(1,202,870)
OTHER FINANCING SOURCES (USES)						
Bond sale proceeds	-	12,066,629	(3,626,623)	15,693,252	-	15,693,252
Payment to escrow agent	-	-	-	-	(3,626,623)	(3,626,623)
Transfers in	167,517	1,298,174	-	1,298,174	-	1,298,174
Transfers out	-	(12,066,629)	(12,066,629)	-	(12,066,629)	(12,066,629)
Total other financing sources (uses)	167,517	1,298,174	(15,693,252)	16,991,426	(15,693,252)	1,298,174
Net change in fund balance	(40,000)	(40,000)	135,304	95,304	-	95,304
Fund balance - beginning,	40,000	40,000	82,037	122,037	-	122,037
Fund balance - ending	\$ -	\$ -	\$ 217,341	\$ 217,341	\$ -	\$ 217,341

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Taxes and assessments	\$ 143,750	\$ 143,750	\$ 336,064	\$ 479,814	\$ -	\$ 479,814
Intergovernmental	2,051	2,051	278	2,329	-	2,329
Miscellaneous	746,910	756,910	(648,190)	108,720	-	108,720
Total revenues	892,711	902,711	(311,848)	590,863	-	590,863
EXPENDITURES						
Grant street bridge	-	-	-	-	-	-
State highway signal maintenance	73,750	73,750	(63,372)	10,378	(10,378)	-
Equipment acquisition and replacement	1,126,620	1,136,620	(918,151)	218,469	(218,469)	-
Historic resource commission trust	80	80	(80)	-	-	-
Pioneer cemetery	8,730	8,730	(8,730)	-	-	-
Police trust	24,423	24,423	(12,757)	11,666	-	11,666
Library trust	195,051	195,051	(154,413)	40,638	-	40,638
Library building trust	639,000	639,000	(638,458)	542	-	542
Senior services building trust	1,604	1,604	(1,602)	2	-	2
Senior services trust	180,300	180,300	(164,668)	15,632	(2,788)	12,844
Snedaker trust	32,000	32,000	(30,600)	1,400	-	1,400
Streets capital improvement projects	424,479	424,479	(371,375)	53,104	(53,104)	-
Infrastructure deferral	55,372	55,372	(55,372)	-	-	-
Drainage SDC	137,080	137,080	(7,304)	129,776	(129,776)	-
Drainage reimbursement	5,610	5,610	(5,610)	-	-	-
Parks SDC	431,050	431,050	(402,074)	28,976	(28,976)	-
Parks reimbursement	17,880	17,880	(2,805)	15,075	(15,075)	-
Sewer SDC	395,899	395,899	(389,123)	6,776	(6,776)	-
Sewer SDC reimbursement	215,142	215,142	(215,142)	-	-	-
Streets SDC	1,041,600	1,041,600	(1,002,824)	38,776	(38,776)	-
Streets SDC reimbursement	43,823	43,823	(43,823)	-	-	-
Water SDC	108,105	108,105	(101,329)	6,776	(6,776)	-
Water SDC reimbursement	25,093	25,093	(25,093)	-	-	-
Capital outlay	-	-	-	-	466,636	466,636
Total expenditures	5,182,691	5,192,691	(4,614,705)	577,986	(44,258)	533,728

(Continued)

CITY OF LEBANON
Linn County, Oregon

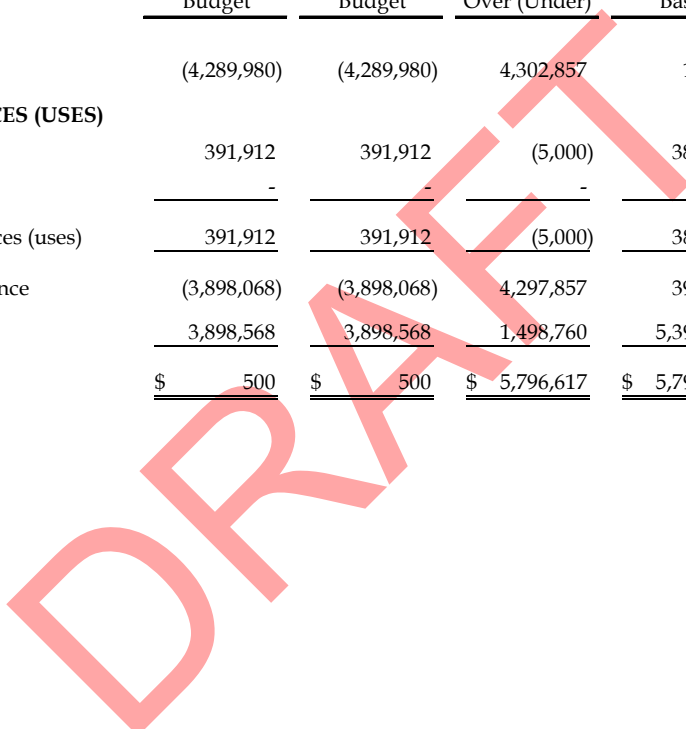
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CAPITAL PRJOECTS FUND

For the Year Ended June 30, 2014

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(4,289,980)	(4,289,980)	4,302,857	12,877	44,258	57,135
OTHER FINANCING SOURCES (USES)						
Transfers in	391,912	391,912	(5,000)	386,912	-	386,912
Transfers out	-	-	-	-	(44,258)	(44,258)
Total other financing sources (uses)	<u>391,912</u>	<u>391,912</u>	<u>(5,000)</u>	<u>386,912</u>	<u>(44,258)</u>	<u>342,654</u>
Net change in fund balance	(3,898,068)	(3,898,068)	4,297,857	399,789	-	399,789
Fund balance - beginning	<u>3,898,568</u>	<u>3,898,568</u>	<u>1,498,760</u>	<u>5,397,328</u>	-	<u>5,397,328</u>
Fund balance - ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 5,796,617</u>	<u>\$ 5,797,117</u>	<u>\$ -</u>	<u>\$ 5,797,117</u>



CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

ENTERPRISE FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Charges for services, net	\$ 9,210,000	\$ 9,210,000	\$ 218,022	\$ 9,428,022	\$ -	\$ 9,428,022
Miscellaneous	89,900	89,900	32,689	122,589	-	122,788
Total revenues	<u>9,299,900</u>	<u>9,299,900</u>	<u>250,910</u>	<u>9,550,810</u>	<u>-</u>	<u>9,550,810</u>
EXPENSES						
Current						
Water department	4,452,455	4,452,455	(210,083)	4,242,372	(3,544,957)	697,415
Water capital improvement	2,502,553	2,502,553	(715,034)	1,787,519	(1,266,793)	520,726
Water bond debt service	271,565	182,925	-	182,925	(182,925)	-
Storm drainage	842,000	842,000	(342,906)	499,094	(447,755)	51,339
Wastewater	5,726,228	5,726,228	(340,504)	5,385,724	(4,718,710)	667,014
Sewer and lateral repair program	381,600	381,600	(65,507)	316,093	(316,093)	-
Wastewater capital improvement	1,826,000	1,826,000	(1,326,150)	499,850	(372,093)	127,757
Wastewater bond debt service	1,451,352	1,158,033	(69,999)	1,088,034	(1,088,034)	-
Wastewater 2010 bond project	237,578	237,578	(237,508)	70	(70)	-
Depreciation	-	-	-	-	1,141,626	1,141,626
Capital outlay	-	-	(76,375)	(76,375)	93,715	17,340
Debt service	-	-	(65,571)	(65,571)	497,702	432,131
Total expenses	<u>17,691,331</u>	<u>17,309,372</u>	<u>(3,449,637)</u>	<u>13,859,735</u>	<u>(10,204,387)</u>	<u>3,655,348</u>
Excess (deficiency) of revenues over (under) expenses	<u>(8,391,431)</u>	<u>(8,009,472)</u>	<u>3,700,547</u>	<u>(4,308,925)</u>	<u>10,204,387</u>	<u>5,895,462</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	4,689,897	4,307,981	(50,000)	4,257,981	7,921,507	12,179,488
Transfers out	-	-	-	-	(8,595,997)	(8,595,997)
Total other financing sources (uses)	4,689,897	4,307,981	(50,000)	4,257,981	(674,490)	3,583,491
Change in net position	(3,701,534)	(3,701,491)	3,650,547	(50,944)	9,529,897	9,478,953
Net position - beginning, as restated	<u>3,701,534</u>	<u>3,701,491</u>	<u>368,948</u>	<u>4,070,439</u>	<u>23,598,645</u>	<u>27,669,084</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,019,495</u>	<u>\$ 4,019,495</u>	<u>\$ 33,128,542</u>	<u>\$ 37,148,037</u>

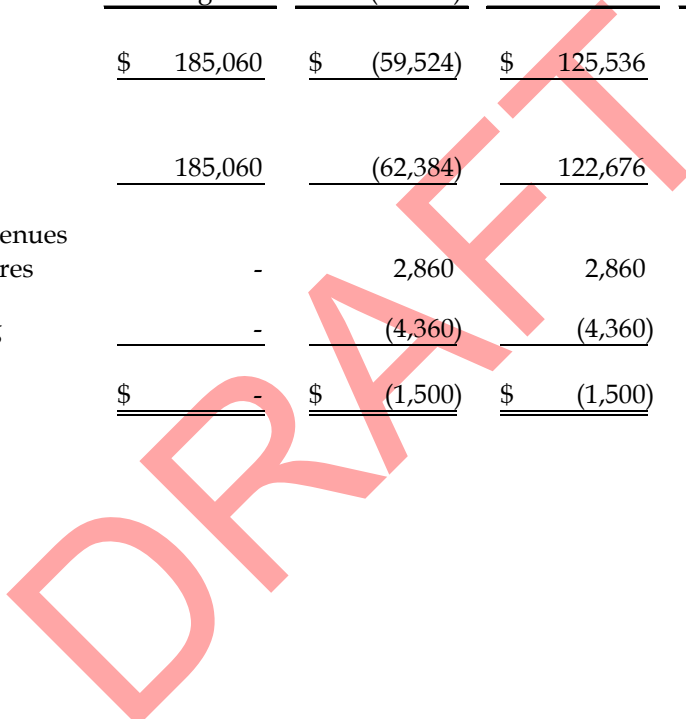
CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

TRUST AND AGENCY FUND

For the Year Ended June 30, 2014

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Fines and forfeits	\$ 185,060	\$ (59,524)	\$ 125,536	\$ -	\$ 125,536
EXPENDITURES					
Bail and trust	185,060	(62,384)	122,676	-	122,676
Excess (deficiency) of revenues over (under) expenditures	-	2,860	2,860	-	2,860
Fund balance - beginning	-	(4,360)	(4,360)	-	(4,360)
Fund deficit - ending	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ (1,500)</u>



OTHER FINANCIAL SCHEDULES

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CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Fiscal Year Ending June 30	2010 Northwest Urban Renewal Refunding Bonds			2002 Pension Obligation Bonds			2007 General Obligation Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2015	\$ 320,000	\$ 68,090	\$ 388,090	\$ 31,704	\$ 145,566	\$ 177,270	\$ 690,000	\$ 725,800
2016	330,000	58,490	388,490	32,796	154,474	187,270	760,000	698,200	1,458,200
2017	345,000	48,590	393,590	33,687	163,583	197,270	830,000	667,800	1,497,800
2018	355,000	36,516	391,516	32,872	169,398	202,270	905,000	631,600	1,536,600
2019	370,000	25,510	395,510	33,233	179,037	212,270	1,000,000	595,400	1,595,400
2020	380,000	13,300	393,300	51,649	170,621	222,270	1,080,000	555,400	1,635,400
2021	-	-	-	140,000	95,558	235,558	1,175,000	506,800	1,681,800
2022	-	-	-	160,000	85,968	245,968	1,280,000	450,988	1,730,988
2023	-	-	-	185,000	75,008	260,008	1,390,000	390,188	1,780,188
2024	-	-	-	205,000	62,335	267,335	1,510,000	324,162	1,834,162
2025	-	-	-	-	48,293	48,293	1,635,000	252,438	1,887,438
2026	-	-	-	260,000	48,293	308,293	1,775,000	170,688	1,945,688
2027	-	-	-	295,000	30,483	325,483	1,905,000	95,250	2,000,250
2028	-	-	-	150,000	10,275	160,275	-	-	-
	<u>\$ 2,100,000</u>	<u>\$ 250,496</u>	<u>\$ 2,350,496</u>	<u>\$ 1,610,941</u>	<u>\$ 1,438,892</u>	<u>\$ 3,049,833</u>	<u>\$ 15,935,000</u>	<u>\$ 6,064,714</u>	<u>\$ 21,999,714</u>

Fiscal Year Ending June 30	Northwest Urban Renewal District Special Public Works Fund			General Fund Special Public Works Fund			North Gateway Urban Renewal District Samaritan Health Services Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2015	\$ 114,722	\$ 128,130	\$ 242,852	\$ 72,571	\$ 67,037	\$ 139,608	\$ 34,450	\$ 53,066
2016	120,511	123,541	244,052	73,074	64,134	137,208	36,517	50,999	87,516
2017	126,331	118,720	245,051	78,597	61,211	139,808	38,708	48,808	87,516
2018	132,184	113,667	245,851	79,141	58,067	137,208	41,031	46,485	87,516
2019	133,072	108,380	241,452	84,707	54,902	139,609	43,493	44,023	87,516
2020	138,994	103,057	242,051	85,332	51,302	136,634	46,102	41,414	87,516
2021	144,984	97,323	242,307	91,022	47,462	138,484	48,869	38,648	87,517
2022	151,034	91,234	242,268	91,663	43,821	135,484	51,801	35,715	87,516
2023	157,140	84,815	241,955	97,496	39,238	136,734	54,909	32,607	87,516
2024	168,293	78,137	246,430	103,371	34,363	137,734	58,203	29,313	87,516
2025	174,510	70,900	245,410	109,105	30,228	139,333	61,695	25,821	87,516
2026	180,801	63,265	244,066	115,061	24,773	139,834	65,397	22,119	87,516
2027	187,149	55,355	242,504	121,114	18,732	139,846	69,321	18,195	87,516
2028	198,555	47,167	245,722	127,169	12,676	139,845	73,480	14,036	87,516
2029	205,023	38,481	243,504	133,333	6,000	139,333	77,889	9,627	87,516
2030	216,556	29,511	246,067	-	-	-	30,440	4,954	35,394
2031	223,155	20,037	243,192	-	-	-	-	-	-
2032	234,824	10,274	245,098	-	-	-	-	-	-
	<u>\$ 3,007,838</u>	<u>\$ 1,381,994</u>	<u>\$ 4,389,832</u>	<u>\$ 1,462,756</u>	<u>\$ 613,946</u>	<u>\$ 2,076,702</u>	<u>\$ 832,305</u>	<u>\$ 515,830</u>	<u>\$ 1,348,135</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Fiscal Year Ending June 30	Northwest Urban Renewal District 2013 Full Faith & Credit Bonds			Cheadle Lake Urban Renewal District McKinney Apartment Note			North Gateway Urban Renewal District Oregon Department of Veteran's Affairs Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 805,000	\$ 537,550	\$ 1,342,550	\$ -	\$ -	\$ -	\$ 65,947	\$ -	\$ 65,947
2016	855,000	521,450	1,376,450	35,500	-	35,500	-	-	-
2017	870,000	495,800	1,365,800	35,500	-	35,500	-	-	-
2018	900,000	469,700	1,369,700	35,500	-	35,500	-	-	-
2019	950,000	433,700	1,383,700	35,500	-	35,500	-	-	-
2020	990,000	395,700	1,385,700	35,500	-	35,500	-	-	-
2021	1,155,000	356,100	1,511,100	35,500	-	35,500	-	-	-
2022	1,210,000	309,900	1,519,900	35,500	-	35,500	-	-	-
2023	1,010,000	273,600	1,283,600	35,500	-	35,500	-	-	-
2024	1,050,000	243,300	1,293,300	35,500	-	35,500	-	-	-
2025	1,110,000	190,800	1,300,800	35,500	-	35,500	-	-	-
2026	1,165,000	146,400	1,311,400	-	-	-	-	-	-
2027	1,220,000	99,800	1,319,800	-	-	-	-	-	-
2028	1,275,000	51,000	1,326,000	-	-	-	-	-	-
	<u>\$ 14,565,000</u>	<u>\$ 4,524,800</u>	<u>\$ 19,089,800</u>	<u>\$ 355,000</u>	<u>\$ -</u>	<u>\$ 355,000</u>	<u>\$ 65,947</u>	<u>\$ -</u>	<u>\$ 65,947</u>

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CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
BUSINESS-TYPE ACTIVITIES

For the Year Ended June 30, 2014

Fiscal Year Ending June 30	2010 Wastewater Refunding Bonds			2009 Wastewater DEQ Loan			2007 Cannibal Project Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 390,000	\$ 217,876	\$ 607,876	\$ 39,666	\$ 21,250	\$ 60,916	\$ 147,457	\$ 60,521	\$ 207,978
2016	400,000	207,450	607,450	40,837	20,079	60,916	150,471	57,507	207,978
2017	415,000	195,450	610,450	42,042	18,874	60,916	153,545	54,433	207,978
2018	435,000	178,850	613,850	43,283	17,633	60,916	156,683	51,295	207,978
2019	445,000	161,450	606,450	44,560	16,356	60,916	159,885	48,093	207,978
2020	460,000	143,650	603,650	45,875	15,041	60,916	163,152	44,826	207,978
2021	235,000	125,250	360,250	47,229	13,687	60,916	166,486	41,492	207,978
2022	245,000	115,262	360,262	48,623	12,293	60,916	169,888	38,090	207,978
2023	255,000	104,850	359,850	50,058	10,858	60,916	173,360	34,618	207,978
2024	265,000	94,012	359,012	51,535	9,381	60,916	176,903	31,075	207,978
2025	275,000	82,750	357,750	53,056	7,860	60,916	180,518	27,460	207,978
2026	285,000	71,062	356,062	54,623	6,293	60,916	184,206	23,772	207,978
2027	300,000	60,376	360,376	56,235	4,681	60,916	187,971	20,007	207,978
2028	310,000	49,126	359,126	57,895	3,021	60,916	191,812	16,166	207,978
2029	320,000	37,500	357,500	59,598	1,313	60,911	195,732	12,246	207,978
2030	335,000	25,500	360,500	-	-	-	199,731	8,247	207,978
2031	345,000	12,938	357,938	-	-	-	56,355	4,166	60,521
	<u>\$ 5,715,000</u>	<u>\$ 1,883,352</u>	<u>\$ 7,598,352</u>	<u>\$ 735,115</u>	<u>\$ 178,620</u>	<u>\$ 913,735</u>	<u>\$ 2,814,155</u>	<u>\$ 574,014</u>	<u>\$ 3,388,169</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF NET POSITION PROPRIETARY FUND - BY ACTIVITY

ENTERPRISE FUND

June 30, 2014

	Water Operations	Storm Drain Operations	Sewer Operations	Total Enterprise Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,351,634	\$ 318,363	\$ 1,079,606	\$ 2,749,603
Accounts receivable	631,145	69,033	656,755	1,356,933
Internal balances	79,384	-	75,393	154,777
Prepaid expenses	<u>1,146</u>	<u>-</u>	<u>1,146</u>	<u>2,292</u>
Total current assets	2,063,309	387,396	1,812,900	4,263,605
Deferred charges - debt issuance costs	35,112	-	172,860	207,972
Capital assets, net of accumulated depreciation	<u>11,691,161</u>	<u>121,821</u>	<u>30,849,036</u>	<u>42,662,018</u>
Total assets	<u>13,789,582</u>	<u>509,217</u>	<u>32,834,796</u>	<u>47,133,595</u>
LIABILITIES				
Current liabilities				
Accounts payable	67,784	195	36,598	104,577
Accrued interest	-	-	78,010	78,010
Compensated absences, current portion	6,061	-	144	6,205
Deposit liability	279,890	-	-	279,890
Long-term liabilities, current portion	<u>-</u>	<u>-</u>	<u>577,123</u>	<u>577,123</u>
Total current liabilities	<u>353,735</u>	<u>195</u>	<u>691,875</u>	<u>1,045,805</u>
Noncurrent liabilities				
Compensated absences, less current portion	24,760	-	6,870	31,630
Long-term liabilities, less current portion	<u>-</u>	<u>-</u>	<u>8,908,123</u>	<u>8,908,123</u>
Total noncurrent liabilities	<u>24,760</u>	<u>-</u>	<u>8,914,993</u>	<u>8,939,753</u>
Total liabilities	<u>378,495</u>	<u>195</u>	<u>9,606,868</u>	<u>9,985,558</u>
NET POSITION				
Net investment in capital assets	11,691,161	121,821	21,363,790	33,176,772
Restricted for debt service	-	-	372,011	372,011
Unrestricted	<u>1,719,926</u>	<u>387,201</u>	<u>1,492,127</u>	<u>3,599,254</u>
Total net position	<u>\$ 13,411,087</u>	<u>\$ 509,022</u>	<u>\$ 23,227,928</u>	<u>\$ 37,148,037</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF CHANGES IN PROPRIETARY FUND NET POSITION - BY ACTIVITY

PROPRIETARY FUND

For the Year Ended June 30, 2014

	Water Operations	Storm Drain Operations	Sewer Operations	Total Enterprise Fund
Operating revenues				
Charges for services	4,265,930	409,233	4,752,859	9,428,022
Miscellaneous	106,977	-	364	107,341
Total operating revenues	4,372,907	409,233	4,753,223	9,535,363
Operating expenses				
Water utility	697,415	-	-	697,415
Water utility capital improvement program	408,958	-	-	408,958
Storm drain utility	-	51,339	-	51,339
Storm drain utility capital improvement program	-	123,090	-	123,090
Wastewater utility	-	-	667,014	667,014
Wastewater utility capital improvement program	-	-	133,775	133,775
Depreciation	288,801	-	852,825	1,141,626
Total operating expenses	1,395,174	174,429	1,653,614	3,223,217
Operating income (loss)	2,977,733	234,804	3,099,609	6,312,146
Nonoperating revenues (expenses)				
Investment earnings	8,073	1,532	5,842	15,447
Interest expense	(29,446)	-	(402,685)	(432,131)
Total nonoperating revenue (expenses)	(21,373)	1,532	(396,843)	(416,684)
Income (loss) before contributions and transfers	2,956,360	236,336	2,702,766	5,895,462
Transfers in	2,740,441	-	1,038,260	3,778,701
Transfers out	-	(195,210)	-	(195,210)
Change in net position	5,696,801	41,126	3,741,026	9,478,953
Net position - beginning, as restated	7,714,286	467,896	19,486,902	27,669,084
Net position - ending	\$ 13,411,087	\$ 509,022	\$ 23,227,928	\$ 37,148,037

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2014

Tax Year	Taxes Receivable July 1, 2013	2013-2014 Levy	Adjustments	Collections	Taxes Receivable June 30, 2014
2013-2014	\$ -	\$ 8,432,423	\$ (224,178)	\$ 7,855,319	\$ 352,926
2012-2013	306,829	-	41,964	137,415	211,378
2011-2012	199,636	-	42,863	77,471	165,028
2010-2011	114,906	-	31,334	56,756	89,484
2009-2010	41,237	-	26,295	29,099	38,433
2008-2009	7,050	-	(589)	2,776	3,685
2007-2008	3,968	-	(634)	1,657	1,677
Prior	6,884	-	(75)	803	6,006
Subtotal - Prior	680,510	-	141,158	305,977	515,691
Total	<u>\$ 680,510</u>	<u>\$ 8,432,423</u>	<u>\$ (83,020)</u>	8,161,296	<u>\$ 868,617</u>
Add:					
Other taxes and interest				63,727	
Undistributed taxes with county, July 1, 2013				-	
Total available				8,225,023	
Less: Turnovers to District				8,225,023	
Undistributed taxes with county, June 30, 2014				<u>\$ -</u>	

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

DRAFT



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

City Council
City of Lebanon
Lebanon, Oregon 97355

We have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2014, and have issued our report thereon dated **Date Rep Letter Signed**, 2014. 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'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 162-010-0000 through 162-010-0320 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City of Lebanon’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lebanon’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated **Date Rep Letter Signed**, 2014.

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


Accuity, LLC

Date Rep Letter Signed, 2014

DRAFT

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2014

DRAFT



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

330 Washington Street SW | PO Box 1072

Albany, Oregon 97321 | (541) 223-5555

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

DISTRICT OFFICIALS

June 30, 2014

MAYOR

Paul Aziz
312 E. Sherman Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Barry Scott
1620 W. Airway Road
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97355

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97355

Jason Bolen
3426 Duck Place
Lebanon, Oregon 97355

Rebecca Grizzle
333 E. Ash Street
Lebanon, Oregon 97355

CITY MANAGER

Jon Nelson, Interim

Gary Marks (*Hired as of 3/17/14*)

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

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June 30, 2014

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FINANCIAL SECTION

DRAFT



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Urban Renewal District
Lebanon, Oregon 97355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Northwest Urban Renewal District, Lebanon, Oregon, a component unit of the City of Lebanon, Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the each major fund of the Northwest Urban Renewal District, Lebanon, Oregon as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 26 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 management's discussion and analysis 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwest Urban Renewal District's basic financial statements. The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic 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 basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated **Date Rep Letter Signed**, 2014 on our tests of the District’s compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon
Date Rep Letter Signed, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

NORTHWEST URBAN RENEWAL DISTRICT Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the Northwest Urban Renewal District, Lebanon, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, total net position of the Northwest Urban Renewal District amounted to (\$2,247,273). The total amount represents unrestricted net position.
- The District's total net position decreased by \$936,481 during the current fiscal year.
- Overall expenditures were \$15,577,309, which exceeded total revenues of \$14,640,828 by \$936,481.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Northwest Urban Renewal District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, specifically urban renewal.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the Northwest Urban Renewal District are governmental funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major governmental fund.

The Northwest Urban Renewal District adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 25 of this report.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities exceeded assets by \$2,247,273 at the close of the most recent fiscal year.

District's Net position

At the end of the current fiscal year, the District reported negative balances in all categories of net position. The District's net position decreased by \$936,481 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	2014	2013
Assets		
Current assets	\$ 3,453,141	\$ 4,583,645
Total assets	3,453,141	4,583,645
Liabilities		
Current liabilities	1,027,298	786,599
Noncurrent liabilities	4,673,116	5,107,838
Total liabilities	5,700,414	5,894,437
Net position		
Unrestricted	\$ (2,247,273)	\$ (1,310,792)

District's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Program revenues	\$ 12,066,629	\$ -
General revenues		
Property taxes - general	1,611,309	375,895
Property taxes - debt service	888,003	1,328,203
Investment income	43,234	17,693
Miscellaneous revenue	<u>31,653</u>	<u>-</u>
Total general revenues	<u>2,574,199</u>	<u>1,721,791</u>
Total revenues	<u>14,640,828</u>	<u>1,721,791</u>
Program expenses		
General Government	<u>15,577,309</u>	<u>2,528,066</u>
Total program expenses	<u>15,577,309</u>	<u>2,528,066</u>
Change in net position	(936,481)	(806,275)
Net position -		
beginning of year, as restated	<u>(1,310,792)</u>	<u>(504,517)</u>
Net position - end of year	<u>\$ (2,247,273)</u>	<u>\$ (1,310,792)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental fund reported fund balance of \$2,716,674, a decrease of \$1,413,589 from the prior year.

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

DEBT ADMINISTRATION

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of \$5,107,838. This amount is comprised of general obligation bonds, and a note payable. The District's total debt decreased by \$423,963 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-B on pages 23 through 24 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- Property tax revenue has increased over the prior year. It is hoped for and anticipated that with economic growth this trend will continue.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

DRAFT

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 3,198,965
Property taxes receivable	252,434
Special assessments receivable	<u>1,742</u>
Total assets	<u>3,453,141</u>
LIABILITIES	
Current liabilities	
Accounts payable	298,253
Accrued interest	80,417
System developmet charge payable	213,906
Long-term liabilities, current portion	<u>434,722</u>
Total current liabilities	<u>1,027,298</u>
Noncurrent liabilities	
Long-term liabilities, less current portion	<u>4,673,116</u>
Total liabilities	<u>5,700,414</u>
NET POSITION	
Unrestricted	<u>\$ (2,247,273)</u>

The accompanying notes are an integral part of these financial statements.

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental activities					
General Government	<u>\$ 15,577,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,066,629</u>	<u>(3,510,680)</u>
General revenues					
Property taxes levied for general purposes					1,611,309
Property taxes levied for debt service					888,003
Investment income					43,234
Miscellaneous revenue					<u>31,653</u>
Total general revenues					<u>2,574,199</u>
Change in net position					(936,481)
Net position - beginning, as restated					<u>(1,310,792)</u>
Net position - ending					<u>\$ (2,247,273)</u>

The accompanying notes are an integral part of these financial statements.

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 3,198,965
Property taxes receivable	252,434
Loans receivable	<u>1,742</u>
 Total assets	 <u>\$ 3,453,141</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 298,253
System development charges payable	<u>213,906</u>
 Total liabilities	 <u>512,159</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>224,308</u>
Fund balances	
Unrestricted	<u>2,716,674</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 3,453,141</u>

The accompanying notes are an integral part of these financial statements.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Total fund balances	\$ 2,716,674
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.	224,308
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:	
Accrued interest payable	(80,417)
Bonds payable	(2,100,000)
Notes payable	<u>(3,007,838)</u>
Net position of governmental activities	<u>\$ (2,247,273)</u>

The accompanying notes are an integral part of these financial statements.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 2,449,496
Intergovernmental - City of Lebanon	12,066,629
Investment earnings	43,234
Miscellaneous revenue	<u>31,653</u>
Total revenues	<u>14,591,012</u>
EXPENDITURES	
Current	
General government - urban renewal	1,420,455
Debt service	633,991
Capital outlay	<u>13,950,155</u>
Total expenditures	<u>16,004,601</u>
Excess (deficiency) of revenues over expenditures	(1,413,589)
Fund balances - beginning, as restated	<u>4,130,263</u>
Fund balances - ending	<u>\$ 2,716,674</u>

The accompanying notes are an integral part of these financial statements.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances \$ (1,413,589)

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

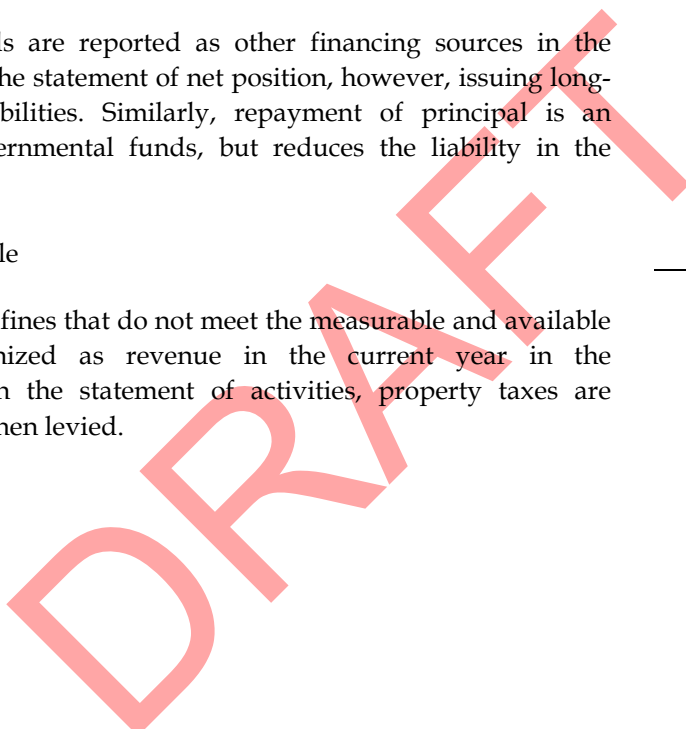
Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Debt principal paid	423,963	
Accrued interest payable	<u>3,329</u>	427,292

Property taxes and court fines that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.

49,816

Change in net position \$ (936,481)



The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

DRAFT

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northwest Urban Renewal District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In 1989, the City of Lebanon established the Northwest Urban Renewal District. The purpose of the District is to provide for the development of infrastructure to serve industrially zoned property within the District boundaries. The area is located west of Highway 20 and north of Highway 34. The Northwest Urban Renewal District, Lebanon, Oregon is governed by a seven member board of directors that are the City's mayor and six city council members. The District is included as a blended component unit in the City of Lebanon's financial statements as a special revenue fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The District reports deferred inflows of resources on the balance sheet of the governmental funds. Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the District has a legal claim to the resources, the amounts for deferred inflows of resources are removed from the balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with remaining maturities of one year or less at the date of acquisition.

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Accounts and Loans Receivable

Accounts receivable represent balances due from the Enterprise Fund of the City of Lebanon for debt amounts paid on their behalf. Loans receivable represent assessment for property improvements. Assessment are recognized at the time the property owners are assessed, interest is accrued when due. Management has determined that no allowance for doubtful accounts is necessary.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

6. Fund Balance

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. An annual appropriated budget is adopted for the general fund. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the department/functional level. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Northwest Urban Renewal District maintains its cash balance as a part of the City of Lebanon's pooled cash. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District's policy, which adheres to state 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 or Moody's Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

Investments

As of June 30, 2014, the District had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value	Credit Quality Rating
Oregon Local Government Investment Pool	100%	-	\$ 3,198,965	Unrated

Interest Rate Risk

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

Concentration of Credit Risk

The District'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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2010 Refunding Bonds	2-3.5%	\$ 3,310,000	\$ 2,415,000	-	\$ 315,000	\$ 2,100,000	\$ 320,000
Special Public Works Fund	4-4.375%	<u>3,677,462</u>	<u>3,116,801</u>	-	<u>108,963</u>	<u>3,007,838</u>	<u>114,722</u>
Total long-term liabilities		<u>\$ 6,987,462</u>	<u>\$ 5,531,801</u>	<u>\$ -</u>	<u>\$ 423,963</u>	<u>\$ 5,107,838</u>	<u>\$ 434,722</u>

1. Northwest Urban Renewal District 2010 General Obligation Refunding Bonds

On November 2, 2010, the District issued general obligation bonds of \$3,310,000 (par value) with interest rates of 2% to 3.5% to advance refund the portion of the Series 2000 general obligation bonds maturing December 1, 2010, with interest rates of 5.75% to 6%, and a par value of \$3,420,000. All defeased bonds have been paid in full. As a result of the advance refunding, the District reduced its total debt service requirements by \$658,966, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$431,283. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The NW Urban Renewal District Fund has been used to liquidate the debt. Loan #LebanonUR10, final maturity 2020.

2. Governmental Activity Note Payable - NW Urban Renewal District Special Public Works Fund

The District signed the note payable on May 1, 2007. The funds were used for urban renewal projects. Interest rates increase in accordance with the original debt agreements. Interest is due annually on December 1. The NW Urban Renewal District Fund has been used to liquidate the note payable. Loan #B05003, final maturity 2031, interest 4%-4.375%, original issue amount \$3,677,462.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Long-Term Liabilities (Continued)

3. Governmental Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 320,000	\$ 68,090	\$ 388,090
2016	330,000	58,490	388,490
2017	345,000	48,590	393,590
2018	355,000	36,516	391,516
2019	370,000	25,510	395,510
2020-2024	380,000	13,300	393,300
2025-2029	-	-	-
Total	<u>\$ 2,100,000</u>	<u>\$ 250,496</u>	<u>\$ 2,350,496</u>

4. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 114,722	\$ 128,130	\$ 242,852
2016	120,511	123,541	244,052
2017	126,331	118,720	245,051
2018	132,184	113,667	245,851
2019	133,072	108,380	241,452
2020-2024	760,445	454,566	1,215,011
2025-2029	946,038	275,168	1,221,206
2030-2032	674,535	59,822	734,357
Total	<u>\$ 3,007,838</u>	<u>\$ 1,381,994</u>	<u>\$ 4,389,832</u>

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Restatements

Beginning net position of the District was restated as follows:

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ (1,096,886)
System development charge payable correction	<u>(213,906)</u>
Net position - beginning, as restated	<u><u>\$ (1,310,792)</u></u>

Beginning fund balance has been restated as follows:

	<u>General Fund</u>
Fund balance - beginning, as originally reported	\$ 4,344,169
System development charge payable correction	<u>(213,906)</u>
Fund balance - beginning, as restated	<u><u>\$ 4,130,263</u></u>

C. Subsequent Events

Management has evaluated subsequent events through **Date Rep Letter Signed**, 2014, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 2,800,622	\$ 2,800,622	\$ (332,426)	\$ 2,468,196	\$ -	\$ 2,468,196
Intergovernmental	-	12,066,629	-	12,066,629	-	12,066,629
Miscellaneous	1,000	1,000	55,187	56,187	-	56,187
Total revenues	2,801,622	14,868,251	(277,239)	14,591,012	-	14,591,012
EXPENDITURES						
Current						
NW Lebanon urban renewal district	15,861,000	16,880,393	(1,509,783)	15,370,610	(13,950,155)	1,420,455
NW Lebanon urban renewal bonds	2,400,622	1,447,858	(813,867)	633,991	(633,991)	-
Capital outlay	-	-	-	-	13,950,155	13,950,155
Debt service	-	-	-	-	633,991	633,991
Total expenditures	18,261,622	18,328,251	(2,323,650)	16,004,601	-	16,004,601
Excess (deficiency) of revenues over (under) expenditures	(15,460,000)	(3,460,000)	2,046,411	(1,413,589)	-	(1,413,589)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	12,000,000	-	-	-	-	-
Net change in fund balance	(3,460,000)	(3,460,000)	2,046,411	(1,413,589)	-	(1,413,589)
Fund balance - beginning, as restated	3,460,000	3,460,000	670,263	4,130,263	-	4,130,263
Fund balance - ending	\$ -	\$ -	\$ 2,716,674	\$ 2,716,674	\$ -	\$ 2,716,674

OTHER FINANCIAL SCHEDULES

DRAFT

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2014

Tax Year	Taxes Receivable July 1, 2013	2013-2014 Levy	Adjustments	Collections	Taxes Receivable June 30, 2014
2013-2014	\$ -	\$ 2,535,343	\$ (67,402)	\$ 2,361,828	\$ 106,113
2012-2013	66,412	-	9,083	29,743	45,752
2011-2012	80,692	-	17,325	31,314	66,703
2010-2011	29,234	-	7,972	14,440	22,766
2009-2010	8,461	-	5,396	5,971	7,886
2008-2009	1,969	-	(165)	775	1,029
2007-2008	1,041	-	(166)	435	440
Prior	1,998	-	(20)	233	1,745
Subtotal - Prior	189,807	-	39,425	82,911	146,321
Total	<u>\$ 189,807</u>	<u>\$ 2,535,343</u>	<u>\$ (27,977)</u>	2,444,739	<u>\$ 252,434</u>
Add:					
Other taxes and interest				18,700	
Undistributed taxes with county, July 1, 2013				-	
Total available				2,463,439	
Less: Turnovers to District				2,463,439	
Undistributed taxes with county, June 30, 2014				<u>\$ -</u>	

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

DRAFT



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Northwest Urban Renewal District
Lebanon, Oregon 97355

We have audited the basic financial statements of the Northwest Urban Renewal District as of and for the year ended June 30, 2014, and have issued our report thereon dated **Date Rep Letter Signed**, 2014. 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 Northwest Urban Renewal District'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 162-010-0000 through 162-010-0320 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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:

Accounting Records

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

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the Northwest Urban Renewal District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northwest Urban Renewal District’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated **Date Rep Letter Signed**, 2014.

This report is intended solely for the information and use of the board of directors and management of the Northwest Urban Renewal District and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.


Accuity, LLC

Date Rep Letter Signed, 2014

DRAFT

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2014

DRAFT



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

330 Washington Street SW | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

DISTRICT OFFICIALS

June 30, 2014

MAYOR

Paul Aziz
312 E. Sherman Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Barry Scott
1620 W. Airway Road
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97355

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97355

Jason Bolen
3426 Duck Place
Lebanon, Oregon 97355

Rebecca Grizzle
333 E. Ash Street
Lebanon, Oregon 97355

CITY MANAGER

Jon Nelson, Interim

Gary Marks (*Hired as of 3/17/14*)

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

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June 30, 2014

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FINANCIAL SECTION

DRAFT



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
North Gateway Urban Renewal District
Lebanon, Oregon 97355

We have reviewed the accompanying financial statements of the governmental activities, and the major fund of the North Gateway Urban Renewal District, Lebanon, Oregon, a component unit of the City of Lebanon, Oregon as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the North Gateway Urban Renewal District, Lebanon, Oregon. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of North Gateway Urban Renewal District is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be 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 and budgetary comparison information on pages 3 through 7 and 24 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 not audited, reviewed, or compiled the management's discussion and analysis and do not express an opinion or provide assurance on it. The budgetary comparison information has been subjected to the review procedures applied in the review of the basic financial statements and we are not aware of any material modifications that should be made in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the review procedures applied in the review of the financial statements and we are not aware of any material modifications that should be made in order for the schedule of property tax transactions to be in conformity with accounting principles generally accepted in the United States of America.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon

Date Rep Letter Signed, 2014

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

NORTH GATEWAY URBAN RENEWAL DISTRICT Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the North Gateway Urban Renewal District, Lebanon, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, total net position of the North Gateway Urban Renewal District amounted to (\$1,995,038). The total amount represents unrestricted net position.
- The District's total net position increased by \$110,387 during the current fiscal year.
- Overall revenues were \$265,095, which exceeded total expenditures of \$154,708 by \$110,387.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the North Gateway Urban Renewal District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, specifically urban renewal.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the North Gateway Urban Renewal District are governmental funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major governmental fund.

The North Gateway Urban Renewal District adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 23 of this report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities exceeded assets by \$1,995,038 at the close of the most recent fiscal year.

District's Net position

At the end of the current fiscal year, the District reported negative balances in all categories of net position. The District's net position increased by \$110,387 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets	\$ 57,146	\$ 64,302
Total assets	<u>57,146</u>	<u>64,302</u>
Liabilities		
Current liabilities	1,177,838	1,172,540
Noncurrent liabilities	<u>874,346</u>	<u>997,187</u>
Total liabilities	<u>2,052,184</u>	<u>2,169,727</u>
Net position		
Unrestricted	<u>\$ (1,995,038)</u>	<u>\$ (2,105,425)</u>

District's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
General revenues		
Property taxes - general	\$ 263,333	\$ 208,534
Investment income	<u>1,762</u>	<u>1,849</u>
Total general revenues	<u>265,095</u>	<u>210,383</u>
Total revenues	<u>265,095</u>	<u>210,383</u>
Program expenses		
General Government	<u>154,708</u>	<u>254,282</u>
Total program expenses	<u>154,708</u>	<u>254,282</u>
Transfers	<u>-</u>	<u>(13,826)</u>
Change in net position	110,387	(57,725)
Net position - beginning of year, as restated	<u>(2,105,425)</u>	<u>(2,047,700)</u>
Net position - end of year	<u>\$ (1,995,038)</u>	<u>\$ (2,105,425)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental fund reported a deficit fund balance of \$1,052,314, a decrease of \$16,183 from the prior year.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and one approved supplemental budget.

DEBT ADMINISTRATION

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of \$941,422. This amount is comprised of two notes payable. The District's total debt decreased by \$116,454 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-B on pages 21 through 22 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and reviewed, the District was aware of the following circumstances that could affect its future financial health:

- Property tax revenue has increased. It is hoped for and anticipated that with economic growth this trend will continue.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 34,970
Property taxes receivable	<u>22,176</u>
Total assets	<u>57,146</u>
LIABILITIES	
Current liabilities	
Accrued interest	20,631
System development charges payable	1,090,131
Long-term liabilities, current portion	<u>67,076</u>
Total current liabilities	<u>1,177,838</u>
Noncurrent liabilities	
Long-term liabilities, less current portion	<u>874,346</u>
Total liabilities	<u>2,052,184</u>
NET POSITION	
Unrestricted	<u>\$ (1,995,038)</u>

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See accompanying notes and independent accountant's review report.

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
General Government	\$ 99,722	\$ -	\$ -	\$ -	(99,722)
Interest on long-term debt	<u>54,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,986)</u>
Total governmental activities	<u>\$ 154,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(154,708)</u>
General revenues					
Property taxes levied for general purposes					263,333
Investment income					<u>1,762</u>
Total general revenues					<u>265,095</u>
Change in net position					110,387
Net position - beginning, as restated					<u>(2,105,425)</u>
Net position - ending					<u>\$ (1,995,038)</u>

See accompanying notes and independent accountant's review report.

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 34,970
Property taxes receivable	<u>22,176</u>
Total assets	<u><u>\$ 57,146</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	
Liabilities	
System development charges payable	<u>\$ 1,090,131</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>19,329</u>
Fund balance (deficit)	
Unrestricted	<u>(1,052,314)</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u><u>\$ 57,146</u></u>

See accompanying notes and independent accountant's review report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Total fund balance (deficit)		\$ (1,052,314)
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		19,329
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(20,631)	
Notes payable	(941,422)	(962,053)
Net position of governmental activities		<u><u>\$ (1,995,038)</u></u>

DRAFT

See accompanying notes and independent accountant's review report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 253,247
Investment earnings	<u>1,762</u>
Total revenues	<u>255,009</u>
EXPENDITURES	
Current	
General government - urban renewal	174,722
Debt service	<u>96,470</u>
Total expenditures	<u>271,192</u>
Excess (deficiency) of revenues over expenditures	(16,183)
Fund balance (deficit) - beginning, as restated	<u>(1,036,131)</u>
Fund balance (deficit) - ending	<u>\$ (1,052,314)</u>

See accompanying notes and independent accountant's review report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances	\$ (16,183)
Amounts reported for governmental activities in the statement of activities are different because:	
Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.	
Debt principal paid	116,454
Property taxes and court fines that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.	<u>10,116</u>
Change in net position	<u>\$ 110,387</u>

See accompanying notes and independent accountant's review report.

NOTES TO BASIC FINANCIAL STATEMENTS

DRAFT

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Gateway Urban Renewal District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In 2008, the City of Lebanon established the North Gateway Urban Renewal District. The purpose of the District is to provide for the development of infrastructure to serve the area where a new medical campus was to be developed. The North Gateway Urban Renewal District, Lebanon, Oregon is governed by a seven member board of directors that are the City's mayor and six city council members. The District is included as a blended component unit in the City of Lebanon's financial statements as a special revenue fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The District reports deferred inflows of resources on the balance sheet of the governmental funds. Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the District has a legal claim to the resources, the amounts for deferred inflows of resources are removed from the balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with remaining maturities of one year or less at the date of acquisition.

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

3. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

4. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Fund Balance

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

5. Fund Balance (Continued)

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. An annual appropriated budget is adopted for the general fund. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the department/functional level. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there was one supplemental budget. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved supplemental budget.

B. Deficit Fund Balance

At June 30, 2014, the General Fund, a major fund, has a deficit fund balance of \$1,052,314. The deficit is due to the recording of system development charges due to the City of Lebanon from inception of the urban renewal district. The deficit will be corrected through repayment of the liability in the upcoming fiscal year.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The North Gateway Urban Renewal District maintains its cash balance as a part of the City of Lebanon's pooled cash. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

The Oregon State Treasury administers the LGIP. 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District's policy, which adheres to state 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 or Moody's Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2014, the District had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value	Credit Quality Rating
Oregon Local Government Investment Pool	100%	-	\$ <u>34,970</u>	Unrated

Interest Rate Risk

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

Concentration of Credit Risk

The District'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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

B. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Samaritan Health Services Note	6.00%	\$ 1,025,239	\$ 916,929	\$ -	\$ 41,454	\$ 875,475	\$ 50,589
Oregon Department of Veteran's Affairs Note	12.00%	140,947	140,947	-	75,000	65,947	16,487
Total		\$ 1,166,186	\$ 1,057,876	\$ -	\$ 116,454	\$ 941,422	\$ 67,076

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Long-Term Liabilities (Continued)

2. Samaritan Health Services Note Payable

The District signed the note payable in 2009 to finance the purchase of infrastructure additions in the District. The note calls for annual payments on February 14. The General Fund has been used to liquidate the note payable. Final maturity 2030, interest 6%, original issue amount \$1,025,239.

3. Oregon Department of Veteran's Affairs Note Payable

The District signed the note payable May 9, 2013 to finance the fees charged by the City of Lebanon related to the construction of a veteran's home located within the urban renewal district. The note calls for five annual payments to commence during the 2013-2014 fiscal year. The General Fund has been used to liquidate the note payable. Final maturity 2019, interest at 12%, original issue amount \$140,947.

4. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 50,589	\$ 52,528	\$ 103,117
2016	52,635	50,482	103,117
2017	54,804	48,314	103,118
2018	57,102	46,015	103,117
2019	43,053	43,578	86,631
2020-2024	257,253	175,897	433,150
2025-2029	344,261	88,889	433,150
2030	81,725	4,906	86,631
Total	<u>\$ 941,422</u>	<u>\$ 510,609</u>	<u>\$ 1,452,031</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

B. Commitment

The District has entered into an agreement with Samaritan Health Services under which the District will repay amounts invested by Samaritan Health Services to improve or add infrastructure within the District. The total costs allowed to be repaid under the agreement are \$5,105,900. Improvements must be in place no later than 2029. Amounts invested by Samaritan Health Services are added to an existing loan agreement as described in Note III-B. As of June 30, 2014, \$1,025,239 had been invested under the agreement.

C. Restatements

Beginning net position of the District was restated as follows:

	Governmental Activities
Net position - beginning, as originally reported	\$ (874,347)
Adjustment to record system development charges payable	(1,090,131)
Recording of omitted Oregon Department of Veteran's Affairs note	(140,947)
Net position - beginning, as restated	\$ (2,105,425)

Beginning fund balance has been restated as follows:

	General Fund
Fund balance - beginning, as originally reported	\$ 54,000
Adjustment to record system development charges payable	(1,090,131)
Fund balance - beginning, as restated	\$ (1,036,131)

D. Subsequent Events

Management has evaluated subsequent events through **Date Rep Letter Signed**, 2014, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 197,235	\$ 232,235	\$ 22,246	\$ 254,481	\$ -	\$ 254,481
Miscellaneous	-	-	528	528	-	528
Total revenues	197,235	232,235	22,774	255,009	-	255,009
EXPENDITURES						
Current						
North Gaeway urban renewal	234,235	286,235	(15,043)	271,192	(96,470)	174,722
Debt service	-	-	-	-	96,470	96,470
Total expenditures	234,235	286,235	(15,043)	271,192	-	271,192
Excess (deficiency) of revenues over (under) expenditures	(37,000)	(54,000)	37,817	(16,183)	-	(16,183)
Fund balance (deficit) - beginning, as restated	37,000	54,000	(1,090,131)	(1,036,131)	-	(1,036,131)
Fund balance (deficit) - ending	\$ -	\$ -	\$ (1,052,314)	\$ (1,052,314)	\$ -	\$ (1,052,314)

See independent accountant's review report

OTHER FINANCIAL SCHEDULES

DRAFT

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2014

Tax Year	Taxes Receivable July 1, 2013	2013-2014 Levy	Adjustments	Collections	Taxes Receivable June 30, 2014
2013-2014	\$ -	\$ 264,154	\$ (7,022)	\$ 246,076	\$ 11,056
2012-2013	8,414	-	1,151	3,768	5,797
2011-2012	3,780	-	812	1,467	3,125
2010-2011	2,171	-	592	1,072	1,691
2009-2010	545	-	346	384	507
2008-2009	-	-	-	-	-
2007-2008	-	-	-	-	-
Prior	-	-	-	-	-
Subtotal - Prior	14,910	-	2,901	6,691	11,120
Total	\$ 14,910	\$ 264,154	\$ (4,121)	252,767	\$ 22,176
Add:					
Other taxes and interest				1,234	
Undistributed taxes with county, July 1, 2013				-	
Total available				254,001	
Less: Turnovers to District				254,001	
Undistributed taxes with county, June 30, 2014				\$ -	

See independent accountant's review report

**REVIEW REPRESENTATIONS
REQUIRED BY STATE REGULATIONS**

DRAFT

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

**MANAGEMENT'S REPRESENTATION OF FISCAL AFFAIRS
REQUIRED BY OREGON REGULATION**

The North Gateway Urban Renewal District is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operations and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, Division 40) including, but not limited to:

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

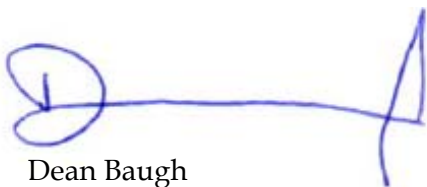
Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

The management of the North Gateway Urban Renewal District is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.



Dean Baugh

Finance Director

Date Rep Letter Signed, 2014

Agenda Item 2

I. A. ADMINISTRATION – Gary Marks, City Manager

- **Lebanon 2040 Visioning Project.** On November 4th the Lebanon 2040 Project began with consultant-led meetings with City department directors and with the Lebanon 2040 Steering Committee. Later, on November 12th, consultant team member Beth Dufek conducted an initial visioning exercise with the City Council. We expect the launch of both a Facebook page and a website for the Lebanon 2040 Project during the month of December with numerous stakeholder interviews to be conducted in January.
- **Cascade Gateway Leadership Program.** I participated in the November program for the Leadership Program sponsored by the Lebanon Chamber of Commerce. The program included a session with Albany's Economic Development Director to discuss Albany's downtown urban renewal program, tour of an Albany-based brewery, and tours of the Advance Automotive Research Center and Oregon Veterans Home, both in Lebanon.
- **Community Garden.** Mayor Aziz and I continued work on establishing a community garden. Our activities included meeting with local professional gardener Sheryl Casteen and a meeting with the Lebanon Tree and Park Committee. Plans are currently being developed for a community garden located on the Porter Street Park property, with reviews by the Tree and Park Committee and Planning Commission expected early next year.
- **Budget Policies.** Dean Baugh, Sara Bishop and I reviewed a draft of the City's proposed budget policies and made corrections and updates as needed. We hope to present the policies at a City Council meeting in the near future.
- **City Managers Meeting (Cascades West Council of Governments).** I participated in a meeting of area city managers held at the Cascades West Council of Governments office in Albany. The program included an update from Oregon State University on advancements in Geographic Information Systems (GIS) and applications pertinent to city governments.
- **CH2M Hill.** I participated with Ron Whitlatch and Rob Emmons in a meeting with CH2M Hill representatives to review a wastewater plant facility assessment report and to discuss ongoing operations at the wastewater plant.
- **Albany and Eastern Railroad Agreement.** A facility use agreement with the Albany and Eastern Railroad for the periodic use of the north portion of the Lebanon Travel Station was finalized. The agreement will enable the railroad to continue use of the Travel Station for staging of excursion train rides. The agreement is based on a "per use" basis with the railroad providing property and liability insurance and paying rent based on the City's established facility use rental schedule. It also provides that the railroad will provide a means for handicap access to excursion train rides as soon as practical. The agreement is for a one-year term ending November, 2015. We will review the agreement a year from now for updates and probable renewal.

B. Human Resources – Debi Shimmin, HR Generalist

- The Exempt Salary survey and analysis was completed and presented to City Manager Gary Marks for his review.
- Work on the Employee Appreciation Celebration is done and will be held December 2 at the new Samaritan Event Center.
- Research on the history of Mural Park took place this month and a final report is being prepared for City Manager Gary Marks.
- Work on the next employee newsletter, the HR Buzz, is in progress and will be issued next month.

II. LEGISLATIVE / CITY CLERK – Linda Kaser, City Clerk

- **Advisory Board(s):**

Parks Committee/Tree Board member Gary Heintzman has applied for reappointment. Mayor Aziz will reappoint at the December 10 Council Meeting.

Bike and Pedestrian Vacancy. I've been coordinating the recruitment and candidate selection process. Those interested in serving on the board were required to submit a completed application by November 5. Receiving three viable candidate applications, the Board requested that the applicants answer additional questions before making their final decision. Mayor Aziz confirmed the Board's recommendation to appoint Kevin Hart at the December 10 Council Meeting.

- **Council Action.** As a follow up to the recently approved amendment to the keeping of chickens, the individuals who spoke at the August and September Council meetings were sent a letter and a copy of the ordinance. The ordinance takes effect December 14, 2015.
- **Communication/Social Media.** Staff continues to ramp up efforts to provide a mix of city business and general community information on our City Facebook site. Our efforts have proven effective with an increase in "Page Likes" of 43% over the last six months. The total number "reached" for the month of November was 7,900 (2,910 for City-related business and 4,990 for community-related information).
- **Liquor License Application.** TK's Bar and Grill (formerly Peacock Bar & Grill) submitted a change in ownership liquor license application. After working through a slight discrepancy as to the occupancy limit, all of the required officials have given their blessing. Therefore, I will be recommending approval under the December 10 Consent Calendar.
- **Mayor's Extra Mile Award.** Three employees were nominated by their Department Manager to receive the 2nd Annual Employee "Extra Mile Award." After careful deliberation, Mayor Aziz will be awarding one recipient a plaque along with a check at the December 2 Employee Appreciation celebration. This year, the event will be held at the new Samaritan Conference Center.
- **Santiam Travel Station Upgrades.** Staff is looking at two options for hearing impaired equipment for meetings held at the Station – an inductive loop system and an FM system. There are pros and cons to each system, so we are still working through them to pick the best option to fit everyone's needs.

III. COMMUNITY DEVELOPMENT (Planning & Building) – Walt Wendolowski, Manager

A. Planning

- The Planning Commission reviewed and approved a 12-lot single family subdivision on property between River Drive and Kokanee Way. The plan will also include the potential for future multi-family development.
- The Commission also reviewed possible Code language to allow electronic message signs. As this was a work session, no decision or recommendation was made. The Commission directed staff to consider additional changes and a public hearing is likely in January.
- The Commission will review a further modification to the Samaritan Campus development plan to provide a 120-unit apartment complex. The location will be just south of the Central Willamette Credit Union, adjacent to North 5th Street.
- The Commission will also consider a Conditional Use application for a 90-unit apartment complex on Second Street, just south of West Airport Road.
- The Department reviewed and approved a Property Line Adjustment involving two parcels located downtown.

- Further, the Department is reviewing a Property Line Adjustment and Administrative Review for McDonald's restaurant. The proposal combines the McDonald and former "Fire Pit" site into a single parcel and replaces the existing McDonald's restaurant with a new facility.
- As of the November 25, the Department has either received or processed 70 applications – versus 60 applications for all of 2013.

B. Building

- For the month of October, Building Services received \$36,605 in fees on \$3,843,109 in valuation. For the current FY 2014-15, the City received \$67,874 in fees on \$6,155,857 in valuation. This is down considerably from the same period in the previous fiscal year: \$179,417 in fees on \$16,427,373 in valuation.

(Note: the timing of these reports will delay the building permit information by one month. However when available, the report will update new applications.)

IV. ENGINEERING SERVICES – Ron Whitlatch, Manager

- SSC Construction is continuing to work on the new Four Million Gallon Reservoir on South Fifth Street. Leak Repairs have been made for a third time and SSC plans to begin filling the Reservoir on December 1st for testing and to ensure there are no additional leaks. Currently SSC is being assessed liquidated damages of \$600/day. Damages will be used to offset additional costs for OBEC Engineering to continue inspection/project management services. If all leaks are repaired, the reservoir should be online at the end of December.
- The Vine Street Sanitary Sewer Replacement Project is progressing slowly due to extremely poor ground/trench conditions. The Contractor is currently constructing several laterals that were found during construction to the new sanitary main. If the weather allows, patching will begin the week of December 1st. Due to the poor ground conditions, Staff is proposing to reconstruct the street in spring of 2015. A proposal will be brought to City Council in February/March 2015 for street repairs and additional utility work on Vine Street above and beyond the sanitary sewer replacement.
- Council approved a contract amendment with Carollo Engineers to begin design/permitting for a river intake off of the South Santiam River. Staff will be meeting with regulatory agencies in the near future to determine exactly what permits will be needed. Staff will also continue negotiations with the City of Albany. To date these negotiations have yielded very little compromise for a new canal intake for the new water treatment plant.
- Cascade Drive Improvements project has been finalized. There has been a lot of positive feedback in regards to the project and how it turned out.
- Staff is continuing to work with CH2M Hill on the design of the Effluent Pump Station Upgrade at the Waste Water Treatment Plant. This project has been re-scheduled for 2015 in an effort to cut costs back and re-define the scope of the project.
- Staff has begun design of the Oak Street Improvements (Airway Road to Williams Street) project. Udell Engineering is currently working on the design topography survey. The project includes multiple areas of base repair, utility upgrades, bridge re-hab, and new surfacing. The project will be constructed in summer 2015 and is being funded by the Northwest Urban Renewal District.
- The Gazebo being built by the Lebanon Optimist Club near the Library has a made significant progress this last month. Staff was told contractors will continue when their schedule allows.
- Staff continues to work with the developer's engineers regarding construction of a new apartment complex on 9th Street approximately 700 feet north of Airport Road. Staff approved site plans and public improvement drawings. Linn County recently approved of improvements and utilities in and along 9th Street as it is a county road.

- Construction of the Santiam Riverfront Estates residential subdivision continues. The street curb and gutters are installed and paving has been completed. Testing and disinfection of public water lines are expected soon.
- Construction of public improvements for the Edward C. Allworth Veterans' Home is complete except for the street lights which are Pacific Powers responsibility.
- The Samaritan Hotel/Restaurant is under construction. The north half of the building is nearly framed and sheeted to meet the south half which was framed first.
- Staff approved site plans for a 26,000 square foot medical building to be constructed at the northwest corner of the Samaritan campus. The building is expected to house the urgent care and pharmacy presently located on Mullins Way. Site work has started.
- Staff received public improvement drawings for additional street improvements in the Samaritan Campus project area. The improvements include widening the east side of 5th Street north of Pioneer School. Plans also include new streets through the north area of the campus and a north-south access presently intended as a pedestrian corridor and an alternative access for the Fire District. This project is expected to be constructed in phases with the first phase to include 5th Street improvements.
- Installation of the power generator at the Park and Garvord sanitary sewer pump station continues. The generator is now operational. The generator will be connected to the telemetry that was recently installed which will allow the entire pump station to be monitored remotely. A security fence will be installed soon.
- Home construction continues in the Eagle View Subdivision (east of South Main south of Joy), Sierra Subdivision (off Wassom Street west of 7th), Heather Estates, and the Sand Ridge Court townhouses. Staff continues to review site plans for additional homes.

V. **FINANCE SERVICES** – Dean Baugh, Manager

- Auditors were on site for audit work Oct-13 to Oct-17, Final audit should be available by Nov 30
- Continued work on updating Finance policies, Meeting with City Manager and Accounting Supervisor to discuss draft Policies. Will bring to council for approval
- Working with Springbrook to install the Purchase Order system. PO program installed Oct 13-17, Planning on go live in the spring
- Working with PW department on finalizing routes and process for the in house meter reading project. In house staff read all utility meters for the Nov billing
- Accounts Payable; FY 14/15 payments made in November, 218 invoices were processed for payments of \$718,315.
- Utility Billing:
 - November
 - 5598 Billing statements mailed by the end of November
 - 1018 Accounts received a penalty (past due 10/20/14)
 - 324 lien letters mailed to property owners
 - 114 accounts were locked off for non-payment on 11/15/14 for bills due 10/15/14.
 - 1 Multi-family accounts received door hangers prior to being locked off.
 - 78 accounts were reconnected the same week. The balance are vacant properties or the tenants moved out and property is back in the owner's name.
 - Total of 472 Service orders: 46 Move Outs, 53 Move ins, 13 Turn offs, 29 Turn on, 103 reconnects, 45 read request, 0 Dead meters, 21 Leak Checks, 0 Lid Hazard checks, 114 Lock offs, 18 Meter Change out, 1 New Meter Installations, 0 Pressure check, 29 misc. other.

	June 14	July 14	Aug 14	Sept 14	Oct 14	Nov 14	1 year ago Nov 2013
Billing Statement	5991	5613	5623	5976	5620	5598	5622
Penalty applied	1239	807	946	774	774	1018	930
Lock Offs	131	184	110	144	88	114	0, changing process, 354 Door hangers

VI. INFORMATION & GIS SERVICES – Brent Hurst, Manager

- Routine user break-fix issues and maintenance of City network.
- Routine updates to mapping systems, printing of maps for maintenance, and updating of “as-builts”.
- Preparing for a Police software upgrade. Currently in testing mode for upgrade. Live upgrade date has moved to December 15, 2014.
- Upgraded Court software. Court is in training on new software at this time.
- Working with City Clerk on hearing assisted service for the Santiam Travel Station.

VII. LIBRARY – Carol Dinges, Manager

- All library staff members participated in Internet Safety training during November.
- An “Uninterrupted Power Source” (UPS) has been installed on the electrical circuit that powers the essential library computer systems (circulation desk, security pedestals, etc.) to provide power during a brief outage. This will allow staff to finish checking out materials to patrons and safely shut down circulation stations without loss of data, while keeping the security gates operational until all patrons can be cleared from the building during a prolonged outage.
- Attendance at both children’s and adult programs continues to be very good, with a notable increase in attendance at evening adult programs.

VIII. MAINTENANCE – Jason Williams, Manager

A. Streets

- Continue picking up all leaves throughout the entire city. Crews have been through town 4 times and we are starting our 5th round. Staff will be picking up leaves for as long as needed. Hosted the first of our two free leaf drop off days at the maintenance shop.
- Street sweeping is ongoing.
- Set up traffic control for the fire department to place the lights on the large tree.
- Place Christmas lights on the Holiday Station.
- Place and remove banners at all locations.
- Completed a city wide round of pothole patching.
- Graded gravel shoulders and placed rock.
- Replaced signs that were damaged due to vandalism.

- Winterized all equipment that is in need.
- Readied all the sanding and ice removal equipment.
- Cleaned up trash and dead animals along Berlin Road.

B. Parks

- Daily; opened, cleaned and closed all parks facilities.
- Removed a large amount of graffiti from the Grant Street bridge.
- Replaced a broken toilet at Century Park.
- All parks restroom buildings are closed for the winter season with the exception of Ralston and Gills Landing.
- Winterized all buildings, irrigation systems and drinking fountains.
- Leaf pickup in all parks is ongoing.

C. Collections

- Completed sewer lateral and main repairs.
- Located many sewer laterals for contractors.
- Completed a large concrete replacement job on 8th Street for the water department.
- Removed unsafe and damaged concrete sidewalk at two locations. The owners are having the sidewalks replaced.
- Started cleaning and televising the entire storm system on Oak Street for engineering.
- Cleaning and TV'ing of the sanitary sewer system is ongoing.

D. Water

- Completed monthly meter reads. **All** meters in the city of Lebanon are being read monthly.
- Locked off water/sewer customers for non-payment.
- Turned services back on after proper payments had been made.
- Completed utility locate requests including several after hour emergency locate requests made by other utility companies.
- Replaced or repaired several water services and water mains.
- Replaced all hard surfaces that were removed for service line repairs.
- All sample stations have been winterized.

IX. POLICE – Frank Stevenson, Chief of Police

- The Patrol Division remains active with approximately 1,293 calls for service, 132 reports written, 78 arrests made and 44 traffic citations issued. Total for Part 1 crimes (i.e. criminal mischief, domestic abuse, burglary, robbery, assault and theft) has decreased by 24 so far compared to last year at this time.
- During the month of November, 102 individuals were booked and released, brought to Lebanon Municipal Court or Linn County Court, transported to/from Linn County Jail, or sentenced to the Lebanon Municipal Jail. A combined 100 days were served by inmates in the Lebanon Jail.
- Detectives remain busy, working on several in-depth cases including, but not limited to: narcotic investigations, child abuse casework, burglaries, stolen vehicles, thefts and sex abuse cases. A total of 5 cases were directly assigned to the detectives for further follow-up, and 12 cases were sent to them for review and/or additional information. Detectives were able to clear 3 very involved cases this month, resulting in arrests.

- This month, 17 individuals participated in the Traffic Safety Course (attendance in this class is imposed by the courts for not wearing a seatbelt, for cell phone usage while driving, etc.).
- Dala remains active in the Community Policing Division by attending several meetings including Linn County Emergency, Bringing Up Learning Behavior (BULB), Neighborhood Watch meetings (with one new group beginning), Seniors and Law Enforcement Together (SALT), and business watch.
- Shop With A Cop will be held on December 13th this year. LPD will be teaming up with Sweet Home Police Department, Linn County Sheriff's Office and Department of Human Services to shop with children who otherwise may not get gifts.
- LPD received grant for traffic enforcement emphasizing on the crime of driving under the influence of alcohol and/or drugs. Officers will be working selected times throughout the year to deter individuals who drive under the influence of intoxicants.

X. SENIOR SERVICES – Kindra Oliver, Manager

- We are putting up a Senior Giving Tree at the Senior Center this year. Local senior-gearred agencies are offering applications to seniors that might be interested in filling out a gift tag request. Gift tag requests need to be turned into the Senior Center no later than Monday, December 8th. We are inviting our seniors and the community to help to fulfill some of these requests. We ask that those who are purchasing the gifts return them to the Senior Center by Wednesday, December 17th, in order to be delivered. Please call 541-258-4222 if you have any questions or would like additional information.
- Our all-day site visit with the Oregon Department of Transportation and RLS Consulting for the technical review of the Dial-a-Bus program, on November 20th, went very well. This was an extensive courtesy review to ensure we are in compliance with all state and federal regulations and have proper procedures in place. We could have a federal audit at any given time. There were only three notes with advisory observations/findings and they have been addressed. For example, we needed to add a notation for people to be able request bus information in additional formats on our brochure. They were looking into the Dial-a-Bus indirect/direct cost allocation plan and procurement policies a bit further and will report back with any questions/observations/suggested changes.
- I have updated Dial-a-Bus policies for operations, procurement, ADA, Title VI (non-discrimination), drug and alcohol testing and combined them into one document.
- Our Veteran's Reception and Thanksgiving Banquet were both well attended and heard many thanks and positive comments about both events.
- Thank you to all of our volunteers who have helped set up, clean up, prepare for and support our events. We couldn't do it without you!
- Some highlights of upcoming activities/groups/events in December:
 - Lunch and Learn: History of the Wine Industry in Oregon, Monday, December 1st, 12:30: Sorry....no sampling, but bring your lunch and get inspired by the growth of the wine industry in Oregon. Come hear Michelle Kaufmann, from the Oregon Wine Board, share about what big dreams and fertile soil can accomplish in Oregon. Bring your questions and a thirst for wine knowledge.
 - Tree Trimming with Pioneer Elementary Students, Thursday, December 11th, 12:30:

Come join the fun! Kids and seniors will be collaborating to make ornaments to decorate the Christmas Tree, at the Senior Center! Enjoy some hot cocoa and singing, as well.... You never know, Santa Claus might even stop by!

- Christmas Potluck and “Christmas on Broadway” show, Thursday, December 18th, Noon: Join us for our monthly potluck, bring a dish/side to share. This month we will enjoy a holiday performance, as well!
- “Christmas on Broadway” Show – Friday, December 19th, 7:00 pm: This will be a lovely performance put on by local talent and Yellow Dot Productions. There is no charge for the performance, but donations will be accepted.

Agenda Item 3



Administration

City Clerk/Recorder

MEMORANDUM

To: Mayor Aziz & City Council **Date:** December 5, 2014
From: Linda Kaser, City Clerk
Subject: Certified Election Results

Congratulations to Mayor Aziz and Councilors Elliott, Fisher and Rieskamp on being reelected to another term. You will be sworn into office at the January 14, 2015 City Council Meeting.

Attached for your review and acceptance is the *Abstract of Votes* issued by Linn County for the 2014 General Election. Lebanon's official results are outlined below:

Position	Candidate	Certified Candidate Total (Candidate %)	Certified Total Votes Cast (including over, under, & write-ins)
Mayor	Paul Aziz	3,619 (69.90%)	5,161 (99.98%)
	Unopposed		
Councilor (Ward 1)	Wayne Rieskamp	1,049 (61.38%)	1,699 (99.99%)
	Unopposed		
Councilor (Ward 2)	Floyd Fisher	907 (57.12%)	1,581 (99.98%)
	Unopposed		
Councilor (Ward 3)	Bob Elliott	1,163 (61.79%)	1,875 (99.99%)
	Unopposed		

Council Motion Required:

Move to accept the Certified Election Results as submitted.

/lgk

Vote For 1

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a z - E T D T
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l z N S R S
(NON) (NON)

0036 036	461	11	0	168
0037 037	437	15	0	164
0038 038	362	10	0	148
0039 039	292	20	0	138
0041 041	243	8	0	112
0079 079	614	23	0	242
0088 088	387	17	0	157
0108 108	823	29	0	296
CANDIDATE TOTALS	3619	133		1425
CANDIDATE PERCENT	69.90	2.56		27.52

City of Lebanon, City Councilor, Ward I

WITH 2 OF 2 PRECINCTS REPORTING

Vote For 1

W R W
a i R
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a - E T D T
m I R E E E
p N S R S
(NON) (NON)

0088 088	349	8	0	204
0108 108	700	16	0	432
CANDIDATE TOTALS	1049	24		636
CANDIDATE PERCENT	61.38	1.40		37.21

NAME HEADING CANVASS

LINN COUNTY, OREGON
General Election
November 4, 2014

Final and Official

RUN DATE: 11/20/14 02:24 PM

REPORT-EL111 PAG

City of Lebanon, City Councilor, Ward II

WITH 3 OF 3 PRECINCTS REPORTING

Vote For 1

W
R
F F I
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y h - E T D T
d e I R E E E
r N S R S
(NON) (NON)

0037 037	361	4	0	251
0038 038	306	13	0	201
0039 039	239	8	0	203
CANDIDATE TOTALS	906	25		655
CANDIDATE PERCENT	57.12	1.57		41.29

City of Lebanon, City Councilor, Ward III

WITH 3 OF 3 PRECINCTS REPORTING

Vote For 1

W
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o - E T D T
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t N S R S
(NON) (NON)

0036 036	410	10	0	220
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I hereby certify
full and correct
on record in my
STEVE DRUCKE

**FINAL & OFFICIAL
WRITE-IN TALLY
FOR THE GENERAL ELECTION
NOVEMBER 4, 2014
LINN COUNTY, OREGON
PAGE 4**

CITY OF IDANHA, CITY COUNCIL

STEPHEN KINNEY	11 (Joint district with Marion)
CLETUS MOORE	10
LOIS BRYANT	2
KAREN CLARK	2
ZOLA SANER	2
CHRISTY AMMON	1
SUSAN SMITH	1

CITY OF LEBANON, MAYOR

OTHER	117
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CITY OF LEBANON, CITY COUNCILOR, WARD I

OTHER	14
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CITY OF LEBANON, CITY COUNCILOR, WARD II

OTHER	19
FLOYD FISHER	1

CITY OF LEBANON, CITY COUNCILOR, WARD III

OTHER	16
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CITY OF LYONS, MAYOR

OTHER	115
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CITY OF LYONS, CITY COUNCIL

OTHER	38
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CITY OF MILL CITY, MAYOR

OTHER	4
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CITY OF MILL CITY, CITY COUNCIL

OTHER	7
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CITY OF MILLERSBURG, CITY COUNCIL

OTHER	39
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CITY OF SCIO, MAYOR

OTHER	20
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I hereby certify this copy to be a true,
full and correct copy of the original now
on record in my office.
STEVE DRUCKENMILLER

 County Clerk
November 21, 2014
Deputy

*Positions elected by write-in.