

JUDY'S

CITY OF LEBANON
Linn County, Oregon

ANNUAL FINANCIAL REPORT

For The Year Ended
June 30, 1988

WARNER, PRICE, KOONTZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
920 ELM ST. S.W.—P.O. BOX 605
ALBANY, OREGON 97321

WARNER, PRICE, KOONTZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
920 S.W. Elm Street — P.O. Box 605
Albany, Oregon 97321
(503) 926-5543

December 30, 1988

Mayor and City Council
City of Lebanon
P. O. Box 247
Lebanon, OR 97355

During the course of our audit we noted two items that merit special comment. These items are not deficiencies in the City's financial system, but rather represent opportunities for enhancing the efficiency and effectiveness of City operations.

The first item relates to court fines and warrants. Unpaid court fines and warrants at June 30, 1988 totalled \$166,696. The balance reported on the June 30, 1987 audit report was \$47,082. It is our understanding that the 1987 balance did not include warrants, and therefore the actual increase in uncollected fines and warrants is not as great as the numbers would indicate. Nevertheless, court personnel have assured us that there has been an increase in the amount of uncollected fines and warrants due to increased court activity. These uncollected amounts represent a source of additional revenue for the City. The council may wish to consider devoting additional resources to the collection process, or enlisting the aid of a collection agency. Either alternative would be likely to enhance revenues for the current and future years.

The second item relates to the selection of software for the financial accounting system. We have not evaluated any of the options currently being investigated by the finance department, but we would suggest that if new software is purchased serious consideration should be given to software that is compatible with the Lotus software currently in use, especially in the area of having the data base accessible for Lotus applications. We feel the selection of appropriate new software will significantly increase the operating efficiency of the finance department.

We would also like to express our appreciation to the finance director and the other finance department employees for their cooperation and assistance. At our suggestion the finance department's participation in the preparation of the audit report this year was significantly increased. Employees were requested to perform tasks and prepare analyses of financial activity that had previously been done by the auditors. This experience was excellent training for the employees involved, and will enable them to better perform their jobs for the City. Additionally, the audit process in future years will be streamlined. This will ultimately result in the City saving money on audit costs.

Unfortunately, the issuance of this year's report was delayed, primarily due to circumstances beyond the control of the finance department. We commend the finance department for their efforts in diligently pursuing a project that seemed to run into snags at every turn.

Warner, Price, Koontz, & Co., P.C.
Warner, Price, Koontz, & Co., P. C.

CITY OF LEBANON
Linn County, Oregon
June 30, 1988

CITY OFFICIALS

Mayor

Ronald T. Passmore
274 Hobbs Street
Lebanon, Oregon 97355

Council Members

Gerald Lynch
2425 Third Street
Lebanon, OR 97355

Diane Branson
295 Violet Street
Lebanon, Oregon 97355

Lyle Winters
144 2nd Street
Lebanon, Oregon 97355

John Richard
315 11th Street
Lebanon, Oregon 97355

Ronald E. Miller, Jr.
1115 Franklin Street
Lebanon, Oregon 97355

Ken Toombs
1299 Franklin Street
Lebanon, OR 97355

City Administrator

Joseph A. Windell
550 East Vine Street
Lebanon, Oregon 97355

City Attorney

Glen D. Baisinger
884 Park Street
Lebanon, Oregon 97355

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Albany, Oregon 97321
(503) 926-5543

The Honorable Ronald Passmore, Mayor
and Members of the City Council
City of Lebanon, Oregon

We have audited the accompanying general purpose financial statements of the City of Lebanon, Oregon, and the combining, individual fund and account group financial statements of the City as of and for the year ended June 30, 1988, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lebanon, Oregon, at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Lebanon, at June 30, 1988, and the results of operations of such funds and the changes in financial position of individual proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as other schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund, and account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

WARNER, PRICE, KOONTZ & CO., P.C.

By 

December 29, 1988

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF LEBANON

Linn County, Oregon

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1988

<u>ASSETS</u>	<u>Governmental</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash and investments	\$355,973	\$1,025,058	\$217,558
Receivables:			
Property taxes (NOTE 4)	312,383	42,798	16,971
Accounts	248,422	611,437	-
Bonded assessments	-	-	455,745
Due from other funds	-	1,300	-
Prepaid expenses	16,014	2,976	-
Fixed assets (NOTE 5)	-	-	-
Accumulated depreciation	-	-	-
Amount available for bond retirement	-	-	-
Amount to be provided for bond retirement	-	-	-
Amount to be provided for compensated absences	-	-	-
Amount to be provided for capital leases	-	-	-
 Total assets	 <u>\$932,792</u>	 <u>\$1,683,569</u>	 <u>\$690,274</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 29,580	\$ 23,970	\$ -
Deposits	-	-	-
Due to other funds	2,800	-	-
Matured bonds and interest coupons payable	-	-	1,915
Bonds payable (NOTE 6)	-	-	-
Bond discount	-	-	-
Capital leases payable	-	-	-
Compensated absences payable	44,112	4,899	-
Deferred revenues	<u>560,805</u>	<u>653,827</u>	<u>472,716</u>
 Total liabilities	 <u>637,297</u>	 <u>682,696</u>	 <u>474,631</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Reserve for petty cash	875	-	-
Contributed capital	-	-	-
Retained earnings (deficit)	-	-	-
Unappropriated fund balance	<u>294,620</u>	<u>1,000,873</u>	<u>215,643</u>
 Total fund equity	 <u>295,495</u>	 <u>1,000,873</u>	 <u>215,643</u>
 Total liabilities and fund equity	 <u>\$932,792</u>	 <u>\$1,683,569</u>	 <u>\$690,274</u>

See accompanying notes to financial statements.

Fund Types Capital Projects	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	Enterprise	Expendable Trust	General Long Term Debt	General Fixed Assets	
\$833,534	\$ 521,540	\$232,123	\$ -	\$ -	\$ 3,185,786
-	-	-	-	-	372,152
6,204	180,986	-	-	-	1,047,049
-	-	-	-	-	455,745
1,500	-	-	-	-	2,800
-	48,175	-	-	-	67,165
-	12,453,907	-	-	3,026,615	15,480,522
-	(1,810,209)	-	-	-	(1,810,209)
-	-	-	215,643	-	215,643
-	-	-	929,357	-	929,357
-	-	-	304,603	-	304,603
-	-	-	26,206	-	26,206
<u>\$841,238</u>	<u>\$11,394,399</u>	<u>\$232,123</u>	<u>\$1,475,809</u>	<u>\$3,026,615</u>	<u>\$20,276,819</u>
\$ 47	\$ 26,229	\$226,729	\$ -	\$ -	\$ 306,555
-	33,065	-	-	-	33,065
-	-	-	-	-	2,800
-	-	-	-	-	1,915
-	5,099,944	-	1,145,000	-	6,244,944
-	(41,360)	-	-	-	(41,360)
-	-	-	26,206	-	26,206
-	19,851	-	304,603	-	373,465
<u>6,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,693,552</u>
<u>6,251</u>	<u>5,137,729</u>	<u>226,729</u>	<u>1,475,809</u>	<u>-</u>	<u>8,641,142</u>
-	-	-	-	3,026,615	3,026,615
-	-	-	-	-	875
-	7,388,152	-	-	-	7,388,152
-	(1,131,482)	-	-	-	(1,131,482)
<u>834,987</u>	<u>-</u>	<u>5,394</u>	<u>-</u>	<u>-</u>	<u>2,351,517</u>
<u>834,987</u>	<u>6,256,670</u>	<u>5,394</u>	<u>-</u>	<u>3,026,615</u>	<u>11,635,677</u>
<u>\$841,238</u>	<u>\$11,394,399</u>	<u>\$232,123</u>	<u>\$1,475,809</u>	<u>\$3,026,615</u>	<u>\$20,276,819</u>

CITY OF LEBANON

Linn County, Oregon

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

All Governmental Fund Types and Expendable Trust Funds

Year Ended June 30, 1988

	<u>General</u>	<u>Special Revenue</u>	<u>Governmental Debt Service</u>
Revenues:			
Property taxes and special assessments	\$1,366,734	\$ 209,699	\$132,712
Licenses and permits	304,457	-	-
Intergovernmental	142,971	669,486	-
Charges for services	4,518	-	-
Fines and forfeits	110,663	-	-
Miscellaneous	<u>65,239</u>	<u>77,496</u>	<u>20,406</u>
Total revenues	<u>1,994,582</u>	<u>956,681</u>	<u>153,118</u>
Expenditures:			
Personal services	1,476,401	219,147	-
Materials and services	526,601	200,606	-
Capital outlay	48,818	549,560	-
Other requirements	-	<u>52,075</u>	<u>418,911</u>
Total expenditures	<u>2,051,820</u>	<u>1,021,388</u>	<u>418,911</u>
Excess (deficiency) of revenues over expenditures	<u>(57,238)</u>	<u>(64,707)</u>	<u>(265,793)</u>
Other financing sources (uses):			
Transfers in	75,000	7,650	129,385
Transfers out	<u>(28,800)</u>	-	-
Total other financing sources (uses)	<u>46,200</u>	<u>7,650</u>	<u>129,385</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(11,038)	(57,057)	(136,408)
Fund balance - July 1	<u>305,658</u>	<u>1,057,930</u>	<u>352,051</u>
Fund balance - June 30	<u>\$ 294,620</u>	<u>\$1,000,873</u>	<u>\$215,643</u>

See accompanying notes to financial statements.

<u>Fund Types</u>	<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u>
<u>Capital</u>	<u>Trust &</u>	<u>(Memorandum</u>
<u>Projects</u>	<u>Agency</u>	<u>Only)</u>
\$ -	\$ -	\$1,709,145
-	-	304,457
-	-	812,457
11,772	-	16,290
-	-	110,663
<u>68,914</u>	<u>76,773</u>	<u>308,828</u>
<u>80,686</u>	<u>76,773</u>	<u>3,261,840</u>
15,017	-	1,710,565
842	71,651	799,700
40,162	-	638,540
-	-	470,986
<u>56,021</u>	<u>71,651</u>	<u>3,619,791</u>
<u>24,665</u>	<u>5,122</u>	<u>(357,951)</u>
-	-	212,035
-	-	<u>(28,800)</u>
-	-	<u>183,235</u>
24,665	5,122	(174,716)
<u>810,322</u>	<u>272</u>	<u>2,526,233</u>
<u><u>\$834,987</u></u>	<u><u>\$ 5,394</u></u>	<u><u>\$2,351,517</u></u>

CITY OF LEBANON
Linn County, Oregon

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

Budget and Actual
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1988

	<u>General Fund</u>		<u>Governmental</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
			<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
Property taxes and special assessments	\$1,320,005	\$1,366,734	\$ 46,729
Licenses and permits	274,100	304,457	30,357
Intergovernmental	137,600	142,971	5,371
Charges for services	2,700	4,518	1,818
Fines and forfeits	75,000	110,663	35,663
Miscellaneous	51,100	65,239	14,139
Total revenues	<u>1,860,505</u>	<u>1,994,582</u>	<u>134,077</u>
Expenditures:			
Personal services	1,483,666	1,472,889	10,777
Materials and services	598,649	526,601	72,048
Capital outlay	50,918	48,818	2,100
Other requirements	5,000	-	5,000
Total expenditures	<u>2,138,233</u>	<u>2,048,308</u>	<u>89,925</u>
Excess (deficiency) of revenues over expenditures	<u>(277,728)</u>	<u>(53,726)</u>	<u>224,002</u>
Other financing sources (uses):			
Transfers in	75,000	75,000	-
Transfers out	(28,800)	(28,800)	-
Operating contingency	(47,932)	-	47,932
Total other financing sources (uses)	<u>(1,732)</u>	<u>46,200</u>	<u>47,932</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(279,460)</u>	<u>(7,526)</u>	<u>271,934</u>
Fund balance July 1	<u>279,460</u>	<u>305,658</u>	<u>26,198</u>
Fund balance June 30	<u>\$ -</u>	<u>298,132</u>	<u>\$298,132</u>
Adjustments to GAAP basis (NOTE 12)		<u>(3,512)</u>	
Fund balance June 30, GAAP basis		<u>\$ 294,620</u>	

See accompanying notes to financial statements.

Fund Types

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 191,100	\$ 209,699	\$ 18,599	\$ 140,599	\$132,712	\$ (7,887)
-	-	-	-	-	-
420,014	669,486	249,472	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
32,958	77,496	44,538	200,796	20,406	(180,390)
644,072	956,681	312,609	341,395	153,118	(188,277)
209,092	218,486	(9,394)	-	-	-
368,230	200,606	167,624	302	-	302
1,147,786	549,560	598,226	-	-	-
52,075	52,075	-	5,773,049	418,911	5,354,138
1,777,183	1,020,727	756,456	5,773,351	418,911	5,354,440
(1,133,111)	(64,046)	1,069,065	(5,431,956)	(265,793)	5,166,163
38,800	38,800	-	168,364	129,385	(38,979)
(31,150)	(31,150)	-	-	-	-
(23,425)	-	23,425	-	-	-
(15,775)	7,650	23,425	168,364	129,385	(38,979)
(1,148,886)	(56,396)	1,092,490	(5,263,592)	(136,408)	5,127,184
1,148,886	1,057,930	(90,956)	5,263,592	352,051	(4,911,541)
\$ -	1,001,534	\$1,001,534	\$ -	215,643	\$ 215,643
	(661)			-	
	\$1,000,873			\$215,643	

CITY OF LEBANON
Linn County, Oregon

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

Budget and Actual
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1988
(Continued)

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Property taxes and special assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	2,000	-	(2,000)
Charges for services	8,700	11,772	3,072
Fines and forfeits	-	-	-
Miscellaneous	38,000	68,914	30,914
Total revenues	48,700	80,686	31,986
Expenditures:			
Personal services	-	15,017	(15,017)
Materials and services	227,500	842	226,658
Capital outlay	430,253	40,162	390,091
Other requirements	-	-	-
Total expenditures	657,753	56,021	601,732
Excess (deficiency) of revenues over expenditures	(609,053)	24,665	633,718
Other financing sources (uses):			
Transfers in	43,900	43,900	-
Transfers out	(43,900)	(43,900)	-
Operating contingency	(146,221)	-	146,221
Total other financing sources (uses)	(146,221)	-	146,221
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(755,274)	24,665	779,939
Fund balance July 1	755,274	810,322	55,048
Fund balance June 30	\$ -	834,987	\$834,987
Adjustments to GAAP basis (NOTE 12)		-	
Fund balance June 30, GAAP basis		\$834,987	

See accompanying notes to financial statements.

<u>Trust and Agency</u>			<u>Totals (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -	\$ 1,651,704	\$1,709,145	\$ 57,441
-	-	-	274,100	304,457	30,357
-	-	-	559,614	812,457	252,843
-	-	-	11,400	16,290	4,890
-	-	-	75,000	110,663	35,663
<u>60,000</u>	<u>76,773</u>	<u>16,773</u>	<u>382,854</u>	<u>308,828</u>	<u>(74,026)</u>
<u>60,000</u>	<u>76,773</u>	<u>16,773</u>	<u>2,954,672</u>	<u>3,261,840</u>	<u>307,168</u>
-	-	-	1,692,758	1,706,392	(13,634)
60,000	71,651	(11,651)	1,254,681	799,700	454,981
-	-	-	1,628,957	638,540	990,417
-	-	-	<u>5,830,124</u>	<u>470,986</u>	<u>5,359,138</u>
<u>60,000</u>	<u>71,651</u>	<u>(11,651)</u>	<u>10,406,520</u>	<u>3,615,618</u>	<u>6,790,902</u>
-	<u>5,122</u>	<u>5,122</u>	<u>(7,451,848)</u>	<u>(353,778)</u>	<u>7,098,070</u>
-	-	-	326,064	287,085	(38,979)
-	-	-	(103,850)	(103,850)	-
-	-	-	<u>(217,578)</u>	-	<u>217,578</u>
-	-	-	<u>4,636</u>	<u>183,235</u>	<u>178,599</u>
-	5,122	5,122	(7,447,212)	(170,543)	7,276,669
-	<u>272</u>	<u>272</u>	<u>7,447,212</u>	<u>2,526,233</u>	<u>(4,920,979)</u>
<u>\$ -</u>	<u>5,394</u>	<u>\$ 5,394</u>	<u>\$ -</u>	<u>2,355,690</u>	<u>\$2,355,690</u>
-	-	-	-	<u>(4,173)</u>	-
-	<u>\$ 5,394</u>	-	-	<u>\$2,351,517</u>	-

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Proprietary Fund Type - Enterprise Fund

Year Ended June 30, 1988

Operating revenues:	
Charges for services	\$ 1,616,660
Miscellaneous	<u>53,012</u>
Total operating revenues	<u>1,669,672</u>
Operating expenses:	
Personal services	472,425
Materials and services	760,118
Depreciation	224,070
Debt service	<u>183,684</u>
Total operating expenses	<u>1,640,297</u>
Operating income	<u>29,375</u>
Nonoperating revenue (expenses):	
Transfers to other funds	<u>(129,385)</u>
Net income (loss)	(100,010)
Retained earnings (deficit) July 1	<u>(1,031,472)</u>
Retained earnings (deficit) June 30	<u><u><u>\$(1,131,482)</u></u></u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF CHANGES IN FINANCIAL POSITION -

Proprietary Fund Type - Enterprise Fund

Year Ended June 30, 1988

Sources of working capital:

Provided by (required for) operations:

Net loss	\$(100,010)
Add back: Items not requiring outlay of working capital -	
Depreciation	224,070
Bond discount amortization	<u>3,798</u>

Total provided by operations 127,858

Adjustments to beginning balances:

Loans payable	30,019
Contributed capital	<u>31,015</u>

Total sources of working capital 188,892

Uses of working capital:

Capital outlay	140,022
Loan principal paid	75

Adjustments to beginning balances:

Bonds payable and issue costs	26,231
Book value of fixed assets	<u>160,763</u>

Total uses of working capital 327,091

Net decrease in working capital \$(138,199)

Increase
(Decrease)

Analysis of changes in working capital:

Current assets:

Cash	\$(392,147)
Receivables	(32,066)
Prepaid expenses	<u>48,175</u>

Net decrease in current assets (376,038)

Current liabilities:

Accounts payable	(252,695)
Compensated absences payable	9,526
Deposits	<u>5,330</u>

Net decrease in current liabilities (237,839)

Net decrease in working capital \$(138,199)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LEBANON

Linn County, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 1988

NOTE 1 - 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 government 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 financial statements include the accounts of the City of Lebanon and the Lebanon Urban Renewal District. The City and the Urban Renewal District are both governed by a six member City Council.

B. Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the City not accounted for in some other fund.

C. Basis of Accounting

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

sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 30 days after year end. Undistributed taxes held by the County Treasurer are included in the balance of cash on hand at year end. A one-year available period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues 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 revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budgets

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles, except for compensated absences (as described in G. below). Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations

lapse at fiscal year end. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes. The budget for the Enterprise Fund is adopted on the same basis as the budgets for the governmental funds.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments.

State statutes authorize the City 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 which 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.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated.

G. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure when paid for budgetary purposes. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

H. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

I. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

- A. The Budget Officer prepares a budget for the Budget Committee to review and release.
- B. The released budget is then printed in proposed form and is presented for public hearings to obtain taxpayer comments and approval from the Budget Committee.
- C. Prior to July 1, the budget is legally adopted by the City Council through passage of a resolution.
- D. The Council is authorized to transfer budgeted amounts between departments and line items within any fund by resolution order. Supplemental budgets must follow the same criteria as the original budget, except that portion involving the Budget Committee.
- E. Appropriations lapse at year end.
- F. The bases of budgeting for the City's various funds are the same as the bases of accounting used by the funds except for the Proprietary Fund Types, which budget on the modified accrual basis instead of on the full accrual basis used in their financial reporting. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes.
- G. Expenditures may not legally exceed budgeted appropriations.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the City's banks in the City's name and in time certificates of deposit with local financial institutions. Funds not required for current operations were deposited in the Local Government Investment Pool maintained by the State Treasurer.

Deposits at June 30, 1988 was composed of the following amounts:

Petty cash funds	\$	725
Undistributed taxes with County Treasurer		40,852
Checking accounts		342,113
Time certificates of deposit		800,000
Local Government Investment Pool		1,976,302
Cash held by Community Services Consortium		5,514
Cash held by District 4 Council of Governments		<u>20,280</u>
Total deposits		<u><u>\$3,185,786</u></u>

The City's investment in the Local Government Investment Pool of \$247,024.81 represents approximately .073% of the equity of the Pool at June 30, 1988. As of June 30, 1988 the Local Government Investment Pool had the following investment portfolio:

<u>Security Description</u>	<u>Par Value</u> (000's omitted)	<u>% of Total</u> <u>Portfolio</u>	<u>Difference</u> <u>Between</u> <u>Cost & Market</u> (000's omitted)
Time certificates of deposit	\$ 11,750	.43%	-
Commercial paper	1,108,956	40.96%	-
Masternotes/floating rate notes	499,500	18.45%	-
Bankers acceptances	81,800	3.02%	-
State loans	80	-	-
US Treasury notes/bonds/bills	160,000	5.91%	(523.80)
US Agencies (excluding PC's)	823,110	30.40%	(1,607.85)
GNMA PC's	14,967	0.55%	(416.45)
Mortgage pass-throughs	<u>7,371</u>	<u>0.27%</u>	<u>(728.21)</u>
	<u>\$2,707,534</u>	<u>100.00%</u>	<u>\$(3,276.30)</u>
	MARKET VALUE =	99.88% of par	

MATURITY SCHEDULE

<u>Maturity</u>	<u>Amount</u> (000's omitted)	<u>% of Total</u>
01-30 Days	\$ 796,954	29.43%
31-60 Days	590,522	21.81%
61-90 Days	288,480	10.65%
91-360 Days	999,200	36.90%
1-3 Years	10,000	0.37%
Over 3 Years	<u>22,377</u>	<u>0.83%</u>
Total	<u>\$2,707,533</u>	<u>100.00%</u>

NOTE 4 - PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUE

The real property tax is levied each July 1 and on personal property each January 1 on the assessed value of property located in the City as of January 1. Taxes are payable November 15 in full or, at the election of the taxpayer, in three equal installments on November 15, February 15 and May 15. Taxes become delinquent after each payment date. Uncollected taxes at June 30, 1988 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Available</u>	<u>Deferred</u>
General Fund	\$312,383	\$ -	\$312,383
Debt Service Fund	16,971	-	16,971
Urban Renewal	<u>42,798</u>	<u>-</u>	<u>42,798</u>
Total	<u>\$372,152</u>	<u>\$ -</u>	<u>\$372,152</u>

NOTE 5 - FIXED ASSETS

Fixed assets are stated at actual cost and estimated cost. Purchases of general fixed assets are recorded as expenditures in governmental funds and capitalized in the General Fixed Asset Account Group for recent years. Other recorded assets are at estimated cost.

Depreciation is not computed on general fixed assets. Upon disposal, the General Fixed Asset Account Group is relieved of the related cost or estimated cost if identified; any receipt from such disposal is accounted for as revenue of the General Fund.

A summary of changes in general fixed assets follows:

	Balance <u>July 1, 1987</u>	Additions	Deletions	Balance <u>June 30, 1988</u>
Total Fixed Assets	<u>\$2,677,730</u>	<u>\$438,111</u>	<u>\$89,226</u>	<u>\$3,026,615</u>

NOTE 6 - LONG-TERM DEBT

The bonds payable of \$6,215,000 consist of unmatured bonds of serial issues as detailed below. All bonds outstanding are general obligation bonds. Under Oregon laws, the City has continuing authority to levy taxes annually to retire bonds and interest coupons as they mature.

<u>Type of Bond</u>	<u>Outstanding June 30, 1987</u>	<u>Matured</u>	<u>Retired</u>	<u>Outstanding June 30, 1988</u>
Bancroft	\$ 510,000	\$140,000	\$140,000	\$ 370,000
General Obligation	840,000	65,000	65,000	775,000
Revenue Supported				
General Obligation	<u>5,070,000</u>	-	-	<u>5,070,000</u>
Total	<u>\$6,420,000</u>	<u>\$205,000</u>	<u>\$205,000</u>	<u>\$6,215,000</u>

<u>Fiscal Year</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
1988-89	\$ 305,000	\$ 417,630	\$ 722,630
1989-90	315,000	397,266	712,266
1990-91	220,000	379,277	599,277
1991-92	230,000	363,653	593,653
1992-93	240,000	347,275	587,275
1993-94	230,000	331,145	561,145
1994-95	240,000	315,250	555,250
1995-96	245,000	298,810	543,810
1996-97	205,000	283,481	488,481
1997-98	225,000	268,562	493,562
1998-99	240,000	252,075	492,075
1999-00	265,000	233,893	498,893
2000-01	230,000	216,592	446,592
2001-02	245,000	200,619	445,619
2002-03	265,000	183,406	448,406
2003-04	280,000	164,838	444,838
2004-05	305,000	144,728	449,728
2005-06	330,000	122,900	452,900
2006-07	355,000	99,353	454,353
2007-08	385,000	73,675	458,675
2008-09	410,000	45,850	455,850
2009-10	<u>450,000</u>	<u>15,750</u>	<u>465,750</u>
TOTALS	<u>\$6,215,000</u>	<u>\$5,156,028</u>	<u>\$11,371,028</u>

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS

All of the City's full time employees participate in the statewide Public Employees Retirement System (PERS) a multiple-employer, cost sharing public employee retirement system. Eligibility to participate in PERS is determined in accordance with Oregon Statutes, as are benefits available upon termination.

Contributions by the City on behalf of covered employees for the fiscal year ended June 30, 1988 totalled \$200,336.97. Other financial data relative to the City's portion of PERS is as follows. All data is as of December 31, 1987.

Estimated book value of assets	<u>\$2,781,550</u>
Actuarial value of assets	<u>\$3,415,657</u>
Pension benefit obligation:	
Member account balances	\$ 818,772
Vested accrued benefits	498,721
Nonvested accrued benefits	<u>140,516</u>
Total	<u>\$1,458,009</u>

Assets available to meet benefit commitments are shown on two bases: the actuarial value of assets and an estimate of the book value of assets.

The Pension Benefit Obligation is a standardized disclosure measure of the pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of "Credited Projected Benefits" and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other systems.

The measure is independent of the actuarial funding method used to determine contributions. The Pension Benefit Obligation was determined as part of the actuarial valuation at December 31, 1987.

Statement No. 5 of the Governmental Accounting Standards Board defines "Credited Projected Benefits" as those benefits based on service already performed and salary projected to the actual date of assumed termination or retirement. The Pension Benefit Obligation presented in this statement was determined using the following assumptions:

- a. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
- b. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, future salaries and investment return.

The actuarial present values were calculated using actuarial assumptions that were based on the presumption that the System will continue. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the Pension Benefit Obligation. The values presented

in this statement should not be confused with information presented elsewhere regarding funding requirements.

Funding Methods and Assumptions

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to when those benefits are earned, rather than to when they are paid. There are a number of methods in use for making such a determination. The method used for this valuation is technically referred to as the "entry age actuarial cost method."

Common stock and real estate investments are value at market, and bonds, mortgages and loans are valued at an adjusted price which would yield 7.5% interest to maturity. The actuarial value of assets includes member account balances.

The actuarial assumptions used in this valuation have been chosen on the basis of recent experience of the System and on current expectations as to future economic conditions. The assumptions are intended to estimate the future experience of the members of the System and of the System itself in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in estimated costs of the System's benefits.

NOTE 8 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the Combined Statements, of certain information concerning individual funds including:

- A. Summary disclosures of debt service requirements to maturity for all types of outstanding debt. This requirement is met by NOTE 6.
- B. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by NOTE 5.
- C. Summary disclosures of changes in general long-term debt. This requirement is met by NOTE 6.
- D. Excess of expenditures over appropriations in individual funds. The City overexpended the following appropriations for the year ended June 30, 1988:

<u>Fund</u>	<u>Appropriation</u>	<u>Amount of Overexpenditure</u>
General	Library	\$ 634
General	Senior Services	\$1,014

Because of these overexpenditures, the City may be in noncompliance with ORS 294.100.

- E. Deficit fund balances or retained earnings balances of individual funds. There were no deficit fund balances at June 30, 1988 for

budgetary purposes, except for the Debt Service Fund, which had a deficit fund balance of \$13,590 at June 30, 1988.

F. Individual fund interfund receivable and payable balances. Such balances at June 30, 1988 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$2,800
Capital Projects Fund	1,500	-
Special Revenue Funds	<u>1,300</u>	<u>-</u>
Totals	<u>\$2,800</u>	<u>\$2,800</u>

NOTE 9 - ADJUSTMENTS TO BEGINNING BALANCES

Changes in governmental accounting standards necessitated the restatement of beginning fund balances for the Urban Renewal Fund and the Bancroft Bond Fund. Additionally, certain errors were discovered during the current year in the Capital Projects Fund and Enterprise Fund which are properly reported as adjustments to beginning fund balance. These adjustments are detailed below.

	<u>URD Fund</u>	<u>Bancroft Bond Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>
Beginning fund balance, as originally reported, (GAAP basis)	\$142,439	\$(185,020)	\$18,404	\$ (858,034)
Adjustments to beginning balances:				
Reclassification of bonds payable to General Long-Term Debt Account Group	390,000	510,000	-	-
Unrecorded bonds payable	-	-	-	(70,000)
Reclassification of SELP loan payable	-	-	-	30,019
Interfund payable	-	-	1,500	-
Adjustment to capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,457)</u>
Beginning fund balance, as adjusted, (GAAP basis)	<u>\$532,439</u>	<u>\$324,980</u>	<u>\$19,904</u>	<u>\$(1,031,472)</u>

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - Budget and Actual

Year Ended June 30, 1988

	<u>Budget</u>	<u>Budget Basis</u>	<u>Actual Adjustments</u>	<u>GAAP Basis</u>
Revenues:				
Taxes	\$1,320,005	\$1,366,734	\$ -	\$1,366,734
Licenses and permits	274,100	304,457	-	304,457
Intergovernmental	137,600	142,971	-	142,971
Fines and forfeits	75,000	110,663	-	110,663
Miscellaneous	51,100	65,239	-	65,239
Charges for services	<u>2,700</u>	<u>4,518</u>	<u>-</u>	<u>4,518</u>
Total revenue	<u>1,860,505</u>	<u>1,994,582</u>	<u>-</u>	<u>1,994,582</u>
Expenditures:				
Administration	169,151	153,383	3,512	156,895
City attorney	43,374	39,444	-	39,444
Community	96,222	89,926	-	89,926
Engineering	81,579	60,237	-	60,237
Parks	122,204	113,578	-	113,578
Finance	87,534	83,359	-	83,359
Legislative	14,600	13,925	-	13,925
Library	157,791	158,425	-	158,425
Municipal court	61,575	57,298	-	57,298
Police	982,546	975,840	-	975,840
Senior services	38,112	39,126	-	39,126
Nondepartmental	<u>278,545</u>	<u>263,767</u>	<u>-</u>	<u>263,767</u>
Total expenditures	<u>2,133,233</u>	<u>2,048,308</u>	<u>3,512</u>	<u>2,051,820</u>
Excess (deficiency) of revenues over expenditures	<u>(272,728)</u>	<u>(53,726)</u>	<u>(3,512)</u>	<u>(57,238)</u>
Other financing sources (uses):				
Transfers in	75,000	75,000	-	75,000
Transfers out	(28,800)	(28,800)	-	(28,800)
Operating contingency	<u>(47,932)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,732)</u>	<u>46,200</u>	<u>-</u>	<u>46,200</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(274,460)</u>	<u>(7,526)</u>	<u>(3,512)</u>	<u>(11,038)</u>
Fund balance July 1	<u>279,460</u>	<u>346,258</u>	<u>(40,600)</u>	<u>305,658</u>
Fund balance June 30	<u>\$ 5,000</u>	<u>\$ 338,732</u>	<u>\$(44,112)</u>	<u>\$ 294,620</u>

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Intergovernmental Fund - This fund is used to account for grants and other intergovernmental revenues which are legally restricted for specific purposes.

Urban Renewal Fund - This fund is used to account for the activity of the Lebanon Urban Renewal District.

CITY OF LEBANON

Linn County, Oregon

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

June 30, 1988

<u>ASSETS</u>	<u>Inter- governmental Fund</u>	<u>Urban Renewal Fund</u>	<u>Total (Memorandum Only)</u>
Cash and investments	\$333,196	\$691,862	\$1,025,058
Receivables:			
Property taxes	-	42,798	42,798
Accounts	611,437	-	611,437
Due from other funds	1,300	-	1,300
Prepayments	<u>2,976</u>	<u>-</u>	<u>2,976</u>
Total assets	<u>\$948,909</u>	<u>\$734,660</u>	<u>\$1,683,569</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 11,995	\$ 11,975	\$ 23,970
Compensation absences	4,899	-	4,899
Deferred revenue	<u>611,029</u>	<u>42,798</u>	<u>653,827</u>
Total liabilities	<u>627,923</u>	<u>54,773</u>	<u>682,696</u>
Fund Equity:			
Unappropriated fund balance	<u>320,986</u>	<u>679,887</u>	<u>1,000,873</u>
Total liabilities and fund equity	<u>\$948,909</u>	<u>\$734,660</u>	<u>\$1,683,569</u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS

Year Ended June 30, 1988

	<u>Inter- governmental Fund</u>	<u>Urban Renewal Fund</u>	<u>Total (Memorandum Only)</u>
Revenues:			
Intergovernmental	\$669,486	\$ -	\$ 669,486
Miscellaneous	30,016	47,480	77,496
Taxes	-	209,699	209,699
Total revenues	<u>699,502</u>	<u>257,179</u>	<u>956,681</u>
Expenditures:			
Personal services	215,640	3,507	219,147
Materials and services	147,988	52,618	200,606
Capital outlay	548,029	1,531	549,560
Debt service	-	52,075	52,075
Total expenditures	<u>911,657</u>	<u>109,731</u>	<u>1,021,388</u>
Excess (deficiency) of revenues over expenditures	<u>(212,155)</u>	<u>147,448</u>	<u>(64,707)</u>
Other financing sources (uses):			
Transfers in	38,800	-	38,800
Transfers out	(31,150)	-	(31,150)
Total other financing sources (uses)	<u>7,650</u>	<u>-</u>	<u>7,650</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(204,505)</u>	<u>147,448</u>	<u>(57,057)</u>
Fund balance July 1	<u>525,491</u>	<u>532,439</u>	<u>1,057,930</u>
Fund balance June 30	<u>\$320,986</u>	<u>\$679,887</u>	<u>\$1,000,873</u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF INTERGOVERNMENTAL FUND REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - Budget and Actual

Year Ended June 30, 1988

	Budget	Actual		GAAP Basis
		Budget Basis	Adjustments	
Revenues:				
Intergovernmental	\$ 420,014	\$ 669,486	\$ -	\$ 669,486
Miscellaneous	32,958	77,496	-	77,496
Taxes	191,100	209,699	-	209,699
Total revenue	644,072	956,681	-	956,681
Expenditures:				
Personal services	209,092	218,486	661	219,147
Materials and services	368,230	200,606	-	200,606
Capital outlay	1,147,786	549,560	-	549,560
Debt service	52,075	52,075	-	52,075
Total expenditures	1,777,183	1,020,727	661	1,021,388
Excess (deficiency) of revenues over expenditures	(1,133,111)	(64,046)	(661)	(64,707)
Other financing sources (uses):				
Transfers in	38,800	38,800	-	38,800
Transfers out	(31,150)	(31,150)	-	(31,150)
Operating contingency	(23,425)	-	-	-
Total other financing sources (uses)	(15,775)	7,650	-	7,650
Excess (deficiency) of revenues over expenditures and other financing uses	(1,148,886)	(56,396)	(661)	(57,057)
Fund balance July 1	1,148,886	1,057,930	-	1,057,930
Fund balance June 30	\$ -	\$1,001,534	\$(661)	\$1,000,873

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF URBAN RENEWAL FUND REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - Budget and Actual

Year Ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
Revenues:				
Taxes	\$161,100	\$209,699	\$ -	\$209,699
Miscellaneous	25,000	47,480	-	47,480
Total revenue	<u>186,100</u>	<u>257,179</u>	<u>-</u>	<u>257,179</u>
Expenditures:				
Personal services	-	3,507	-	3,507
Materials and services	100,000	52,618	-	52,618
Capital outlay	525,600	1,531	-	1,531
Debt service	52,075	52,075	-	52,075
Total expenditures	<u>677,675</u>	<u>109,731</u>	<u>-</u>	<u>109,731</u>
Excess (deficiency) of revenues over expenditures	(491,575)	147,448	-	147,448
Other financing (uses):				
Operating contingency	<u>(23,425)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing (uses):	<u>(23,425)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing uses	(515,000)	147,448	-	147,448
Fund balance July 1	<u>515,000</u>	<u>532,439</u>	<u>-</u>	<u>532,439</u>
Fund balance June 30	<u>\$ -</u>	<u>\$679,887</u>	<u>\$ -</u>	<u>\$679,887</u>

See accompanying notes to financial statements.

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

CITY OF LEBANON

Linn County, Oregon

COMBINING BALANCE SHEET - DEBT SERVICE FUNDS

June 30, 1988

<u>ASSETS</u>	<u>Debt Service Fund</u>	<u>Bancroft Bond Redemption Fund</u>	<u>Total (Memorandum Only)</u>
Cash	\$(11,675)	\$229,233	\$217,558
Receivables:			
Property taxes	16,971	-	16,971
Bonded assessments	<u>-</u>	<u>455,745</u>	<u>455,745</u>
Total assets	<u>\$ 5,296</u>	<u>\$684,978</u>	<u>\$690,274</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Matured bond and interest coupons payable	\$ 1,915	\$ -	\$ 1,915
Deferred revenue	<u>16,971</u>	<u>455,745</u>	<u>472,716</u>
Total liabilities	<u>18,886</u>	<u>455,745</u>	<u>474,631</u>
Fund Equity:			
Unappropriated fund balance	<u>(13,590)</u>	<u>229,233</u>	<u>215,643</u>
Total liabilities and fund equity	<u>\$ 5,296</u>	<u>\$684,978</u>	<u>\$690,274</u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS

Year Ended June 30, 1988

	<u>Debt Service Fund</u>	<u>Bancroft Bond Redemption Fund</u>	<u>Total (Memorandum Only)</u>
Revenues:			
Property taxes and special assessments	\$ 76,567	\$ 56,146	\$132,713
Miscellaneous	<u>4,140</u>	<u>16,266</u>	<u>20,406</u>
Total revenues	<u>80,707</u>	<u>72,412</u>	<u>153,119</u>
Expenditures:			
Bond principal	50,000	140,000	190,000
Bond interest	<u>196,694</u>	<u>32,218</u>	<u>228,912</u>
Total expenditures	<u>246,694</u>	<u>172,218</u>	<u>418,912</u>
Excess (deficiency) of revenues over expenditures	<u>(165,987)</u>	<u>(99,806)</u>	<u>(265,793)</u>
Other financing sources (uses):			
Transfers in	<u>129,385</u>	-	<u>129,385</u>
Total other financing sources (uses)	<u>129,385</u>	-	<u>129,385</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(36,602)	(99,806)	(136,408)
Fund balance July 1	<u>23,012</u>	<u>329,039</u>	<u>352,051</u>
Fund balance June 30	<u><u>\$(13,590)</u></u>	<u><u>\$229,233</u></u>	<u><u>\$215,643</u></u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

**STATEMENT OF DEBT SERVICE FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - Budget and Actual**

Year Ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
Revenues:				
Taxes	\$ 78,000	\$ 76,567	\$ -	\$ 76,567
Miscellaneous	<u>194,796</u>	<u>4,140</u>	<u>-</u>	<u>4,140</u>
Total revenue	<u>272,796</u>	<u>80,707</u>	<u>-</u>	<u>80,707</u>
Expenditures:				
Bond principal	50,000	50,000	-	50,000
Bond interest	<u>365,028</u>	<u>196,694</u>	<u>-</u>	<u>196,694</u>
Total expenditures	<u>415,028</u>	<u>246,694</u>	<u>-</u>	<u>246,694</u>
Excess (deficiency) of revenues over expenditures	(142,232)	(165,987)	-	(165,987)
Other financing sources:				
Transfers in	<u>168,364</u>	<u>129,385</u>	<u>-</u>	<u>129,385</u>
Excess of revenues and other financing sources over expenditures	26,132	(36,602)	-	(36,602)
Fund balance July 1	<u>4,976,400</u>	<u>23,012</u>	<u>-</u>	<u>23,012</u>
Fund balance June 30	<u><u>\$5,002,532</u></u>	<u><u>\$(13,590)</u></u>	<u><u>\$ -</u></u>	<u><u>\$(13,590)</u></u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF BANCROFT BOND FUND REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - Budget and Actual

Year Ended June 30, 1988

	<u>Budget</u>	<u>Budget Basis</u>	<u>Actual Adjustments</u>	<u>GAAP Basis</u>
Revenues:				
Taxes and assessments	\$ 62,599	\$ 56,146	\$ -	\$ 56,146
Miscellaneous	<u>6,000</u>	<u>16,266</u>	-	<u>16,266</u>
Total revenue	<u>68,599</u>	<u>72,412</u>	-	<u>72,412</u>
Expenditures:				
Materials and services	302	-	-	-
Bond principal	240,000	140,000	-	140,000
Bond interest	<u>55,106</u>	<u>32,218</u>	-	<u>32,218</u>
Total expenditures	<u>295,408</u>	<u>172,218</u>	-	<u>172,218</u>
Excess of revenues over expenditures	(226,809)	(99,806)	-	(99,806)
Fund balance July 1	<u>287,192</u>	<u>329,039</u>	-	<u>329,039</u>
Fund balance June 30	<u><u>\$ 60,383</u></u>	<u><u>\$229,233</u></u>	<u><u>\$ -</u></u>	<u><u>\$229,233</u></u>

See accompanying notes to financial statements.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust fund.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - Budget and Actual - Capital Projects Fund

Year Ended June 30, 1988

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
Revenues:				
Charges for services	\$ 8,700	\$ 11,772	\$ -	\$ 11,772
Miscellaneous	34,000	65,129	-	65,129
Intergovernmental	2,000	-	-	-
Donations	<u>4,000</u>	<u>3,785</u>	<u>-</u>	<u>3,785</u>
Total revenues	<u>48,700</u>	<u>80,686</u>	<u>-</u>	<u>80,686</u>
Expenditures:				
Personal services	-	15,017	-	15,017
Capital outlay	430,253	40,162	-	40,162
Materials and services	<u>227,500</u>	<u>842</u>	<u>-</u>	<u>842</u>
Total expenditures	<u>657,753</u>	<u>56,021</u>	<u>-</u>	<u>56,021</u>
Excess (deficiency) of revenues over expenditures	(609,053)	24,665	-	24,665
Other financing sources (uses):				
Transfers in	43,900	43,900	-	43,900
Transfers out	(43,900)	(43,900)	-	(43,900)
Operating contingency	<u>(146,221)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing sources (uses)	<u>(146,221)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(755,274)	24,665	-	24,665
Fund balance July 1	<u>755,274</u>	<u>810,322</u>	<u>-</u>	<u>810,322</u>
Fund balance June 30	<u>\$ -</u>	<u>\$834,987</u>	<u>\$ -</u>	<u>\$834,987</u>

See accompanying notes to financial statements.

ENTERPRISE FUNDS

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the City is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund encompasses the providing of water, wastewater, and railroad services.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN RETAINED EARNINGS - Budget and Actual - Enterprise Fund

Year Ended June 30, 1988

	<u>Budget</u>	<u>Budget Basis</u>	<u>Actual Adjustments</u>	<u>GAAP Basis</u>
Revenues:				
Charges for services	\$1,662,000	\$1,646,889	\$ (30,229)	\$ 1,616,660
Miscellaneous	33,000	58,342	(5,330)	53,012
Taxes	<u>7,700</u>	<u>1,837</u>	<u>(1,837)</u>	<u>-</u>
Total revenues	<u>1,702,700</u>	<u>1,707,068</u>	<u>(37,396)</u>	<u>1,669,672</u>
Expenses:				
Personal services	472,519	462,898	9,527	472,425
Materials and services	940,665	756,396	227,792	984,188
Capital outlay/depreciation	321,230	140,022	(140,022)	-
Operating contingency	94,726	-	-	-
Debt service	<u>251,113</u>	<u>183,684</u>	<u>-</u>	<u>183,684</u>
Total expenses	<u>2,080,253</u>	<u>1,543,000</u>	<u>97,297</u>	<u>1,640,297</u>
Excess (deficiency) of revenues over expenses	<u>(377,553)</u>	<u>164,068</u>	<u>(134,693)</u>	<u>29,375</u>
Other financing sources (uses):				
Transfers in	21,150	21,150	(21,150)	-
Transfers out	<u>(168,364)</u>	<u>(129,385)</u>	<u>-</u>	<u>(129,385)</u>
Total other financing sources (uses)	<u>(147,214)</u>	<u>(108,235)</u>	<u>(21,150)</u>	<u>(129,385)</u>
Excess (deficiency) of revenues over expenses and other financing uses	(524,767)	55,833	(155,843)	(100,010)
Retained earnings July 1	<u>524,767</u>	<u>(1,031,472)</u>	<u>-</u>	<u>(1,031,472)</u>
Retained earnings June 30	<u>\$ -</u>	<u>\$ (975,639)</u>	<u>\$ (155,843)</u>	<u>\$ (1,131,482)</u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN RETAINED EARNINGS - Budget and Actual - Trust and Agency

Year Ended June 30, 1988

	<u>Budget</u>	<u>Budget Basis</u>	<u>Actual Adjustments</u>	<u>GAAP Basis</u>
Revenues:				
Miscellaneous	<u>\$60,000</u>	<u>\$76,773</u>	<u>\$ -</u>	<u>\$76,773</u>
Expenditures:				
Materials and service	<u>60,000</u>	<u>71,651</u>	<u>-</u>	<u>71,651</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>5,122</u>	<u>-</u>	<u>5,122</u>
Fund balance, July 1	<u>-</u>	<u>272</u>	<u>-</u>	<u>272</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ 5,394</u>	<u>\$ -</u>	<u>\$ 5,394</u>

See accompanying notes to financial statements.

CITY OF LEBANON

Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

June 30, 1988

<u>Tax Year</u>	<u>Taxes Receivable July 1, 1987</u>	<u>Levy</u>
1987-88	\$ -	\$1,632,889
Prior years	<u>402,239</u>	<u>-</u>
Totals	<u>\$402,239</u>	<u>\$1,632,889</u>
Add: Other taxes and interest		
Cash with County Treasurer, July 1, 1987		
Total cash available		
Taxes received by City during 1987-88		
Cash with County Treasurer, June 30, 1988		

<u>Discount and Adjustments</u>	<u>Total Linn County Collections</u>	<u>Net Taxes Receivable June 30, 1988</u>
\$(120,989)	\$1,341,800	\$170,100
<u>104,098</u>	<u>304,285</u>	<u>202,052</u>
<u>=====(16,891)=====</u>	1,646,085	<u>=====\$372,152=====</u>
	7,076	
	<u>54,459</u>	
	1,707,620	
	<u>1,666,768</u>	
	<u>=====\$ 40,852=====</u>	

Summary of taxes receivable
by fund:

General fund	\$312,383
Debt service fund	16,971
Urban renewal fund	<u>42,798</u>
Total	<u>=====\$372,152=====</u>

CITY OF LEBANON

Linn County, Oregon

SCHEDULE OF BOND AND INTEREST TRANSACTIONS

June 30, 1988

<u>Issue</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	
		<u>From</u>	<u>To</u>
<u>Special Assessment</u>			
Bancroft Bonds:			
1977	09/01/77	4.25	6.00
1979	09/01/79	5.60	7.00
1982	08/01/83	9.25	11.25
1985	11/01/84	8.30	12.00
<u>General</u>			
Obligation Bonds:			
Debt:			
Sewage Treatment	12/01/75	4.25	7.00
Urban Renewal Agency Debt:			
Street Improvements	11/01/84	8.75	12.00
Total			
Revenue Supported Bonds:			
Water Service Refinancing	11/01/86	6.00	6.75
Total			

Outstanding June 30, 1987		1987-88 Transactions		Outstanding June 30, 1988	
<u>Matured</u>	<u>Unmatured</u>	<u>Maturities</u>	<u>Retirements</u>	<u>Matured</u>	<u>Unmatured</u>
\$ -	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ -
-	290,000	90,000	90,000	-	200,000
-	145,000	25,000	25,000	-	120,000
-	55,000	5,000	5,000	-	50,000
-	<u>510,000</u>	<u>140,000</u>	<u>140,000</u>	-	<u>370,000</u>
-	450,000	50,000	50,000	-	400,000
-	<u>390,000</u>	<u>15,000</u>	<u>15,000</u>	-	<u>375,000</u>
-	<u>840,000</u>	<u>65,000</u>	<u>65,000</u>	-	<u>775,000</u>
-	<u>5,070,000</u>	-	-	-	<u>5,070,000</u>
<u>\$ -</u>	<u>\$6,420,000</u>	<u>\$205,000</u>	<u>\$205,000</u>	<u>\$ -</u>	<u>\$6,215,000</u>

CITY OF LEBANON

Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR THE
RETIREMENT OF BONDED DEBT

June 30, 1988

<u>Fiscal</u> <u>Year</u>	<u>Total</u> <u>Requirements</u> <u>All Issues</u>	<u>Bancroft Improvement Bonds</u>		
		<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>
1988-89	\$ 722,630	\$153,543	\$130,000	\$23,543
1989-90	712,266	145,029	130,000	15,029
1990-91	599,277	39,290	30,000	9,290
1991-92	593,653	36,334	30,000	6,334
1992-93	587,275	33,350	30,000	3,350
1993-94	561,145	11,400	10,000	1,400
1994-95	555,250	10,470	10,000	470
1995-96	543,810	-	-	-
1996-97	488,481	-	-	-
1997-98	493,562	-	-	-
1998-99	492,075	-	-	-
1999-00	498,893	-	-	-
2000-01	446,592	-	-	-
2001-02	445,619	-	-	-
2002-03	448,406	-	-	-
2003-04	444,838	-	-	-
2004-05	449,728	-	-	-
2005-06	452,900	-	-	-
2006-07	454,353	-	-	-
2007-08	458,675	-	-	-
2008-09	455,850	-	-	-
2009-10	465,750	-	-	-
	<u>\$11,371,028</u>	<u>\$429,416</u>	<u>\$370,000</u>	<u>\$59,416</u>

<u>General Obligation Bonds</u>			<u>General Obligation Revenue Supported Bonds</u>		
<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>
\$ 130,450	\$ 70,000	\$ 60,450	\$ 438,637	\$ 105,000	\$ 333,637
125,200	70,000	55,200	442,037	115,000	327,037
120,000	70,000	50,000	439,987	120,000	319,987
119,681	75,000	44,681	437,638	125,000	312,638
114,088	75,000	39,088	439,837	135,000	304,837
113,157	80,000	33,157	436,588	140,000	296,588
106,893	80,000	26,893	437,887	150,000	287,887
105,302	85,000	20,302	438,508	160,000	278,508
50,166	35,000	15,166	438,315	170,000	268,315
51,480	40,000	11,480	442,082	185,000	257,082
52,250	45,000	7,250	439,825	195,000	244,825
52,500	50,000	2,500	446,393	215,000	231,393
-	-	-	446,592	230,000	216,592
-	-	-	445,619	245,000	200,619
-	-	-	448,406	265,000	183,406
-	-	-	444,838	280,000	164,838
-	-	-	449,728	305,000	144,728
-	-	-	452,900	330,000	122,900
-	-	-	454,353	355,000	99,353
-	-	-	458,675	385,000	73,675
-	-	-	455,850	410,000	45,850
-	-	-	465,750	450,000	15,750
<u>\$1,141,167</u>	<u>\$775,000</u>	<u>\$366,167</u>	<u>\$9,800,445</u>	<u>\$5,070,000</u>	<u>\$4,730,445</u>

CITY OF LEBANON

Linn County, Oregon

SCHEDULE OF SPECIAL ASSESSMENT LIEN TRANSACTIONS

June 30, 1988

	<u>Bonded Assessments</u>
Balance at July 1, 1987	\$498,278
Transactions from July 1, 1987 to June 30, 1988:	
Liens paid by private owners	<u>42,533</u>
Balance at June 30, 1988	<u><u>\$455,745</u></u>

CITY OF LEBANON

Linn County, Oregon

SCHEDULE OF INSURANCE COVERAGE AND FIDELITY BONDS IN FORCE

June 30, 1988

<u>Dates</u>	<u>Policy No.</u>	<u>Company</u>	<u>Coverage</u>
07/01/88	UM03410	Northland Casualty Company	\$1,000,000 Coverage in Excess of Underlying policies including False Arrest and Errors & Omissions
03/31/88	M4320073	Lloyds of London	\$ 5,000 Mortality Coverage on Police Dog
10/01/88	3XM043586	Kemper Group	\$1,000,000 Comprehensive Form for "All premises owned or operated by the insured metal unfired \$ 1,000 Deductible \$ 25,000 Expediting Expenses
07/01/88	FS679256000	Great American	\$ 10,000 Faithful Performance
07/23/88	FS007960900	Great American	\$ 100,000 Judith L. Wendland, Finance Director
07/23/88	FS007960800	Great American	\$ 100,000 Joseph A. Windell, City Administrator
07/01/88	PE01337	Northland Casualty Company	\$ 100,000 Bodily injury to any one claimant for claims arising out of one single accident or occurrence \$ 50,000 Property damage to any one claimant arising out of a single accident or occurrence \$ 300,000 Both for any number of claims arising out of a single accident or occurrence Coverage includes: Premises/ Operations, Products/ Completed Operations, Jail Liability, False Arrest, Personal Injury, Legal Liability for Impounded Property, Blanket Contractual Errors & Omissions

CITY OF LEBANON

Linn County, Oregon

SCHEDULE OF INSURANCE COVERAGE AND FIDELITY BONDS IN FORCE

June 30, 1988

<u>Dates</u>	<u>Policy No.</u>	<u>Company</u>	<u>Coverage</u>	
07/01/88	BA00228	Northland Casualty Company	\$ 100,000	Bodily Injury Each Person
			\$ 300,000	Bodily Injury Each Accident
			\$ 50,000	Property Damage Each Accident
			\$ 5,000	Personal Injury Protection
			\$ 100,000	Uninsured Motorists \$100 Deductible Comprehensive, \$250, \$500 & \$1,000 Deduct- ible Collision per policy

WARNER, PRICE, KOONTZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
920 S.W. Elm Street — P.O. Box 605
Albany, Oregon 97321
(503) 926-5543

The Honorable Ronald T. Passmore, Mayor
and Members of the City Council
City of Lebanon, Oregon

We have examined the general purpose financial statements of the City of Lebanon, Oregon, for the year ended June 30, 1988, and have issued our report thereon dated December 29, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of the City of Lebanon, Oregon, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organization, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Budgets and Planning
- Cash
- Investments
- Revenues and Receivables
- Capital Assets
- Procurement and Payables
- Employee Compensation
- Electronic Data Processing
- Financial Reporting

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the City of Lebanon, Oregon, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of City of Lebanon, Oregon, taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management, the State of Oregon, and Federal agencies serving as grantors or cognizant agencies to the City of Lebanon and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the City Council, is a matter of public record.


Warner, Price, Koontz & Co., P.C.

December 29, 1988

COMPLIANCE SECTION

WARNER, PRICE, KOONTZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
920 S.W. Elm Street — P.O. Box 605
Albany, Oregon 97321
(503) 926-5543

The Honorable Ronald T. Passmore, Mayor
and Members of the City Council
City of Lebanon, Oregon

We have examined the general purpose financial statements of the City of Lebanon for the year ended June 30, 1988, and have issued our report thereon dated December 29, 1988. Our examination was made in accordance with generally accepted auditing standards; the Minimum Standards for Audits of Oregon Municipal Corporations, and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City is responsible for the City's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations noncompliance with which could have a material effect on the general purpose financial statements of the City.

The results of our tests indicate that for the items tested, the City complied with those provisions of laws and regulations noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested the City was not in compliance with laws or regulations noncompliance with which could have a material effect on the City's general purpose financial statements.


Warner, Price, Koontz & Co., P.C.

December 29, 1988

OTHER DISCLOSURES

OTHER DISCLOSURES

COLLATERAL SECURITY

A review of the collateral securing depository balances was made for the year under audit and it appeared that there were no instances of noncompliance with the statutory requirements.

BUDGET

The City's compliance with the provisions of the Oregon Statutes as they apply to the preparation, adoption and execution of its annual budget for the 1987-88 fiscal year and the preparation and adoption of the annual budget for the 1988-89 fiscal year was reviewed. Our review indicated that there was compliance with the statutes except as explained in footnote #8.

DEBT LIMITATION

Indebtedness of the City was compared to legal debt limitations. During the year such outstanding indebtedness was not in excess of legal debt limitations based upon 1987-88 assessed valuation.

INSURANCE AND FIDELITY BONDS

We have examined the City's insurance and fidelity bond coverage at June 30, 1988 ascertained that policies listed in the separate schedule contained herein were in force as of that date and appear to comply with the legal requirements relating to fidelity bond coverage. We do not express an opinion as to the adequacy of the insurance policies since we are not trained in this regard.

INVESTMENTS

The City was in compliance with legal requirements pertaining to the investment of public funds.

PUBLIC CONTRACTS AND DISCLOSURES

The City was in compliance with legal requirements pertaining to the awarding of public contracts and the construction of public improvements.