

LEBANON

OREGON

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CITY OF LEBANON, OREGON
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 1996



CITY OF LEBANON, OREGON

CITY OFFICIALS

JUNE 30, 1996

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CITY ADMINISTRATOR

Joseph A. Windell
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CITY OF LEBANON, OREGON
TABLE OF CONTENTS

	<u>Page</u>
<i>INDEPENDENT AUDITORS' REPORT</i>	1
<i>GENERAL PURPOSE FINANCIAL STATEMENTS</i>	
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund	4-5
Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Fund	6
Statement of Cash Flows - Proprietary Fund Type - Enterprise Fund	7
Notes to General Purpose Financial Statements	8-19
<i>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS</i>	
General Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
Special Revenue Funds	
Combining Balance Sheet - All Special Revenue Funds	21
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Special Revenue Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Intergovernmental Fund	23
Urban Renewal Fund	24
NW Urban Renewal Fund	25
Debt Service Funds	
Combining Balance Sheet - All Debt Service Funds	26
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Debt Service Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Debt Service Fund	28
Bancroft Bond Fund	29
Capital Projects Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	30
Enterprise Fund	
Combining Balance Sheet - All Enterprise Departments - GAAP Basis	31
Combining Statement of Revenues, Expenditures, and Changes in Retained Earnings - All Enterprise Departments - GAAP Basis	32
Statement of Revenues, Expenditures, and Changes in Retained Earnings - Budget and Actual - All Enterprise Departments	33
Water Department	34
Water Capital Improvement Department	35
Small Water Line	36
Wastewater Department	37
Wastewater Capital Improvement Department	38
Railroad Department	39
Trust and Agency Funds	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	40
Statement of Changes in Assets and Liabilities Deferred Compensation Agency Fund	41
Supplemental Information	
Schedule of Property Tax Transactions	42
Schedule of Bond Transactions	43
Schedule of Future Bonded Debt Requirements	44-45

CITY OF LEBANON, OREGON
TABLE OF CONTENTS (Continued)
JUNE 30, 1996

	<u>Page</u>
SINGLE AUDIT SECTION	
Independent Auditors' Report on The Schedule of Federal Financial Assistance Schedule of Federal Financial Assistance	46 47
Independent Auditors' Report on the Internal Control Structure Based on an Audit Of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	48
Independent Auditors' Report on Compliance Based on an Audit Of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	49
Independent Auditors' Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs	50-52
Independent Auditors' Report on Compliance with the General Requirements Applicable to Federal Financial Assistance Programs	53
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Programs Transaction	54
 AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	 54-55



GROVE, MUELLER, HALL & SWANK

Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Lebanon
Lebanon, Oregon

We have audited the accompanying general purpose financial statements of the City of Lebanon as of and for the year ended June 30, 1996, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of June 30, 1996, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with the *Government Auditing Standards*, we have also issued reports dated November 22, 1996 on our consideration of the City of Lebanon's internal control structure and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and supplemental information listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Lebanon. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

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

By: 

Charles A. Swank, Shareholder

November 22, 1996

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF LEBANON, OREGON
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1996

	<i>Governmental Fund Types</i>			
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
ASSETS AND OTHER DEBITS				
<i>Assets</i>				
Cash and investments	\$ 467,790	\$ 2,079,065	\$ 432,737	\$ 1,782,332
Receivables				
Court fines	473,560	-	-	-
Property taxes	194,142	36,308	4,429	-
Accounts	159,822	182,806	600	198,846
Special assessments/loans	-	630,700	49,793	-
Other funds	23,657	136,190	-	88,055
Prepaid expenses	4,420	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
<i>Total Assets</i>	<u>1,323,391</u>	<u>3,065,069</u>	<u>487,559</u>	<u>2,069,233</u>
<i>Other Debits</i>				
Amount available for debt retirement	-	-	-	-
Amount to be provided for debt retirement	-	-	-	-
<i>Total Debits</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Assets and Other Debits</i>	<u>\$ 1,323,391</u>	<u>\$ 3,065,069</u>	<u>\$ 487,559</u>	<u>\$ 2,069,233</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
<i>Liabilities</i>				
Accounts payable	\$ 49,072	\$ 131,847	\$ -	\$ 62,262
Deposits	-	-	-	-
Due to other funds	-	246,835	-	1,067
Loan payable	-	-	-	-
Bonds payable	-	-	-	-
Bond discount	-	-	-	-
Paid absences and deferred compensation	48,820	12,100	-	13,247
Deferred revenues	694,501	667,054	54,222	198,846
<i>Total Liabilities</i>	<u>792,393</u>	<u>1,057,836</u>	<u>54,222</u>	<u>275,422</u>
<i>Equity and Other Credits</i>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (deficit)	-	-	-	-
Reserved for claims	-	-	-	-
Fund balances				
Reserved for claims	73,924	36,278	-	-
Reserved for petty cash	1,300	-	-	-
Unreserved, undesignated (deficit)	455,774	1,970,955	433,337	1,793,811
<i>Total Equity and Other Credits</i>	<u>530,998</u>	<u>2,007,233</u>	<u>433,337</u>	<u>1,793,811</u>
<i>Total Liabilities, Equity and Other Credits</i>	<u>\$ 1,323,391</u>	<u>\$ 3,065,069</u>	<u>\$ 487,559</u>	<u>\$ 2,069,233</u>

<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>		<i>Account Groups</i>		<i>Totals (Memorandum Only)</i>
	<i>Expendable Trust</i>	<i>Agency</i>	<i>General Long- Term Debt</i>	<i>General Fixed Assets</i>	
<i>Enterprise</i>					
\$ 5,571,814	\$ (108,574)	\$ 547,451	\$ -	\$ -	\$ 10,772,615
-	-	-	-	-	473,560
760	-	-	-	-	235,639
386,987	118,821	-	-	-	1,047,882
-	-	-	-	-	680,493
-	-	-	-	-	247,902
1,170	-	-	-	-	5,590
18,111,817	-	-	-	4,504,640	22,616,457
(3,963,806)	-	-	-	-	(3,963,806)
20,108,742	10,247	547,451	-	4,504,640	32,116,332
-	-	-	433,337	-	433,337
-	-	-	5,801,821	-	5,801,821
-	-	-	6,235,158	-	6,235,158
<u>\$ 20,108,742</u>	<u>\$ 10,247</u>	<u>\$ 547,451</u>	<u>\$ 6,235,158</u>	<u>\$ 4,504,640</u>	<u>\$ 38,351,490</u>
\$ 65,380	\$ 23,886	\$ -	\$ -	\$ -	\$ 332,447
32,564	-	-	-	-	32,564
-	-	-	-	-	247,902
22,107	-	-	220,338	-	242,445
8,160,000	-	-	5,590,000	-	13,750,000
(253,589)	-	-	-	-	(253,589)
116,941	-	547,451	424,820	-	1,163,379
-	48	-	-	-	1,614,671
8,143,403	23,934	547,451	6,235,158	-	17,129,819
-	-	-	-	4,504,640	4,504,640
11,928,493	-	-	-	-	11,928,493
(10,799)	-	-	-	-	(10,799)
47,645	-	-	-	-	47,645
-	-	-	-	-	110,202
-	-	-	-	-	1,300
-	(13,687)	-	-	-	4,640,190
11,965,339	(13,687)	-	-	4,504,640	21,221,671
<u>\$ 20,108,742</u>	<u>\$ 10,247</u>	<u>\$ 547,451</u>	<u>\$ 6,235,158</u>	<u>\$ 4,504,640</u>	<u>\$ 38,351,490</u>

The accompanying notes and independent auditors' report are integral parts of the financial statements.

CITY OF LEBANON, OREGON

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 1996**

	<i>Governmental Fund Types</i>			
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
REVENUES				
Taxes and assessments	\$ 1,984,417	\$ 398,153	\$ 45,879	\$ 129,788
Licenses and permits	444,738	190,070	-	-
Fines and forfeitures	176,977	-	-	-
Intergovernmental	175,694	926,495	-	179,111
Charges for services	23,072	-	-	-
Miscellaneous	<u>88,722</u>	<u>241,881</u>	<u>176,685</u>	<u>156,765</u>
<i>Total Revenues</i>	2,893,620	1,756,599	222,564	465,664
EXPENDITURES				
Personnel services	1,970,930	526,327	-	388,154
Materials and services	728,942	904,125	405	120,926
Capital outlay	164,773	674,450	-	320,216
Other requirements	<u>12,521</u>	<u>144,663</u>	<u>78,542</u>	<u>-</u>
<i>Total Expenditures</i>	<u>2,877,166</u>	<u>2,249,565</u>	<u>78,947</u>	<u>829,296</u>
Excess (deficiency) of revenues over expenditures	16,454	(492,966)	143,617	(363,632)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	300,000	-	-	-
Transfers in	31,838	336,251	93,103	544,885
Transfers out	(89,520)	(130,595)	(3,303)	(218,710)
Loan repayment	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(57,682)</u>	<u>205,656</u>	<u>89,800</u>	<u>326,175</u>
Excess (deficiency) of revenues and other financing sources over (under) expendi- tures and other financing uses	(41,228)	(287,310)	233,417	(37,457)
UNRESERVED FUND BALANCE, (DEFICIT), Beginning of year	<u>497,002</u>	<u>2,258,265</u>	<u>199,920</u>	<u>1,831,268</u>
UNRESERVED FUND BALANCE (DEFICIT), End of year	<u>\$ 455,774</u>	<u>\$ 1,970,955</u>	<u>\$ 433,337</u>	<u>\$ 1,793,811</u>

<u>Fiduciary Fund Type</u>	<u>Totals</u>
<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
\$ -	\$ 2,558,237
-	634,808
79,663	256,640
-	1,281,300
-	23,072
<u>65,155</u>	<u>729,208</u>
144,818	5,483,265
-	2,885,411
152,074	1,906,472
-	1,159,439
<u>-</u>	<u>235,726</u>
<u>152,074</u>	<u>6,187,048</u>
(7,256)	(703,783)
-	300,000
-	1,006,077
-	(442,128)
<u>-</u>	<u>(300,000)</u>
<u>-</u>	<u>563,949</u>
(7,256)	(139,834)
<u>(6,431)</u>	<u>4,780,024</u>
<u>\$ (13,687)</u>	<u>\$ 4,640,190</u>

The accompanying notes and independent auditors' report are integral parts of the financial statements.

CITY OF LEBANON, OREGON

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 1996**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes and assessments	\$ 1,909,523	\$ 1,984,417	\$ 74,894
Licenses and permits	399,500	444,738	45,238
Fines and forfeitures	141,500	176,977	35,477
Intergovernmental	164,000	175,694	11,694
Charges for services	500	23,072	22,572
Miscellaneous	<u>101,770</u>	<u>88,722</u>	<u>(13,048)</u>
<i>Total Revenues</i>	2,716,793	2,893,620	176,827
EXPENDITURES			
Personnel services	2,032,649	1,969,640	63,009
Materials and services	699,871	728,940	(29,069)
Capital outlay	182,612	164,773	17,839
Other requirements	<u>166,641</u>	<u>12,521</u>	<u>154,120</u>
<i>Total Expenditures</i>	<u>3,081,773</u>	<u>2,875,874</u>	<u>205,899</u>
Excess (deficiency) of revenues over expenditures	(364,980)	17,746	382,726
OTHER FINANCING SOURCES (USES)			
Loan proceeds	300,000	300,000	-
Transfers in	29,500	31,838	2,338
Transfers out	(89,520)	(89,520)	-
Loan repayment	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(60,020)</u>	<u>(57,682)</u>	<u>2,338</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(425,000)	(39,936)	385,064
FUND BALANCE, Beginning of year, Budget basis	<u>475,000</u>	<u>544,530</u>	<u>69,530</u>
FUND BALANCE, End of year, Budget basis	<u>\$ 50,000</u>	504,594	<u>\$ 454,594</u>
Adjustment to GAAP basis		<u>(48,820)</u>	
FUND BALANCE, End of year, GAAP basis		<u>\$ 455,774</u>	

<i>Special Revenue Funds</i>			<i>Debt Service Funds</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$ 370,115	\$ 398,153	\$ 28,038	\$ 36,650	\$ 45,879	\$ 9,229
144,000	190,070	46,070	-	-	-
-	-	-	-	-	-
4,076,150	926,495	(3,149,655)	-	-	-
-	-	-	-	-	-
<u>93,332</u>	<u>241,881</u>	<u>148,549</u>	<u>181,300</u>	<u>176,685</u>	<u>(4,615)</u>
4,683,597	1,756,599	(2,926,998)	217,950	222,564	4,614
568,468	522,479	45,989	-	-	-
1,665,009	900,413	764,596	5,400	405	4,995
4,502,808	653,160	3,849,648	-	-	-
<u>750,921</u>	<u>144,663</u>	<u>606,258</u>	<u>97,042</u>	<u>78,542</u>	<u>18,500</u>
<u>7,487,206</u>	<u>2,220,715</u>	<u>5,266,491</u>	<u>102,442</u>	<u>78,947</u>	<u>23,495</u>
(2,803,609)	(464,116)	2,339,493	115,508	143,617	28,109
-	-	-	-	-	-
325,712	539,814	214,102	96,800	93,103	(3,697)
(149,072)	(295,257)	(146,185)	(8,300)	(3,303)	4,997
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>176,640</u>	<u>244,557</u>	<u>67,917</u>	<u>88,500</u>	<u>89,800</u>	<u>1,300</u>
(2,626,969)	(219,559)	2,407,410	204,008	233,417	29,409
<u>2,273,969</u>	<u>2,292,576</u>	<u>18,607</u>	<u>199,800</u>	<u>199,920</u>	<u>120</u>
<u>\$ (353,000)</u>	<u>2,073,017</u>	<u>\$ 2,426,017</u>	<u>\$ 403,808</u>	<u>433,337</u>	<u>\$ 29,529</u>
	(102,062)			-	
	<u>\$ 1,970,955</u>			<u>\$ 433,337</u>	

The accompanying notes and independent auditors' report are integral parts of the financial statements.

CITY OF LEBANON, OREGON

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND (Continued)
YEAR ENDED JUNE 30, 1996

	<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes and assessments	\$ 145,550	\$ 129,788	\$ (15,762)
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	209,500	179,111	(30,389)
Charges for services	-	-	-
Miscellaneous	<u>165,030</u>	<u>156,765</u>	<u>(8,265)</u>
<i>Total Revenues</i>	520,080	465,664	(54,416)
EXPENDITURES			
Personnel services	424,827	381,735	43,092
Materials and services	196,644	120,926	75,718
Capital outlay	1,691,829	319,567	1,372,262
Other requirements	<u>476,511</u>	<u>-</u>	<u>476,511</u>
<i>Total Expenditures</i>	<u>2,789,811</u>	<u>822,228</u>	<u>1,967,583</u>
Excess (deficiency) of revenues over expenditures	(2,269,731)	(356,564)	1,913,167
OTHER FINANCING SOURCES (USES)			
Bank loans	-	-	-
Transfers in	613,120	544,885	(68,235)
Transfers out	(218,710)	(288,266)	(69,556)
Loan repayment	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>394,410</u>	<u>256,619</u>	<u>(137,791)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,875,321)	(99,945)	1,775,376
FUND BALANCE, Beginning of year, Budget basis	<u>1,876,379</u>	<u>1,840,699</u>	<u>(35,680)</u>
FUND BALANCE (DEFICIT), End of year, Budget basis	<u>\$ 1,058</u>	1,740,754	<u>\$ 1,739,696</u>
Adjustment to GAAP basis		<u>53,057</u>	
FUND BALANCE (DEFICIT), End of year, GAAP basis		<u>\$ 1,793,811</u>	

<i>Expendable Trust Fund</i>			<i>Totals (Memorandum Only)</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$ -	\$ -	\$ -	\$ 2,461,838	\$ 2,558,237	\$ 96,399
-	-	-	543,500	634,808	91,308
121,000	79,663	(41,337)	262,500	256,640	(5,860)
-	-	-	4,449,650	1,281,300	(3,168,350)
-	-	-	500	23,072	22,572
-	65,155	65,155	541,432	729,208	187,776
121,000	144,818	23,818	8,259,420	5,483,265	(2,776,155)
-	-	-	3,025,944	2,873,854	152,090
121,000	152,074	(31,074)	2,687,924	1,902,758	785,166
-	-	-	6,377,249	1,137,500	5,239,749
-	-	-	1,491,115	235,726	1,255,389
121,000	152,074	(31,074)	13,582,232	6,149,838	7,432,394
-	(7,256)	(7,256)	(5,322,812)	(666,573)	4,656,239
-	-	-	300,000	300,000	-
-	-	-	1,065,132	1,209,640	144,508
-	-	-	(465,602)	(676,346)	(210,744)
-	-	-	(300,000)	(300,000)	-
-	-	-	599,530	533,294	(66,236)
-	(7,256)	(7,256)	(4,723,282)	(133,279)	4,590,003
-	(6,431)	(6,431)	4,825,148	4,871,294	46,146
\$ -	(13,687)	\$ (13,687)	\$ 101,866	4,738,015	\$ 4,636,149
-	-	-	-	(97,825)	-
-	\$ (13,687)	-	-	\$ 4,640,190	-

The accompanying notes and independent auditors' report are integral parts of the financial statements.

CITY OF LEBANON, OREGON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED JUNE 30, 1996

OPERATING REVENUES

Charges for services	\$ 3,134,417
Miscellaneous	<u>387,068</u>
<i>Total Operating Revenues</i>	3,521,485

OPERATING EXPENSES

Personnel services	647,977
Materials and services	1,114,484
Depreciation	<u>379,226</u>
<i>Total Operating Expenses</i>	<u>2,141,687</u>

OPERATING INCOME 1,379,798

NONOPERATING REVENUE (EXPENSES)

Interest expense	(775,283)
Transfers in	638,549
Transfers out	(744,059)
Loss on disposal of assets	<u>(1,684)</u>
<i>Total Nonoperating Revenue (Expenses)</i>	<u>(882,477)</u>

NET INCOME 497,321

RETAINED EARNINGS (DEFICIT), July 1, 1995 (508,120)

RETAINED EARNINGS (DEFICIT), June 30, 1996 \$ (10,799)

The accompanying notes and independent auditors' report are integral parts of the financial statements.

CITY OF LEBANON, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 1,379,798
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	379,226
Amortization	40,533
Net book value of disposed assets	(1,684)
Accounts receivable	(13,398)
Property taxes receivable	(87)
Prepaid expenses	2,460
Accounts payable	27,169
Accrued liabilities	<u>201</u>
<i>Net Cash Flows Provided by Operating Activities</i>	1,814,218

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in	638,549
Transfers out	<u>(744,059)</u>
<i>Net Cash Flows used in Noncapital Financing Activities</i>	(105,510)

CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of equipment and construction in progress	(508,079)
Repayment of long-term debt	(4,331,161)
Contributed capital	4,308,819
Interest paid	(775,283)
Increase in reserve for claims	<u>11,091</u>
<i>Net Cash Flows Used by Capital and Related Financing Activities</i>	<u>(1,294,613)</u>

Net increase in cash and investments	414,095
CASH AND INVESTMENTS, Beginning of year	<u>5,157,719</u>
CASH AND INVESTMENTS, End of year	<u>\$ 5,571,814</u>

The accompanying notes and independent auditors' report are integral parts of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose 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.

Reporting Entity

The general purpose financial statements include the accounts of the City of Lebanon, the Lebanon Urban Renewal District, and the Lebanon Northwest Urban Renewal District. The City and the Urban Renewal Districts are governed by a Mayor and a six member City Council.

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 the net expendable 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 project 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.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties (enterprise funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

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 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.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund 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. The City considers property taxes as available if they are collected within 30 days after the year end. Undistributed taxes held by the County Treasurer are included in the balance as accounts receivable 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. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund type. 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.

Budgets

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles, except for compensated absences (as described below). Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects 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. Budgets are adopted at the departmental level in the general fund and expenditure type for other funds. The budgets for the enterprise fund are adopted on the same basis as the budgets for the governmental funds, except for revenues, which are budgeted when received.

Cash and Investments

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

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

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.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

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 Asset 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. Public domain, or infrastructure fixed assets such as roads, sidewalks, and curbs are not capitalized.

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. Applicable interest costs incurred in acquiring fixed assets are also capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary fund is computed using the straight-line method.

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. For GAAP purposes, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the fund that will pay it when the liability is incurred.

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 obligation is reported in the General Long-term Debt Account Group. Long-term liabilities financed from proprietary fund operations are accounted for that fund.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Bond Discounts/Issuance Costs

Bond discounts and issuance costs for the proprietary fund type are deferred and amortized over the term of the bonds using the straight-line method.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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 cash flows 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.

LEGAL COMPLIANCE - BUDGETS

The Budget Officer prepares a budget for the Budget Committee to approve. At the Budget Committee meetings, public input is solicited and considered. The Budget Committee makes any changes and approves the budget.

A budget summary is then printed in the newspaper and public hearings are held before the City Council. The Council directs any changes to be made.

Prior to July 1, the budget is legally adopted by the City Council through passage of a resolution.

The Council is authorized to transfer budgeted amounts among 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, unless increases exceed 10% of a fund.

Appropriations lapse at year end.

The basis of budgeting for the City's various funds are the same as the basis of accounting used by the funds, except for the proprietary fund type, which budget on the modified accrual basis instead of on the full accrual basis used in its financial reporting. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes.

Expenditures may not legally exceed budgeted appropriations, which are adopted at the department level for all funds.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

CASH AND INVESTMENTS

Investments

The City's investment policies are governed by state statutes. In addition, the City has followed the recommendations of the Oregon Municipal Debt Advisory Commission and has its own investment policy, approved by the City Council, which provides further guidelines for investments. The City's investments are categorized as follows:

1. Insured for which the securities are held by the City.
2. Uninsured for which the securities are held by the bank's trust department in the City's name.
3. Uninsured for which the securities are held by the bank in the bank's name.

Deposits and investments at June 30, 1996 were comprised of the following:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments with Financial Institutions					
US Government Agencies					
US Treasury Strip	\$ -	\$ 708,247	\$ -	\$ 708,247	\$ 714,338
REFCO Strip	-	756,176	-	756,176	765,672
Federal Farm Credit Bank	-	487,075	-	487,075	492,824
FICO Strip	-	788,148	-	788,148	826,946
Federal Home Loan Bank	-	598,894	-	598,894	582,808
Subtotal	-	3,338,540	-	3,338,540	3,382,588
Investment in Oregon State Treasurer's Local Government Pool				6,395,098	6,395,098
Held by custodian under deferred compensation plan				547,451	547,451
<i>Total Investments</i>				10,281,089	10,325,137
Demand deposits				490,226	490,226
Petty cash				1,300	1,300
<i>Total Cash and Investments</i>				<u>\$ 10,772,615</u>	<u>\$ 10,816,663</u>

Due to the significant higher cash flows at certain times during the year than at year end, the City's investments, for which the underlying securities were held by the bank, varies. Consequently, the amounts held in Category 2 at certain times during the year were different than at year end.

Demand deposits at June 30, 1996 included bank demand deposits. These deposits were insured by Federal depository insurance to the legal limit. The remaining balances were collateralized by securities held by a custodian in the City's name.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUE

Real and personal property taxes are levied each July 1 on the assessed value of the property located in the City as of July 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, 1996 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Available</u>	<u>Deferred</u>
General Fund	\$ 194,142	\$ -	\$ 194,142
Debt Service Fund	4,429	-	4,429
Urban Renewal Fund	23,839	-	23,839
NW Urban Renewal Fund	12,469	-	12,469
Enterprise Fund	760	760	-
<i>Total</i>	<u>\$ 235,639</u>	<u>\$ 760</u>	<u>\$ 234,879</u>

FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1996</u>
<i>Total Fixed Assets</i>	<u>\$ 4,065,117</u>	<u>\$ 450,652</u>	<u>\$ 11,129</u>	<u>\$ 4,504,640</u>

The following is a summary of proprietary fund type fixed assets for the year ended June 30, 1996:

	<u>Water</u>	<u>Wastewater</u>	<u>Railroad</u>	<u>Total</u>
BALANCE, July 1, 1995	\$ 6,912,715	\$ 9,620,344	\$ 1,482	\$ 16,534,541
Additions	223,026	206,051	-	429,077
Deletions	697	987	-	1,684
BALANCE, June 30, 1996	7,135,044	9,825,408	1,482	16,961,934
Less: accumulated depreciation	<u>(1,633,581)</u>	<u>(2,329,337)</u>	<u>(888)</u>	<u>(3,963,806)</u>
<i>Net Property, Plant, and Equipment</i>	5,501,463	7,496,071	594	12,998,128
Construction in-progress	<u>544,970</u>	<u>604,913</u>	<u>-</u>	<u>1,149,883</u>
<i>Net Fixed Assets</i>	<u>\$ 6,046,433</u>	<u>\$ 8,100,984</u>	<u>\$ 594</u>	<u>\$ 14,148,011</u>

In the proprietary fund, the following estimated useful lives are used to compute depreciation:

Buildings	50 years
Plant equipment	40 years
Office equipment	5 years

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

LONG-TERM DEBT

The bonds payable of \$13,750,000 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 general obligation bonds and interest coupons as they mature.

<u>Type of Bond</u>	<u>Outstanding July 1, 1995</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding June 30, 1996</u>
Bancroft improvement	\$ 60,000	\$ -	\$ 10,000	\$ 50,000
General obligation	1,290,000	-	130,000	1,160,000
General obligation refunding		4,380,000	-	4,380,000
Revenue supported general obligation	4,180,000	-	4,180,000	-
Wastewater revenue supported	535,000	-	95,000	440,000
Water revenue supported	345,000	-	40,000	305,000
Wastewater revenue refunding	4,215,000	-	-	4,215,000
Water revenue refunding	3,215,000	-	15,000	3,200,000
Total	<u>\$ 13,840,000</u>	<u>\$ 4,380,000</u>	<u>\$ 4,470,000</u>	<u>\$ 13,750,000</u>

Annual debt service requirements to maturity for all bonds follows:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
1996-97	\$ 1,097,132	\$ 360,000	\$ 737,132
1997-98	1,220,728	505,000	715,728
1998-99	1,225,253	535,000	690,253
1999-00	1,167,372	505,000	662,372
2000-01	1,150,449	525,000	635,449
2001-02	1,148,061	540,000	608,061
2002-03	1,146,027	565,000	581,027
2003-04	1,147,935	595,000	552,935
2004-05	1,152,542	630,000	522,542
2005-06	1,159,078	670,000	489,078
2006-07	1,163,319	710,000	453,319
2007-08	1,159,357	745,000	414,357
2008-09	1,168,187	785,000	373,187
2009-10	1,169,341	840,000	329,341
2010-11	714,957	420,000	294,957
2011-12	701,051	430,000	271,051
Thereafter	<u>5,731,861</u>	<u>4,390,000</u>	<u>1,341,861</u>
	<u>\$ 23,422,650</u>	<u>\$ 13,750,000</u>	<u>\$ 9,672,650</u>

In November, 1995 the City advance refunded \$4,180,000 of revenue supported general obligation bonds. The refunding was financed by the issuance of \$4,380,000 of general obligation refunding bonds. The new bonds were issued at an average interest rate of 5.15% and will result in a savings of \$422,477 over the life of the bonds.

Total defeased debt at June 30, 1996 was \$6,413,870.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

LONG-TERM DEBT (Continued)

Debt service requirements for other long-term obligations are as follows:

Lease/purchase of Police Department hardware and software, interest at 6.0% to 6.97%:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
1996-97	\$ 28,500	\$ 20,985	\$ 7,515
1997-98	30,000	23,892	6,108
1998-99	<u>70,898</u>	<u>66,362</u>	<u>4,536</u>
	<u>\$ 129,398</u>	<u>\$ 111,239</u>	<u>\$ 18,159</u>

Payments are being made from the General Fund.

SCIP Loan:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
1996-97	\$ 13,132	\$ -	\$ 13,132
1997-98	13,132	-	13,132
1998-99	13,132	4,586	8,546
1999-2000	13,132	6,821	6,311
2000-2001	13,132	7,161	5,970
Thereafter	<u>150,127</u>	<u>90,531</u>	<u>59,597</u>
	<u>\$ 215,787</u>	<u>\$ 109,099</u>	<u>\$ 106,688</u>

The SCIP loan was incurred in connection with development of the Santiam Canal Industrial Park.

Enterprise Fund - Department of Energy loan, monthly payments of \$268 including interest at 8.5%.

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
1996-97	\$ 3,216	\$ 1,533	\$ 1,683
1997-98	3,216	1,450	1,766
1998-99	3,216	1,579	1,637
1999-2000	3,216	1,718	1,498
2000-2001	3,216	1,870	1,346
Thereafter	<u>15,112</u>	<u>13,702</u>	<u>1,410</u>
	<u>\$ 31,192</u>	<u>\$ 21,852</u>	<u>\$ 9,340</u>

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

CONTRIBUTED CAPITAL

The following is a summary of contributed capital:

	<u>Water</u>	<u>Wastewater</u>	<u>Railroad</u>	<u>Total</u>
<i>Contributed Capital, July 1, 1995</i>	\$ 108,703	\$ 7,489,821	\$ 21,150	\$ 7,619,674
Additions	<u>4,303,802</u>	<u>5,017</u>	-	<u>4,308,819</u>
<i>Contributed Capital, June 30, 1996</i>	<u>\$ 4,412,505</u>	<u>\$ 7,494,838</u>	<u>\$ 21,150</u>	<u>\$ 11,928,493</u>

EMPLOYEE RETIREMENT SYSTEMS

All full time employees after six months of employment with the City participate in the multiple-employer State of Oregon Public Employees' Retirement System (PERS). The total payroll was \$2,727,190, and the contribution for the year was \$303,925.

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, 1995.

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.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

EMPLOYEE RETIREMENT SYSTEMS (Continued)

	<u>December 31,</u> <u>1995</u>
Pension Benefit Obligation	
Accumulated Member Contributions	\$ 2,845,667
Employer - Financed Vested Benefits	3,763,387
Employer - Financed Non Vested Benefits	<u>72,426</u>
 <i>Total</i>	 <u>\$ 6,681,480</u>
 Net Assets Available for Benefits	
PERS Book Value	\$ 8,919,359
Market Value	8,954,676
Actuarial Value	8,954,676
 Employer Contribution Rates	
Effective July 1, 1995	6%
Effective July 1, 1997	6

Ten-year historical trend information presenting the PERS' progress in accumulating sufficient assets to pay benefits when due is contained in the PERS December 31, 1995 financial report.

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 valued at market, and bonds, mortgages and loans are valued at an adjusted price which would yield 8% interest to maturity. The actuarial value of asset 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 these assumptions will result in corresponding changes in estimated costs of the System's benefits.

LIABILITY FOR DEFERRED COMPENSATION

The City of Lebanon by Council action, 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 to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

LIABILITY FOR DEFERRED COMPENSATION (Continued)

Contributions made to the plan are executed under a salary reduction agreement and represent no obligation for funding or contribution by the City.

Monies accumulated by the City under its deferred compensation plan have been deposited with a financial institution. These deposits are not subject to the collateral requirements of ORS Chapter 295.

ORS 295.361, as amended by Chapter 102, Oregon laws 1977, provides that amounts accumulated by the City under approved deferred compensation plan shall not be included as resources for budgetary purposes. Such amounts represent a general liability by the City to its employees whose rights are equal to but no greater than the rights of other general creditors with respect to such amounts.

Similarly, ORS 294.326, as amended by Chapter 102, Oregon laws 1977, stipulates that disbursement of funds to employees under the plan, once circumstances of termination occur, shall not be included as an expenditure for budgetary purposes.

The Deferred Compensation assets at June 30, 1996, valued at market, include \$547,451 which is attributable to the accumulation of amounts deferred since the inception of the plan and investment earnings thereon. However, this separation is maintained for purposes of satisfying the legal requirement for excluding such amounts as budgetary resources only, and does not represent a segregation of fund balances with respect to these accumulations which grants any preference to the claims of one group of creditors over another.

RECONCILIATION OF BUDGETARY TO GAAP BASIS

A reconciliation of revenues and expenditures per the budgetary basis to revenues and expenditures per the GAAP basis is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Revenues and Other Financing Sources					
Per Budgetary Basis	\$ 3,225,458	\$ 2,296,413	\$ 315,667	\$ 1,010,549	\$ 8,475,082
Adjustment for					
Accounts receivable/deposits	-	-	-	-	(7,499)
Bond proceeds	-	-	-	-	(4,307,549)
Budgetary transfer	-	(203,563)	-	-	-
<i>Per GAAP Basis</i>	<u>\$ 3,225,458</u>	<u>\$ 2,092,850</u>	<u>\$ 315,667</u>	<u>\$ 1,010,549</u>	<u>\$ 4,160,034</u>
Expenditures and Other Financing Uses					
Per Budgetary Basis	\$ 3,265,394	\$ 2,515,972	\$ 82,250	\$ 1,110,494	\$ 8,101,711
Change in accrued compensated absences	1,292	28,850	-	7,068	12,179
Loan repayments/bond principal	-	-	-	-	(4,331,160)
Capital outlay	-	-	-	-	(402,802)
Depreciation	-	-	-	-	379,226
Amortization/bond issue costs	-	-	-	-	(11,425)
Loss on disposal of assets	-	-	-	-	1,684
Budgetary transfer	-	(164,662)	-	(69,556)	(86,700)
<i>Per GAAP Basis</i>	<u>\$ 3,266,686</u>	<u>\$ 2,380,160</u>	<u>\$ 82,250</u>	<u>\$ 1,048,006</u>	<u>\$ 3,662,713</u>

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 1996

OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the general purpose financial statements, of certain information concerning individual funds including:

A. Individual fund interfund receivable and payable balances at June 30, 1996 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 23,657	\$ -
Intergovernmental Fund	-	22,590
Urban Renewal Fund	136,190	-
NW Urban Renewal Fund	-	224,245
Capital Projects Fund	<u>88,055</u>	<u>1,067</u>
Totals	<u>\$ 247,902</u>	<u>\$ 247,902</u>

B. Interfund transfers in exceeded interfund transfers out on a budgetary basis by \$533,294 due to the City's cost allocation method. Over expenditures of transfers out on a budgetary basis do not constitute a violation of local budget law, as the budget is adopted on a department basis.

INSURANCE RESERVES

For the past several years, the City has been setting aside funds in an insurance reserve account to use for self insurance against various risks. The deductibles on most city policies range from \$1,000 to \$5,000. However, the greatest portion of the reserve is set aside to meet the deductible on the earthquake policy, which is \$100,000. In addition, from time to time, when special expenditures are needed for safety reasons, funds from this reserve are used. Examples are replacement of 4 wheel office chairs with required 5 wheel chairs and improvements to make work stations ergonomically correct. All expenditures are made in accordance with Oregon Local Budget Law.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

GENERAL FUND

The General Fund accounts for financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and State shared revenues. Primary expenditures are for police protection and general administration.

CITY OF LEBANON, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 1996**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 1,909,523	\$ 1,984,417	\$ -	\$ 1,984,417
Licenses and permits	399,500	444,738	-	444,738
Fines and forfeitures	141,500	176,977	-	176,977
Intergovernmental	164,000	175,694	-	175,694
Charges for services	500	23,072	-	23,072
Miscellaneous	101,770	88,722	-	88,722
<i>Total Revenues</i>	2,716,793	2,893,620	-	2,893,620
EXPENDITURES				
Administration	198,575	184,393	1,292	185,685
City attorney	25,256	24,600	-	24,600
Public works	28,048	28,048	-	28,048
Parks	262,594	216,092	-	216,092
Finance	84,341	83,077	-	83,077
Legislative	13,521	11,628	-	11,628
Library	218,376	214,340	-	214,340
Municipal court	212,296	211,143	-	211,143
Police	1,609,068	1,576,752	-	1,576,752
Senior services	103,422	103,390	-	103,390
Nondepartmental	326,276	222,411	-	222,411
<i>Total Expenditures</i>	3,081,773	2,875,874	1,292	2,877,166
Excess (deficiency) of revenues over expenditures	(364,980)	17,746	(1,292)	16,454
OTHER FINANCING SOURCES (USES)				
Loan proceeds	300,000	300,000	-	300,000
Transfers in	29,500	31,838	-	31,838
Transfers out	(89,520)	(89,520)	-	(89,520)
Loan repayment	(300,000)	(300,000)	-	(300,000)
<i>Total Other Financing Sources (Uses)</i>	(60,020)	(57,682)	-	(57,682)
Excess (deficiency) of revenues and other financing sources over (under) expendi- tures and other financing uses	(425,000)	(39,936)	(1,292)	(41,228)
FUND BALANCE, Beginning of year	<u>475,000</u>	<u>544,530</u>	<u>(47,528)</u>	<u>497,002</u>
FUND BALANCE, End of year	<u>\$ 50,000</u>	<u>\$ 504,594</u>	<u>\$ (48,820)</u>	<u>\$ 455,774</u>

SPECIAL REVENUE FUNDS

These funds account for revenues designated for specific purposes, including state grants which are legally restricted to finance particular functions or activities. The City's special revenue funds include the following:

- Intergovernmental Fund
- Urban Renewal District Fund
- NW Urban Renewal District Fund

CITY OF LEBANON, OREGON
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
JUNE 30, 1996

	<u>Inter- governmental Fund</u>	<u>Urban Renewal Fund</u>	<u>NW Urban Renewal Fund</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 586,999	\$ 1,416,032	\$ 76,034	\$ 2,079,065
Receivables				
Property taxes	-	23,839	12,469	36,308
Accounts	176,640	3,679	2,487	182,806
Special assessments/loans	630,700	-	-	630,700
Other funds	-	136,190	-	136,190
	<u>-</u>	<u>136,190</u>	<u>-</u>	<u>136,190</u>
<i>Total Assets</i>	<u>\$ 1,394,339</u>	<u>\$ 1,579,740</u>	<u>\$ 90,990</u>	<u>\$ 3,065,069</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 77,212	\$ 7,666	\$ 46,969	\$ 131,847
Compensated absences payable	10,282	963	855	12,100
Due to other funds	22,590	-	224,245	246,835
Deferred revenues	630,746	23,839	12,469	667,054
	<u>630,746</u>	<u>23,839</u>	<u>12,469</u>	<u>667,054</u>
<i>Total Liabilities</i>	740,830	32,468	284,538	1,057,836
Fund Balances				
Reserved for claims	36,278	-	-	36,278
Unreserved, undesignated (deficit)	617,231	1,547,272	(193,548)	1,970,955
	<u>617,231</u>	<u>1,547,272</u>	<u>(193,548)</u>	<u>1,970,955</u>
<i>Total Fund Balance</i>	<u>653,509</u>	<u>1,547,272</u>	<u>(193,548)</u>	<u>2,007,233</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,394,339</u>	<u>\$ 1,579,740</u>	<u>\$ 90,990</u>	<u>\$ 3,065,069</u>

CITY OF LEBANON, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 1996**

	<i>Inter- governmental Fund</i>	<i>Urban Renewal Fund</i>	<i>NW Urban Renewal Fund</i>	<i>Total</i>
REVENUES				
Taxes and assessments	\$ 8,859	\$ 183,648	\$ 205,646	\$ 398,153
Fines and forfeitures	-	-	-	-
Licenses and permits	190,070	-	-	190,070
Intergovernmental	926,495	-	-	926,495
Miscellaneous	<u>135,343</u>	<u>98,370</u>	<u>8,168</u>	<u>241,881</u>
<i>Total Revenues</i>	1,260,767	282,018	213,814	1,756,599
EXPENDITURES				
Personnel services	489,164	27,439	9,724	526,327
Materials and services	695,108	11,180	197,837	904,125
Capital outlay	216,397	229,885	228,168	674,450
Debt service	<u>-</u>	<u>144,663</u>	<u>-</u>	<u>144,663</u>
<i>Total Expenditures</i>	<u>1,400,669</u>	<u>413,167</u>	<u>435,729</u>	<u>2,249,565</u>
Excess (deficiency) of revenues over expenditures	(139,902)	(131,149)	(221,915)	(492,966)
OTHER FINANCING SOURCES (USES)				
Transfers in	336,251	-	-	336,251
Transfers out	<u>(125,814)</u>	<u>(3,541)</u>	<u>(1,240)</u>	<u>(130,595)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>210,437</u>	<u>(3,541)</u>	<u>(1,240)</u>	<u>205,656</u>
Excess (deficiency) of revenues and other financing sources over (under) expendi- tures and other financing uses	70,535	(134,690)	(223,155)	(287,310)
FUND BALANCE, Beginning of year	<u>546,696</u>	<u>1,681,962</u>	<u>29,607</u>	<u>2,258,265</u>
FUND BALANCE (DEFICIT), End of year	<u>\$ 617,231</u>	<u>\$ 1,547,272</u>	<u>\$ (193,548)</u>	<u>\$ 1,970,955</u>

CITY OF LEBANON, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND

YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		
		<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
REVENUES				
Taxes and assessments	\$ 12,000	\$ 8,859	\$	\$ 8,859
Fines and forfeitures	-	-		-
Licenses and permits	144,000	190,070		190,070
Intergovernmental	2,533,150	926,495		926,495
Miscellaneous	50,282	135,343		135,343
<i>Total Revenues</i>	<u>2,739,432</u>	<u>1,260,767</u>	<u>-</u>	<u>1,260,767</u>
EXPENDITURES				
ADA Requirements	197,000	9,931		9,931
Motel Tax	10,850	8,160		8,160
Santiam Travel Station	370,600	33,163		33,163
OTSC Grant	258	-		-
Building Inspections	172,500	123,993	605	124,598
Special Events	4,700	-		-
Park Enterprise	23,882	3,519	23	3,542
Park Grant	20,000	-		-
Century Park Grant	12,000	11,813		11,813
GIS	246,000	70,992		70,992
USFS Grant Cheadle	60,000	57,155		57,155
US Forest Service Grant	100,000	-		-
Farm Home Administration Grant	350,000	20,863		20,863
SPWF Grant and Loan	680,000	64,096		64,096
Sidewalk and Bikepath	112,000	71,085	(42)	71,043
Engineering Development	36,330	20,097	405	20,502
Streets	558,978	460,621	1,362	461,983
Storm Drains	61,752	61,752	2,123	63,875
911 Communications	34,000	-		-
Civil Forfeitures	6,050	2,470		2,470
Federal Communication Policing	58,620	49,462	1,763	51,225
Dial-A-Bus	51,820	45,824	(86)	45,738
FAU Streets	130,020	62,117	(72)	62,045
Historic Resources	-	4		4
LCDC Planning	10,100	-		-
TGM-UGM Grant	8,500	-		-
1983-84 Rehabilitation	31,285	31,284	21,290	52,574
85-86 Housing Rehabilitation	33,750	25,896		25,896
Gills Landings	5,399	3,178	30	3,208
1994 Housing Rehabilitation Grant	225,000	127,933		127,933
1996 Housing Rehabilitation Grant	294,000	7,860		7,860
<i>Total Expenditures</i>	<u>3,905,394</u>	<u>1,373,268</u>	<u>27,401</u>	<u>1,400,669</u>
Excess (deficiency) of revenues over expenditures	(1,165,962)	(112,501)	(27,401)	(139,902)
OTHER FINANCING SOURCES (USES)				
Transfers in	325,712	336,251	-	336,251
Transfers out	(144,292)	(154,286)	28,472	(125,814)
<i>Total Other Financing Sources (Uses)</i>	<u>181,420</u>	<u>181,965</u>	<u>28,472</u>	<u>210,437</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(984,542)	69,464	1,071	70,535
FUND BALANCE, Beginning of year	<u>598,542</u>	<u>580,640</u>	<u>(33,944)</u>	<u>546,696</u>
FUND BALANCE, End of year	<u>\$ (386,000)</u>	<u>\$ 650,104</u>	<u>\$ (32,873)</u>	<u>\$ 617,231</u>

CITY OF LEBANON, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL - URBAN RENEWAL FUND

YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 163,213	\$ 183,648	\$ -	\$ 183,648
Miscellaneous	<u>41,550</u>	<u>98,370</u>	<u>-</u>	<u>98,370</u>
<i>Total Revenues</i>	204,763	282,018	-	282,018
EXPENDITURES				
Urban renewal	1,175,827	267,898	606	268,504
Urban renewal debt service	144,663	144,663	-	144,663
Operating contingency	<u>461,160</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>1,781,650</u>	<u>412,561</u>	<u>606</u>	<u>413,167</u>
Excess (deficiency) of revenues over expenditures	(1,576,887)	(130,543)	(606)	(131,149)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,540)</u>	<u>(139,731)</u>	<u>136,190</u>	<u>(3,541)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,580,427)	(270,274)	135,584	(134,690)
FUND BALANCE, Beginning of year	<u>1,613,427</u>	<u>1,682,317</u>	<u>(355)</u>	<u>1,681,962</u>
FUND BALANCE, End of year	<u>\$ 33,000</u>	<u>\$ 1,412,043</u>	<u>\$ 135,229</u>	<u>\$ 1,547,272</u>

CITY OF LEBANON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - NW URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 194,902	\$ 205,646	\$ -	\$ 205,646
Intergovernmental	1,543,000	-	-	-
Miscellaneous	<u>1,500</u>	<u>8,168</u>	<u>-</u>	<u>8,168</u>
<i>Total Revenues</i>	1,739,402	213,814	-	213,814
EXPENDITURES				
Personnel services	10,110	8,881	843	9,724
Materials and services	234,594	197,837	-	197,837
Capital outlay	<u>1,555,458</u>	<u>228,168</u>	<u>-</u>	<u>228,168</u>
<i>Total Expenditures</i>	<u>1,800,162</u>	<u>434,886</u>	<u>843</u>	<u>435,729</u>
Excess (deficiency) of revenues over expenditures	(60,760)	(221,072)	(843)	(221,915)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	203,563	(203,563)	-
Transfers out	<u>(1,240)</u>	<u>(1,240)</u>	<u>-</u>	<u>(1,240)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,240)</u>	<u>202,323</u>	<u>(203,563)</u>	<u>(1,240)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(62,000)	(18,749)	(204,406)	(223,155)
FUND BALANCE, Beginning of year	<u>62,000</u>	<u>29,619</u>	<u>(12)</u>	<u>29,607</u>
FUND BALANCE(DEFICIT), End of year	<u>\$ -</u>	<u>\$ 10,870</u>	<u>\$ (204,418)</u>	<u>\$ (193,548)</u>

DEBT SERVICE FUNDS

These funds account for the payment of principal and interest on long-term debt. The principal sources of revenue are property taxes and collections on assessments. The City's debt service funds include the following:

- Debt Service Fund
- Bancroft Bond Fund

CITY OF LEBANON, OREGON
COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS
JUNE 30, 1996

	<u>Debt Service Fund</u>	<u>Bancroft Bond Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 262,329	\$ 170,408	\$ 432,737
Receivables			
Property taxes	4,429	-	4,429
Accounts	578	22	600
Special assessments/loans	<u>-</u>	<u>49,793</u>	<u>49,793</u>
<i>Total Assets</i>	<u>\$ 267,336</u>	<u>\$ 220,223</u>	<u>\$ 487,559</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenues	\$ 4,429	\$ 49,793	\$ 54,222
 Fund Balances			
Undesignated, unreserved	<u>262,907</u>	<u>170,430</u>	<u>433,337</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 267,336</u>	<u>\$ 220,223</u>	<u>\$ 487,559</u>

CITY OF LEBANON, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 1996

	<u>Debt Service Fund</u>	<u>Bancroft Bond Fund</u>	<u>Total</u>
REVENUES			
Taxes and assessments	\$ 13,650	\$ 32,230	\$ 45,879
Miscellaneous	<u>167,341</u>	<u>9,343</u>	<u>176,685</u>
<i>Total Revenues</i>	180,991	41,573	222,564
EXPENDITURES			
Materials and services	-	405	405
Debt service	<u>51,750</u>	<u>26,792</u>	<u>78,542</u>
<i>Total Expenditures</i>	<u>51,750</u>	<u>27,197</u>	<u>78,947</u>
Excess of revenues over expenditures	129,241	14,376	143,617
OTHER FINANCING SOURCES (USES)			
Transfers in	92,000	1,103	93,103
Transfers out	<u>-</u>	<u>(3,303)</u>	<u>(3,303)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>92,000</u>	<u>(2,200)</u>	<u>89,800</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	221,241	12,176	233,417
FUND BALANCES, Beginning of year	<u>41,666</u>	<u>158,254</u>	<u>199,920</u>
FUND BALANCES, End of year	<u>\$ 262,907</u>	<u>\$ 170,430</u>	<u>\$ 433,337</u>

CITY OF LEBANON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		
		<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
REVENUES				
Taxes and assessments	\$ 10,350	\$ 13,650	\$ -	\$ 13,650
Miscellaneous	<u>175,400</u>	<u>167,341</u>	<u>-</u>	<u>167,341</u>
<i>Total Revenues</i>	185,750	180,991	-	180,991
EXPENDITURES				
Debt service	<u>69,250</u>	<u>51,750</u>	<u>-</u>	<u>51,750</u>
Excess of revenues over expenditures	116,500	129,241	-	129,241
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>92,000</u>	<u>92,000</u>	<u>-</u>	<u>92,000</u>
Excess of revenues over other financing sources over expenditures	208,500	221,241	-	221,241
FUND BALANCE, Beginning of year	<u>41,000</u>	<u>41,666</u>	<u>-</u>	<u>41,666</u>
FUND BALANCE, End of year	<u>\$ 249,500</u>	<u>\$ 262,907</u>	<u>\$ -</u>	<u>\$ 262,907</u>

CITY OF LEBANON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - BANCROFT BOND FUND
YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		
		<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
REVENUES				
Taxes and assessments	\$ 26,300	\$ 32,230	\$ -	\$ 32,230
Miscellaneous	<u>5,900</u>	<u>9,343</u>	<u>-</u>	<u>9,343</u>
<i>Total Revenues</i>	32,200	41,573	-	41,573
EXPENDITURES				
Materials and services	5,400	405	-	405
Debt service	26,792	26,792	-	26,792
Operating contingency	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>33,192</u>	<u>27,197</u>	<u>-</u>	<u>27,197</u>
Excess (deficiency) of revenues over expenditures	(992)	14,376	-	14,376
OTHER FINANCING SOURCES (USES)				
Transfers in	4,800	1,103	-	1,103
Transfers out	<u>(8,300)</u>	<u>(3,303)</u>	<u>-</u>	<u>(3,303)</u>
<i>Total Other Financing Sources (Uses)</i>	(3,500)	(2,200)	-	(2,200)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(4,492)	12,176	-	12,176
FUND BALANCE, Beginning of year	<u>158,800</u>	<u>158,254</u>	<u>-</u>	<u>158,254</u>
FUND BALANCE, End of year	<u>\$ 154,308</u>	<u>\$ 170,430</u>	<u>\$ -</u>	<u>\$ 170,430</u>

CAPITAL PROJECTS FUND

This fund accounts for the accumulation and expenditure of resources for capital construction projects. Intergovernmental revenues and transfers from other funds are the primary sources of revenue. The City has only one capital projects fund.

CITY OF LEBANON, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 145,550	\$ 129,788	\$ -	\$ 129,788
Intergovernmental	209,500	179,111	-	179,111
Miscellaneous	165,030	156,765	-	156,765
<i>Total Revenues</i>	<u>520,080</u>	<u>465,664</u>	<u>-</u>	<u>465,664</u>
EXPENDITURES				
Equipment acquisition	561,921	106,836	-	106,836
Historic restoration	3,300	1,117	-	1,117
Pioneer cemetery	700	675	-	675
DARE	15,900	7,721	-	7,721
Police	2,400	2,367	650	3,017
Library	9,300	2,318	-	2,318
Library/Senior center	115,800	329	-	329
Senior services	62,180	7,378	-	7,378
Streets	350,850	98,658	165	98,823
Streets capital projects	212,300	-	-	-
Allocable costs	462,160	431,955	3,778	435,733
SDC drainage	12,150	253	-	253
Restricted SDC drainage	106,540	8,350	320	8,670
SDC drainage improvements	10,100	155	-	155
SDC park	16,050	15,425	-	15,425
Restructed SDC park	36,110	26,564	320	26,884
SDC Park improvements	15,800	65	-	65
SDC wastewater	345,400	7,807	-	7,807
Restricted SDC wastewater	98,060	24,108	690	24,798
SDC wastewater improvements	35,500	-	-	-
SDC wastewater reimbursements	7,000	-	-	-
SDC streets	17,500	25	-	25
Restricted SDC streets	96,380	21,640	603	22,243
SDC streets improvements	65,500	-	-	-
SDC water	31,500	30,459	-	30,459
Restricted SDC water	57,910	28,023	542	28,565
SDC water improvements	38,500	-	-	-
SDC water reimbursements	3,000	-	-	-
<i>Total Expenditures</i>	<u>2,789,811</u>	<u>822,228</u>	<u>7,068</u>	<u>829,296</u>
Excess (deficiency) of revenues over expenditures	(2,269,731)	(356,564)	(7,068)	(363,632)
OTHER FINANCING SOURCES (USES)				
Transfers in	613,120	544,885	-	544,885
Transfers out	(218,710)	(288,266)	69,556	(218,710)
<i>Total Other Financing Sources (Uses)</i>	<u>394,410</u>	<u>256,619</u>	<u>69,556</u>	<u>326,175</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,875,321)	(99,945)	62,488	(37,457)
FUND BALANCE, Beginning of year	<u>1,876,379</u>	<u>1,840,699</u>	* (9,431)	<u>1,831,268</u>
FUND BALANCE, End of year	<u>\$ 1,058</u>	<u>\$ 1,740,754</u>	<u>\$ 53,057</u>	<u>\$ 1,793,811</u>

ENTERPRISE FUND

The City's enterprise fund accounts for the operation of the City's water and wastewater utility system. User charges are the primary source of revenue. Expenditure are primarily for personal services and system operating expenses.

CITY OF LEBANON, OREGON

COMBINING BALANCE SHEET - ENTERPRISE FUND - ALL DEPARTMENTS - GAAP BASIS

JUNE 30, 1996

	<u>Water</u>	<u>Water CIP</u>	<u>Small Water Line</u>	<u>Wastewater</u>
ASSETS AND OTHER DEBITS				
<i>Assets</i>				
Cash and investments	\$ 878,251	\$ 776,709	\$ 317,588	\$ 704,765
Receivables				
Property taxes	-	-	-	760
Accounts	241,551	-	-	145,436
Prepaid expenses	585	-	-	585
Fixed assets	7,125,593	554,421	-	9,816,989
Accumulated depreciation	(1,624,130)	(9,451)	-	(2,323,421)
<i>Total Assets and Other Debits</i>	<u>\$ 6,621,850</u>	<u>\$ 1,321,679</u>	<u>\$ 317,588</u>	<u>\$ 8,345,114</u>
 LIABILITIES, EQUITY AND OTHER CREDITS				
<i>Liabilities</i>				
Accounts payable	\$ 39,449	\$ 3,681	\$ -	\$ 21,058
Deposits	32,564	-	-	-
Loan payable	-	-	-	22,107
Bonds payable	-	3,505,000	-	-
Bond discount	-	(137,157)	-	-
Paid absences and deferred compensation payable	<u>61,657</u>	<u>650</u>	<u>-</u>	<u>52,991</u>
<i>Total Liabilities</i>	133,670	3,372,174	-	96,156
 <i>Equity and Other Credits</i>				
Contributed capital	6,333,356	(2,222,545)	301,694	9,191,851
Retained earnings (deficit)	124,449	172,050	15,894	(960,163)
Reserved for claims	<u>30,375</u>	<u>-</u>	<u>-</u>	<u>17,270</u>
<i>Total Equity and Other Credits</i>	<u>6,488,180</u>	<u>(2,050,495)</u>	<u>317,588</u>	<u>8,248,958</u>
 <i>Total Liabilities, Equity, and Other Credits</i>	 <u>\$ 6,621,850</u>	 <u>\$ 1,321,679</u>	 <u>\$ 317,588</u>	 <u>\$ 8,345,114</u>

<i>Wastewater CIP</i>	<i>Railroad</i>	<i>Total</i>
\$ 2,891,476	\$ 3,025	\$ 5,571,814
-	-	760
-	-	386,987
-	-	1,170
613,332	1,482	18,111,817
(5,916)	(888)	(3,963,806)
<u>\$ 3,498,892</u>	<u>\$ 3,619</u>	<u>\$ 20,108,742</u>

\$ 1,181	\$ 11	\$ 65,380
-	-	32,564
-	-	22,107
4,655,000	-	8,160,000
(116,432)	-	(253,589)
<u>1,643</u>	<u>-</u>	<u>116,941</u>
4,541,392	11	8,143,403
(1,697,013)	21,150	11,928,493
654,513	(17,542)	(10,799)
<u>-</u>	<u>-</u>	<u>47,645</u>
<u>(1,042,500)</u>	<u>3,608</u>	<u>11,965,339</u>
<u>\$ 3,498,892</u>	<u>\$ 3,619</u>	<u>\$ 20,108,742</u>

CITY OF LEBANON, OREGON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN RETAINED EARNINGS - ALL ENTERPRISE FUND - ALL DEPARTMENTS - GAAP BASIS

YEAR ENDED JUNE 30, 1996

	<u>Water</u>	<u>Water CIP</u>	<u>Small Water Line</u>
REVENUES			
Charges for services	\$ 1,762,891	\$ -	\$ -
Miscellaneous	<u>120,908</u>	<u>45,030</u>	<u>15,894</u>
<i>Total Revenues</i>	1,883,799	45,030	15,894
EXPENDITURES			
Personnel services	397,215	-	-
Materials and services	527,135	5,485	-
Capital outlay/depreciation	200,365	-	-
Debt service	<u>297,754</u>	<u>194,473</u>	<u>-</u>
<i>Total Expenditures</i>	<u>1,422,469</u>	<u>199,958</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	461,330	(154,928)	15,894
OTHER FINANCING SOURCES (USES)			
Transfers in	-	249,549	-
Transfers out	(291,629)	-	-
Loss on disposal of assets	<u>(697)</u>	<u>-</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(292,326)</u>	<u>249,549</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	169,004	94,621	15,894
RETAINED EARNINGS (DEFICIT),			
<i>Beginning of year</i>	<u>(44,555)</u>	<u>77,429</u>	<u>-</u>
RETAINED EARNINGS (DEFICIT),			
<i>End of year</i>	<u>\$ 124,449</u>	<u>\$ 172,050</u>	<u>\$ 15,894</u>

<u>Wastewater</u>	<u>Wastewater CIP</u>	<u>Railroad</u>	<u>Totals</u>
\$ 1,371,526	\$ -	\$ -	\$ 3,134,417
<u>37,105</u>	<u>167,954</u>	<u>177</u>	<u>387,068</u>
1,408,631	167,954	177	3,521,485
250,762	-	-	647,977
575,095	6,613	156	1,114,484
178,478	235	148	379,226
<u>2,056</u>	<u>281,000</u>	<u>-</u>	<u>775,283</u>
<u>1,006,391</u>	<u>287,848</u>	<u>304</u>	<u>2,916,970</u>
402,240	(119,894)	(127)	604,515
-	389,000	-	638,549
(452,430)	-	-	(744,059)
<u>(987)</u>	<u>-</u>	<u>-</u>	<u>(1,684)</u>
<u>(453,417)</u>	<u>389,000</u>	<u>-</u>	<u>(107,194)</u>
(51,177)	269,106	(127)	497,321
<u>(908,986)</u>	<u>385,407</u>	<u>(17,415)</u>	<u>(508,120)</u>
<u>\$ (960,163)</u>	<u>\$ 654,513</u>	<u>\$ (17,542)</u>	<u>\$ (10,799)</u>

CITY OF LEBANON, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

RETAINED EARNINGS - BUDGET AND ACTUAL - ENTERPRISE FUND - ALL DEPARTMENTS

YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Charges for services	\$ 3,079,000	\$ 3,120,905	\$ 13,512	\$ 3,134,417
Miscellaneous	<u>248,580</u>	<u>408,079</u>	<u>(21,011)</u>	<u>387,068</u>
<i>Total Revenues</i>	3,327,580	3,528,984	(7,499)	3,521,485
EXPENDITURES				
Personnel services	761,320	635,798	12,179	647,977
Materials and services	1,344,496	1,125,909	(11,425)	1,114,484
Capital outlay/depreciation	1,363,750	402,802	(23,576)	379,226
Debt service	<u>6,745,287</u>	<u>5,106,443</u>	<u>(5,106,443)</u>	<u>-</u>
<i>Total Expenditures</i>	<u>10,214,853</u>	<u>7,270,952</u>	<u>(5,129,265)</u>	<u>2,141,687</u>
Excess (deficiency) of revenues over expenditures	(6,887,273)	(3,741,968)	5,121,766	1,379,798
OTHER FINANCING SOURCES (USES)				
Interest expense	-	-	(775,283)	(775,283)
Transfers in	638,549	638,549	-	638,549
Transfers out	(830,759)	(830,759)	86,700	(744,059)
Loss on disposal of assets	-	-	(1,684)	(1,684)
Bond proceeds	<u>4,310,000</u>	<u>4,307,549</u>	<u>(4,307,549)</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>4,117,790</u>	<u>4,115,339</u>	<u>(4,997,816)</u>	<u>(882,477)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,769,483)	373,371	123,950	497,321
RETAINED EARNINGS (DEFICIT),				
<i>Beginning of year</i>	<u>5,394,970</u>	<u>5,086,711</u>	<u>(5,594,831)</u>	<u>(508,120)</u>
RETAINED EARNINGS (DEFICIT),				
<i>End of year</i>	<u>\$ 2,625,487</u>	<u>\$ 5,460,082</u>	<u>\$ (5,470,881)</u>	<u>\$ (10,799)</u>

CITY OF LEBANON, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL - WATER DEPARTMENT
YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Charges for services	\$ 1,675,000	\$ 1,755,366	\$ 7,525	\$ 1,762,891
Miscellaneous	86,500	141,919	(21,011)	120,908
<i>Total Revenues</i>	1,761,500	1,897,285	(13,486)	1,883,799
EXPENDITURES				
Personnel services	400,069	388,914	8,301	397,215
Materials and services	690,088	550,658	(23,523)	527,135
Capital outlay/depreciation	134,925	32,319	168,046	200,365
Other requirements	4,874,178	4,477,754	(4,180,000)	297,754
<i>Total Expenditures</i>	6,099,260	5,449,645	(4,027,176)	1,422,469
Excess (deficiency) of revenues over expenditures	(4,337,760)	(3,552,360)	4,013,690	461,330
OTHER FINANCING SOURCES (USES)				
Transfers out	(291,629)	(291,629)	-	(291,629)
Loss on disposal of assets	-	-	(697)	(697)
Bond proceeds	4,310,000	4,005,855	(4,005,855)	-
<i>Total Other Financing Sources (Uses)</i>	4,018,371	3,714,226	(4,006,552)	(292,326)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(319,389)	161,866	7,138	169,004
RETAINED EARNINGS (DEFICIT),				
<i>Beginning of year</i>	640,000	647,149	(691,704)	(44,555)
RETAINED EARNINGS, End of year	<u>\$ 320,611</u>	<u>\$ 809,015</u>	<u>\$ (684,566)</u>	<u>\$ 124,449</u>

CITY OF LEBANON, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 1996**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 30,000	\$ 45,030	\$ -	\$ 45,030
EXPENDITURES				
Personnel services	36,253	-	-	-
Materials and services	63,039	-	5,485	5,485
Capital outlay/depreciation	534,400	163,901	(163,901)	-
Other requirements	<u>608,007</u>	<u>249,473</u>	<u>(55,000)</u>	<u>194,473</u>
<i>Total Expenditures</i>	<u>1,241,699</u>	<u>413,374</u>	<u>(213,416)</u>	<u>199,958</u>
Excess (deficiency) of revenues over expenditures	(1,211,699)	(368,344)	213,416	(154,928)
OTHER FINANCING SOURCES (USES)				
Transfers in	249,549	249,549	-	249,549
Transfers out	<u>(37,850)</u>	<u>(37,850)</u>	<u>37,850</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>211,699</u>	<u>211,699</u>	<u>37,850</u>	<u>249,549</u>
Excess (deficiency) of revenues and other financing sources over (under) expendi- tures and other financing uses	(1,000,000)	(156,645)	251,266	94,621
RETAINED EARNINGS, Beginning of year	<u>1,000,000</u>	<u>929,672</u>	<u>(852,243)</u>	<u>77,429</u>
RETAINED EARNINGS, End of year	<u>\$ -</u>	<u>\$ 773,027</u>	<u>\$ (600,977)</u>	<u>\$ 172,050</u>

CITY OF LEBANON, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - SMALL WATER LINE
YEAR ENDED JUNE 30, 1996**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ -	\$ 15,894	\$ -	\$ 15,894
EXPENDITURES				
Personnel services	-	-	-	-
Materials and services	-	-	-	-
Capital outlay/depreciation	-	-	-	-
Other requirements	-	-	-	-
<i>Total Expenditures</i>	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	15,894	-	15,894
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	301,694	(301,694)	-
Excess (deficiency) of revenues and other financing sources over (under) expendi- tures and other financing uses	-	317,588	(301,694)	15,894
RETAINED EARNINGS, Beginning of year	-	-	-	-
RETAINED EARNINGS, End of year	<u>\$ -</u>	<u>\$ 317,588</u>	<u>\$ (301,694)</u>	<u>\$ 15,894</u>

CITY OF LEBANON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED
EARNINGS - BUDGET AND ACTUAL - WASTEWATER DEPARTMENT
YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP</u> <u>Basis</u>
		<u>Budget</u> <u>Basis</u>	<u>Adjustments</u>	
REVENUES				
Charges for services	\$ 1,404,000	\$ 1,365,539	\$ 5,987	\$ 1,371,526
Miscellaneous	<u>32,000</u>	<u>37,105</u>	<u>-</u>	<u>37,105</u>
<i>Total Revenues</i>	1,436,000	1,402,644	5,987	1,408,631
EXPENDITURES				
Personnel services	276,469	246,884	3,878	250,762
Materials and services	585,182	575,095	-	575,095
Capital outlay/depreciation	58,425	51,126	127,352	178,478
Other requirements	<u>234,216</u>	<u>3,216</u>	<u>(1,160)</u>	<u>2,056</u>
<i>Total Expenditures</i>	<u>1,154,292</u>	<u>876,321</u>	<u>130,070</u>	<u>1,006,391</u>
Excess (deficiency) of revenues over expenditures	281,708	526,323	(124,083)	402,240
OTHER FINANCING SOURCES (USES)				
Transfers out	(452,430)	(452,430)	-	(452,430)
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>(987)</u>	<u>(987)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(452,430)</u>	<u>(452,430)</u>	<u>(987)</u>	<u>(453,417)</u>
Excess (deficiency) of revenues and other financing sources over (under) expendi- tures and other financing uses	(170,722)	73,893	(125,070)	(51,177)
RETAINED EARNINGS (DEFICIT),				
<i>Beginning of year</i>	<u>540,000</u>	<u>593,250</u>	<u>(1,502,236)</u>	<u>(908,986)</u>
RETAINED EARNINGS (DEFICIT),				
<i>End of year</i>	<u>\$ 369,278</u>	<u>\$ 667,143</u>	<u>\$ (1,627,306)</u>	<u>\$ (960,163)</u>

CITY OF LEBANON, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL - WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 1996**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 100,000	\$ 167,954	\$ -	\$ 167,954
EXPENDITURES				
Personnel services	48,529	-	-	-
Materials and services	3,137	-	6,613	6,613
Capital outlay/depreciation	636,000	155,456	(155,221)	235
Other requirements	<u>1,028,886</u>	<u>376,000</u>	<u>(95,000)</u>	<u>281,000</u>
<i>Total Expenditures</i>	<u>1,716,552</u>	<u>531,456</u>	<u>(243,608)</u>	<u>287,848</u>
Excess (deficiency) of revenues over expenditures	(1,616,552)	(363,502)	243,608	(119,894)
OTHER FINANCING SOURCES (USES)				
Transfers in	389,000	389,000	-	389,000
Transfers out	(48,850)	(48,850)	48,850	-
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>340,150</u>	<u>340,150</u>	<u>48,850</u>	<u>389,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,276,402)	(23,352)	292,458	269,106
RETAINED EARNINGS, Beginning of year	<u>3,212,000</u>	<u>2,913,647</u>	<u>(2,528,240)</u>	<u>385,407</u>
RETAINED EARNINGS, End of year	<u>\$ 1,935,598</u>	<u>\$ 2,890,295</u>	<u>\$ (2,235,782)</u>	<u>\$ 654,513</u>

CITY OF LEBANON, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL - RAILROAD DEPARTMENT
YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 80	\$ 177	\$ -	\$ 177
EXPENDITURES				
Materials and services	3,050	156	-	156
Capital outlay/depreciation	<u>-</u>	<u>-</u>	<u>148</u>	<u>148</u>
<i>Total Expenditures</i>	<u>3,050</u>	<u>156</u>	<u>148</u>	<u>304</u>
Excess (deficiency) of revenues over expenditures	(2,970)	21	(148)	(127)
RETAINED EARNINGS (DEFICIT), Beginning of year	<u>2,970</u>	<u>2,993</u>	<u>(20,408)</u>	<u>(17,415)</u>
RETAINED EARNINGS (DEFICIT), End of year	<u>\$ -</u>	<u>\$ 3,014</u>	<u>\$ (20,556)</u>	<u>\$ (17,542)</u>

TRUST AND AGENCY FUNDS

Resources held in trust for third parties are accounted for in the City's trust fund. Resources set aside to pay deferred compensation payable are accounted for in the City's agency fund.

CITY OF LEBANON, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - TRUST FUND
YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Fines and forfeitures	\$ 121,000	\$ 79,663	\$ -	\$ 79,663
Miscellaneous	-	65,155	-	65,155
<i>Total Revenues</i>	121,000	144,818	-	144,818
EXPENDITURES				
Materials and services	121,000	152,074	-	152,074
Excess (deficiency) of revenues over expenditures	-	(7,256)	-	(7,256)
FUND BALANCE (DEFICIT), Beginning of year	-	(6,431)	-	(6,431)
FUND BALANCE (DEFICIT), End of year	\$ -	\$ (13,687)	\$ -	\$ (13,687)

CITY OF LEBANON, OREGON
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEFERRED COMPENSATION AGENCY FUND
YEAR ENDED JUNE 30, 1996

	<i>Balance July 1, 1995</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 1996</i>
ASSETS				
Cash and investments	<u>\$ 423,615</u>	<u>\$ 123,836</u>	<u>\$ -</u>	<u>\$ 547,451</u>
LIABILITIES				
Deferred compensation payable	<u>\$ 423,615</u>	<u>\$ 123,836</u>	<u>\$ -</u>	<u>\$ 547,451</u>

SUPPLEMENTAL INFORMATION

CITY OF LEBANON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 1996

<u>Tax Year</u>	<u>Taxes Receivable July 1, 1995</u>	<u>Levy</u>	<u>Discounts and Adjustments</u>	<u>Total Collections</u>	<u>Taxes Receivable June 30, 1996</u>
1995-96	\$ -	\$ 2,450,313	\$ (76,494)	\$ 2,253,584	\$ 120,235
Prior years	<u>233,959</u>	<u>-</u>	<u>23,806</u>	<u>142,361</u>	<u>115,404</u>
<i>Totals</i>	<u>\$ 233,959</u>	<u>\$ 2,450,313</u>	<u>\$ (52,688)</u>	<u>\$ 2,395,945</u>	<u>\$ 235,639</u>

Summary of taxes receivable by fund

General Fund	\$ 194,142
Debt Service Fund	4,429
Urban Renewal Fund	23,839
NW Urban Renewal Fund	12,469
Enterprise Fund	<u>760</u>
	<u>\$ 235,639</u>

CITY OF LEBANON, OREGON
SCHEDULE OF BOND TRANSACTIONS
YEAR ENDED JUNE 30, 1996

<u>Issue</u>	<u>Date of Issue</u>	<u>Interest Rate</u>		<u>Outstanding July 1, 1995</u>	
		<u>From</u>	<u>To</u>	<u>Matured</u>	<u>Unmatured</u>
Bancroft Improvement 1990	10/01/90	6.000%	12.000%	\$ -	\$ 60,000
General Obligation					
Sewage treatment	12/01/75	4.250	7.000	-	50,000
General obligation	03/01/94	3.000	6.000	-	1,240,000
Refunding	08/01/95	3.750	5.350	-	-
				-	1,290,000
Revenue Supported General Obligation					
Water service refinancing	11/01/86	6.00	6.750	-	4,180,000
				-	4,180,000
Revenue					
Wastewater	06/01/90	7.125	7.500	-	535,000
Water	10/01/91	5.500	7.250	-	345,000
Wastewater refunding	06/01/93	5.250	5.875	-	4,215,000
Water refunding	09/01/93	3.750	5.500	-	3,215,000
				-	8,310,000
				<u>\$ -</u>	<u>\$13,840,000</u>

<u>1995-96 Transactions</u>		<u>Outstanding June 30, 1996</u>	
<u>Issued</u>	<u>Matured and Retired/ Deferred</u>	<u>Matured</u>	<u>Unmatured</u>
\$ -	\$ 10,000	\$ -	\$ 50,000
-	50,000	-	-
-	80,000	-	1,160,000
<u>4,380,000</u>	<u>-</u>	<u>-</u>	<u>4,380,000</u>
4,380,000	130,000	-	5,540,000
<u>-</u>	<u>4,180,000</u>	<u>-</u>	<u>-</u>
-	4,180,000	-	-
-	95,000	-	440,000
-	40,000	-	305,000
-	-	-	4,215,000
<u>-</u>	<u>15,000</u>	<u>-</u>	<u>3,200,000</u>
<u>-</u>	<u>150,000</u>	<u>-</u>	<u>8,160,000</u>
<u>\$ 4,380,000</u>	<u>\$ 4,470,000</u>	<u>\$ -</u>	<u>\$ 13,750,000</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE BONDED DEBT REQUIREMENTS
JUNE 30, 1996

<u>Fiscal Year</u>	<u>Bancroft Improvement Bonds</u>			<u>General Obligation</u>		
	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>
1996-97	\$ 13,660	\$ 10,000	\$ 3,660	\$ 146,663	\$ 85,000	\$ 61,663
1997-98	12,995	10,000	2,995	143,263	85,000	58,263
1998-99	12,350	10,000	2,350	144,650	90,000	54,650
1999-2000	11,695	10,000	1,695	90,600	40,000	50,600
2000-01	11,373	10,000	1,373	93,700	45,000	48,700
2001-02	-	-	-	91,450	45,000	46,450
2002-03	-	-	-	89,110	45,000	44,110
2003-04	-	-	-	91,703	50,000	41,703
2004-05	-	-	-	89,053	50,000	39,053
2005-06	-	-	-	91,403	55,000	36,403
2006-07	-	-	-	93,488	60,000	33,488
2007-08	-	-	-	89,963	60,000	29,963
2008-09	-	-	-	91,438	65,000	26,438
2009-10	-	-	-	92,619	70,000	22,619
2010-11	-	-	-	93,506	75,000	18,506
2011-12	-	-	-	89,100	75,000	14,100
Thereafter	-	-	-	179,688	165,000	14,688
	<u>\$ 62,073</u>	<u>\$ 50,000</u>	<u>\$ 12,073</u>	<u>\$ 1,801,397</u>	<u>\$ 1,160,000</u>	<u>\$ 641,397</u>

<i>General Obligation - Refunding</i>			<i>Revenue Supported Wastewater Bonds</i>			<i>Revenue Supported Refunding Wastewater Bonds</i>		
<i>Total</i>	<i>Bonds</i>	<i>Coupons</i>	<i>Total</i>	<i>Bonds</i>	<i>Coupons</i>	<i>Total</i>	<i>Bonds</i>	<i>Coupons</i>
\$ 311,111	\$ 105,000	\$ 206,111	\$ 131,350	\$ 100,000	\$ 31,350	\$ 242,880	\$ -	\$ 242,880
439,343	240,000	199,343	129,225	105,000	24,225	242,881	-	242,881
439,418	250,000	189,418	131,744	115,000	16,744	242,880	-	242,880
443,661	265,000	178,661	128,500	120,000	8,500	242,881	-	242,881
441,980	275,000	166,980	-	-	-	362,880	120,000	242,880
444,405	290,000	154,405	-	-	-	361,581	125,000	236,581
446,018	305,000	141,018	-	-	-	360,019	130,000	230,019
441,753	315,000	126,753	-	-	-	363,194	140,000	223,194
446,310	335,000	111,310	-	-	-	365,844	150,000	215,844
449,573	355,000	94,573	-	-	-	362,219	155,000	207,219
451,500	375,000	76,500	-	-	-	363,306	165,000	198,306
456,625	400,000	56,625	-	-	-	358,819	170,000	188,819
455,100	420,000	35,100	-	-	-	359,044	180,000	179,044
462,038	450,000	12,038	-	-	-	363,694	195,000	168,694
-	-	-	-	-	-	367,481	210,000	157,481
-	-	-	-	-	-	360,406	215,000	145,406
-	-	-	-	-	-	2,896,268	2,260,000	636,268
<u>\$6,128,835</u>	<u>\$4,380,000</u>	<u>\$1,748,835</u>	<u>\$ 520,819</u>	<u>\$ 440,000</u>	<u>\$ 80,819</u>	<u>\$8,216,277</u>	<u>\$4,215,000</u>	<u>\$4,001,277</u>

CITY OF LEBANON, OREGON

SCHEDULE OF FUTURE BONDED DEBT REQUIREMENT (Continued)

JUNE 30, 1996

<u>Fiscal Year</u>	<u>Revenue Supported Water COP</u>			<u>Revenue Supported Water Refunding</u>		
	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>
1996-97	\$ 63,358	\$ 45,000	\$ 18,358	\$ 188,110	\$ 15,000	\$ 173,110
1997-98	60,636	45,000	15,636	192,385	20,000	172,385
1998-99	62,701	50,000	12,701	191,510	20,000	171,510
1999-2000	59,450	50,000	9,450	190,585	20,000	170,585
2000-01	60,906	55,000	5,906	189,610	20,000	169,610
2001-02	62,025	60,000	2,025	188,600	20,000	168,600
2002-03	-	-	-	250,880	85,000	165,880
2003-04	-	-	-	251,285	90,000	161,285
2004-05	-	-	-	251,335	95,000	156,335
2005-06	-	-	-	255,883	105,000	150,883
2006-07	-	-	-	255,025	110,000	145,025
2007-08	-	-	-	253,950	115,000	138,950
2008-09	-	-	-	252,605	120,000	132,605
2009-10	-	-	-	250,990	125,000	125,990
2010-11	-	-	-	253,970	135,000	118,970
2011-12	-	-	-	251,545	140,000	111,545
Thereafter	-	-	-	2,655,905	1,965,000	690,905
	<u>\$ 369,076</u>	<u>\$ 305,000</u>	<u>\$ 64,076</u>	<u>\$ 6,324,173</u>	<u>\$ 3,200,000</u>	<u>\$ 3,124,173</u>

<i>All Issues</i>		
<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>
\$ 1,097,132	\$ 360,000	\$ 737,132
1,220,728	505,000	715,728
1,225,253	535,000	690,253
1,167,372	505,000	662,372
1,150,449	525,000	635,449
1,148,061	540,000	608,061
1,146,027	565,000	581,027
1,147,935	595,000	552,935
1,152,542	630,000	522,542
1,159,078	670,000	489,078
1,163,319	710,000	453,319
1,159,357	745,000	414,357
1,168,187	785,000	373,187
1,169,341	840,000	329,341
714,957	420,000	294,957
701,051	430,000	271,051
<u>5,731,861</u>	<u>4,390,000</u>	<u>1,341,861</u>
<u>\$ 23,422,650</u>	<u>\$ 13,750,000</u>	<u>\$ 9,672,650</u>

SINGLE AUDIT SECTION



GROVE, MUELLER, HALL & SWANK

Certified Public Accountants and Consultants

***INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE***

To the Honorable Major and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of the City of Lebanon, Oregon as of and for the year ended June 30, 1996, and our report thereon, dated November 22, 1996. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City of Lebanon, Oregon, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Salem, Oregon
November 22, 1996

Grove Mueller Hall & Swank P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEBANON, OREGON
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 1996

<i>Federal Federal Grantor/Pass-through Grantor/ Program Title</i>	<u>CFDA Number</u>	<u>Expenditures</u>
<i>U.S. Department of Housing and Urban Development passed through Oregon Economic Development Department Community Development Block Grant</i>	14.219	\$ 147,488
<i>U.S Department of Justice Community Policy Grant</i>	16.710	25,000
<i>United States Forest Service Northwest Economic Adjustment Initiative</i>	10.664	60,000
<i>Farmers' Home Administration passed through Rural Economic and Community Development Rural Business Enterprise Grant</i>	10.854	20,862
<i>U.S. Department of Transportation passed through the Oregon Department of Transportation Santaim Travel Depot</i>	20.500	33,163
<i>U.S. Department of Commerce passed through Economic Development Administration Economic Development Grant</i>	11.300	<u>162,393</u>
<i>Total Federal Financial Assistance</i>		<u>\$ 448,906</u>



GROVE, MUELLER, HALL & SWANK

Certified Public Accountants and Consultants

***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to City of Lebanon is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the City Council, City Management, the State of Oregon, and the appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Grove Mueller Hall & Swank P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
November 22, 1996



GROVE, MUELLER, HALL & SWANK

Certified Public Accountants and Consultants

***INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED
ON THE AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

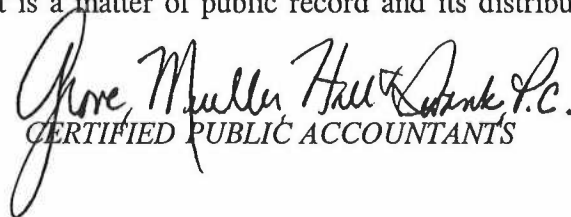
We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of City of Lebanon is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, 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 internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of City of Lebanon for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we believe to be a material weakness as defined above.

This report is intended for the information of the City Council, City Management, the State of Oregon, and appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.


CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
November 22, 1996



GROVE, MUELLER, HALL & SWANK

Certified Public Accountants and Consultants

***INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS***

To the Honorable Mayor and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of the City of Lebanon, Oregon, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1996, we considered the internal control structure of the City, in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements of the City and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated November 22, 1996.

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

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Applications

- Cash Receipts
- Cash Disbursements
- Payroll
- Budgetary Control
- General Ledger

Controls Used in Administering Compliance With Laws and Regulations

General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-free Workplace Act
- Administrative requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, the City had no major Federal financial assistance programs, and expended 69% of its total federal financial assistance under the Community Development Block Grant and Economic Development Grant.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with the specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned non-major programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the use of the City, their cognizant audit agency and other federal and state audit agencies, 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, is a matter of public record.

Grove, Mueller, Hill & Shank, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
November 22, 1996



GROVE, MUELLER, HALL & SWANK

Certified Public Accountants and Consultants

***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL
REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS***

To the Honorable Mayor and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of the City of Lebanon, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

We have applied procedures to test the City compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1996:

Political activity
Davis-Bacon Act
Civil rights
Cash management
Relocation assistance and real property acquisition
Federal financial reports
Drug-Free Workplace
Allowable costs/cost principles
Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City, had not complied, in all material respects, with those requirements.

This report is intended solely for the use of the City, their cognizant audit agency and other federal and state audit agencies, 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, is a matter of public record.

Grove Mueller Hall Swank P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
November 22, 1996



GROVE, MUELLER, HALL & SWANK

Certified Public Accountants and Consultants

***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS***

To the Honorable Major and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1996, and have issued our report thereon dated November 22, 1996.

In connection with our audit of the general purpose financial statements of City of Lebanon and with our consideration of the City's control structure used to administer federal financial assistance programs as required by Office of Management and Budget Circular A-128, "*Audits of State and Local Governments*," we selected certain transactions applicable to the Non Major federal financial assistance program for the year ended June 30, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; federal financial reports; eligibility; and the special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that City of Lebanon, Oregon, had not complied, in all material respects, with those requirements.

This report is intended solely for the use of the City, their cognizant audit agency and other federal and state audit agencies 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, is a matter of public record.

Grove, Mueller, Hall & Swank P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Salem, Oregon
November 22, 1996

CITY OF LEBANON, OREGON

AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

JUNE 30, 1996

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules are set forth on the following pages.

Significant Accounting Policies

The significant account policies followed in preparing the City's financial statements are summarized in the notes to the general purpose financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented on the title page and in the notes to the general purpose financial statements.

Accounting Records and Internal Control Structure

Our reports relating to accounting and internal control systems are contained in the Single Audit Section of this annual financial report.

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, at June 30, 1996.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 1996.

Budget Compliance

The City has complied with Local Budget Law (ORS 294) and ORS 264.300 in the preparation and adoption of its budget and tax levy for fiscal years ended June 30, 1996 and 1997.

CITY OF LEBANON, OREGON

AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

JUNE 30, 1996

Insurance And Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 1996. We ascertained that such policies appeared to be in force and comply with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 295, as it pertains to investment of public funds, during the year ended June 30, 1996.

Public Contracting and Purchasing

Based on our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated the City was in compliance.

Highway Funds

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel, and the statutory requirements of ORS 294.368 and 373 as they pertain to the use of road funds.

Programs Funded from Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by the other governmental agencies. The City is in compliance with the guidelines in all material aspects.

We have issued reports to disclose compliance with federal financial assistance programs under the Single Audit Act of 1984.

Financial Reporting Requirements

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

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

By: 

Charles A. Swank, A Shareholder

November 22, 1996

