

LEBANON

OREGON

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***CITY OF LEBANON, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2003***

CITY OF LEBANON, OREGON

CITY OFFICIALS

JUNE 30, 2003

MAYOR

Ken Toombs
1299 Franklin Street
Lebanon, Oregon 97355

COUNCIL MEMBERS

Roger Munk
325 W. Cedar Street
Lebanon, Oregon 97355

Scott Simpson
745 West D Street
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Dan Thackaberry
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481 Main Street
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1115 Franklin Street
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Bob Elliott
795 Binshadler
Lebanon, Oregon 97355

CITY ADMINISTRATOR

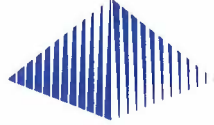
John Hitt
925 S. Main
Lebanon, Oregon 97355

CITY OF LEBANON, OREGON
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Lebanon as of and for the year ended June 30, 2003, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 schedules and other financial schedules listed as supplementary data in the table of contents, which are also the responsibility of the City of Lebanon 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 stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

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

By: _____
Charles A. Swank, Shareholder
December 11, 2003

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MEMBERS OF THE McGLADREY NETWORK • WORLDWIDE SERVICES THROUGH RSM INTERNATIONAL

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF LEBANON, OREGON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2003

	<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	\$ 264,200	\$ 2,767,054	\$ 479,380	\$ 3,394,024
Receivables				
Court fines	486,915	-	-	-
Property taxes	247,473	131,724	47,802	-
Accounts	216,213	279,684	-	239,541
Special assessments/loans	-	1,081,950	31,698	-
Prepaid expenses	-	-	1,833	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
<i>Total Assets</i>	<u>1,214,801</u>	<u>4,260,412</u>	<u>560,713</u>	<u>3,633,565</u>
<i>Other Debits</i>				
Amount available for debt retirement	-	-	-	-
Amount to be provided for debt retirement	-	-	-	-
<i>Total Other Debits</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Assets and Other Debits</i>	<u>\$ 1,214,801</u>	<u>\$ 4,260,412</u>	<u>\$ 560,713</u>	<u>\$ 3,633,565</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
<i>Liabilities</i>				
Accounts payable	\$ 50,719	\$ 115,204	\$ -	\$ 6,816
Payroll taxes payable	-	-	-	-
Retainage payable	-	5,009	-	-
Deposits	-	-	-	-
Loans payable	-	-	-	-
Bonds payable	-	-	-	-
Bond discount	-	-	-	-
Paid absences	56,158	19,114	-	12,241
Deferred revenues	745,021	1,381,680	72,605	198,032
Reserved for claims	47,497	71,142	-	-
<i>Total Liabilities</i>	<u>899,395</u>	<u>1,592,149</u>	<u>72,605</u>	<u>217,089</u>
<i>Equity and Other Credits</i>				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balances	315,406	2,668,263	488,108	3,416,476
<i>Total Equity and Other Credits</i>	<u>315,406</u>	<u>2,668,263</u>	<u>488,108</u>	<u>3,416,476</u>
<i>Total Liabilities, Equity and Other Credits</i>	<u>\$ 1,214,801</u>	<u>\$ 4,260,412</u>	<u>\$ 560,713</u>	<u>\$ 3,633,565</u>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types Trust and Agency</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>	
\$ 4,774,558	\$ 96,743	\$ -	\$ -	\$ 11,775,959
-	-	-	-	486,915
883	-	-	-	427,882
605,750	27,155	-	-	1,368,343
-	-	-	-	1,113,648
-	17,465	-	-	19,298
31,921,346	-	9,220,068	-	41,141,414
(7,914,574)	-	-	-	(7,914,574)
29,387,963	141,363	9,220,068	-	48,418,885
-	-	-	488,108	488,108
-	-	-	13,863,932	13,863,932
<u>\$ 29,387,963</u>	<u>\$ 141,363</u>	<u>\$ 9,220,068</u>	<u>\$ 14,352,040</u>	<u>\$ 62,770,925</u>
\$ 76,304	\$ 47,182	\$ -	\$ -	\$ 296,225
-	92,968	-	-	92,968
-	-	-	-	5,009
69,235	-	-	-	69,235
8,835	-	-	206,760	215,595
9,945,000	-	-	13,536,222	23,481,222
(283,619)	-	-	-	(283,619)
193,982	-	-	609,058	890,553
-	-	-	-	2,397,338
124,823	-	-	-	243,462
10,134,560	140,150	-	14,352,040	27,407,988
-	-	9,220,068	-	9,220,068
19,253,403	-	-	-	19,253,403
-	1,213	-	-	6,889,466
<u>19,253,403</u>	<u>1,213</u>	<u>9,220,068</u>	<u>-</u>	<u>35,362,937</u>
<u>\$ 29,387,963</u>	<u>\$ 141,363</u>	<u>\$ 9,220,068</u>	<u>\$ 14,352,040</u>	<u>\$ 62,770,925</u>

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

CITY OF LEBANON, OREGON

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 2003**

	<i>Governmental Fund Types</i>			
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>
REVENUES				
Taxes and assessments	\$ 2,337,718	\$ 1,266,419	\$ 452,021	\$ 290,068
Licenses and permits	787,410	412,828	-	336,599
Fines and forfeitures	213,793	109,364	-	-
Intergovernmental	325,886	942,331	122,169	773,194
Charges for services	46,599	4,469	-	-
Miscellaneous	150,202	202,329	8,402	144,792
<i>Total Revenues</i>	3,861,608	2,937,740	582,592	1,544,653
EXPENDITURES				
Current				
Personal services	2,695,108	1,296,969	-	743,680
Materials and services	849,336	1,758,473	-	145,662
Capital outlay	214,461	749,711	-	551,645
Other requirements	17,791	771,556	597,441	-
<i>Total Expenditures</i>	3,776,696	4,576,709	597,441	1,440,987
REVENUES OVER (UNDER) EXPENDITURES	84,912	(1,638,969)	(14,849)	103,666
OTHER FINANCING SOURCES (USES)				
Loan proceeds	850,000	-	-	-
Transfers in	1,663	2,124,298	9,966	168,291
Transfers out	(323,977)	(494,319)	-	(74,011)
Loan repayment	(850,000)	-	-	-
<i>Total Other Financing Sources (Uses)</i>	(322,314)	1,629,979	9,966	94,280
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(237,402)	(8,990)	(4,883)	197,946
FUND BALANCES, Beginning of year	552,808	2,677,253	492,991	3,218,530
FUND BALANCES, End of year	\$ 315,406	\$ 2,668,263	\$ 488,108	\$ 3,416,476

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ -	\$ 4,346,226
-	1,536,837
127,563	450,720
-	2,163,580
-	51,068
<u>3,936</u>	<u>509,661</u>
131,499	9,058,092
-	4,735,757
146,192	2,899,663
-	1,515,817
<u>-</u>	<u>1,386,788</u>
<u>146,192</u>	<u>10,538,025</u>
(14,693)	(1,479,933)
-	850,000
-	2,304,218
-	(892,307)
<u>-</u>	<u>(850,000)</u>
-	1,411,911
(14,693)	(68,022)
<u>15,906</u>	<u>6,957,488</u>
<u>\$ 1,213</u>	<u>\$ 6,889,466</u>

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

CITY OF LEBANON, OREGON

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2003**

	<u>Actual</u>	<u>Budget</u>	<i>Variance Favorable (Unfavorable)</i>
REVENUES			
Taxes and assessments	\$ 2,337,718	\$ 2,372,000	\$ (34,282)
Licenses and permits	787,410	818,660	(31,250)
Charges for services	46,599	33,900	12,699
Intergovernmental	325,886	282,000	43,886
Fines and forfeitures	213,793	226,000	(12,207)
Miscellaneous	150,202	158,150	(7,948)
<i>Total Revenues</i>	3,861,608	3,890,710	(29,102)
EXPENDITURES			
Administration	75,092	82,309	7,217
City attorney	29,292	30,190	898
Planning	112,834	122,087	9,253
Public works	24,693	29,470	4,777
Parks	389,174	437,422	48,248
Finance	72,246	75,157	2,911
Legislative	15,811	17,888	2,077
Library	236,672	252,317	15,645
Municipal court	250,146	252,998	2,852
Police	2,185,421	2,255,648	70,227
Senior services	182,506	182,508	2
Nondepartmental	203,554	346,356	142,802
<i>Total Expenditures</i>	3,777,441	4,084,350	306,909
REVENUES OVER (UNDER) EXPENDITURES	84,167	(193,640)	277,807
OTHER FINANCING SOURCES (USES)			
Loan proceeds	850,000	932,591	(82,591)
Transfers in	1,663	4,000	(2,337)
Transfers out	(323,977)	(329,951)	5,974
Loan repayment	(850,000)	(850,000)	-
<i>Total Other Financing Sources (Uses)</i>	(322,314)	(243,360)	(78,954)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(238,147)	(437,000)	198,853
FUND BALANCE, Beginning of year, Budget basis	609,465	437,000	172,465
FUND BALANCE, End of year, Budget basis	371,318	\$ -	\$ 371,318
Adjustments to GAAP basis	(55,912)		
FUND BALANCE, End of year, GAAP basis	\$ 315,406		

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

CITY OF LEBANON, OREGON**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ALL OTHER GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2003**

	<u>Special Revenue</u>		<i>Variance Favorable (Unfavorable)</i>
	<u>Actual</u>	<u>Budget</u>	
REVENUES			
Taxes and assessments	\$ 1,266,419	\$ 1,604,449	\$ (338,030)
Licenses and permits	412,828	399,792	13,036
Fines and forfeitures	109,364	102,500	6,864
Intergovernmental	942,331	2,316,582	(1,374,251)
Charges for services	4,469	-	4,469
Miscellaneous	202,329	275,469	(73,140)
<i>Total Revenues</i>	2,937,740	4,648,792	(1,761,052)
EXPENDITURES			
Current			
Personal services	1,297,907	1,458,879	160,972
Materials and services	1,758,473	2,709,112	950,639
Debt service	771,556	1,064,093	292,537
Capital outlay	749,711	5,379,874	4,630,163
Other requirements	-	1,312,587	1,312,587
<i>Total Expenditures</i>	4,577,647	11,924,545	7,346,898
REVENUES OVER (UNDER) EXPENDITURES	(1,639,907)	(7,275,753)	5,585,846
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	3,067,100	(3,067,100)
Transfers in	2,124,298	2,148,548	(24,250)
Transfers out	(494,319)	(518,396)	24,077
<i>Total Other Financing Sources (Uses)</i>	1,629,979	4,697,252	(3,067,273)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(9,928)	(2,578,501)	2,568,573
FUND BALANCE, Beginning of year, Budget basis	2,697,305	2,618,501	78,804
FUND BALANCE, End of year, Budget basis	2,687,377	\$ 40,000	\$ 2,647,377
Adjustments to GAAP basis	(19,114)		
FUND BALANCE, End of year, GAAP basis	\$ 2,668,263		

<i>Debt Service</i>			<i>Capital Projects</i>		
<i>Actual</i>	<i>Budget</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance Favorable (Unfavorable)</i>
\$ 452,021	\$ 456,307	\$ (4,286)	\$ 290,068	\$ 199,627	\$ 90,441
-	-	-	336,599	336,600	(1)
-	-	-	-	-	-
122,169	112,780	9,389	773,194	1,016,400	(243,206)
-	-	-	-	-	-
8,402	156,600	(148,198)	144,792	402,310	(257,518)
582,592	725,687	(143,095)	1,544,653	1,954,937	(410,284)
-	-	-	746,124	894,067	147,943
-	20,700	20,700	145,662	254,789	109,127
597,441	2,737,503	2,140,062	-	-	-
-	-	-	551,645	2,520,552	1,968,907
-	11,474	11,474	-	1,144,504	1,144,504
597,441	2,769,677	2,172,236	1,443,431	4,813,912	3,370,481
(14,849)	(2,043,990)	2,029,141	101,222	(3,579,975)	3,138,335
-	-	-	-	-	-
9,966	17,440	(7,474)	168,291	165,744	2,547
-	(2,510)	2,510	(74,011)	(72,964)	(1,047)
9,966	14,930	(4,964)	94,280	92,780	1,500
(4,883)	(2,029,060)	2,024,177	195,502	(2,766,195)	2,961,697
492,991	2,486,700	(1,993,709)	3,233,214	2,846,395	386,819
488,108	\$ 457,640	\$ 30,468	3,428,716	\$ 80,200	\$ 3,348,516
-	-	-	-	-	-
\$ 488,108			\$ 3,428,716		

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

CITY OF LEBANON, OREGON

*COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ALL OTHER GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND -
BUDGETARY BASIS (Continued)
YEAR ENDED JUNE 30, 2003*

	<i>Expendable Trust Fund</i>		
	<i>Actual</i>	<i>Budget</i>	<i>Variance Favorable (Unfavorable)</i>
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	127,563	147,500	(19,937)
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous	3,936	10,000	(6,064)
<i>Total Revenues</i>	131,499	157,500	(26,001)
EXPENDITURES			
Current			
Personal services	-	-	-
Materials and services	146,192	157,500	11,308
Debt service	-	-	-
Capital outlay	-	-	-
Other requirements	-	-	-
<i>Total Expenditures</i>	146,192	157,500	11,308
REVENUES OVER (UNDER) EXPENDITURES	(14,693)	-	(14,693)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(14,693)	-	(14,693)
FUND BALANCE, Beginning of year, Budget basis	15,906	-	15,906
FUND BALANCE, End of year, Budget basis	1,213	\$ -	\$ 1,213
Adjustments to GAAP basis	-		
FUND BALANCE, End of year, GAAP basis	\$ 1,213		

The accompanying notes are an integral part 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, 2003**

OPERATING REVENUES

Charges for services	\$ 4,501,092
Miscellaneous	<u>181,260</u>
<i>Total Operating Revenues</i>	4,682,352

OPERATING EXPENSES

Personal services	1,287,256
Materials and services	1,019,656
Depreciation	<u>712,619</u>
<i>Total Operating Expenses</i>	<u>3,019,531</u>

OPERATING INCOME

1,662,821

NON-OPERATING REVENUE (EXPENSES)

Interest expense	(569,266)
Transfers in	1,328,245
Transfers out	(2,610,156)
Loss on disposal of assets	(697)
Contributed capital	<u>212,352</u>
<i>Total Non-operating Revenue (Expenses)</i>	<u>(1,639,522)</u>

NET INCOME (LOSS)

23,299

RETAINED EARNINGS, Beginning of year

19,230,104

RETAINED EARNINGS, End of year

\$ 19,253,403

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

CITY OF LEBANON, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 1,662,821
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	670,526
Amortization	16,361
(Increases) decreases in current assets and liabilities	
Property taxes receivable	(184)
Accounts receivable	9,887
Accounts payable	10,557
Deposits	8,360
Paid absences and deferred comp	4,974
Prepaid expenses	184
Loss on disposal of assets	<u>(697)</u>
<i>Net Cash Flows Provided by Operating Activities</i>	2,382,789

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in	1,328,245
Transfers out	<u>(2,610,156)</u>
<i>Net Cash Flows Used in Noncapital Financing Activities</i>	(1,281,911)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of equipment and construction in progress	(567,140)
Repayment of long-term debt	(327,755)
Contributed capital	212,353
Interest paid	(569,266)
Increase in reserve for claims	<u>2,051</u>
<i>Net Cash Flows Used in Capital and Related Financing Activities</i>	<u>(1,249,757)</u>

NET DECREASE IN CASH AND INVESTMENTS

	(148,879)
CASH AND INVESTMENTS, Beginning of year	<u>4,923,438</u>
CASH AND INVESTMENTS, End of year	<u>\$ 4,774,559</u>

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

CITY OF LEBANON, OREGON
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City of Lebanon, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2003.

The governing boards of the Urban Renewal Agency and Northwest Urban Renewal Agency of the City of Lebanon consists of all of the members of the Lebanon City Council. The area served by the Agencies is either within the existing City limits of the City of Lebanon or under a delayed annexation agreement requiring annexation to the City at the option of the Lebanon City Council. The Urban Renewal Agency and the Northwest Urban Renewal Agency are reported as blended component units of the City.

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

Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. 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 and the expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 30 days after year end. 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 fees, licenses, interest revenue and charges for services. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The proprietary funds are accounted for utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred. The proprietary funds have adopted, under GASB No. 20, to follow FASB pronouncements issued after November 30, 1989, unless they conflict with GASB pronouncements.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2003. Actual results may differ from such estimates.

Total (Memorandum Only) Columns

The Total (Memorandum Only) columns on the general purpose financial statements represent an aggregate of the columnar statements by fund type and account group; they do not represent consolidated financial information. Interfund eliminations have not been made in the aggregation of this data.

Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Receivables and Deferred Revenues

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

Receivables of the enterprise funds are recorded as revenue as earned.

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

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Deferred Revenues (Continued)

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

Proprietary Fund Fixed Assets

Fixed assets in the proprietary funds are stated at estimated historical cost in accordance with a June 30, 1995 independent appraisal with subsequent additions at cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost. Depreciation is computed on assets in service, using the straight-line method over their estimated useful lives:

Building	50 years
Water and Sewer systems	40 years
Equipment	5 to 40 years

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

General Fixed Assets

Fixed assets in the General Fixed Assets Account Group are stated at historical cost. Donated general fixed assets are recorded at fair market value at the date of donation. Fixed assets are charged to expenditures in the governmental fund types as purchased and capitalized in the General Fixed Assets Account Group. Maintenance and repairs of fixed assets are charged to expenditures in the governmental fund types as incurred and are not capitalized. As fixed assets are disposed of, the estimated historical cost or historical cost is removed from this account group; proceeds from sales of general fixed assets are recorded as General Fund other financing sources. Depreciation is not computed on general fixed assets.

Expenditures for public domain fixed assets (streets, sidewalks, curbs and gutters, lighting systems and similar assets) that are immovable and of value only to the City as a governmental unit are reported as expenditures as incurred and are not capitalized.

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded in the General Long-Term Debt Account Group. Repayment of general bonded debt recorded in the General Long-Term Debt Account Group will be made from Debt Service Funds.

Accrued Vacation Pay

Accumulated vested vacation pay is accrued in the enterprise funds as it is earned by employees. In governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds and the amount payable from future resources is recorded in the General Long-Term Debt Account Group. Sick pay, which does not vest, is recorded in all funds when leave is taken.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting

A budget is prepared for each fund. Appropriations are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes. Budgets are adopted at the departmental level in the general fund and expenditures 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. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. During the fiscal year ended June 30, 2003, several appropriation transfers were made and were approved by the City Council.

ORGANIZATION AND OPERATION

The City's financial operations are accounted for in the following funds and account groups:

Governmental Fund Types

General Fund

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

Special Revenue Funds

The special revenue funds account for revenue derived from specific tax or other earmarked revenue sources, including state gas tax, grants and funds set aside to finance particular functions or activities. Funds included in this category are:

- Intergovernmental
- Northwest Urban Renewal
- Urban Renewal
- Cheadle Lake Urban Renewal

Debt Service Fund

The City has two debt service funds, the Debt Service Fund and the Bancroft Bond Fund. These funds account for the payment of principal and interest on general obligation bonds.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

ORGANIZATION AND OPERATION (Continued)

Governmental Fund Types (Continued)

Capital Projects Fund

The City has one capital projects fund. This fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by a proprietary or nonexpendable trust fund.

Proprietary Fund Types

Enterprise Funds

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

Fiduciary Fund Types

Expendable Trust Funds

The City has two expendable trust funds, the Recorder Fund and the Bail Refund Fund. The Recorder Fund accounts for miscellaneous trust fund transactions. The Bail Refund Fund accounts for bails received from defendants awaiting a court appearance.

Account Groups

General Fixed Assets Account Group

This account group accounts for the City's investment in fixed assets, with the exception of those assets recorded in the proprietary funds. Expenditures for the acquisition of general fixed assets are recorded in various governmental fund types; the costs of such assets are capitalized in this account group.

General Long-Term Debt Account Group

This account group accounts for long-term indebtedness not recorded in the enterprise funds which is backed by the full faith and credit of the City.

CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as part of "cash and investments."

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

CASH AND INVESTMENTS (Continued)

Cash and investments are comprised of the following at June 30, 2003:

	<u>Carrying Value</u>	<u>Market Value</u>
Cash		
Deposits with financial institutions	\$ (37,532)	\$ (37,532)
Cash on hand	1,450	1,450
Investments		
US Government agencies	1,941,320	1,960,613
Local Government Investment Pool	8,345,433	8,353,779
Money Market accounts	<u>1,525,288</u>	<u>1,525,288</u>
	<u>\$ 11,775,959</u>	<u>\$ 11,803,598</u>

Deposits and Investments

The City's deposits and investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes insured deposits and investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and uncollateralized deposits and uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Uninsured and collateralized deposits are classified into these three categories depending on who holds the collateral security and how they are held.

At year end, the book balance of the City's bank deposits (checking accounts) is \$(37,532) and the bank balance is \$446,146. The difference is due to transactions in process. The first \$200,000 of the general deposit balance is insured by federal depository insurance; \$61,537 (25%) of the remaining balance is secured by collateral that is held by the pledging banks' custodian acting as agents for the City in the City's name (category 1). The remaining \$184,609 is uncollateralized (category 3).

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others.

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2003, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was equal to 100.1% of the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to classification. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

The City's investments in U.S. Government agencies are category 2.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

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, 2003 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Available</u>	<u>Deferred</u>
General Fund	\$ 247,473	\$ -	\$ 247,743
Debt Service Fund	47,802	-	47,802
Urban Renewal Fund	39,580	-	39,580
NW Urban Renewal Fund	89,318	-	89,318
Cheadle Lake Urban Renewal Fund	2,826	-	2,826
Enterprise Fund	883	-	883
<i>Total</i>	<u>\$ 427,882</u>	<u>\$ -</u>	<u>\$ 427,882</u>

FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
<i>Total Fixed Assets</i>	<u>\$ 6,442,820</u>	<u>\$ 3,972,439</u>	<u>\$ (1,195,191)</u>	<u>\$ 9,220,068</u>

The following is a summary of proprietary fund type fixed assets for the year ended June 30, 2003:

	<u>Water</u>	<u>Small Water Line</u>	<u>Wastewater</u>	<u>Railroad</u>	<u>Total</u>
BALANCE, July 1, 2002	\$ 7,914,187	\$ 241,569	\$ 21,462,650	\$ 1,482	\$ 29,619,888
Additions	14,313	4,812	323,230	-	342,355
Deletions	-	-	-	-	-
BALANCE, June 30, 2003	7,928,500	246,381	21,785,880	1,482	29,962,243
Less: accumulated depreciation	3,135,183	148,516	4,629,393	1,482	7,914,574
<i>Net Property, Plant, and Equipment</i>	4,793,317	97,865	17,156,487	-	22,047,669
Construction in-progress	830,213	-	1,128,890	-	1,959,103
<i>Net Fixed Assets</i>	<u>\$ 5,623,530</u>	<u>\$ 97,865</u>	<u>\$ 18,285,377</u>	<u>\$ -</u>	<u>\$ 24,006,772</u>

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

LONG-TERM DEBT

The bonds payable of \$23,481,222 consist of unmatured bonds of serial issues as detailed below. 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 Debt</u>	<u>Outstanding July 1, 2002</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding June 30, 2003</u>
General obligation - urban renewal	\$ 770,000	\$ -	\$ 45,000	\$ 725,000
General obligation - urban renewal	3,235,000	-	45,000	3,190,000
General obligation - pension fund	2,071,222	-	-	2,071,222
General obligation refunding	2,955,000	-	305,000	2,650,000
Wastewater revenue refunding	3,970,000	-	130,000	3,840,000
Water revenue refunding	3,085,000	-	85,000	3,000,000
Wastewater revenue	3,215,000	-	110,000	3,105,000
General obligation - urban renewal	<u>5,070,000</u>	<u>-</u>	<u>170,000</u>	<u>4,900,000</u>
<i>Total</i>	<u>\$ 24,371,222</u>	<u>\$ -</u>	<u>\$ 890,000</u>	<u>\$ 23,481,222</u>

The City issued limited tax pension bonds. Limited tax pension bonds finance a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System. The pension bonds are to be repaid from existing revenue sources. All limited tax bonds are backed by the full faith and credit of the City, within the limitations of Article XI of the Oregon Constitution.

Annual debt service requirements to maturity for all bonds follows:

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2003-04	\$ 2,250,280	\$ 959,559	\$ 1,290,721
2004-05	2,276,827	1,033,528	1,243,299
2005-06	2,303,203	1,111,989	1,191,214
2006-07	2,325,244	1,188,550	1,136,694
2007-08	2,337,163	1,260,540	1,076,623
2008-09	2,349,758	1,337,288	1,012,470
2009-10	2,372,487	1,428,468	944,019
2010-11	1,932,141	1,047,144	884,997
2011-12	1,934,998	1,102,634	832,364
2012-13	1,959,317	1,180,292	779,025
2013-14	1,979,338	1,260,290	719,048
2014-15	1,904,830	1,246,704	658,126
2015-16	1,930,277	1,332,796	597,481
2016-17	1,960,173	1,428,687	531,486
2017-18	1,969,382	1,512,872	456,510

CITY OF LEBANON, OREGON**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2003****LONG-TERM DEBT (Continued)**

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018-19	\$ 1,993,560	\$ 1,613,233	\$ 380,327
2019-20	1,607,132	1,326,648	280,484
2020-21	506,005	375,000	131,005
2021-22	513,215	405,000	108,215
2022-23	275,518	185,000	90,518
2023-24	282,845	205,000	77,845
2024-25	298,802	235,000	63,802
2025-26	308,292	260,000	48,292
2026-27	325,482	295,000	30,482
2027-28	160,275	150,000	10,275
	<u>\$ 38,056,544</u>	<u>\$ 23,481,222</u>	<u>\$ 14,575,322</u>

Total defeased debt at June 30, 2003, was \$280,269.

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

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

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2003-2004	\$ 13,132	\$ 8,291	\$ 4,841
2004-2005	13,132	8,705	4,427
2005-2006	13,132	9,142	3,990
2006-2007	13,132	9,598	3,534
2007-2008	13,132	10,078	3,054
2008-2009	13,132	10,581	2,551
2009-2010	13,132	11,110	2,022
2010-2011	13,132	11,666	1,466
2011-2012	13,132	12,249	883
2012-2013	5,675	5,404	271
	<u>\$ 123,863</u>	<u>\$ 96,824</u>	<u>\$ 27,039</u>

Note Payable, Key Bank. The loan was incurred to finance City Hall renovations. Interest is 5.95%, with payments due quarterly in the amount of \$6,392.

<u>Fiscal Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2003-2004	\$ 25,569	\$ 19,175	\$ 6,394
2004-2005	25,569	20,341	5,228
2005-2006	25,569	21,579	3,990
2006-2007	25,569	22,891	2,678
2007-2008	25,569	24,285	1,284
2008-2009	1,976	1,665	311
	<u>\$ 129,821</u>	<u>\$ 109,936</u>	<u>\$ 19,885</u>

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

LONG-TERM DEBT (Continued)

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>
2003-2004	\$ 3,216	\$ 2,520	\$ 696
2004-2005	3,216	2,741	475
2005-2006	3,216	2,985	231
2006-2007	<u>665</u>	<u>589</u>	<u>76</u>
	<u>\$ 10,313</u>	<u>\$ 8,835</u>	<u>\$ 1,478</u>

EMPLOYEE RETIREMENT SYSTEM

City employees participate in the Oregon Public Employee's Retirement System (PERS). Contributions are made for employees after six months of employment unless they are members of PERS and eligible for contributions when they begin employment. PERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service in a PERS covered position. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70. Contributions made by, or on behalf of, the employee are payable in a lump sum or monthly amounts using several payment options. Contributions made on behalf of the employee to the employer account can only be taken in monthly payments. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes, Chapter 238, Oregon revised Statutes. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the Public Employees Retirement Board. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution.

In addition to the 6% "pick-up," the City contributed 8.42% of covered payroll to OPERS from July 2001 through March 2002. This contribution rate was determined as part of the December 31, 1999 actuarial evaluation. On March 15, 2002, the City issued pension bonds to finance an estimated unfunded actuarial liability of \$2,027,147. As a result, the Retirement Board reduced the City's contribution rate to 5.63% of covered payroll beginning April 2003. The City estimated that it will save \$169,831 in interest costs over the next 26 years from this transaction. The City's rate at July 1, 2003 was 8.52%. The City's payroll for employees covered by PERS for the year ended June 30, 2003 was \$4,100,473, the City's total payroll was \$4,298,080.

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

EMPLOYEE RETIREMENT SYSTEM (Continued)

Annual Pension Cost

For fiscal 2002-03, the City's annual pension cost of \$687,912 for PERS was equal to the City's required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8.5% per year; (b) projected annual salary increases for inflation and merit of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of PERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

The following table presents three-year trend information for the City's defined benefit pension plan:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	\$ 537,529	100%	-
6/30/02	618,015	100	-
6/30/03	687,912	100	-

The following table presents a schedule of funding progress for the City's defined benefit pension plan:

<u>Actuarial Valuation Ending December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Assets in Excess of Actuarial Liability (UAL)</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
12/31/97	\$11,966,466	\$12,057,152	\$ 90,686	99%	\$ 3,195,854	3%
12/31/99	23,768,901	23,678,316	(90,585)	100	3,267,506	(3)
12/31/01	23,241,602	21,993,059	(1,248,543)	106	4,082,775	(31)

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	\$ 4,713,271	\$ 5,062,038	\$ 592,558	\$ 1,712,944	\$ 5,995,887
Adjustment for					
Accounts receivable/deposits	-	-	-	-	14,710
<i>Per GAAP Basis</i>	<u>\$ 4,713,271</u>	<u>\$ 5,062,038</u>	<u>\$ 592,558</u>	<u>\$ 1,712,944</u>	<u>\$ 6,010,597</u>

CITY OF LEBANON, OREGON

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2003

RECONCILIATION OF BUDGETARY TO GAAP BASIS (Continued)

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Expenditures and Other Financing Uses					
Per Budgetary Basis	\$ 4,951,418	\$ 5,071,966	\$ 597,441	\$ 1,517,442	\$ 6,218,914
Adjustment for					
Accrued compensated absences	(745)	(938)	-	(2,444)	(71,180)
Loan repayments/bond principal	-	-	-	-	(327,755)
Capital outlay	-	-	-	-	(202,948)
Depreciation	-	-	-	-	712,619
Budgetary transfer	-	-	-	-	(130,000)
<i>Per GAAP Basis</i>	<u>\$ 4,950,673</u>	<u>\$ 5,071,028</u>	<u>\$ 597,441</u>	<u>\$ 1,514,998</u>	<u>\$ 6,199,650</u>

OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Accounting principles generally accepted in the United States of America require disclosure, as part of the general purpose financial statements, of certain information concerning individual funds including:

- A. Interfund transfers in exceeded interfund transfers out on a budgetary basis by \$672,862 because the City classified certain transfers out as non-transfer expenditures. The City does this in order to facilitate its cost allocation accounting.
- B. Over expenditures of line items 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 \$200,000. In addition, from time to time, when special expenditures are needed for safety reasons, funds from this reserve are used. All expenditures are made in accordance with Oregon Local Budget Law. The insurance reserves are classified as liabilities on the combined balance sheet.

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

PENDING GASB STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which has not yet been implemented by the City. The City will be required to implement this Statement for the fiscal year ending June 30, 2004. This Statement imposes new standards for financial reporting. Financial managers will be required to provide a management's discussion and analysis (MD&A) that gives readers an analysis of the City's overall financial position and results of the previous year's operations. The titles and formats of the financial statements change significantly. A single column presentation of a statement of net assets and a statement of activities on the full accrual basis of accounting is required. Budgetary information will continue to be provided. However, under this Statement, the government's original budget as well as the final budget and actual results are presented.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		
		<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
REVENUES				
Taxes and assessments	\$ 2,372,000	\$ 2,337,718	\$ -	\$ 2,337,718
Licenses and permits	818,660	787,410	-	787,410
Charges for services	33,900	46,599	-	46,599
Intergovernmental	282,000	325,886	-	325,886
Fines and forfeitures	226,000	213,793	-	213,793
Miscellaneous	158,150	150,202	-	150,202
<i>Total Revenues</i>	3,890,710	3,861,608	-	3,861,608
EXPENDITURES				
Administration	82,309	75,092	(745)	74,347
City attorney	30,190	29,292	-	29,292
Planning	122,087	112,834	-	112,834
Public works	29,470	24,693	-	24,693
Parks	437,422	389,174	-	389,174
Finance	75,157	72,246	-	72,246
Legislative	17,888	15,811	-	15,811
Library	252,317	236,672	-	236,672
Municipal court	252,998	250,146	-	250,146
Police	2,255,648	2,185,421	-	2,185,421
Senior services	182,508	182,506	-	182,506
Nondepartmental	346,356	203,554	-	203,554
<i>Total Expenditures</i>	4,084,350	3,777,441	(745)	3,776,696
REVENUES OVER (UNDER) EXPENDITURES	(193,640)	84,167	745	84,912
OTHER FINANCING SOURCES (USES)				
Loan proceeds	932,591	850,000	-	850,000
Transfers in	4,000	1,663	-	1,663
Transfers out	(329,951)	(323,977)	-	(323,977)
Loan repayment	(850,000)	(850,000)	-	(850,000)
<i>Total Other Financing Sources (Uses)</i>	(243,360)	(322,314)	-	(322,314)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(437,000)	(238,147)	745	(237,402)
FUND BALANCE, Beginning of year	437,000	609,465	(56,657)	552,808
FUND BALANCE, End of year	\$ -	\$ 371,318	\$ (55,912)	\$ 315,406

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* - This fund accounts for designated revenues and grants received from other governments. Expenditures are for the purposes designated by the payor or grantor or as established by the City Council.
- *Urban Renewal District Fund* - This fund accounts for the activities of the Urban Renewal District. Property taxes are the primary source of revenue. Expenditures are for urban renewal projects within the District.
- *NW Urban Renewal District Fund* - This fund accounts for the activities of the Northwest Urban Renewal District. Property taxes are the primary source of revenue. Expenditures are for urban renewal projects within the District.

CITY OF LEBANON, OREGON
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2003

	<i>Inter- governmental Fund</i>	<i>Urban Renewal Fund</i>	<i>NW Urban Renewal Fund</i>	<i>Cheadle Lake Urban Renewal Fund</i>	<i>Total</i>
ASSETS					
Cash and investments	\$ 1,313,127	\$ 905,802	\$ 499,215	\$ 48,910	\$ 2,767,054
Receivables					
Property taxes	-	39,580	89,318	2,826	131,724
Accounts	256,118	7,446	15,392	728	279,684
Special assessments/loans	<u>1,048,837</u>	<u>17,607</u>	<u>15,506</u>	<u>-</u>	<u>1,081,950</u>
<i>Total Assets</i>	<u>\$ 2,618,082</u>	<u>\$ 970,435</u>	<u>\$ 619,431</u>	<u>\$ 52,464</u>	<u>\$ 4,260,412</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 110,323	\$ 1,454	\$ 2,775	\$ 652	\$ 115,204
Retainage payable	5,009	-	-	-	5,009
Compensated absences payable	16,716	927	826	645	19,114
Deferred revenues	1,216,844	57,187	104,823	2,826	1,381,680
Reserved for claims	<u>71,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,142</u>
<i>Total Liabilities</i>	1,420,034	59,568	108,424	4,123	1,592,149
Fund Balances					
Unreserved/undesignated	<u>1,198,048</u>	<u>910,867</u>	<u>511,007</u>	<u>48,341</u>	<u>2,668,263</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,618,082</u>	<u>\$ 970,435</u>	<u>\$ 619,431</u>	<u>\$ 52,464</u>	<u>\$ 4,260,412</u>

CITY OF LEBANON, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2003

	<u>Inter- governmental Fund</u>	<u>Urban Renewal Fund</u>	<u>NW Urban Renewal Fund</u>	<u>Cheadle Lake Urban Renewal Fund</u>	<u>Total</u>
REVENUES					
Taxes and assessments	\$ 24,802	\$ 379,718	\$ 810,352	\$ 51,547	\$ 1,266,419
Licenses and permits	412,828	-	-	-	412,828
Charges for services	4,469	-	-	-	4,469
Intergovernmental	937,331	-	-	5,000	942,331
Fines and forfeits	109,364	-	-	-	109,364
Miscellaneous	147,939	17,791	35,974	625	202,329
<i>Total Revenues</i>	1,636,733	397,509	846,326	57,172	2,937,740
EXPENDITURES					
Current					
Personal services	1,203,111	27,427	43,979	22,452	1,296,969
Materials and services	1,709,183	37,574	10,143	1,573	1,758,473
Capital outlay	448,663	23,097	270,651	7,300	749,711
Debt service	-	310,428	461,128	-	771,556
<i>Total Expenditures</i>	3,360,957	398,526	785,901	31,325	4,576,709
REVENUES OVER (UNDER) EXPENDITURES	(1,724,224)	(1,017)	60,425	25,847	(1,638,969)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,870,875	-	253,423	-	2,124,298
Transfers out	(219,406)	(13,124)	(261,789)	-	(494,319)
<i>Total Other Financing Sources (Uses)</i>	1,651,469	(13,124)	(8,366)	-	1,629,979
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES					
	(72,755)	(14,141)	52,059	25,847	(8,990)
FUND BALANCES, Beginning of year	1,270,803	925,008	458,948	22,494	2,677,253
FUND BALANCES, End of year	<u>\$ 1,198,048</u>	<u>\$ 910,867</u>	<u>\$ 511,007</u>	<u>\$ 48,341</u>	<u>\$ 2,668,263</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		
		<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
REVENUES				
Taxes and assessments	\$ 44,000	\$ 24,802	\$ -	\$ 24,802
Licenses and permits	349,792	412,828	-	412,828
Charges for services	-	4,469	-	4,469
Intergovernmental	2,316,582	937,331	-	937,331
Fines and forfeitures	102,500	109,364	-	109,364
Miscellaneous	206,269	147,939	-	147,939
<i>Total Revenues</i>	<u>3,019,143</u>	<u>1,636,733</u>	<u>-</u>	<u>1,636,733</u>
EXPENDITURES				
City Hall repairs	63,000	32,579	-	32,579
Motel tax	53,513	8,876	-	8,876
Santiam Travel Station	455,000	83,389	-	83,389
OTSC Grant	350	-	-	-
Building Inspections	323,804	216,826	1,608	218,434
Park Enterprise	10,288	5,864	-	5,864
Operation and Environment	1,337,956	1,228,038	(4,271)	1,223,767
GIS	352,967	160,270	184	160,454
Information System	489,909	309,483	5,008	314,491
Sidewalk and Bikepath	84,200	42,292	-	42,292
Engineering Development	77,368	76,930	252	77,182
Streets	547,936	478,753	(1,471)	477,282
Storm Drains	64,617	56,293	296	56,589
911 Communications	56,000	-	-	-
Civil Forfeitures	2,240	-	-	-
School Resource Officer	72,540	68,704	(52)	68,652
Dial-A-Bus	193,106	171,686	(981)	170,705
STP Street Project	195,000	72	-	72
Downtown beautification project	581,210	25,817	-	25,817
ODOT grant/transportation	101,500	-	-	-
Parking Enforcement	19,450	16,287	(192)	16,095
1983-84 Rehabilitation	70,236	440	-	440
85-86 Housing Rehabilitation Unres.	100	-	-	-
Gills Landings	4,941	3,806	50	3,856
93 Housing Rehabilitation Grant	-	26,000	-	26,000
1996 Housing Rehabilitation Grant	31,000	-	-	-
1998 Housing Rehabilitation Grant	112,000	74,455	-	74,455
2001 Housing Rehabilitation Grant	300,000	-	-	-
Traffic team	146,498	111,877	(2,850)	109,027
Downtown Beautification CIF Grant	187,000	164,639	-	164,639
<i>Total Expenditures</i>	<u>5,933,729</u>	<u>3,363,376</u>	<u>(2,419)</u>	<u>3,360,957</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,914,586)	(1,726,643)	(2,419)	(1,724,224)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,899,284	1,870,875	-	1,870,875
Transfers out	(247,642)	(219,406)	-	(219,406)
<i>Total Other Financing Sources (Uses)</i>	<u>1,651,642</u>	<u>1,651,469</u>	<u>-</u>	<u>1,651,469</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(1,262,944)	(75,174)	(2,419)	(72,755)
FUND BALANCE, Beginning of year	<u>1,262,944</u>	<u>1,289,938</u>	<u>(19,135)</u>	<u>1,270,803</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ 1,214,764</u>	<u>\$ (16,716)</u>	<u>\$ 1,198,048</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 387,230	\$ 379,718	\$ -	\$ 379,718
Miscellaneous	39,000	17,791	-	17,791
<i>Total Revenues</i>	426,230	397,509	-	397,509
EXPENDITURES				
Urban renewal	626,013	87,584	514	88,098
Urban renewal debt service	310,465	310,428	-	310,428
Contingency	337,628	-	-	-
<i>Total Expenditures</i>	1,274,106	398,012	514	398,526
REVENUES OVER (UNDER) EXPENDITURES	(847,876)	(503)	(514)	(1,017)
OTHER FINANCING SOURCES (USES)				
Transfers out	(13,124)	(13,124)	-	(13,124)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(861,000)	(13,627)	(514)	(14,141)
FUND BALANCE, Beginning of year	901,000	925,421	(413)	925,008
FUND BALANCE, End of year	\$ 40,000	\$ 911,794	\$ (927)	\$ 910,867

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - NW URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 1,125,719	\$ 810,352	\$ -	\$ 810,352
Miscellaneous	30,200	35,974	-	35,974
<i>Total Revenues</i>	1,155,919	846,326	-	846,326
EXPENDITURES				
Current				
Personal services	44,478	43,494	485	43,979
Materials and services	211,448	10,143	-	10,143
Capital outlay	2,899,521	270,651	-	270,651
Debt service	706,128	461,128	-	461,128
Contingency	739,535	-	-	-
<i>Total Expenditures</i>	4,601,110	785,416	485	785,901
REVENUES OVER (UNDER) EXPENDITURES				
	(3,445,191)	60,910	(485)	60,425
OTHER FINANCING SOURCES (USES)				
Loan proceeds	3,022,000	-	-	-
Transfers in	249,264	253,423	-	253,423
Transfers out	(257,630)	(261,789)	-	(261,789)
<i>Total Other Financing Sources (Uses)</i>	3,013,634	(8,366)	-	(8,366)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(431,557)	52,544	(485)	52,059
FUND BALANCE, Beginning of year	431,557	459,289	(341)	458,948
FUND BALANCE, End of year	\$ -	\$ 511,833	\$ (826)	\$ 511,007

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - CHEADLE LAKE URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 47,500	\$ 51,547	\$ -	\$ 51,547
Intergovernmental	-	5,000	-	5,000
Miscellaneous	-	625	-	625
<i>Total Revenues</i>	47,500	57,172	-	57,172
EXPENDITURES				
Current				
Personal services	22,621	21,970	482	22,452
Materials and services	7,161	1,573	-	1,573
Capital outlay	38,318	7,300	-	7,300
Debt service	47,500	-	-	-
<i>Total Expenditures</i>	115,600	30,843	482	31,325
REVENUES OVER (UNDER) EXPENDITURES	(68,100)	26,329	(482)	25,847
OTHER FINANCING SOURCES (USES)				
Loan proceeds	45,100	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(23,000)	26,329	(482)	25,847
FUND BALANCE, Beginning of year	23,000	22,657	(163)	22,494
FUND BALANCE, End of year	\$ -	\$ 48,986	\$ (645)	\$ 48,341

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. Expenditures are for the payment of principal and interest. The City's debt service funds include the following:

- *Debt Service Fund* - used to pay debt service on revenue supported general obligations bonds.
- *Bancroft Bond Fund* - used to pay debt service on bonds used for bancrofted improvements.

CITY OF LEBANON, OREGON
COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS
JUNE 30, 2003

	<u>Debt Service Fund</u>	<u>Bancroft Bond Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 394,000	\$ 85,380	\$ 479,380
Receivables			
Property taxes	47,802	-	47,802
Special assessments/loans	8,728	22,970	31,698
Prepaid expenses	<u>-</u>	<u>1,833</u>	<u>1,833</u>
<i>Total Assets</i>	<u>\$ 450,530</u>	<u>\$ 110,183</u>	<u>\$ 560,713</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenues	\$ 47,802	\$ 24,803	\$ 72,605
Fund Balances	<u>402,728</u>	<u>85,380</u>	<u>488,108</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 450,530</u>	<u>\$ 110,183</u>	<u>\$ 560,713</u>

CITY OF LEBANON, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>Debt Service Fund</u>	<u>Bancroft Bond Fund</u>	<u>Total</u>
REVENUES			
Taxes and assessments	\$ 452,021	\$ -	\$ 452,021
Intergovernmental	122,169	-	122,169
Miscellaneous	<u>6,897</u>	<u>1,505</u>	<u>8,402</u>
<i>Total Revenues</i>	581,087	1,505	582,592
 EXPENDITURES			
Debt service	<u>584,308</u>	<u>13,133</u>	<u>597,441</u>
 REVENUES OVER (UNDER) EXPENDITURES	(3,221)	(11,628)	(14,849)
 OTHER FINANCING SOURCES (USES)			
Transfers in	<u>9,966</u>	<u>-</u>	<u>9,966</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,745	(11,628)	(4,883)
 FUND BALANCES, Beginning of year	<u>395,983</u>	<u>97,008</u>	<u>492,991</u>
 FUND BALANCES, End of year	<u>\$ 402,728</u>	<u>\$ 85,380</u>	<u>\$ 488,108</u>

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 449,397	\$ 452,021	\$ -	\$ 452,021
Intergovernmental	112,780	122,169	-	122,169
Miscellaneous	151,500	6,897	-	6,897
<i>Total Revenues</i>	713,677	581,087	-	581,087
EXPENDITURES				
Debt service	2,724,371	584,308	-	584,308
Contingency	11,474	-	-	-
<i>Total Expenditures</i>	2,735,845	584,308	-	584,308
REVENUES OVER (UNDER) EXPENDITURES	(2,022,168)	(3,221)	-	(3,221)
OTHER FINANCING SOURCES (USES)				
Transfers in	17,440	9,966	-	9,966
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,004,728)	6,745	-	6,745
FUND BALANCE, Beginning of year	2,390,000	395,983	-	395,983
FUND BALANCE, End of year	\$ 385,272	\$ 402,728	\$ -	\$ 402,728

CITY OF LEBANON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL - BANCROFT BOND FUND

YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Taxes and assessments	\$ 6,910	\$ -	\$ -	\$ -
Miscellaneous	<u>5,100</u>	<u>1,505</u>	<u>-</u>	<u>1,505</u>
<i>Total Revenues</i>	12,010	1,505	-	1,505
EXPENDITURES				
Current				
Materials and services	20,700	-	-	-
Debt service	<u>13,132</u>	<u>13,133</u>	<u>-</u>	<u>13,133</u>
<i>Total Expenditures</i>	<u>33,832</u>	<u>13,133</u>	<u>-</u>	<u>13,133</u>
REVENUES OVER (UNDER) EXPENDITURES	(21,822)	(11,628)	-	(11,628)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(24,332)	(11,628)	-	(11,628)
FUND BALANCE, Beginning of year	<u>96,700</u>	<u>97,008</u>	<u>-</u>	<u>97,008</u>
FUND BALANCE, End of year	<u>\$ 72,368</u>	<u>\$ 85,380</u>	<u>\$ -</u>	<u>\$ 85,380</u>

CAPITAL PROJECTS FUND

This fund accounts for the accumulation and expenditures 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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		
		<u>Budget Basis</u>	<u>Adjustments</u>	<u>GAAP Basis</u>
REVENUES				
Taxes and assessments	\$ 199,627	\$ 290,068	\$ -	\$ 290,068
Licenses and permits	336,600	336,599	-	336,599
Intergovernmental	1,016,400	773,194	-	773,194
Miscellaneous	402,310	144,792	-	144,792
<i>Total Revenues</i>	<u>1,954,937</u>	<u>1,544,653</u>	<u>-</u>	<u>1,544,653</u>
EXPENDITURES				
Equipment acquisition	846,559	63,379	-	63,379
Historic resources	270	-	-	-
Pioneer Cemetery	600	-	-	-
Local law enforce block grant	12,200	9,089	-	9,089
D.A.R.E.	15,100	5,640	-	5,640
Police	13,100	5,466	-	5,466
Library	63,200	14,173	-	14,173
Library/Senior Center Building	200,650	-	-	-
Senior services	51,000	16,590	-	16,590
Snedaker Trust	4,000	2,644	-	2,644
Streets	981,600	366,422	-	366,422
Streets capital projects	17,500	-	-	-
Allocable direct costs	936,794	650,907	(4,600)	646,307
Infrastructure deferral	56,200	-	-	-
SDC drainage	17,330	-	-	-
Restricted SDC drainage	17,302	-	(98)	(98)
SDC drainage improvement	67,000	21,684	390	22,074
SDC park improvement	354,439	33,010	222	33,232
SDC wastewater	2,300	-	-	-
Restricted SDC wastewater	39,420	-	-	-
SDC wastewater improvement	123,302	94,649	516	95,165
SDC wastewater reimb	16,850	-	-	-
SDC streets	10,500	-	-	-
Restricted SDC streets	73,170	-	-	-
SDC streets improve	516,360	94,647	714	95,361
Restricted SDC water	4,940	-	-	-
SDC water improvement	357,086	65,131	412	65,543
SDC water reimb	15,140	-	-	-
<i>Total Expenditures</i>	<u>4,813,912</u>	<u>1,443,431</u>	<u>(2,444)</u>	<u>1,440,987</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,858,975)	101,222	2,444	103,666
OTHER FINANCING SOURCES (USES)				
Transfers in	165,744	168,291	-	168,291
Transfers out	(72,964)	(74,011)	-	(74,011)
<i>Total Other Financing Sources (Uses)</i>	<u>92,780</u>	<u>94,280</u>	<u>-</u>	<u>94,280</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(2,766,195)	195,502	2,444	197,946
FUND BALANCE, Beginning of year	<u>2,846,395</u>	<u>3,233,214</u>	<u>(14,684)</u>	<u>3,218,530</u>
FUND BALANCE, End of year	<u>\$ 80,200</u>	<u>\$ 3,428,716</u>	<u>\$ (12,240)</u>	<u>\$ 3,416,476</u>

ENTERPRISE FUNDS

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. Expenditures are primarily for personal services and system operating expenses. The City has only one enterprise fund which is composed of seven departments.

CITY OF LEBANON, OREGON**COMBINING BALANCE SHEET - ENTERPRISE FUND - ALL DEPARTMENTS**JUNE 30, 2003

	<u>Water</u>	<u>Water CIP</u>	<u>Small Water Line</u>	<u>Storm Drain Utility</u>
ASSETS AND OTHER DEBITS				
Assets				
Cash and investments	\$ 840,607	\$ 837,108	\$ 129,979	\$ 44,588
Receivables				
Property taxes	-	-	-	-
Accounts	348,830	-	-	-
Fixed assets	7,919,755	838,958	246,381	-
Accumulated depreciation	(3,126,438)	(8,745)	(148,516)	-
<i>Total Assets and Other Debits</i>	<u>\$ 5,982,754</u>	<u>\$ 1,667,321</u>	<u>\$ 227,844</u>	<u>\$ 44,588</u>
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 14,419	\$ 538	\$ 24,339	\$ 13
Deposits	69,235	-	-	-
Loan payable	-	-	-	-
Bonds payable	-	3,000,000	-	-
Bond discount	-	(98,755)	-	-
Paid absences and deferred compensation payable	91,146	-	6,954	6,861
Reserved for claims	70,503	-	-	-
<i>Total Liabilities</i>	245,303	2,901,783	31,293	6,874
 Fund Equity				
Retained earnings (deficit)	5,737,451	(1,234,462)	196,551	37,714
<i>Total Liabilities and Fund Equity</i>	<u>\$ 5,982,754</u>	<u>\$ 1,667,321</u>	<u>\$ 227,844</u>	<u>\$ 44,588</u>

<u>Wastewater</u>	<u>Wastewater CIP</u>	<u>Railroad</u>	<u>Total</u>
\$ 407,723	\$ 2,514,104	\$ 449	\$ 4,774,558
883	-	-	883
256,920	-	-	605,750
21,782,081	1,132,689	1,482	31,921,346
(4,625,594)	(3,799)	(1,482)	(7,914,574)
<u>\$ 17,822,013</u>	<u>\$ 3,642,994</u>	<u>\$ 449</u>	<u>\$ 29,387,963</u>

\$ 36,983	\$ 12	\$ -	\$ 76,304
-	-	-	69,235
8,835	-	-	8,835
-	6,945,000	-	9,945,000
-	(184,864)	-	(283,619)
86,050	2,971	-	193,982
<u>54,320</u>	<u>-</u>	<u>-</u>	<u>124,823</u>
186,188	6,763,119	-	10,134,560
<u>17,635,825</u>	<u>(3,120,125)</u>	<u>449</u>	<u>19,253,403</u>
<u>\$ 17,822,013</u>	<u>\$ 3,642,994</u>	<u>\$ 449</u>	<u>\$ 29,387,963</u>

CITY OF LEBANON, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
ALL ENTERPRISE DEPARTMENTS
YEAR ENDED JUNE 30, 2003**

	<u>Water</u>	<u>Water CIP</u>	<u>Small Water Line</u>	<u>Storm Drain Utility</u>
OPERATING REVENUES				
Charges for services	\$ 2,135,611	\$ -	\$ -	\$ -
Miscellaneous	<u>63,334</u>	<u>14,126</u>	<u>2,972</u>	<u>907</u>
<i>Total Revenues</i>	2,198,945	14,126	2,972	907
OPERATING EXPENDITURES				
Current				
Personal services	598,314	-	218,829	21,089
Materials and services	336,538	5,486	167,956	427
Capital outlay/Depreciation	<u>219,546</u>	<u>-</u>	<u>21,760</u>	<u>-</u>
<i>Total Expenditures</i>	<u>1,154,398</u>	<u>5,486</u>	<u>408,545</u>	<u>21,516</u>
REVENUES OVER (UNDER) EXPENDITURES	1,044,547	8,640	(405,573)	(20,609)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	250,468	436,902	-
Transfers out	(1,130,142)	-	(24,412)	-
Interest expense	-	(165,734)	-	-
Contributed capital	30,262	(12,760)	-	-
Loss on disposal of assets	<u>(320)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,100,200)</u>	<u>71,974</u>	<u>412,490</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(55,653)	80,614	6,917	(20,609)
RETAINED EARNINGS (DEFICIT),				
<i>Beginning of year</i>	<u>5,793,104</u>	<u>(1,315,076)</u>	<u>189,634</u>	<u>58,323</u>
RETAINED EARNINGS (DEFICIT),				
<i>End of year</i>	<u>\$ 5,737,451</u>	<u>\$ (1,234,462)</u>	<u>\$ 196,551</u>	<u>\$ 37,714</u>

<u>Wastewater</u>	<u>Wastewater CIP</u>	<u>Railroad</u>	<u>Totals</u>
\$ 2,365,481	\$ -	\$ -	\$ 4,501,092
<u>54,609</u>	<u>45,200</u>	<u>112</u>	<u>181,260</u>
2,420,090	45,200	112	4,682,352
449,024	-	-	1,287,256
498,374	10,875	-	1,019,656
<u>471,313</u>	<u>-</u>	<u>-</u>	<u>712,619</u>
<u>1,418,711</u>	<u>10,875</u>	<u>-</u>	<u>3,019,531</u>
1,001,379	34,325	112	1,662,821
-	640,875	-	1,328,245
(1,455,602)	-	-	(2,610,156)
(461)	(403,071)	-	(569,266)
278,951	(84,101)	-	212,352
<u>(377)</u>	<u>-</u>	<u>-</u>	<u>(697)</u>
<u>(1,177,489)</u>	<u>153,703</u>	<u>-</u>	<u>(1,639,522)</u>
(176,110)	188,028	112	23,299
<u>17,811,935</u>	<u>(3,308,153)</u>	<u>337</u>	<u>19,230,104</u>
<u>\$ 17,635,825</u>	<u>\$ (3,120,125)</u>	<u>\$ 449</u>	<u>\$ 19,253,403</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - ALL ENTERPRISE DEPARTMENTS
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Charges for services	\$ 4,411,057	\$ 4,484,347	\$ 16,745	\$ 4,501,092
Miscellaneous	224,564	183,295	(2,035)	181,260
<i>Total Revenues</i>	<u>4,635,621</u>	<u>4,667,642</u>	<u>14,710</u>	<u>4,682,352</u>
EXPENDITURES				
Current				
Personal services	1,382,622	1,346,800	(59,544)	1,287,256
Materials and services	1,454,426	1,031,292	(11,636)	1,019,656
Capital outlay/depreciation	2,831,016	203,645	508,974	712,619
Debt service	897,171	897,021	(327,755)	569,266
Contingency	1,173,807	-	-	-
<i>Total Expenditures</i>	<u>7,739,042</u>	<u>3,478,758</u>	<u>(110,039)</u>	<u>3,588,797</u>
REVENUES OVER (UNDER) EXPENDITURES	(3,103,421)	1,188,884	(95,329)	1,093,555
OTHER FINANCING SOURCES (USES)				
Transfers in	1,328,245	1,328,245	-	1,328,245
Transfers out	(2,740,156)	(2,740,156)	130,000	(2,610,156)
Contributed capital	-	-	212,352	212,352
Loss on disposal of assets	-	-	(697)	(697)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,411,911)</u>	<u>(1,411,911)</u>	<u>341,655</u>	<u>(1,070,256)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(4,515,332)	(223,027)	246,326	23,299
RETAINED EARNINGS (DEFICIT), Beginning of year				
	<u>4,781,445</u>	<u>4,796,852</u>	<u>14,433,252</u>	<u>19,230,104</u>
RETAINED EARNINGS (DEFICIT), End of year				
	<u>\$ 266,113</u>	<u>\$ 4,573,825</u>	<u>\$ 14,679,578</u>	<u>\$ 19,253,403</u>

CITY OF LEBANON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -

BUDGET AND ACTUAL - WATER DEPARTMENT

YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Charges for services	\$ 2,087,057	\$ 2,147,576	\$ (11,965)	\$ 2,135,611
Miscellaneous	<u>36,000</u>	<u>65,189</u>	<u>(1,855)</u>	<u>63,334</u>
<i>Total Revenues</i>	2,123,057	2,212,765	(13,820)	2,198,945
EXPENDITURES				
Current				
Personal services	578,558	589,391	8,923	598,314
Materials and services	592,760	365,123	(28,585)	336,538
Capital outlay/depreciation	43,818	9,641	209,905	219,546
Contingency	<u>114,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>1,329,386</u>	<u>964,155</u>	<u>190,243</u>	<u>1,154,398</u>
REVENUES OVER (UNDER) EXPENDITURES	793,671	1,248,610	(204,063)	1,044,547
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,130,142)	(1,130,142)	-	(1,130,142)
Contributed capital	-	-	30,262	30,262
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>(320)</u>	<u>(320)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,130,142)</u>	<u>(1,130,142)</u>	<u>29,942</u>	<u>(1,100,200)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(336,471)	118,468	(174,121)	(55,653)
RETAINED EARNINGS (DEFICIT),				
<i>Beginning of year</i>	<u>560,000</u>	<u>637,292</u>	<u>5,155,812</u>	<u>5,793,104</u>
RETAINED EARNINGS (DEFICIT),				
<i>End of year</i>	<u>\$ 223,529</u>	<u>\$ 755,760</u>	<u>\$ 4,981,691</u>	<u>\$ 5,737,451</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 40,100	\$ 14,126	\$ -	\$ 14,126
EXPENDITURES				
Current				
Materials and services	-	-	5,486	5,486
Capital outlay/depreciation	643,929	27,691	(27,691)	-
Debt service	250,880	250,734	(85,000)	165,734
Contingency	259,688	-	-	-
<i>Total Expenditures</i>	<u>1,154,497</u>	<u>278,425</u>	<u>(107,205)</u>	<u>171,220</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,114,397)	(264,299)	107,205	(157,094)
OTHER FINANCING SOURCES (USES)				
Transfers in	250,468	250,468	-	250,468
Transfers out	(115,000)	(115,000)	115,000	-
Contributed capital	-	-	(12,760)	(12,760)
<i>Total Other Financing Sources (Uses)</i>	<u>135,468</u>	<u>135,468</u>	<u>102,240</u>	<u>237,708</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(978,929)	(128,831)	209,445	80,614
RETAINED EARNINGS, Beginning of year	<u>978,929</u>	<u>965,401</u>	<u>(2,280,477)</u>	<u>(1,315,076)</u>
RETAINED EARNINGS, End of year	<u>\$ -</u>	<u>\$ 836,570</u>	<u>\$ (2,071,032)</u>	<u>\$ (1,234,462)</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - SMALL WATER LINE DEPARTMENT
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 6,000	\$ 2,972	\$ -	\$ 2,972
EXPENDITURES				
Current				
Personal services	233,717	218,829	-	218,829
Materials and services	186,217	166,453	1,503	167,956
Capital outlay/depreciation	7,924	6,216	15,544	21,760
Contingency	31,558	-	-	-
<i>Total Expenditures</i>	<u>459,416</u>	<u>391,498</u>	<u>17,047</u>	<u>408,545</u>
REVENUES OVER (UNDER) EXPENDITURES	(453,416)	(388,526)	(17,047)	(405,573)
OTHER FINANCING SOURCES (USES)				
Transfers in	436,902	436,902	-	436,902
Transfers out	(24,412)	(24,412)	-	(24,412)
<i>Total Other Financing Sources (Uses)</i>	<u>412,490</u>	<u>412,490</u>	<u>-</u>	<u>412,490</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(40,926)	23,964	(17,047)	6,917
RETAINED EARNINGS, Beginning of year	<u>40,926</u>	<u>81,677</u>	<u>107,957</u>	<u>189,634</u>
RETAINED EARNINGS (DEFICIT), End of year	<u>\$ -</u>	<u>\$ 105,641</u>	<u>\$ 90,910</u>	<u>\$ 196,551</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - STORM DRAIN UTILITY DEPARTMENT
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 5,000	\$ 907	\$ -	\$ 907
EXPENDITURES				
Current				
Personal services	67,763	29,085	(7,996)	21,089
Materials and services	4,642	427	-	427
Contingency	420	-	-	-
<i>Total Expenditures</i>	<u>72,825</u>	<u>29,512</u>	<u>(7,996)</u>	<u>21,516</u>
REVENUES OVER (UNDER) EXPENDITURES	(67,825)	(28,605)	7,996	(20,609)
RETAINED EARNINGS, Beginning of year	<u>67,825</u>	<u>73,180</u>	<u>(14,857)</u>	<u>58,323</u>
RETAINED EARNINGS, End of year	<u>\$ -</u>	<u>\$ 44,575</u>	<u>\$ (6,861)</u>	<u>\$ 37,714</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WASTEWATER DEPARTMENT
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Charges for services	\$ 2,324,000	\$ 2,336,771	\$ 28,710	\$ 2,365,481
Miscellaneous	<u>32,000</u>	<u>54,789</u>	<u>(180)</u>	<u>54,609</u>
<i>Total Revenues</i>	2,356,000	2,391,560	28,530	2,420,090
EXPENDITURES				
Current				
Personal services	425,212	439,557	9,467	449,024
Materials and services	478,288	498,374	-	498,374
Capital outlay/depreciation	301,770	60,075	411,238	471,313
Debt service	3,216	3,216	(2,755)	461
Contingency	<u>114,791</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>1,323,277</u>	<u>1,001,222</u>	<u>417,950</u>	<u>1,419,172</u>
REVENUES OVER (UNDER) EXPENDITURES	1,032,723	1,390,338	(389,420)	1,000,918
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,455,602)	(1,455,602)	-	(1,455,602)
Contributed capital	-	-	278,951	278,951
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>(377)</u>	<u>(377)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,455,602)</u>	<u>(1,455,602)</u>	<u>278,574</u>	<u>(1,177,028)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(422,879)	(65,264)	(110,846)	(176,110)
RETAINED EARNINGS, Beginning of year	<u>465,463</u>	<u>381,999</u>	<u>17,429,936</u>	<u>17,811,935</u>
RETAINED EARNINGS, End of year	<u>\$ 42,584</u>	<u>\$ 316,735</u>	<u>\$ 17,319,090</u>	<u>\$ 17,635,825</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 105,324	\$ 45,200	\$ -	\$ 45,200
EXPENDITURES				
Current				
Personal services	77,372	69,938	(69,938)	-
Materials and services	192,129	915	9,960	10,875
Capital outlay/depreciation	1,833,575	100,022	(100,022)	-
Debt service	643,075	643,071	(240,000)	403,071
Contingency	653,100	-	-	-
<i>Total Expenditures</i>	<u>3,399,251</u>	<u>813,946</u>	<u>(400,000)</u>	<u>413,946</u>
REVENUES OVER (UNDER) EXPENDITURES	(3,293,927)	(768,746)	400,000	(368,746)
OTHER FINANCING SOURCES (USES)				
Transfers in	640,875	640,875	-	640,875
Transfers out	(15,000)	(15,000)	15,000	-
Contributed capital	-	-	(84,101)	(84,101)
<i>Total Other Financing Sources (Uses)</i>	<u>625,875</u>	<u>625,875</u>	<u>(69,101)</u>	<u>556,774</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,668,052)	(142,871)	330,899	188,028
RETAINED EARNINGS, Beginning of year	<u>2,668,052</u>	<u>2,656,965</u>	<u>(5,965,118)</u>	<u>(3,308,153)</u>
RETAINED EARNINGS, End of year	<u>\$ -</u>	<u>\$ 2,514,094</u>	<u>\$ (5,634,219)</u>	<u>\$ (3,120,125)</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - RAILROAD DEPARTMENT
YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>
		<u>Budget Basis</u>	<u>Adjustments</u>	
REVENUES				
Miscellaneous	\$ 140	\$ 112	\$ -	\$ 112
EXPENDITURES				
Materials and services	390	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(250)	112	-	112
RETAINED EARNINGS (DEFICIT), Beginning of year	250	338	(1)	337
RETAINED EARNINGS (DEFICIT), End of year	\$ -	\$ 450	\$ (1)	\$ 449

SUPPLEMENTAL INFORMATION

CITY OF LEBANON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2003

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2002</u>	<u>Levy</u>	<u>Discounts and Adjustments</u>	<u>Total Collections</u>	<u>Taxes Receivable June 30, 2003</u>
2002-03	\$ -	\$ 4,155,426	\$ (151,191)	\$ 3,791,768	\$ 212,467
Prior years	<u>393,560</u>	<u>-</u>	<u>44,877</u>	<u>223,022</u>	<u>215,415</u>
<i>Totals</i>	<u>\$ 393,560</u>	<u>\$ 4,155,426</u>	<u>\$ (106,314)</u>	<u>\$ 4,014,790</u>	<u>\$ 427,882</u>

Summary of taxes receivable by fund

General Fund	\$ 247,473
Debt Service Fund	47,802
Urban Renewal Fund	39,580
NW Urban Renewal Fund	89,318
Enterprise Fund	883
Cheadle Lake Urban Renewal Fund	<u>2,826</u>
	<u>\$ 427,882</u>

CITY OF LEBANON, OREGON
SCHEDULE OF BOND TRANSACTIONS
YEAR ENDED JUNE 30, 2003

<u>Issue</u>	<u>Date of Issue</u>	<u>Interest Rate</u>		<u>Outstanding July 1, 2002</u>	
		<u>From</u>	<u>To</u>	<u>Matured</u>	<u>Unmatured</u>
General Obligation					
General obligation - urban renewal	06/01/99	4.500%	5.625%	\$ -	\$ 3,235,000
General obligation - urban renewal	03/01/94	3.000%	6.000%	-	770,000
Refunding	08/01/95	3.750%	5.350%	-	2,955,000
General obligation - NW urban renewal	08/24/00	4.750%	6.000%	-	5,070,000
General obligation - pension bond	03/25/02	2.000%	7.360%	-	2,071,222
				-	14,101,222
Revenue					
Wastewater refunding	06/01/93	5.250%	5.875%	-	3,970,000
Water refunding	09/01/93	3.750%	5.500%	-	3,085,000
Wastewater revenue	03/01/00	4.700%	5.700%	-	3,215,000
				-	10,270,000
				\$ -	\$24,371,222

<u>2002-03 Transactions</u>		<u>Outstanding June 30, 2003</u>	
<u>Issued</u>	<u>Matured and Retired</u>	<u>Matured</u>	<u>Unmatured</u>
\$ -	\$ 45,000	\$ -	\$ 3,190,000
-	45,000	-	725,000
-	305,000	-	2,650,000
-	170,000	-	4,900,000
-	-	-	<u>2,071,222</u>
-	565,000	-	13,536,222
-	130,000	-	3,840,000
-	85,000	-	3,000,000
-	<u>110,000</u>	-	<u>3,105,000</u>
-	325,000	-	9,945,000
<u>\$ -</u>	<u>\$ 890,000</u>	<u>\$ -</u>	<u>\$ 23,481,222</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE BONDED DEBT REQUIREMENTS
JUNE 30, 2003

<u>Fiscal Year</u>	<u>NW Lebanon URD 2000 Construction</u>			<u>General Obligation - Urban Renewal</u>		
	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>
2003-04	\$ 462,543	\$ 180,000	\$ 282,543	\$ 91,703	\$ 50,000	\$ 41,703
2004-05	463,183	190,000	273,183	89,053	50,000	39,053
2005-06	463,113	200,000	263,113	91,403	55,000	36,403
2006-07	462,313	210,000	252,313	93,488	60,000	33,488
2007-08	460,762	220,000	240,762	89,963	60,000	29,963
2008-09	463,552	235,000	228,552	91,438	65,000	26,438
2009-10	460,392	245,000	215,392	92,619	70,000	22,619
2010-11	461,550	260,000	201,550	93,506	75,000	18,506
2011-12	461,600	275,000	186,600	89,100	75,000	14,100
2012-13	460,787	290,000	170,787	89,694	80,000	9,694
2013-14	464,112	310,000	154,112	89,994	85,000	4,994
2014-15	461,287	325,000	136,287	-	-	-
2015-16	462,600	345,000	117,600	-	-	-
2016-17	466,900	370,000	96,900	-	-	-
2017-18	464,700	390,000	74,700	-	-	-
2018-19	466,300	415,000	51,300	-	-	-
2019-20	466,400	440,000	26,400	-	-	-
2020-21	-	-	-	-	-	-
2021-22	-	-	-	-	-	-
2022-23	-	-	-	-	-	-
2023-24	-	-	-	-	-	-
2024-25	-	-	-	-	-	-
2025-26	-	-	-	-	-	-
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
	<u>\$ 7,872,094</u>	<u>\$ 4,900,000</u>	<u>\$ 2,972,094</u>	<u>\$ 1,001,961</u>	<u>\$ 725,000</u>	<u>\$ 276,961</u>

<u>General Obligation - Refunding</u>			<u>Revenue Supported Refunding Wastewater Bonds</u>			<u>General Obligation Urban Renewal</u>		
<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>	<u>Total</u>	<u>Bonds</u>	<u>Coupons</u>
\$ 441,753	\$ 315,000	\$ 126,753	\$ 363,194	\$ 140,000	\$ 223,194	\$ 234,249	\$ 60,000	\$ 174,249
446,310	335,000	111,310	365,844	150,000	215,844	251,429	80,000	171,429
449,573	355,000	94,573	362,219	155,000	207,219	267,589	100,000	167,589
451,500	375,000	76,500	363,306	165,000	198,306	277,689	115,000	162,689
456,625	400,000	56,625	358,819	170,000	188,819	286,939	130,000	156,939
455,100	420,000	35,100	359,044	180,000	179,044	295,309	145,000	150,309
462,038	450,000	12,038	363,694	195,000	168,694	302,769	160,000	142,769
-	-	-	367,481	210,000	157,481	308,969	175,000	133,969
-	-	-	360,406	215,000	145,406	319,344	195,000	124,344
-	-	-	362,775	230,000	132,775	328,619	215,000	113,619
-	-	-	359,263	240,000	119,263	341,794	240,000	101,794
-	-	-	365,162	260,000	105,162	348,593	260,000	88,593
-	-	-	364,888	275,000	89,888	358,969	285,000	73,969
-	-	-	363,731	290,000	73,731	372,937	315,000	57,937
-	-	-	361,694	305,000	56,694	380,218	340,000	40,218
-	-	-	358,775	320,000	38,775	396,093	375,000	21,093
-	-	-	359,975	340,000	19,975	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$3,162,899</u>	<u>\$2,650,000</u>	<u>\$ 512,899</u>	<u>\$6,160,270</u>	<u>\$3,840,000</u>	<u>\$2,320,270</u>	<u>\$5,071,509</u>	<u>\$3,190,000</u>	<u>\$1,881,509</u>

CITY OF LEBANON, OREGON

SCHEDULE OF FUTURE BONDED DEBT REQUIREMENT (Continued)

JUNE 30, 2003

<u>Fiscal Year</u>	<u>General Obligation - Pension Bond</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>
2003-04	\$ 117,780	\$ 4,559	\$ 113,221	\$ 251,285	\$ 90,000	\$ 161,285
2004-05	122,780	8,528	114,252	251,335	95,000	156,335
2005-06	127,780	11,989	115,791	255,883	105,000	150,883
2006-07	137,780	18,550	119,230	255,025	110,000	145,025
2007-08	142,780	20,540	122,240	253,950	115,000	138,950
2008-09	147,780	22,288	125,492	252,605	120,000	132,605
2009-10	152,780	23,468	129,312	250,990	125,000	125,990
2010-11	162,780	27,144	135,636	253,970	135,000	118,970
2011-12	167,780	27,634	140,146	251,545	140,000	111,545
2012-13	177,779	30,292	147,487	253,715	150,000	103,715
2013-14	182,780	30,290	152,490	255,345	160,000	95,345
2014-15	192,780	31,704	161,076	251,488	165,000	86,488
2015-16	202,780	32,796	169,984	257,000	180,000	77,000
2016-17	212,780	33,687	179,093	256,825	190,000	66,825
2017-18	217,780	32,872	184,908	256,100	200,000	56,100
2018-19	227,780	33,233	194,547	259,687	215,000	44,687
2019-20	237,780	51,648	186,132	257,587	225,000	32,587
2020-21	251,068	140,000	111,068	254,937	235,000	19,937
2021-22	261,478	160,000	101,478	251,737	245,000	6,737
2022-23	275,518	185,000	90,518	-	-	-
2023-24	282,845	205,000	77,845	-	-	-
2024-25	298,802	235,000	63,802	-	-	-
2025-26	308,292	260,000	48,292	-	-	-
2026-27	325,482	295,000	30,482	-	-	-
2027-28	160,275	150,000	10,275	-	-	-
	<u>\$ 5,096,019</u>	<u>\$ 2,071,222</u>	<u>\$ 3,024,797</u>	<u>\$ 4,831,009</u>	<u>\$ 3,000,000</u>	<u>\$ 1,831,009</u>

<i>Wastewater Revenue</i>			<i>All Issues</i>		
<i>Total</i>	<i>Bonds</i>	<i>Coupons</i>	<i>Total</i>	<i>Bonds</i>	<i>Coupons</i>
\$ 287,773	\$ 120,000	\$ 167,773	\$ 2,250,280	\$ 959,559	\$ 1,290,721
286,893	125,000	161,893	2,276,827	1,033,528	1,243,299
285,643	130,000	155,643	2,303,203	1,111,989	1,191,214
284,143	135,000	149,143	2,325,244	1,188,550	1,136,694
287,325	145,000	142,325	2,337,163	1,260,540	1,076,623
284,930	150,000	134,930	2,349,758	1,337,288	1,012,470
287,205	160,000	127,205	2,372,487	1,428,468	944,019
283,885	165,000	118,885	1,932,141	1,047,144	884,997
285,223	175,000	110,223	1,934,998	1,102,634	832,364
285,948	185,000	100,948	1,959,317	1,180,292	779,025
286,050	195,000	91,050	1,979,338	1,260,290	719,048
285,520	205,000	80,520	1,904,830	1,246,704	658,126
284,040	215,000	69,040	1,930,277	1,332,796	597,481
287,000	230,000	57,000	1,960,173	1,428,687	531,486
288,890	245,000	43,890	1,969,382	1,512,872	456,510
284,925	255,000	29,925	1,993,560	1,613,233	380,327
285,390	270,000	15,390	1,607,132	1,326,648	280,484
-	-	-	506,005	375,000	131,005
-	-	-	513,215	405,000	108,215
-	-	-	275,518	185,000	90,518
-	-	-	282,845	205,000	77,845
-	-	-	298,802	235,000	63,802
-	-	-	308,292	260,000	48,292
-	-	-	325,482	295,000	30,482
-	-	-	160,275	150,000	10,275
<u>\$4,860,783</u>	<u>\$ 3,105,000</u>	<u>\$ 1,755,783</u>	<u>\$ 38,056,544</u>	<u>\$ 23,481,222</u>	<u>\$ 14,575,322</u>

COMPLIANCE SECTION

CITY OF LEBANON, OREGON

**COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
YEAR ENDED JUNE 30, 2003**

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 accounting 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 in the notes to the general purpose financial statements.

Internal Accounting Control

We have audited the general purpose financial statements of the City of Lebanon as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

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, and no breach of the bond agreements, at June 30, 2003.

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, 2003.

CITY OF LEBANON, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2003

Budget Compliance

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the fiscal years ending June 30, 2003 and 2004. A description of the budgeting process is in the notes to the combined financial statements.

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2003. We ascertained that such policies appeared to be in force and in compliance 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 covering City-owned property at June 30, 2003.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2003.

Public Contracting and Purchasing

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

Schedule of Accountability of Independently Elected Officials

There are no elected City officials who collect or receive funds on behalf of the City.

Use Of State Highway Funds

The City has complied with the legal requirements relating to the use of revenue from taxes on motor vehicle use fuel.

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 respects.

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.

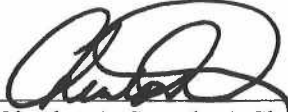
CITY OF LEBANON, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2003

This report is intended for the information of the City of Lebanon, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

By: 
Charles A. Swank, A Shareholder

December 11, 2003