

LEBANON

OREGON

Ready When You Are...



***CITY OF LEBANON, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004***

CITY OF LEBANON, OREGON

CITY OFFICIALS

JUNE 30, 2004

MAYOR

Ken Toombs
1299 Franklin Street
Lebanon, Oregon 97355

COUNCIL MEMBERS

Roger Munk
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Lebanon, Oregon 97355

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Lebanon, Oregon 97355

CITY ADMINISTRATOR

John Hitt
925 S. Main
Lebanon, Oregon 97355

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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Oregon as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Oregon as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information is not a required part of the basic financial statements, but is supplementary information required by accounting standards generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Accounting standards generally accepted in the United States of America require that financial statements include Management's Discussion and Analysis as supplemental information. Management has not presented the required Management's Discussion and Analysis.

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Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and schedules and other financial schedules listed as supplementary information 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 basic financial statements of the City of Lebanon. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

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

By: 
Charles A. Swank, Shareholder
January 17, 2005

BASIC FINANCIAL STATEMENTS

CITY OF LEBANON, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 6,887,758	\$ 3,465,898	\$ 10,353,656
Accounts receivable	581,314	641,212	1,222,526
Prepaid expenses	19,755	-	19,755
Internal balances	130,000	(130,000)	-
Property taxes receivable	395,977	911	396,888
Special assessments/loans	956,419	-	956,419
Court fines	650,128	-	650,128
Capital assets, net	23,759,546	23,561,100	47,320,646
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	33,380,897	27,539,121	60,920,018
LIABILITIES			
Accounts payable	157,589	76,962	234,551
Payroll liabilities	97,819	-	97,819
Retainage payable	5,060	-	5,060
Deposits	-	72,175	72,175
Reserved for claims	115,655	124,133	239,788
Noncurrent liabilities:			
Due within one year:			
Loan payable	346,644	2,741	349,385
Bonds payable	663,528	305,000	968,528
Accrued compensated absences	89,980	18,578	108,558
Due in more than one year:			
Loan payable	149,977	3,334	153,311
Bonds payable	12,263,136	9,120,000	21,383,136
Bonds discount	-	(266,539)	(266,539)
Accrued compensated absences	570,655	129,489	700,144
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	14,460,043	9,585,873	24,045,916
NET ASSETS			
Investment in capital assets (net of related debt)	9,675,626	14,396,564	24,072,190
Restricted for special purposes	4,833,374	-	4,833,374
Unrestricted	4,411,854	3,556,684	7,968,538
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	\$ 18,920,854	\$ 17,953,248	\$ 36,874,102

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

CITY OF LEBANON, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	<i>Program Revenues</i>		
	<i>Expenses</i>	<i>Fees, Fines, and Charges for Services</i>	<i>Operating Grants and Contributions</i>
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$ 1,005,580	\$ 602,259	\$ 104,071
Community services and development	4,697,710	1,402,005	534,522
Public safety	2,629,135	431,247	65,553
Interest on long-term debt	749,378	-	-
Unallocated depreciation	2,545,525	-	-
<i>Total governmental activities</i>	11,627,328	2,435,511	704,146
Business-type activities:			
Water	1,986,467	2,252,181	-
Storm drain utility	(3,190)	-	-
Wastewater	2,461,041	2,378,078	-
Railroad	12	106	-
<i>Total business-type activities</i>	4,444,330	4,630,365	-
<i>Total activities</i>	<u>\$ 16,071,658</u>	<u>\$ 7,065,876</u>	<u>\$ 704,146</u>
General revenues:			
Property taxes			
Franchise fees			
Intergovernmental			
Miscellaneous			
Loss on sale of assets			
<i>Total general revenues</i>			
Transfers			
Change in net assets			
<i>Net assets, July 1, 2003</i>			
<i>Net assets, June 30, 2004</i>			

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

<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 148,924	\$ (150,326)	\$ -	\$ (150,326)
-	(2,761,183)	-	(2,761,183)
-	(2,132,335)	-	(2,132,335)
-	(749,378)	-	(749,378)
-	(2,545,525)	-	(2,545,525)
148,924	(8,338,747)	-	(8,338,747)
-	-	265,714	265,714
-	-	3,190	3,190
-	-	(82,963)	(82,963)
-	-	94	94
-	-	186,035	186,035
<u>\$ 148,924</u>	(8,338,747)	186,035	(8,152,712)
	4,049,735	-	4,049,735
	1,214,069	-	1,214,069
	234,064	-	234,064
	358,692	94,016	452,708
	(3,039)	-	(3,039)
	5,853,521	94,016	5,947,537
	1,580,205	(1,580,205)	-
	(905,021)	(1,300,154)	(2,205,175)
	19,825,875	19,253,402	39,079,277
	<u>\$ 18,920,854</u>	<u>\$ 17,953,248</u>	<u>\$ 36,874,102</u>

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

CITY OF LEBANON, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Inter- governmental</u>
ASSETS		
Cash and investments	\$ (54,273)	\$ 1,398,737
Accounts receivable	271,703	98,745
Prepaid expenses	-	-
Due from other funds	-	-
Property taxes receivable	231,606	-
Special assessments/loans	-	928,090
Court fines receivable	470,433	179,695
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 919,469</u>	<u>\$ 2,605,267</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 61,505	\$ 56,499
Payroll taxes payable	-	-
Retainage payable	-	5,060
Compensated absences payable	44,240	29,227
Deferred revenues	714,801	1,123,178
Reserved for claims	45,089	70,566
	<hr/>	<hr/>
<i>Total Liabilities</i>	865,635	1,284,530
Fund Balances		
Unreserved, reported in:		
General fund	53,834	-
Special revenue funds	-	1,320,737
Capital projects fund	-	-
Debt services funds	-	-
	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>53,834</u>	<u>1,320,737</u>
	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 919,469</u>	<u>\$ 2,605,267</u>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 3,286,572	\$ 2,256,722	\$ 6,887,758
134,700	76,166	581,314
-	19,755	19,755
130,000	-	130,000
-	164,371	395,977
-	28,329	956,419
-	-	650,128
<u>\$ 3,551,272</u>	<u>\$ 2,545,343</u>	<u>\$ 9,621,351</u>
\$ 20,511	\$ 19,074	\$ 157,589
-	97,819	97,819
-	-	5,060
14,761	1,752	89,980
134,700	194,534	2,167,213
-	-	115,655
169,972	313,179	2,633,316
-	-	53,834
-	1,505,076	2,825,813
3,381,300	-	3,381,300
-	727,088	727,088
3,381,300	2,232,164	6,988,035
<u>\$ 3,551,272</u>	<u>\$ 2,545,343</u>	<u>\$ 9,621,351</u>

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

CITY OF LEBANON, OREGON

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Fund Balances \$ 6,988,035

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds. 2,167,213

Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value. 23,759,546

All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds. (13,993,940)

Net assets of governmental activities \$ 18,920,854

CITY OF LEBANON, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Inter- governmental</u>
REVENUES		
Taxes and assessments	\$ 2,391,150	\$ 22,831
Licenses and permits	874,334	376,118
Charges for services	40,101	6,240
Intergovernmental	333,625	1,112,506
Fines and forfeitures	213,928	131,946
Miscellaneous	83,608	213,841
	<hr/>	<hr/>
<i>Total Revenues</i>	3,936,746	1,863,482
EXPENDITURES		
Current operating:		
General government	590,248	12,106
Community services and development	738,129	3,222,968
Public safety	2,511,765	-
Capital outlay	24,231	397,238
Debt service	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	3,864,373	3,632,312
REVENUES OVER (UNDER) EXPENDITURES	72,373	(1,768,830)
OTHER FINANCING SOURCES (USES)		
Transfers in	1,931	2,237,333
Transfers out	(335,875)	(345,815)
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(333,944)	1,891,518
NET CHANGE IN FUND BALANCES	(261,571)	122,688
FUND BALANCES, Beginning of year	315,405	1,198,049
	<hr/>	<hr/>
FUND BALANCES, End of year	\$ 53,834	\$ 1,320,737
	<hr/> <hr/>	<hr/> <hr/>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 212,256	\$ 1,698,600	\$ 4,324,837
343,330	-	1,593,782
-	-	46,341
6,674	117,780	1,570,585
-	120,620	466,494
743,326	332,452	1,373,227
<hr/>	<hr/>	<hr/>
1,305,586	2,269,452	9,375,266
544,503	35,844	1,182,701
245,968	183,919	4,390,984
5,388	120,638	2,637,791
560,295	276,990	1,258,754
-	1,386,674	1,386,674
<hr/>	<hr/>	<hr/>
1,356,154	2,004,065	10,856,904
(50,568)	265,387	(1,481,638)
166,831	275,979	2,682,074
(151,443)	(268,736)	(1,101,869)
<hr/>	<hr/>	<hr/>
15,388	7,243	1,580,205
(35,180)	272,630	98,567
3,416,480	1,959,534	6,889,468
<hr/>	<hr/>	<hr/>
\$ 3,381,300	\$ 2,232,164	\$ 6,988,035

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

CITY OF LEBANON, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

<i>Net change in fund balances - total governmental funds</i>	\$ 98,567
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	(230,125)
The Statement of Activities reports gains and losses arising from the disposal of existing capital assets, while governmental funds do not report any gains and losses on the disposal of existing capital assets.	(3,039)
Governmental funds do not report expenditures for unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	38,403
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.	(1,446,123)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.	637,296
<i>Change in net assets of governmental activities.</i>	<u>\$ (905,021)</u>

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

CITY OF LEBANON, OREGON
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2004

ASSETS

Current assets

Cash and investments	\$ 3,465,898
Accounts receivable	641,212
Property taxes receivable	911

<i>Total Current Assets</i>	4,108,021
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Noncurrent assets

Capital assets, net	23,561,100
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<i>Total Assets</i>	27,669,121
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LIABILITIES

Current liabilities

Accounts payable	76,962
Deposits	72,175
Due to other funds	130,000
Loan payable - current portion	2,741
Bonds payable - current portion	305,000

<i>Total Current Liabilities</i>	586,878
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Noncurrent liabilities

Loans payable	3,334
Bonds payable	9,120,000
Bonds discount	(266,539)
Compensated absences payable	148,067
Reserved for claims	124,133

<i>Total Noncurrent Liabilities</i>	9,128,995
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NET ASSETS

Investment in capital assets (net of related debt)	14,396,564
Unrestricted	3,556,684

<i>Total Net Assets</i>	\$ 17,953,248
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The accompanying notes are an integral part of the financial statements.

CITY OF LEBANON, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2004

OPERATING REVENUES

Charges for services	\$ 4,535,929
Miscellaneous	94,436

Total Operating Revenues 4,630,365

OPERATING EXPENSES

Personnel services	1,402,313
Materials and services	2,003,563
Capital outlay / depreciation	696,154

Total Operating Expenses 4,102,030

OPERATING INCOME (LOSS)

528,335

NONOPERATING REVENUES (EXPENSES)

Transfers in	965,003
Transfers out	(2,545,208)
Interest income	94,016
Interest expense	(342,109)
Loss on disposal of assets	(191)

Total Nonoperating Revenue (Expenses) (1,828,489)

CHANGE IN NET ASSETS

(1,300,154)

NET ASSETS, Beginning of year

19,253,402

NET ASSETS, End of year

\$ 17,953,248

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

CITY OF LEBANON, OREGON
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 4,603,037
Cash paid to employees for services	(1,448,228)
Cash paid to suppliers for goods and services	(2,005,855)
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	1,148,954
	<hr/>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Transfers in	965,003
Transfers out	(2,545,208)
Interfund borrowing	130,000
	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	(1,450,205)
	<hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(250,671)
Principal paid on contracts/bonds payable	(522,760)
Change in reserve for claims	(690)
Interest paid	(322,083)
	<hr/>
<i>Net Cash Used in Capital and Related Financing Activities</i>	(1,096,204)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	88,794
	<hr/>
<i>Net Change in Cash and Investments</i>	(1,308,661)
	<hr/>

CASH AND INVESTMENTS, Beginning of year

4,774,559

CASH AND INVESTMENTS, End of year

\$ 3,465,898

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

Operating income	\$ 530,607
Depreciation	696,154
Change in assets and liabilities	
Accounts receivable	(35,490)
Accounts payable and accrued liabilities	658
Compensated absences payable	(45,915)
Deposit payable	2,940
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,148,954</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City of Lebanon, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2004.

The governing boards of the Urban Renewal Agency, the Cheadle Lake Urban Renewal Agency and the Northwest Urban Renewal Agency of the City of Lebanon consist of all of the members of the Lebanon City Council. The area served by the Agencies is either within the existing City limits of the City of Lebanon or under a delayed annexation agreement requiring annexation to the City at the option of the Lebanon City Council. The Urban Renewal Agency, the Cheadle Lake Urban Renewal Agency, and the Northwest Urban Renewal Agency are reported as blended component units of the City. These agencies do not issue separate financial statements.

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

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general, special revenue, debt service) and proprietary type funds. Major individual governmental funds, governmental and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the other supplementary information.

CITY OF LEBANON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund

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

Capital Projects Fund

Capital Projects Fund - the City has one capital projects fund which accounts for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary fund.

The City reports the following nonmajor governmental funds:

Special Revenue Funds

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

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

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

Recorder's Trust - this fund accounts for transactions involving employee benefits.

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

CITY OF LEBANON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Debt Service Funds

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

The City reports one major proprietary fund:

Enterprise Fund

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.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets are segregated into investment in capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 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. Receivables for court fines and permits are offset by deferred revenues.

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

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Transfers between funds are to facilitate operations.

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, 2004. Actual results may differ from such estimates.

Cash and Investments

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

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

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

Receivables and Deferred Revenues

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

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

Property taxes receivable for the governmental fund types, which have been collected within sixty 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 February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$300 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in governmental activities consists of roads, bridges, sidewalks, and traffic and lighting systems. Infrastructure reported in business-type activities consist of water, stormwater and wastewater collection systems.

As permitted by GASB 34, the City has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ended after June 30, 1980. Although, the majority of such infrastructure was placed in service before that date, it has not been included in these financial statements since they have been primarily depreciated. In addition, the City has chosen to report infrastructure in the governmental activities column of the government-wide financial statements immediately rather than defer reporting to June 30, 2006.

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

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

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

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on the Statement of Net Assets.

Accrued Vacation Pay

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

Budget and Budgetary Accounting

A budget is prepared for each fund. Appropriations are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes. Budgets are adopted at the departments 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, 2004, several appropriation transfers were made and approved by the City Council.

CASH AND INVESTMENTS

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

Cash and investments are comprised of the following at June 30, 2004:

	<i>Carrying Value</i>	<i>Fair Value</i>
Cash		
Cash on hand	\$ 1,450	\$ 1,450
Deposits with financial institutions	1,741,348	1,741,348
Investments		
Local Government Investment Pool	2,604,130	2,601,526
Federal securities	6,006,728	6,018,037
	<u>\$ 10,353,656</u>	<u>\$ 10,362,361</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

CASH AND INVESTMENTS (Continued)

Deposits

The City's deposits are categorized below to give an indication of the level of risk. Category 1 are deposits that are insured or collateralized with securities held by the City or by an agent of the City in the City's name. Category 2 are deposits that are collateralized with securities that are held by the pledging financial institution's trust department (City's counterparty) or agent in the City's name. Category 3 are deposits that are not collateralized. Category 3 includes deposits that are collateralized other than in the City's name.

At year end, the book balance of the City's bank deposits (checking accounts) is \$1,741,348 and the bank balance is \$2,034,710. The difference is due to transactions in process. The first \$227,579 of the general deposits balance is insured by federal depository insurance. Of the remaining balance, \$451,784 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), and \$1,355,349 is uncollateralized (category 3).

Investments

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, 2004, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to classification. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

The Federal securities are category 2.

RECEIVABLES

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 271,703	\$ 167,257	\$ 134,700	\$ 7,654	\$ 641,212	\$ 1,222,526
Property Taxes	231,606	120,798	-	43,573	911	396,888
Special assessments / loans	-	954,744	-	1,675	-	956,419
Court fines	470,433	179,695	-	-	-	650,128
	<u>\$ 973,742</u>	<u>\$ 1,422,494</u>	<u>\$ 134,700</u>	<u>\$ 52,902</u>	<u>\$ 642,123</u>	<u>\$ 3,225,961</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

RECEIVABLES (Continued)

Property Taxes - Collection Procedures

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

	<i>Balances July 1, 2003</i>	<i>2003-04 Levy</i>	<i>Added To Rolls</i>	<i>Discounts & Adjustments</i>	<i>Collections</i>	<i>Balances June 30, 2004</i>
<i>General Fund</i>						
Current	\$ -	\$ 3,059,477	\$ 1,107	\$ 83,032	\$ 2,830,437	\$ 147,115
Prior	275,253	-	442	11,048	136,584	128,063
	<u>\$ 275,253</u>	<u>\$ 3,059,477</u>	<u>\$ 1,549</u>	<u>\$ 94,080</u>	<u>\$ 2,967,021</u>	<u>\$ 275,178</u>
<i>Urban Renewal</i>						
Current	\$ -	\$ 1,336,592	\$ 484	\$ 36,274	\$ 1,236,531	\$ 64,271
Prior	121,767	-	200	4,806	60,633	56,528
	<u>\$ 121,767</u>	<u>\$ 1,336,592</u>	<u>\$ 684</u>	<u>\$ 41,080</u>	<u>\$ 1,297,164</u>	<u>\$ 120,799</u>
<i>Wastewater</i>						
Current	\$ -	\$ 10,642	\$ 4	\$ 289	9,845	\$ 512
Prior	845	-	1	34	413	399
	<u>\$ 845</u>	<u>\$ 10,642</u>	<u>\$ 5</u>	<u>\$ 323</u>	<u>\$ 10,258</u>	<u>\$ 911</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

CAPITAL ASSETS

Capital assets and related changes therein are as follows:

The summary of capital assets for the business-type activities for the year ended June 30, 2004 is as follows:

	<i>Balances July 1, 2003</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2004</i>
Water and sewer systems	\$ 29,962,243	\$ 180,323	\$ (2,584)	\$ 30,139,982
Construction in progress	1,959,103	70,348	-	2,029,451
	31,921,346	250,671	(2,584)	32,169,433
Less accumulated depreciation	(7,914,574)	(696,152)	2,393	(8,608,333)
	<u>\$ 24,006,772</u>	<u>\$ (445,481)</u>	<u>\$ (191)</u>	<u>\$ 23,561,100</u>

The changes in the capital assets for governmental activities for the year ended June 30, 2004 are as follows:

	<i>Balances July 1, 2003</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2004</i>
General improvements	\$ 50,742,392	\$ 1,097,551	\$ (33,129)	\$ 51,806,814
Less accumulated depreciation	(25,533,684)	(2,545,525)	31,941	(28,047,268)
	<u>\$ 25,208,708</u>	<u>\$ (1,447,974)</u>	<u>\$ (1,188)</u>	<u>\$ 23,759,546</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

LONG-TERM OBLIGATIONS

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

	<i>Outstanding July 1, 2003</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June30, 2004</i>	<i>Due Within One Year</i>
<i>Governmental activities</i>					
1994 GO Urban Renewal	\$ 725,000	\$ -	\$ (50,000)	\$ 675,000	\$ 50,000
1995 GO Refunding	2,650,000	-	(315,000)	2,335,000	335,000
1995 GO Urban Renewal	3,190,000	-	(60,000)	3,130,000	80,000
2000 GO Urban Renewal	4,900,000	-	(180,000)	4,720,000	190,000
2002 GO Pension Pool	2,071,222	-	(4,559)	2,066,663	8,528
SCIP Loan	96,824	-	(8,291)	88,533	8,705
Key Bank Note	109,936	-	(19,446)	90,490	20,341
Lebanon Schools	-	317,598	-	317,598	317,598
	<hr/>		<hr/>	<hr/>	<hr/>
	13,742,982	-	(637,296)	13,423,284	1,010,172
Accrued vacation	696,323	-	(35,688)	660,635	89,980
	<hr/>		<hr/>	<hr/>	<hr/>
	\$ 14,439,305	\$ -	\$ (672,984)	\$ 14,083,919	\$ 1,100,152
	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<i>Outstanding July 1, 2003</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June30, 2004</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
1993 Wastewater Revenue Refunding	\$ 3,840,000	\$ -	\$ (3,840,000)	\$ -	\$ -
1993 Water Refunding	3,000,000	-	(3,000,000)	-	-
2000 Wastewater Revenue	3,105,000	-	(120,000)	2,985,000	125,000
DOE Loan	8,835	-	(2,760)	6,075	2,741
2003 Wastewater Revenue Refunding	-	3,775,000	(245,000)	3,530,000	180,000
2004 Water Refunding	-	2,910,000	-	2,910,000	-
	<hr/>		<hr/>	<hr/>	<hr/>
	9,953,835	6,685,000	(7,207,760)	9,431,075	307,741
Accrued vacation	193,982	-	(45,915)	148,067	18,334
	<hr/>		<hr/>	<hr/>	<hr/>
	\$ 10,147,817	\$ 6,685,000	\$ (7,253,675)	\$ 9,579,142	\$ 326,075
	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

LONG-TERM OBLIGATIONS (Continued)

The future maturities of obligations outstanding as of June 30, 2004:

Governmental Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 1,010,172	\$ 725,234	\$ 1,735,406
2006	752,710	685,449	1,438,159
2007	811,039	650,432	1,461,471
2008	864,903	610,867	1,475,770
2009	899,263	568,753	1,468,016
2010-2014	3,379,257	2,336,600	5,715,857
2015-2019	3,584,292	1,648,205	5,232,497
2020-2024	1,181,648	593,441	1,775,089
2025-2028	940,000	152,851	1,092,851
	<u>\$ 13,423,284</u>	<u>\$ 7,971,832</u>	<u>\$ 21,395,116</u>

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 307,741	\$ 377,840	\$ 685,581
2006	312,985	367,745	680,730
2007	345,349	357,241	702,590
2008	485,000	344,846	829,846
2009	495,000	330,189	825,189
2010-2014	2,790,000	1,370,469	4,160,469
2015-2019	3,435,000	741,088	4,176,088
2020-2023	1,260,000	72,070	1,332,070
	<u>\$ 9,431,075</u>	<u>\$ 3,961,488</u>	<u>\$ 13,392,563</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

PENSION PLANS

Plan Description

Certain 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 or 30 years of service 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 5.6% 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.

Annual Pension Cost

For fiscal 2003-04, the City's annual pension cost of \$590,840 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.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

PENSION PLANS (Continued)

Annual Pension Cost (Continued)

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>
6/30/02	\$ 618,015	100%	\$ -
6/30/03	687,912	100	-
6/30/04	590,840	100	-

TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,931	\$ 335,875
Intergovernmental	2,237,333	345,815
Urban Renewal	-	7,883
NW Urban Renewal	250,000	258,130
Cheadle Lake Urban Renewal	-	2,723
Debt Service	25,979	-
Capital Projects	166,831	151,443
Water	41,949	1,150,035
Water CIP	123,000	20,668
Small Water Line	364,458	29,990
Wastewater	86,749	1,299,143
Wastewater CIP	348,847	45,372
	<u>\$ 3,647,077</u>	<u>\$ 3,647,077</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2004

RECONCILIATION OF BUDGETARY TO GAAP BASIS

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Revenues and other financing sources:					
Per budgetary basis	\$ 3,938,677	\$ 5,809,087	\$ 837,159	\$ 1,472,417	\$ 5,566,500
Adjustment for accounts receivable / deposits	-	-	-	-	(6,873)
Budgetary transfers	-	-	-	-	129,757
	<u>\$ 3,938,677</u>	<u>\$ 5,809,087</u>	<u>\$ 837,159</u>	<u>\$ 1,472,417</u>	<u>\$ 5,689,384</u>
Per GAAP basis					
Expenditures and other financing uses:					
Per budgetary basis	\$ 4,212,166	\$ 5,641,064	\$ 598,179	\$ 1,505,077	\$ 7,004,250
Adjustments for:					
Accrued compensated absences	(11,918)	(51,608)	-	2,520	(46,849)
Loan repayments / bond principal	-	-	-	-	(457,760)
Capital outlay	-	-	-	-	(518,211)
Depreciation	-	-	-	-	941,879
Budgetary transfers	-	63,719	-	-	66,038
Loss on disposal of fixed assets	-	-	-	-	191
	<u>\$ 4,200,248</u>	<u>\$ 5,653,175</u>	<u>\$ 598,179</u>	<u>\$ 1,507,597</u>	<u>\$ 6,989,538</u>
Per GAAP 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 statement of net assets.

CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBANON, OREGON

SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

YEAR ENDED JUNE 30, 2004

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

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 2,440,000	\$ 2,440,000	\$ 2,391,150	\$ 2,391,150
Licenses and permits	905,230	905,230	874,334	874,334
Charges for services	48,900	48,900	40,101	40,101
Intergovernmental	271,533	271,533	333,625	333,625
Fines and forfeitures	217,000	217,000	213,928	213,928
Miscellaneous	114,400	114,400	83,608	83,608
<i>Total Revenues</i>	<u>3,997,063</u>	<u>3,997,063</u>	<u>3,936,746</u>	<u>3,936,746</u>
EXPENDITURES				
Administration	89,300	92,300	86,499	74,581
City attorney	49,990	49,990	47,183	47,183
Planning	122,285	122,285	109,530	109,530
Public works	24,546	24,546	16,312	16,312
Parks	342,081	342,081	332,232	332,232
Finance	79,550	79,550	78,352	78,352
Legislative	22,602	23,102	22,605	22,605
Library	248,240	251,825	244,685	244,685
Municipal court	208,842	257,732	248,921	248,921
Police	2,348,128	2,348,128	2,276,483	2,276,483
Senior services	142,769	167,769	154,505	154,505
Nondepartmental	284,332	282,431	258,984	258,984
<i>Total Expenditures</i>	<u>3,962,665</u>	<u>4,041,739</u>	<u>3,876,291</u>	<u>3,864,373</u>
REVENUES OVER (UNDER) EXPENDITURES	34,398	(44,676)	60,455	72,373
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	4,000	1,931	1,931
Transfers out	(338,398)	(338,398)	(335,875)	(335,875)
<i>Total Other Financing Sources (Uses)</i>	<u>(334,398)</u>	<u>(334,398)</u>	<u>(333,944)</u>	<u>(333,944)</u>
NET CHANGE IN FUND BALANCE	(300,000)	(379,074)	(273,489)	(261,571)
FUND BALANCE, Beginning of year	<u>300,000</u>	<u>379,074</u>	<u>371,316</u>	<u>315,405</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,827</u>	<u>\$ 53,834</u>

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND**

YEAR ENDED JUNE 30, 2004

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 41,000	\$ 41,000	\$ 22,831	\$ 22,831
Licenses and permits	395,108	395,108	376,118	376,118
Charges for services	15,000	15,000	6,240	6,240
Intergovernmental	2,281,148	2,881,148	1,112,506	1,112,506
Fines and forfeitures	101,500	101,500	131,946	131,946
Miscellaneous	217,464	217,464	213,841	213,841
<i>Total Revenues</i>	3,051,220	3,651,220	1,863,482	1,863,482
EXPENDITURES				
City Hall repairs	20,100	20,100	13,226	13,226
Motel tax	61,500	61,500	21,915	21,915
Santiam travel station	467,000	467,000	37,572	37,572
OTSC Grant	350	350	-	-
Building inspections	334,980	334,980	257,968	257,874
Park enterprise	21,219	21,219	12,795	12,794
Park grants	269,841	269,841	47,046	47,046
Operation and environment	1,527,740	1,527,740	1,281,153	1,285,650
GIS	369,299	369,299	132,430	133,962
Information system	549,371	549,371	409,331	410,314
Sidewalk and bikepath	43,800	43,800	843	843
Engineering development	158,255	158,255	97,474	97,528
Streets	527,040	527,040	482,367	419,257
Storm drains	61,106	61,106	58,760	58,530
911 communications	56,000	56,000	-	-
Civil forfeitures	1,822	1,822	-	-
School resource officer	73,354	73,354	73,336	75,817
Dial-A-Bus	138,795	138,795	115,750	115,937
STP street project	172,000	172,000	80	80
Downtown beautification project	644,210	644,210	68,464	68,464
ODOT grant/transportation	29,000	29,000	-	-
Parking enforcement	19,904	19,904	17,918	18,369
1983-84 rehabilitation	91,164	91,164	341	341
85-86 housing rehabilitation unres.	100	100	-	-
Gills Landing	7,098	7,098	5,595	5,594
93 housing rehabilitation grant	32,500	32,500	31,567	31,567
1996 housing rehabilitation grant	6,000	6,000	-	-
1998 housing rehabilitation grant	42,000	42,000	57,791	57,791
2001 housing rehabilitation grant	300,000	300,000	300,000	300,000
Support services	22,000	22,000	7,896	7,896
Traffic team	156,098	156,098	151,898	153,945
Downtown beautification CIF grant	50,000	50,000	-	-
Senior Center OCDBG	-	600,000	-	-
<i>Total Expenditures</i>	6,253,646	6,853,646	3,683,516	3,632,312

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES OVER (UNDER)				
EXPENDITURES	(3,202,426)	(3,202,426)	(1,820,034)	(1,768,830)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,357,747	2,357,747	2,237,333	2,237,333
Transfers out	(370,093)	(370,093)	(282,096)	(345,815)
<i>Total Other Financing Sources (Uses)</i>	<u>1,987,654</u>	<u>1,987,654</u>	<u>1,955,237</u>	<u>1,891,518</u>
NET CHANGE IN FUND BALANCE	(1,214,772)	(1,214,772)	135,203	122,688
FUND BALANCE, Beginning of year	<u>1,298,772</u>	<u>1,298,772</u>	<u>1,214,764</u>	<u>1,198,049</u>
FUND BALANCE, End of year	<u>\$ 84,000</u>	<u>\$ 84,000</u>	<u>\$ 1,349,967</u>	<u>\$ 1,320,737</u>

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2004**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 203,700	\$ 203,700	\$ 212,256	\$ 212,256
Licenses and permits	343,332	343,332	343,330	343,330
Intergovernmental	10,200	10,200	6,674	6,674
Miscellaneous	980,383	980,383	743,326	743,326
<i>Total Revenues</i>	1,537,615	1,537,615	1,305,586	1,305,586
EXPENDITURES				
Equipment acquisition	1,137,660	1,137,660	111,674	111,674
Historic resources	120	120	-	-
Pioneer Cemetery	400	400	24	24
Local law enforce block grant	11,050	11,050	-	-
D.A.R.E.	7,800	7,800	2,933	2,933
Police	3,650	3,650	2,455	2,455
Library	56,200	56,200	2,639	2,639
Library/senior center building	71,500	71,500	-	-
Senior services	54,180	54,180	41,108	41,108
Snedaker trust	4,000	4,000	150	150
Streets	1,099,332	1,099,332	324,486	324,486
Streets capital projects	12,500	12,500	-	-
Allocable direct costs	643,066	643,066	549,013	551,874
Infrastructure deferral	276,500	276,500	5,340	5,340
SDC drainage improvement	122,571	122,571	21,036	20,967
SDC park improvement	231,323	231,323	84,382	84,342
SDC wastewater improvement	105,022	105,022	52,893	52,772
SDC wastewater reimbursement	18,500	18,500	-	-
SDC streets improvement	609,813	609,813	112,670	112,587
SDC water improvement	410,649	410,649	42,831	42,803
SDC water reimbursement	15,950	15,950	-	-
<i>Total Expenditures</i>	4,891,786	4,891,786	1,353,634	1,356,154

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES OVER (UNDER)				
EXPENDITURES	(3,354,171)	(3,354,171)	(48,048)	(50,568)
OTHER FINANCING SOURCES (USES)				
Transfers in	254,860	254,860	166,831	166,831
Transfers out	(195,006)	(195,006)	(151,443)	(151,443)
<i>Total Other Financing Sources (Uses)</i>	<u>59,854</u>	<u>59,854</u>	<u>15,388</u>	<u>15,388</u>
NET CHANGE IN FUND BALANCE	(3,294,317)	(3,294,317)	(32,660)	(35,180)
FUND BALANCE, Beginning of year	<u>3,370,717</u>	<u>3,370,717</u>	<u>3,428,719</u>	<u>3,416,480</u>
FUND BALANCE, End of year	<u>\$ 76,400</u>	<u>\$ 76,400</u>	<u>\$ 3,396,059</u>	<u>\$ 3,381,300</u>

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

CITY OF LEBANON, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Urban Renewal	NW Urban Renewal	Cheadle Lake Urban Renewal
ASSETS			
Cash and investments	\$ 816,508	\$ 581,257	\$ 53,279
Accounts receivable	6,586	14,080	952
Property taxes receivable	36,492	80,196	4,110
Special assessments/loans	16,216	10,438	-
Prepaid expenses	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 875,802	\$ 685,971	\$ 58,341
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 683	\$ 489	\$ 1,900
Payroll taxes payable	-	-	-
Paid absences	637	712	403
Deferred revenues	52,709	90,634	4,110
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	54,029	91,835	6,413
Fund Balances			
Unreserved, reported in:			
Special revenue funds	821,773	594,136	51,928
Debt services funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	821,773	594,136	51,928
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	\$ 875,802	\$ 685,971	\$ 58,341

<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Recorder</i>	<i>Bail Refund</i>	<i>Totals</i>
\$ 602,429	\$ 117,005	\$ 72,382	\$ 13,862	\$ 2,256,722
7,654	-	46,894	-	76,166
43,573	-	-	-	164,371
-	1,675	-	-	28,329
-	1,833	17,922	-	19,755
<u>\$ 653,656</u>	<u>\$ 120,513</u>	<u>\$ 137,198</u>	<u>\$ 13,862</u>	<u>\$ 2,545,343</u>
\$ -	\$ -	\$ 2,140	\$ 13,862	\$ 19,074
-	-	97,819	-	97,819
-	-	-	-	1,752
43,573	3,508	-	-	194,534
<u>43,573</u>	<u>3,508</u>	<u>99,959</u>	<u>13,862</u>	<u>313,179</u>
-	-	37,239	-	1,505,076
610,083	117,005	-	-	727,088
<u>610,083</u>	<u>117,005</u>	<u>37,239</u>	<u>-</u>	<u>2,232,164</u>
<u>\$ 653,656</u>	<u>\$ 120,513</u>	<u>\$ 137,198</u>	<u>\$ 13,862</u>	<u>\$ 2,545,343</u>

CITY OF LEBANON, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>Urban Renewal</u>	<u>NW Urban Renewal</u>	<u>Cheadle Lake Urban Renewal</u>
REVENUES			
Taxes and assessments	\$ 382,946	\$ 797,627	\$ 60,844
Intergovernmental	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	13,035	10,558	752
<i>Total Revenues</i>	<u>395,981</u>	<u>808,185</u>	<u>61,596</u>
EXPENDITURES			
Current operating:			
General government	-	-	-
Community services and development	91,355	60,282	32,282
Public safety	-	-	-
Capital outlay	59,886	194,100	23,004
Debt service	325,952	462,543	-
<i>Total Expenditures</i>	<u>477,193</u>	<u>716,925</u>	<u>55,286</u>
REVENUES OVER (UNDER) EXPENDITURES	(81,212)	91,260	6,310
OTHER FINANCING SOURCES (USES)			
Transfers in	-	250,000	-
Transfers out	(7,883)	(258,130)	(2,723)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,883)</u>	<u>(8,130)</u>	<u>(2,723)</u>
NET CHANGE IN FUND BALANCES	(89,095)	83,130	3,587
FUND BALANCES, Beginning of year	<u>910,868</u>	<u>511,006</u>	<u>48,341</u>
FUND BALANCES, End of year	<u>\$ 821,773</u>	<u>\$ 594,136</u>	<u>\$ 51,928</u>

<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Recorder's</i>	<i>Bail Refund</i>	<i>Totals</i>
\$ 435,888	\$ 21,295	\$ -	\$ -	\$ 1,698,600
117,780	-	-	-	117,780
-	-	-	120,620	120,620
212,755	23,462	71,872	18	332,452
766,423	44,757	71,872	120,638	2,269,452
-	-	35,844	-	35,844
-	-	-	-	183,919
-	-	-	120,638	120,638
-	-	-	-	276,990
585,047	13,132	-	-	1,386,674
585,047	13,132	35,844	120,638	2,004,065
181,376	31,625	36,028	-	265,387
25,979	-	-	-	275,979
-	-	-	-	(268,736)
25,979	-	-	-	7,243
207,355	31,625	36,028	-	272,630
402,728	85,380	1,211	-	1,959,534
\$ 610,083	\$ 117,005	\$ 37,239	\$ -	\$ 2,232,164

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - URBAN RENEWAL FUND****YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 380,254	\$ 380,254	\$ 382,946	\$ 382,946
Miscellaneous	22,000	22,000	13,035	13,035
<i>Total Revenues</i>	<u>402,254</u>	<u>402,254</u>	<u>395,981</u>	<u>395,981</u>
EXPENDITURES				
Urban renewal	583,866	583,866	151,530	151,241
Urban renewal debt service	326,010	326,010	325,952	325,952
Contingency	330,695	330,695	-	-
<i>Total Expenditures</i>	<u>1,240,571</u>	<u>1,240,571</u>	<u>477,482</u>	<u>477,193</u>
REVENUES OVER (UNDER) EXPENDITURES	(838,317)	(838,317)	(81,501)	(81,212)
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,883)	(7,883)	(7,883)	(7,883)
NET CHANGE IN FUND BALANCE	(846,200)	(846,200)	(89,384)	(89,095)
FUND BALANCE, Beginning of year	<u>914,000</u>	<u>914,000</u>	<u>911,794</u>	<u>910,868</u>
FUND BALANCE, End of year	<u>\$ 67,800</u>	<u>\$ 67,800</u>	<u>\$ 822,410</u>	<u>\$ 821,773</u>

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

YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 652,559	\$ 652,559	\$ 797,627	\$ 797,627
Miscellaneous	443,100	443,100	10,558	10,558
<i>Total Revenues</i>	<u>1,095,659</u>	<u>1,095,659</u>	<u>808,185</u>	<u>808,185</u>
EXPENDITURES				
Personal services	54,776	54,776	52,233	52,118
Materials and services	210,091	210,091	8,164	8,164
Capital outlay	391,029	391,029	194,100	194,100
Debt service	462,550	462,550	462,543	462,543
Contingency	466,900	466,900	-	-
<i>Total Expenditures</i>	<u>1,585,346</u>	<u>1,585,346</u>	<u>717,040</u>	<u>716,925</u>
REVENUES OVER (UNDER) EXPENDITURES	(489,687)	(489,687)	91,145	91,260
OTHER FINANCING SOURCES (USES)				
Transfers in	568,670	568,670	250,000	250,000
Transfers out	(576,800)	(576,800)	(258,130)	(258,130)
<i>Total Other Financing Sources (Uses)</i>	<u>(8,130)</u>	<u>(8,130)</u>	<u>(8,130)</u>	<u>(8,130)</u>
NET CHANGE IN FUND-BALANCE	(497,817)	(497,817)	83,015	83,130
FUND BALANCE, Beginning of year	<u>497,817</u>	<u>497,817</u>	<u>511,833</u>	<u>511,006</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,848</u>	<u>\$ 594,136</u>

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, 2004**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 56,200	\$ 56,200	\$ 60,844	\$ 60,844
Miscellaneous	750	750	752	752
<i>Total Revenues</i>	56,950	56,950	61,596	61,596
EXPENDITURES				
Personal services	29,714	29,714	29,344	29,102
Materials and services	6,684	6,684	3,180	3,180
Capital outlay	22,931	22,931	23,004	23,004
Debt service	56,200	56,200	-	-
Contingency	3,998	3,998	-	-
<i>Total Expenditures</i>	119,527	119,527	55,528	55,286
REVENUES OVER (UNDER) EXPENDITURES	(62,577)	(62,577)	6,068	6,310
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,723)	(2,723)	(2,723)	(2,723)
NET CHANGE IN FUND BALANCE	(65,300)	(65,300)	3,345	3,587
FUND BALANCE, Beginning of year	65,300	65,300	48,986	48,341
FUND BALANCE, End of year	\$ -	\$ -	\$ 52,331	\$ 51,928

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2004**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>GAAP</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Basis</i>
REVENUES				
Taxes and assessments	\$ 442,908	\$ 442,908	\$ 435,888	\$ 435,888
Intergovernmental	-	-	117,780	117,780
Miscellaneous	188,980	188,980	212,755	212,755
<i>Total Revenues</i>	631,888	631,888	766,423	766,423
EXPENDITURES				
Debt service	1,655,133	1,655,133	585,047	585,047
Contingency	17,846	17,846	-	-
<i>Total Expenditures</i>	1,672,979	1,672,979	585,047	585,047
REVENUES OVER (UNDER) EXPENDITURES	(1,041,091)	(1,041,091)	181,376	181,376
OTHER FINANCING SOURCES (USES)				
Loan proceeds	1,000,000	1,000,000	-	-
Transfers in	41,640	41,640	25,979	25,979
NET CHANGE IN FUND BALANCE	549	549	207,355	207,355
FUND BALANCE, Beginning of year	397,000	397,000	402,728	402,728
FUND BALANCE, End of year	\$ 397,549	\$ 397,549	\$ 610,083	\$ 610,083

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BANCROFT BOND FUND
YEAR ENDED JUNE 30, 2004**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 8,710	\$ 8,710	\$ 21,295	\$ 21,295
Miscellaneous	6,100	6,100	23,462	23,462
<i>Total Revenues</i>	14,810	14,810	44,757	44,757
EXPENDITURES				
Materials and services	24,000	24,000	-	-
Debt service	13,132	13,132	13,132	13,132
<i>Total Expenditures</i>	37,132	37,132	13,132	13,132
REVENUES OVER (UNDER) EXPENDITURES	(22,322)	(22,322)	31,625	31,625
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,310)	(2,310)	-	-
NET CHANGE IN FUND BALANCE	(24,632)	(24,632)	31,625	31,625
FUND BALANCE, Beginning of year	85,000	85,000	85,380	85,380
FUND BALANCE, End of year	\$ 60,368	\$ 60,368	\$ 117,005	\$ 117,005

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - RECORDER'S FUND
YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 71,872	\$ 71,872
EXPENSES				
Materials and services	-	-	35,844	35,844
REVENUES OVER (UNDER) EXPENSES	-	-	36,028	36,028
NET ASSETS, Beginning of year	-	-	1,211	1,211
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,239</u>	<u>\$ 37,239</u>

CITY OF LEBANON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - BAIL REFUND FUND

YEAR ENDED JUNE 30, 2004

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Fines and forfeitures	\$ 147,500	\$ 147,500	\$ 120,620	\$ 120,620
Miscellaneous	10,000	10,000	18	18
<i>Total Revenues</i>	157,500	157,500	120,638	120,638
EXPENSES				
Materials and services	157,500	157,500	120,638	120,638
REVENUES OVER (UNDER) EXPENSES	-	-	-	-
NET ASSETS, Beginning of year	-	-	-	-
NET ASSETS, End of year	\$ -	\$ -	\$ -	\$ -

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

JUNE 30, 2004

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>
ASSETS		
Current assets		
Cash and investments	\$ 854,935	\$ 518,039
Accounts receivable	362,682	-
Property taxes receivable	-	-
	<hr/>	<hr/>
<i>Total Current Assets</i>	1,217,617	518,039
Noncurrent assets		
Capital assets, net	4,648,269	838,975
	<hr/>	<hr/>
<i>Total Assets</i>	5,865,886	1,357,014
LIABILITIES		
Current liabilities		
Accounts payable	9,281	-
Deposits	72,175	-
Due to other funds	-	-
Loan payable - current portion	-	-
Bonds payable - current portion	-	-
	<hr/>	<hr/>
<i>Total Current Liabilities</i>	81,456	-
Noncurrent liabilities		
Loans payable	-	-
Bonds payable	-	2,910,000
Bonds discount	-	(85,272)
Compensated absences payable	65,960	-
Reserved for claims	70,476	-
	<hr/>	<hr/>
<i>Total Noncurrent Liabilities</i>	136,436	2,824,728
NET ASSETS		
Investment in capital assets (net of related debt)	4,648,269	(1,985,753)
Unrestricted	999,725	518,039
	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 5,647,994</u>	<u>\$ (1,467,714)</u>

<i>Small Water Line Dept.</i>	<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ 72,209	\$ 44,464	\$ 121,440	\$ 1,854,257	\$ 554	\$ 3,465,898
9	-	278,521	-	-	641,212
-	-	911	-	-	911
72,218	44,464	400,872	1,854,257	554	4,108,021
79,254	-	16,804,126	1,190,476	-	23,561,100
151,472	44,464	17,204,998	3,044,733	554	27,669,121
10,226	17	57,415	19	4	76,962
-	-	-	-	-	72,175
-	-	130,000	-	-	130,000
-	-	2,741	-	-	2,741
-	-	-	305,000	-	305,000
10,226	17	190,156	305,019	4	586,878
-	-	3,334	-	-	3,334
-	-	-	6,210,000	-	9,120,000
-	-	-	(181,267)	-	(266,539)
6,850	3,053	68,299	3,905	-	148,067
-	-	53,657	-	-	124,133
6,850	3,053	125,290	6,032,638	-	9,128,995
79,254	-	16,798,051	(5,143,257)	-	14,396,564
55,142	41,394	91,501	1,850,333	550	3,556,684
<u>\$ 134,396</u>	<u>\$ 41,394</u>	<u>\$ 16,889,552</u>	<u>\$ (3,292,924)</u>	<u>\$ 550</u>	<u>\$ 17,953,248</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
ALL PROPRIETARY FUND DEPARTMENTS
YEAR ENDED JUNE 30, 2004

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>
OPERATING REVENUES		
Charges for services	\$ 2,211,003	\$ -
Miscellaneous	41,178	-
<i>Total Operating Revenues</i>	2,252,181	-
OPERATING EXPENSES		
Personnel services	686,906	-
Materials and services	347,034	245,725
Capital outlay / depreciation	210,265	-
<i>Total Operating Expenses</i>	1,244,205	245,725
OPERATING INCOME (LOSS)	1,007,976	(245,725)
NONOPERATING REVENUES (EXPENSES)		
Transfers in	41,949	123,000
Transfers out	(1,150,035)	(20,668)
Interest income	10,844	8,529
Interest expense	-	(98,388)
Loss on disposal of assets	(191)	-
<i>Total Nonoperating Revenue (Expenses)</i>	(1,097,433)	12,473
CHANGE IN NET ASSETS	(89,457)	(233,252)
NET ASSETS, Beginning of year	5,737,451	(1,234,462)
NET ASSETS, End of year	<u>\$ 5,647,994</u>	<u>\$ (1,467,714)</u>

<i>Small Water Line Dept.</i>	<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ -	\$ 2,324,926	\$ -	\$ -	\$ 4,535,929
-	-	53,152	-	106	94,436
-	-	2,378,078	-	106	4,630,365
207,874	(3,711)	511,244	-	-	1,402,313
168,611	521	936,547	305,113	12	2,003,563
21,473	-	464,416	-	-	696,154
397,958	(3,190)	1,912,207	305,113	12	4,102,030
(397,958)	3,190	465,871	(305,113)	94	528,335
364,458	-	86,749	348,847	-	965,003
(29,990)	-	(1,299,143)	(45,372)	-	(2,545,208)
1,335	492	706	72,104	6	94,016
-	-	(456)	(243,265)	-	(342,109)
-	-	-	-	-	(191)
335,803	492	(1,212,144)	132,314	6	(1,828,489)
(62,155)	3,682	(746,273)	(172,799)	100	(1,300,154)
196,551	37,712	17,635,825	(3,120,125)	450	19,253,402
<u>\$ 134,396</u>	<u>\$ 41,394</u>	<u>\$ 16,889,552</u>	<u>\$ (3,292,924)</u>	<u>\$ 550</u>	<u>\$ 17,953,248</u>

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER DEPARTMENT
YEAR ENDED JUNE 30, 2004**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,230,000	\$ 2,230,000	\$ 2,238,289	\$ 2,211,003
Miscellaneous	51,000	51,000	52,453	52,022
<i>Total Revenues</i>	<u>2,281,000</u>	<u>2,281,000</u>	<u>2,290,742</u>	<u>2,263,025</u>
EXPENSES				
Personal services	718,320	718,320	712,093	686,906
Materials and services	578,276	578,276	394,334	347,034
Capital outlay/depreciation	25,654	25,654	23,458	210,265
Contingency	308,502	308,502	-	-
<i>Total Expenses</i>	<u>1,630,752</u>	<u>1,630,752</u>	<u>1,129,885</u>	<u>1,244,205</u>
REVENUES OVER (UNDER) EXPENSES	650,248	650,248	1,160,857	1,018,820
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	41,949
Transfers out	(1,230,248)	(1,230,248)	(1,141,275)	(1,150,035)
Loss on disposal of assets	-	-	-	(191)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,230,248)</u>	<u>(1,230,248)</u>	<u>(1,141,275)</u>	<u>(1,108,277)</u>
NET CHANGE IN NET ASSETS	(580,000)	(580,000)	19,582	(89,457)
NET ASSETS, Beginning of year	580,000	580,000	755,759	5,737,451
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,341</u>	<u>\$ 5,647,994</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, 2004**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
REVENUES				
Miscellaneous	\$ 14,000	\$ 14,000	\$ 8,529	\$ 8,529
EXPENSES				
Materials and services	-	-	232,242	245,725
Capital outlay/depreciation	548,238	548,238	20,669	-
Debt service	251,285	251,285	188,388	98,388
Contingency	259,688	259,688	-	-
<i>Total Expenses</i>	<u>1,059,211</u>	<u>1,059,211</u>	<u>441,299</u>	<u>344,113</u>
REVENUES OVER (UNDER)				
EXPENSES	(1,045,211)	(1,045,211)	(432,770)	(335,584)
OTHER FINANCING SOURCES (USES)				
Transfers in	211,973	211,973	123,000	123,000
Transfers out	(8,762)	(8,762)	(8,762)	(20,668)
Refunding bonds issued	-	-	3,775,000	-
Payment to refunded bond escrow agent	-	-	(3,775,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>203,211</u>	<u>203,211</u>	<u>114,238</u>	<u>102,332</u>
NET CHANGE IN NET ASSETS	(842,000)	(842,000)	(318,532)	(233,252)
NET ASSETS, Beginning of year	<u>842,000</u>	<u>842,000</u>	<u>836,570</u>	<u>(1,234,462)</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,038</u>	<u>\$ (1,467,714)</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, 2004**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 4,000	\$ 4,000	\$ 1,335	\$ 1,335
EXPENSES				
Personal services	228,829	228,829	207,978	207,874
Materials and services	167,505	167,505	168,611	168,611
Capital outlay/depreciation	7,808	7,808	1,806	21,473
Contingency	19,267	19,267	-	-
<i>Total Expenses</i>	<u>423,409</u>	<u>423,409</u>	<u>378,395</u>	<u>397,958</u>
REVENUES OVER (UNDER) EXPENSES	(419,409)	(419,409)	(377,060)	(396,623)
OTHER FINANCING SOURCES (USES)				
Transfers in	363,399	363,399	363,399	364,458
Transfers out	(29,990)	(29,990)	(29,990)	(29,990)
<i>Total Other Financing Sources (Uses)</i>	<u>333,409</u>	<u>333,409</u>	<u>333,409</u>	<u>334,468</u>
NET CHANGE IN NET ASSETS	(86,000)	(86,000)	(43,651)	(62,155)
NET ASSETS, Beginning of year	<u>86,000</u>	<u>86,000</u>	<u>105,642</u>	<u>196,551</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,991</u>	<u>\$ 134,396</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, 2004**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 492	\$ 492
EXPENSES				
Personal services	29,609	29,609	98	(3,711)
Materials and services	4,226	4,226	521	521
Contingency	11,165	11,165	-	-
<i>Total Expenses</i>	<u>45,000</u>	<u>45,000</u>	<u>619</u>	<u>(3,190)</u>
NET CHANGE IN NET ASSETS	(45,000)	(45,000)	(127)	3,682
NET ASSETS, Beginning of year	<u>45,000</u>	<u>45,000</u>	<u>44,574</u>	<u>37,712</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,447</u>	<u>\$ 41,394</u>

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WASTEWATER DEPARTMENT
YEAR ENDED JUNE 30, 2004**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,360,000	\$ 2,360,000	\$ 2,309,404	\$ 2,324,926
Miscellaneous	253,000	253,000	48,536	53,858
<i>Total Revenues</i>	<u>2,613,000</u>	<u>2,613,000</u>	<u>2,357,940</u>	<u>2,378,784</u>
EXPENSES				
Personal services	537,656	537,656	528,993	511,244
Materials and services	537,411	537,411	949,738	936,547
Capital outlay/depreciation	232,958	232,958	25,311	464,416
Debt service	3,216	3,216	3,216	456
Contingency	225,104	225,104	-	-
<i>Total Expenses</i>	<u>1,536,345</u>	<u>1,536,345</u>	<u>1,507,258</u>	<u>1,912,663</u>
REVENUES OVER (UNDER) EXPENSES	1,076,655	1,076,655	850,682	466,121
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	86,749
Transfers out	(1,683,655)	(1,683,655)	(1,285,952)	(1,299,143)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,683,655)</u>	<u>(1,683,655)</u>	<u>(1,285,952)</u>	<u>(1,212,394)</u>
NET CHANGE IN NET ASSETS	(607,000)	(607,000)	(435,270)	(746,273)
NET ASSETS, Beginning of year	<u>762,000</u>	<u>762,000</u>	<u>316,739</u>	<u>17,635,825</u>
NET ASSETS, End of year	<u>\$ 155,000</u>	<u>\$ 155,000</u>	<u>\$ (118,531)</u>	<u>\$ 16,889,552</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, 2004**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 622,000	\$ 622,000	\$ 72,104	\$ 72,104
EXPENSES				
Personal services	46,243	46,243	44,829	-
Materials and services	190,085	190,085	366,631	305,113
Capital outlay/depreciation	2,238,742	2,238,742	47,887	-
Debt service	650,970	650,970	608,265	243,265
Contingency	653,054	653,054	-	-
<i>Total Expenses</i>	<u>3,779,094</u>	<u>3,779,094</u>	<u>1,067,612</u>	<u>548,378</u>
REVENUES OVER (UNDER) EXPENSES	(3,157,094)	(3,157,094)	(995,508)	(476,274)
OTHER FINANCING SOURCES (USES)				
Transfers in	656,770	656,770	348,847	348,847
Transfers out	(13,191)	(13,191)	(13,191)	(45,372)
Refunding bonds issued	-	-	2,910,000	-
Payment to refunded bond escrow agent	-	-	(2,910,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>643,579</u>	<u>643,579</u>	<u>335,656</u>	<u>303,475</u>
NET CHANGE IN NET ASSETS	(2,513,515)	(2,513,515)	(659,852)	(172,799)
NET ASSETS, Beginning of year	<u>2,513,515</u>	<u>2,513,515</u>	<u>2,514,091</u>	<u>(3,120,125)</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,854,239</u>	<u>\$ (3,292,924)</u>

CITY OF LEBANON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -

BUDGET AND ACTUAL - RAILROAD DEPARTMENT

YEAR ENDED JUNE 30, 2004

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 120	\$ 120	\$ 112	\$ 112
EXPENSES				
Materials and services	220	220	12	12
REVENUES OVER (UNDER)				
EXPENSES	(100)	(100)	100	100
NET ASSETS, Beginning of year	100	100	450	450
NET ASSETS, End of year	\$ -	\$ -	\$ 550	\$ 550

CITY OF LEBANON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2004

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2003</u>	<u>2003-04 Levy</u>	<u>Added To Rolls</u>	<u>Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2004</u>
2003-2004	\$ -	\$ 4,406,711	\$ 1,594	\$ 119,595	\$ 4,076,813	\$ 211,897
2002-2003	212,469	-	11	10,055	105,280	97,145
2001-2002	97,228	-	633	2,177	40,312	55,372
2000-2001	57,048	-	-	957	32,975	23,116
1999-2000	19,431	-	-	1,562	14,417	3,452
1998-1999	4,348	-	-	904	2,198	1,246
1997-1998	2,631	-	-	222	2,058	351
Prior Years	4,710	-	-	10	391	4,309
Total	\$ 397,865	\$ 4,406,711	\$ 2,238	\$ 135,482	\$ 4,274,444	\$ 396,888

CITY OF LEBANON, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2004

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
PRINCIPAL TRANSACTIONS			
Governmental Activities			
1994 GO Urban Renewal	3.0-6.0%	1994	2013-14
1995 GO Refunding	3.75-5.35%	1995	2009-10
1995 GO Urban Renewal	4.5-5.625%	1999	2018-19
2000 GO Urban Renewal	4.75-6.0%	2000	2019-20
2002 GO Pension Pool	2.0-7.3605	2002	2027-28
SCIP Loan	5.0%	1987	2012-13
Key Bank Note	5.95%	1998	2007-08
Lebanon Schools	LGIP rate	2003	2004-2005
Business-type Activities			
DOE Loan	8.5%	1987	2007-08
1993 Wastewater Revenue Refunding	5.25-5.875%	1993	2019-20
1993 Water Refunding	3.75-5.5%	1993	2021-22
2000 Wastewater Revenue	4.7-5.7%	2000	2019-20
2003 Wastewater Revenue Refunding	2.0-4.125%	2003	2019-20
2004 Water Refunding	2.0-4.2%	2004	2020-21
			Unmatured Interest Outstanding
	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>July 1, 2003</u>
BOND INTEREST TRANSACTIONS			
Governmental Activities			
1994 GO Urban Renewal	3.0-6.0%	1994	\$ 276,961
1995 GO Refunding	3.75-5.35%	1995	512,899
1995 GO Urban Renewal	4.5-5.625%	1999	1,881,509
2000 GO Urban Renewal	4.75-6.0%	2000	2,972,094
2002 GO Pension Pool	2.0-7.3605	2002	3,024,797
SCIP Loan	5.0%	1987	27,039
Key Bank Note	5.95%	1998	19,885
Lebanon Schools	LGIP rate	2003	-
Business-type Activities			
DOE Loan	8.5%	1987	1,478
1993 Wastewater Revenue Refunding	5.25-5.875%	1993	2,320,270
1993 Water Refunding	3.75-5.5%	1993	1,831,009
2000 Wastewater Revenue	4.7-5.7%	2000	1,755,783
2003 Wastewater Revenue Refunding	2.0-4.125%	2003	-
2004 Water Refunding	2.0-4.2%	2004	-
			<u>\$ 14,623,724</u>

<i>Outstanding July 1, 2003</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2004</i>
\$ 725,000	\$ -	\$ 50,000	\$ 675,000
2,650,000	-	315,000	2,335,000
3,190,000	-	60,000	3,130,000
4,900,000	-	180,000	4,720,000
2,071,222	-	4,559	2,066,663
96,824	-	8,291	88,533
109,936	-	19,446	90,490
-	317,598	-	317,598
8,835	-	2,760	6,075
3,840,000	-	3,840,000	-
3,000,000	-	3,000,000	-
3,105,000	-	120,000	2,985,000
-	3,775,000	245,000	3,530,000
-	2,910,000	-	2,910,000
<u>\$ 23,696,817</u>	<u>\$ 7,002,598</u>	<u>\$ 7,845,056</u>	<u>\$ 22,854,359</u>

<i>New Issues</i>	<i>Interest Coupons Paid/ Refunded</i>	<i>Unmatured Interest June 30, 2004</i>
\$ -	\$ 41,703	\$ 235,258
-	126,753	386,146
-	174,249	1,707,260
-	282,543	2,689,551
-	113,221	2,911,576
-	4,841	22,198
-	6,394	13,491
6,352	-	6,352
-	696	782
-	2,320,270	-
-	1,831,009	-
-	167,773	1,588,010
1,254,025	75,491	1,178,534
1,210,723	16,561	1,194,162
<u>\$ 2,471,100</u>	<u>\$ 5,161,504</u>	<u>\$ 11,933,320</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS
JUNE 30, 2004

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1994 GO Urban Renewal</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 50,000	\$ 39,053	\$ 89,053
2006	55,000	36,403	91,403
2007	60,000	33,488	93,488
2008	60,000	29,963	89,963
2009	65,000	26,438	91,438
2010	70,000	22,619	92,619
2011	75,000	18,506	93,506
2012	75,000	14,100	89,100
2013	80,000	9,694	89,694
2014	85,000	4,994	89,994
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 675,000</u>	<u>\$ 235,258</u>	<u>\$ 910,258</u>

<i>1995 GO Refunding</i>			<i>1995 GO Urban Renewal</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 335,000	\$ 111,310	\$ 446,310	\$ 80,000	\$ 171,429	\$ 251,429
355,000	94,573	449,573	100,000	167,589	267,589
375,000	76,500	451,500	115,000	162,689	277,689
400,000	56,625	456,625	130,000	156,939	286,939
420,000	35,100	455,100	145,000	150,309	295,309
450,000	12,038	462,038	160,000	142,769	302,769
-	-	-	175,000	133,969	308,969
-	-	-	195,000	124,344	319,344
-	-	-	215,000	113,619	328,619
-	-	-	240,000	101,794	341,794
-	-	-	260,000	88,593	348,593
-	-	-	285,000	73,969	358,969
-	-	-	315,000	57,937	372,937
-	-	-	340,000	40,218	380,218
-	-	-	375,000	21,093	396,093
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,335,000</u>	<u>\$ 386,146</u>	<u>\$ 2,721,146</u>	<u>\$ 3,130,000</u>	<u>\$ 1,707,260</u>	<u>\$ 4,837,260</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)
JUNE 30, 2004

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2000 GO Urban Renewal</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 190,000	\$ 273,183	\$ 463,183
2006	200,000	263,113	463,113
2007	210,000	252,313	462,313
2008	220,000	240,762	460,762
2009	235,000	228,552	463,552
2010	245,000	215,392	460,392
2011	260,000	201,550	461,550
2012	275,000	186,600	461,600
2013	290,000	170,787	460,787
2014	310,000	154,112	464,112
2015	325,000	136,287	461,287
2016	345,000	117,600	462,600
2017	370,000	96,900	466,900
2018	390,000	74,700	464,700
2019	415,000	51,300	466,300
2020	440,000	26,400	466,400
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 4,720,000</u>	<u>\$ 2,689,551</u>	<u>\$ 7,409,551</u>

<i>2002 GO Pension Pool</i>			<i>SCIP Loan</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 8,528	\$ 114,252	\$ 122,780	\$ 8,705	\$ 4,427	\$ 13,132
11,989	115,791	127,780	9,142	3,990	13,132
18,550	119,230	137,780	9,598	3,534	13,132
20,540	122,240	142,780	10,078	3,054	13,132
22,288	125,492	147,780	10,581	2,551	13,132
23,468	129,312	152,780	11,110	2,022	13,132
27,144	135,636	162,780	11,666	1,466	13,132
27,634	140,146	167,780	12,249	883	13,132
30,292	147,487	177,779	5,404	271	5,675
30,290	152,490	182,780	-	-	-
31,704	161,076	192,780	-	-	-
32,796	169,984	202,780	-	-	-
33,687	179,093	212,780	-	-	-
32,872	184,908	217,780	-	-	-
33,233	194,547	227,780	-	-	-
51,648	186,132	237,780	-	-	-
140,000	111,068	251,068	-	-	-
160,000	101,478	261,478	-	-	-
185,000	90,518	275,518	-	-	-
205,000	77,845	282,845	-	-	-
235,000	63,802	298,802	-	-	-
260,000	48,292	308,292	-	-	-
295,000	30,482	325,482	-	-	-
150,000	10,275	160,275	-	-	-
<u>\$ 2,066,663</u>	<u>\$ 2,911,576</u>	<u>\$ 4,978,239</u>	<u>\$ 88,533</u>	<u>\$ 22,198</u>	<u>\$ 110,731</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)
JUNE 30, 2004

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Key Bank Note</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 20,341	\$ 5,228	\$ 25,569
2006	21,579	3,990	25,569
2007	22,891	2,678	25,569
2008	24,285	1,284	25,569
2009	1,394	311	1,705
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 90,490</u>	<u>\$ 13,491</u>	<u>\$ 103,981</u>

<i>Lebanon Schools</i>			<i>DOE Loan</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 317,598	\$ 6,352	\$ 323,950	\$ 2,741	\$ 475	\$ 3,216
-	-	-	2,985	231	3,216
-	-	-	349	76	425
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 317,598</u>	<u>\$ 6,352</u>	<u>\$ 323,950</u>	<u>\$ 6,075</u>	<u>\$ 782</u>	<u>\$ 6,857</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)
JUNE 30, 2004

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2003 Wastewater Revenue Refunding</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 180,000	\$ 116,104	\$ 296,104
2006	180,000	112,504	292,504
2007	185,000	108,904	293,904
2008	185,000	105,204	290,204
2009	190,000	101,041	291,041
2010	200,000	95,816	295,816
2011	210,000	89,816	299,816
2012	210,000	83,329	293,329
2013	220,000	76,294	296,294
2014	225,000	68,319	293,319
2015	235,000	60,163	295,163
2016	245,000	51,627	296,627
2017	255,000	42,563	297,563
2018	260,000	32,850	292,850
2019	270,000	22,450	292,450
2020	280,000	11,550	291,550
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 3,530,000</u>	<u>\$ 1,178,534</u>	<u>\$ 4,708,534</u>

<i>2004 Water Refunding</i>			<i>2000 Wastewater Revenue</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ -	\$ 99,368	\$ 99,368	\$ 125,000	\$ 161,893	\$ 286,893
-	99,367	99,367	130,000	155,643	285,643
25,000	99,118	124,118	135,000	149,143	284,143
155,000	97,317	252,317	145,000	142,325	287,325
155,000	94,218	249,218	150,000	134,930	284,930
160,000	90,787	250,787	160,000	127,205	287,205
165,000	86,763	251,763	165,000	118,885	283,885
165,000	82,266	247,266	175,000	110,223	285,223
175,000	77,203	252,203	185,000	100,948	285,948
180,000	71,565	251,565	195,000	91,050	286,050
185,000	65,310	250,310	205,000	80,520	285,520
195,000	58,470	253,470	215,000	69,040	284,040
205,000	50,860	255,860	230,000	57,000	287,000
210,000	42,560	252,560	245,000	43,890	288,890
225,000	33,860	258,860	255,000	29,925	284,925
230,000	24,760	254,760	270,000	15,390	285,390
235,000	15,225	250,225	-	-	-
245,000	5,145	250,145	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,910,000</u>	<u>\$ 1,194,162</u>	<u>\$ 4,104,162</u>	<u>\$ 2,985,000</u>	<u>\$ 1,588,010</u>	<u>\$ 4,573,010</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)
JUNE 30, 2004

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 1,317,913	\$ 1,103,074	\$ 2,420,987
2006	1,065,695	1,053,194	2,118,889
2007	1,156,388	1,007,673	2,164,061
2008	1,349,903	955,713	2,305,616
2009	1,394,263	898,942	2,293,205
2010	1,479,578	837,960	2,317,538
2011	1,088,810	786,591	1,875,401
2012	1,134,883	741,891	1,876,774
2013	1,200,696	696,303	1,896,999
2014	1,265,290	644,324	1,909,614
2015	1,241,704	591,949	1,833,653
2016	1,317,796	540,690	1,858,486
2017	1,408,687	484,353	1,893,040
2018	1,477,872	419,126	1,896,998
2019	1,573,233	353,175	1,926,408
2020	1,271,648	264,232	1,535,880
2021	375,000	126,293	501,293
2022	405,000	106,623	511,623
2023	185,000	90,518	275,518
2024	205,000	77,845	282,845
2025	235,000	63,802	298,802
2026	260,000	48,292	308,292
2027	295,000	30,482	325,482
2028	150,000	10,275	160,275
	<u>\$ 22,854,359</u>	<u>\$ 11,933,320</u>	<u>\$ 34,787,679</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, 2004**

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 basic financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented in the notes to the basic financial statements.

Internal Accounting Control

We have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2004, and have issued our report thereon dated January 17, 2005. 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, 2004.

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, 2004.

CITY OF LEBANON, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2004

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, 2004 and 2005. A description of the budgeting process is in the notes to the basic financial statements.

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2004. 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, 2004.

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, 2004.

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

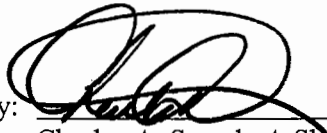
We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

CITY OF LEBANON, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2004

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.

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

By: 
Charles A. Swank, A Shareholder

January 17, 2005

